



MIRVAC GROUP

# UH22 Interim Report



REIMAGINING URBAN LIFE SINCE 1972

10 February 2022

# Interim report

For the half year ended 31 December 2021

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

This Interim Report 2022 is a consolidated summary of Mirvac Group's operational and financial performance for the half year ended 31 December 2021. 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 period between 1 July 2021 and 31 December 2021. 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 10 February 2022. 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 Annual Report FY21 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](http://www.mirvac.com).

## About us

Mirvac is an Australian Securities Exchange (ASX) top 50 company with an integrated creation and curation capability. For 50 years, we've dedicated ourselves to shaping Australia's urban landscape, with a strong focus on sustainability, innovation, safety, and placemaking.

Our legacy is reflected in the contribution we've made to our cities, through the \$24bn of assets we own and manage across the office, industrial, retail and build to rent sectors, along with our \$12.9bn commercial development pipeline.

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.

Underpinning our success is a deep commitment to our people, our customers, and our communities. To everyone involved in our story, we'd like to say thank you for helping us reach this exciting milestone.

# Review of operations and activities

## 1H22 RESULTS AND PERFORMANCE SUMMARY

Mirvac delivered a solid result for the six months to 31 December 2021 (1H22), despite the impacts of extended lockdowns in Sydney and Melbourne in the first four months of the 2022 financial year (FY22). Our results included an operating profit of \$297m, which represents 7.5 cents per stapled security (cpss), and we are on track to deliver earnings per share (EPS) of at least 15.0 cpss in FY22. Our diversified and integrated model continued to underpin our resilience, with favourable market conditions in the residential sector helping to offset weaker market conditions in the retail and office sectors. Key updates from across the Group in 1H22:

- > maintained strong metrics across our modern, well-located, sustainable Integrated Investment Portfolio (IIP);
- > cash collections reduced to 92 per cent in IIP (FY21: 98 per cent), impacted by lockdowns in Sydney and Melbourne and concentrated to Retail;
- > broadened our funds under management platform with the commencement of a new investment mandate with Sunsuper, selling down a 49 per cent interest in the Locomotive Workshop, South Eveleigh, Sydney into the mandate. We also secured an approximate 50 per cent interest in 200 George Street, Sydney, for our aligned capital partner, M&G Real Estate;
- > progressed our \$29bn development pipeline<sup>1</sup>, with topping out achieved at 80 Ann Street, Brisbane, new development applications lodged across a number of key commercial and mixed use projects, and strong momentum in our Residential business;
- > settled 1,303 residential lots and remain on track to deliver more than 2,500 lot settlements in FY22. Defaults fell back below 2 per cent, in line with historical trends;
- > exchanged over 1,800 residential lots, with a skew to our masterplanned communities (MPC) business. Our pre-sales balance increased to \$1.5bn in the six months to 31 December 2021;
- > became the first Australian property group to achieve net positive carbon for our scope 1 and 2 emissions, nine years ahead of our 2030 target; and
- > achieved 80 per cent employee engagement (top quartile of Australian companies)<sup>2</sup> and retained 93 per cent of key talent.

## FINANCIAL PERFORMANCE

	1H22 \$m	1H21 \$m <sup>3</sup>	Movement \$m
Investment EBIT	270	284	(14)
Development EBIT	162	97	65
Commercial & Mixed Use	73	21	52
Residential	89	76	13
<b>Segment EBIT</b>	<b>432</b>	381	51
Unallocated overheads <sup>4</sup>	(41)	(20)	(21)
<b>Group operating EBIT</b>	<b>391</b>	361	30
<b>Operating profit after tax</b>	<b>297</b>	273	24
Development revaluation gain	48 <sup>5</sup>	113	(65)
Investment property revaluation	260	43	217
Other non-operating items	(40)	(37)	(3)
<b>Statutory profit attributable to stapled securityholders</b>	<b>565</b>	392	173

## KEY PERFORMANCE METRICS

	1H22	1H21	Movement
EPS (cpss) <sup>6</sup>	7.5	6.9	0.6
DPS (cpss)	5.1	4.8	0.3
Net Tangible Assets (\$ per stapled security) <sup>7</sup>	2.76	2.58	0.18

1. Represents 100 per cent of expected end value/revenue, subject to various factors outside Mirvac's control such as planning outcomes, market demand and COVID-19 uncertainties.

2. As measured by Culture Amp.

3. Comparative information has been restated for the change in policy relating to accounting for SaaS arrangements.

4. The normalisation of unallocated overheads reflects the benefit of government subsidies in the prior corresponding period, a continued investment in technology to drive greater business efficiencies, and higher insurance costs.

5. Relates to the fair value gain of 80 Ann Street, Brisbane and the initial fair value uplift from independent valuations of the Locomotive Workshop, South Eveleigh, Sydney.

6. Calculated on operating profit after tax.

7. NTA per stapled security excludes intangibles, right of use assets and non-controlling interests, based on ordinary securities including EIS securities.

# Review of operations and activities

Continued

## GROUP CASH FLOW

The Group's **operating** cash flow in the first half of the financial year of \$413m was down \$30m (or 7 per cent) on 1H21, driven by lower fund-through receipts from Commercial & Mixed Use (CMU) development projects and lower cash collection in IIP. This was offset by increased cash receipts from Residential settlements and lower Residential development spend due to timing impacts from COVID-19.

**Investing** cash outflows of \$327m increased by \$197m compared to 1H21, driven by payments for Aspect Industrial Estate, Kemps Creek and Elizabeth Enterprise, Badgerys Creek, and contributions for Switchyard Industrial Estate, Auburn. This was offset by proceeds from the sale of Cherrybrook Shopping Village, Sydney.

**Financing** cash outflows were \$133m, resulting in a \$259m lower net cash outflow compared to 1H21, driven by an increase in net borrowings. This was offset by higher distributions paid to securityholders during the period (up \$83m).

	1H22 \$m	1H21 \$m	Movement \$m
Operating cash flow	413	443	(30)
Investing cash flow	(327)	(130)	(197)
Financing cash flow	(133)	(392)	259

## GROUP OUTLOOK<sup>1</sup>

Mirvac has a resilient business that continues to deliver strong, visible cash flows, sustainable distribution growth, and attractive returns for our securityholders.

While uncertainty remains, we have maintained earnings guidance of at least 15.0cps in FY22, (up 7.1 per cent on FY21), and distribution guidance of 10.2cps (up 3 per cent on FY21), along with our target to settle over 2,500 residential lots. This is predicated on:

- > our modern, sustainable Investment portfolio, which benefits from high-quality tenants, limited near-term lease expiries, a long WALE, and quality recurring NOI, including from newly completed assets. We have also made appropriate forecasted allowances to manage tenant rental relief;
- > secured EBIT in our CMU business, which includes earnings contribution from the sale of a 49 per cent interest in the Locomotive Workshop, South Eveleigh, Sydney to Sunsuper, and from 80 Ann Street, Brisbane; and
- > 95 per cent of expected Residential EBIT already secured.

We also expect that as the disruption from the Omicron variant of COVID-19 eases, we will continue to see momentum towards a recovery throughout the remainder of FY22, further supported by the reopening of domestic and international borders in Australia and pent-up consumer demand.

Over the longer term, we expect that growth will be driven from our development pipeline, and we are focused on continuing to deliver quality earnings from our modern, high-performing IIP, which continues to underpin stable, recurring income to the Group. In addition to this, demand for our residential product across both apartments and masterplanned communities is expected to continue, with \$1.5bn of pre-sales providing good visibility of future earnings.

Finally, our ongoing focus on broadening our capital partnerships is expected to support the delivery of our significant development pipeline, while delivering recurring funds management earnings.

### Drivers Supporting our Outlook

Total property portfolio value (\$m)	13,364
Total Commercial & Mixed Use development pipeline (\$m)	12,906
Total Residential development pipeline (\$m)	16,394
Residential development pipeline (lots)	26,820
Residential pre-sales (\$m)	1,461
Total assets and funds under management (\$m)	26,382

1. These statements are future looking and based on our reasonable assumptions at the time they were made. They include possible outlooks for our operating environments, but are subject to external factors and the uncertain environment caused by the global pandemic.

# Review of operations and activities

Continued

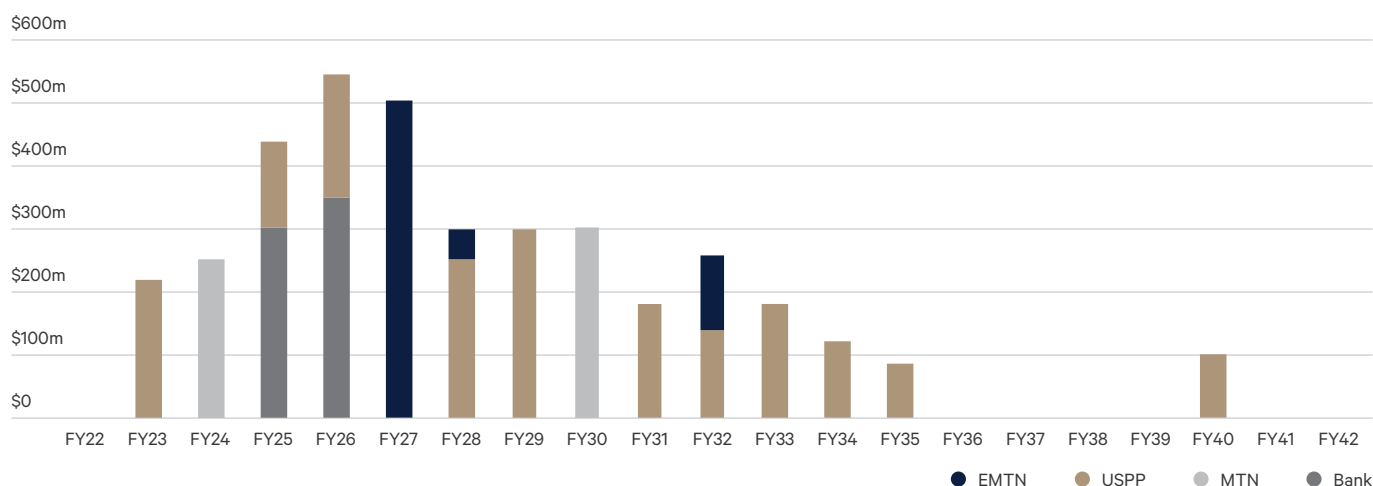
## CAPITAL MANAGEMENT

Our prudent approach to capital management has enabled us to continue to navigate the ongoing impacts of the global pandemic and ensure there is sufficient financial headroom to capitalise on improving market and business conditions. Our strategy remains focused on having diversified sources of capital, maintaining a long weighted average debt maturity, and limiting debt expiries in any one year. This supported an average debt maturity of 6.1 years as at 31 December 2021, with no debt maturing in FY22 and limited debt maturing in FY23 and FY24. Other key features of our strategy include:

- > maintaining headline gearing within our preferred range of 20-30 per cent;
- > maintaining adequate liquidity through cash and undrawn debt facilities;
- > maintaining our existing A-/A3 Moody's and Fitch credit ratings; and
- > maintaining a competitive cost of debt.

	1H22	FY21	Movement
Gearing (%) <sup>1</sup>	22.3	22.8	(0.5)
Liquidity (\$m)	750	867	(117)
Weighted average debt maturity (years)	6.1	6.6	(0.5)
Net debt (\$m)	3,699	3,582	117
Average borrowing rate (% per annum as at 31 December)	3.3	3.4	(0.1)
Credit rating (Fitch Ratings and Moody's Investor Service)	A-/A3	A-/A3	—

## DRAWN DEBT MATURITIES AS AT 31 DECEMBER 2021



## INTEGRATED INVESTMENT PORTFOLIO

Mirvac's IIP comprises assets across Office, Industrial, Retail and Build to Rent. We have approximately \$13.4bn<sup>2</sup> of assets on our balance sheet, and \$10.3bn of external assets and funds under management.

In 1H22, IIP delivered EBIT that was down 5 per cent on 1H21 as a result of:

- > income contribution from the completion of 477 Collins Street, Melbourne and The Foundry at South Eveleigh, Sydney, offset by loss of income at 55 Pitt Street, Sydney due to redevelopment;
- > lower income due to the disposal of Cherrybrook Village, Sydney, which settled in the first quarter of FY22, and 340 Adelaide Street, Brisbane in FY21;
- > a \$25m COVID-19-related impact to EBIT (1H21: \$20m), reflecting a higher ECL provision given lower cash collections and elevated tenant arrears, concentrated to Retail;
- > the reclassification of our industrial asset at 34 Waterloo Road, Macquarie Park in 2H21 to CMU, reflecting the development potential embedded in this asset, and resulting in a slight reduction in industrial net operating income (NOI); and
- > an increase in management and administration expenses, which were largely due to higher technology-related costs.

Strong capital market demand for high-quality assets also resulted in an increase in investment property revaluations to \$260m (1H21: \$43m). This was supported by the execution of our asset sales program, which in addition to Cherrybrook Village, Sydney (which sold at a 43 per cent premium to book value), included exchanging contracts to sell Tramsheds, Sydney (53 per cent premium to book value) and Quay West Car Park, Sydney (35 per cent premium to book value). Our weighted average capitalisation rate also tightened by 9 basis points to 5.08 per cent, with valuation gains of \$79m<sup>3</sup> in Office (up 1.6 per cent), \$106m in Industrial (up 7.2 per cent), and \$75m in Retail (up 2.5 per cent).

1. Net debt (at foreign exchange hedged rate) / tangible assets – cash.

2. Includes investment properties under construction and assets classified as held for sale, and excludes AASB 16 lease liability gross up amounts.

3. Excludes development revaluation gains of \$48m.

# Review of operations and activities

Continued

	1H22 \$m	1H21 \$m	Movement \$m
<b>Integrated Investment Portfolio</b>			
Net operating income			
Office	181	180	1
Industrial	27	29	(2)
Retail	65	72	(7)
Build to Rent and other	2	1	1
Assets and funds management EBIT	16	18	(2)
Management and administration expenses	(21)	(16)	(5)
Investment EBIT	270	284	(14)
Investment property revaluation <sup>1</sup>	260	43	217
<b>Total Integrated Investment Portfolio return</b>	<b>530</b>	<b>327</b>	<b>203</b>
<b>Portfolio Metrics</b>			
	<b>1H22</b>	<b>FY21</b>	<b>1H21</b>
Investment property portfolio value <sup>2</sup> (\$m)	13,364	12,426	11,820
Weighted average capitalisation rate (%)	5.08	5.17	5.25
Occupancy (%) <sup>3,4</sup>	97.0	97.4	97.6
Cash collection (%)	92	98	93
Weighted average lease expiry (years) <sup>4,5</sup>	5.6	5.6	5.7
Leasing (sqm)	55,808	144,003	81,197

## INTEGRATED INVESTMENT PORTFOLIO OUTLOOK<sup>6</sup>

The outlook for our investment portfolio is positive, with our high-quality assets weighted towards Sydney and Melbourne and strong tenant covenants providing stable and visible cash flows.

### Office

The outperformance of high-quality, modern office assets over lower-quality assets has been a key feature of the office market over the past 18 months, and this bifurcation is expected to continue, with tenants demonstrating a clear preference for workplaces that are well-located, sustainable, technology-enabled, and foster innovation and learning. Our proven ability to create and curate modern, high-quality office assets that are customised to our tenants' needs has provided resilience throughout the pandemic and is expected to support our success into the future. In addition, our portfolio benefits from a long WALE, low capital expenditure requirements, and a low exposure to smaller tenants.

The recent completion of the Locomotive Workshop at South Eveleigh, Sydney, which entered the portfolio during the first half of FY22, and the upcoming completion of 80 Ann Street, Brisbane, are also expected to drive NOI growth and provide a boost to the future performance of the portfolio. These developments are 97 per cent and 93 per cent pre-committed respectively.

### Industrial

Industrial assets have continued to benefit from a number of tailwinds, including the acceleration of e-commerce, a rising housing construction cycle, and pronounced investment into supply chains across industries. As a result, investor demand for well-located, quality industrial assets remains strong, driving significant valuation growth over the past 18 months.

Meanwhile, vacancy rates in Sydney, where 100 per cent of our portfolio is located, are expected to remain tight given strong tenant demand, limited new supply and sizeable requirements for quality assets. This is also expected to drive rental and valuation growth, particularly for modern, highly-efficient logistics assets in strategic locations, such as Calibre in Eastern Creek.

### Retail

The impacts of the global pandemic continued to play out across the retail sector in 1H22, with extended lockdowns in Sydney and Melbourne during the first four months of FY22 impacting expenditure and cash collection rates from our CBD centres and assets with out-of-area trade. However, consistent with our experience in FY21, we saw strong pent-up demand and elevated households savings translate to a significant pickup in retail sales as restrictions eased towards the end of 1H22. We expect that this will drive an improvement in sales over the remainder of FY22.

Our convenience-based retail centres, meanwhile, continued to benefit from a loyal local customer base and traded well throughout the period. Investor demand for convenience retail centres remains particularly strong, as evidenced by a number of sales transactions during the period that were well in excess of book value (including our own convenience centres at Cherrybrook Village and Tramsheds, both in Sydney). This supported solid asset valuation increases in IIP during the reporting period.

### Build to Rent

The broader outlook for the nascent build to rent sector continues to improve. We expect that as the disruption from the Omicron variant of COVID-19 subsides, the lift in economic activity and jobs growth will result in an increase in rental households upgrading to higher-quality spaces, such as those provided at our build to rent communities.

1. Excludes development revaluation gain and includes Mirvac's share in the joint ventures and associates (JVA) revaluation of investment properties, which is included within share of net profit of JVAs.

2. Includes investment properties under construction, assets classified as held for sale, Mirvac's share of JVA investment properties, and AASB 16 lease liability gross up amounts.

3. By area.

4. Excludes Build to Rent.

5. By income.

6. These statements are future looking and based on our reasonable assumptions at the time they were made. They include possible outlooks for our operating environments, but are subject to external factors and the uncertain environment caused by the global pandemic.

# Review of operations and activities

Continued

## COMMERCIAL & MIXED USE

Mirvac's commercial and mixed use development pipeline has a total end value of \$12.9bn and comprises large-scale urban renewal projects designed to support the growth and evolution of our cities. The majority of our CMU projects have income in place or are held in capital efficient structures, providing optionality and future value.

In 1H22, EBIT in our CMU business was driven by earnings from the Locomotive Workshop, South Eveleigh, Sydney and 80 Ann Street, Brisbane, along with development revaluation gains from these projects. Development revaluation gains were lower in 1H22 due to larger contributions from developments such as 477 Collins Street, Melbourne, and The Foundry at South Eveleigh, Sydney, in the prior corresponding period.

Commercial & Mixed Use	1H22 \$m	1H21 \$m	Movement \$m
Commercial & Mixed Use EBIT	73	21	52
Development revaluation gain	48 <sup>1</sup>	113	(65)
Total Commercial & Mixed Use return	121	134	(13)

Key Metrics	1H22 \$m	FY21 \$m	1H21 \$m
Total development pipeline <sup>2</sup>	12,906	12,283	11,765
Committed development pipeline <sup>1</sup>	2,192	1,949	1,277
Invested capital <sup>3</sup>	152	304	227

## COMMERCIAL & MIXED USE PROJECT UPDATES FOR OUR ACTIVE AND FUTURE PIPELINE:

### Office and Mixed Use

- > completed the refurbishment of the Locomotive Workshop, South Eveleigh, Sydney, with 96 per cent of the office space and 100 per cent of the retail space pre-leased. A 49 per cent interest in the asset was sold to Sunsuper in August 2021;
- > achieved the topping out of 80 Ann Street, Brisbane, which remains on track for practical completion in FY22 (93 per cent pre-leased<sup>4</sup>, with Suncorp as anchor tenant);
- > commenced demolition at 55 Pitt Street, Sydney;
- > announced the winner of the design competition stage for the redevelopment of Harbourside, Sydney;
- > secured DA approval for a mixed use development at Waterloo Metro Quarter, which we are delivering in partnership with John Holland; and
- > commenced demolition at 200 Turbot Street, Brisbane, with a development application lodged to construct a 55,000sqm A-grade office tower. Mirvac has an option to purchase the site subject to DA approval and pre-leasing.

### Industrial

- > commenced construction at Switchyard Industrial Estate in Auburn, Sydney, which has pre-commitments for approximately 38 per cent of net lettable area<sup>4</sup>; and
- > progressed with initial development applications for Aspect Industrial Estate, Kemps Creek and Elizabeth Enterprise Precinct, Badgery's Creek, both in Sydney. Both estates are experiencing strong customer demand, with pre-commitments at Aspect for approximately 63 per cent of the estate<sup>4</sup>.

### Build to Rent

- > progressed construction at LIV Munro, Melbourne (490 purpose-built apartments), with completion estimated for late 2022;
- > progressed construction at LIV Anura in Newstead, Brisbane, which is set to deliver ~395 apartments. Completion is expected in FY24;
- > commenced construction at LIV Aston, Melbourne, which is set to deliver over 470 apartments; and
- > progressed planning application for LIV Albert Fields in Brunswick, Melbourne (approximately 490 apartments).

## COMMERCIAL & MIXED USE OUTLOOK<sup>5</sup>

Significant transactional evidence over the period demonstrates strong ongoing domestic and offshore interest for newly developed assets across Office, Mixed Use, Industrial and Build to Rent.

### Office & Mixed Use

Demand for newly developed, well-located office buildings in CBD locations with long lease covenants is expected to remain strong, underpinning asset values and supporting redevelopment metrics for a number of office and mixed use developments in our pipeline, including 55 Pitt Street and Harbourside in Sydney.

Uncertainty around the ongoing impacts of the COVID-19 pandemic is expected to temper pre-leasing activity in the near term, however, over the medium term we expect pre-leases to be driven by heightened demand for new office buildings equipped with the latest technology, occupant amenity, and market-leading wellness and sustainability ratings.

1. Relates to the fair value gain of 80 Ann Street, Brisbane and the initial fair value uplift from independent valuations of the Locomotive Workshop, South Eveleigh, Sydney.

2. Represents 100 per cent of expected end value/revenue, subject to various factors outside of Mirvac's control, such as planning, market demand and COVID-19 uncertainties.

3. Excludes IPUC.

4. Including heads of agreements.

5. These statements are future looking and based on our reasonable assumptions at the time they were made. They include possible outlooks for our operating environments, but are subject to external factors and the uncertain environment caused by the global pandemic.

# Review of operations and activities

Continued

## Industrial

We are seeing very strong interest from tenants that are keen to secure space at our industrial developments, in a market with ongoing elevated demand and very low vacancy. This strong tenant interest is likely to support the roll-out of our industrial development pipeline, which includes Switchyard Industrial Estate in Auburn, Aspect Industrial Estate at Kemps Creek, and Elizabeth Enterprise Precinct at Badger's Creek.

## Build to Rent

Our secured pipeline of build to rent projects is forecast to complete between FY23 to FY25, when market conditions are expected to have improved. This is likely to be supported by higher economic activity, rising levels of migration, and population growth in cities, while apartment supply is expected to reduce further.

## RESIDENTIAL

Mirvac has a 50-year history of creating high-quality apartments and masterplanned communities. We have a \$16.4bn residential development pipeline, with over 26,000 lots under our control, weighted to Sydney and Melbourne. This includes lots acquired over the period at Cobbitty in Sydney's south west (approximately 950 lots) and additional lots at Smiths Lane in Melbourne (approximately 300 lots).

Residential EBIT in 1H22 was 17 per cent higher compared to 1H21, driven by higher lot settlements (up 21 per cent), largely from MPC projects. The main contributors in 1H22 were our MPC projects, Smith's Lane, Tullamore and Woodlea, and our apartment project, Voyager at Yarra's Edge, all in Melbourne.

A higher development margin in 1H22 has been driven by a higher skew to MPC settlements in 1H22 compared to 1H21, as well as stronger apartment margins during the same period. Strong sales activity is demonstrated by a more than 30 per cent increase in lot exchanges over the prior corresponding period and our pre-sales increasing to \$1.5bn, providing excellent visibility of future earnings. Defaults fell back below 2 per cent, in line with historical averages.

Residential	1H22	1H21	Movement
Residential EBIT (\$m)	89	76	13
Lots released	1,589	1,264	325
Lots exchanged	1,814	1,365	449
Lots settled	1,303	1,076	227
Pre-sales secured (\$m)	1,461	946	515
Defaults (%)	<2	3.5	(>1.5)
Gross development margin (%)	24.2	22.8	1.4
Pipeline lots	26,820	27,805	(985)
Invested capital (\$m)	1,723	1,678	45

## RESIDENTIAL PROJECT UPDATES:

Mirvac released over 1,500 residential lots in 1H22, with 78 per cent of all released lots pre-sold<sup>1</sup>. Our major apartment release program progressed, with releases including:

- > NINE at Willoughby, Sydney: 70 per cent of released lots pre-sold<sup>1</sup>;
- > The Frederick at Green Square, Sydney: 29 per cent of released lots pre-sold<sup>1</sup>;
- > Forme at Tullamore, Melbourne: 48 per cent of released lots pre-sold<sup>1</sup>; and
- > Ador at Burswood, Perth: 24 per cent of released lots pre-sold<sup>1</sup>.

## RESIDENTIAL OUTLOOK<sup>2</sup>

Conditions in established residential markets vary across Australia, but are generally showing signs of easing after a very strong performance in 2021. Despite uncertainty around the ongoing impacts of the pandemic, we are still seeing strong demand for well-designed, well-located, high-quality housing, and the fundamentals for a strong base for the Residential business (such as low supply in many catchments, tight unemployment, and an historically low interest rate environment) remain.

We remain on track to launch a further three apartment projects in 2H22: The Langlee at Waverley, Sydney, and Isle at Waterfront and Charlton House at Ascot Green, both in Brisbane. These projects are expected to benefit from continued demand from owner-occupiers. Significant price growth in the established housing market will also continue to benefit the business, as purchasers seek out greater value in both inner-city apartment living as well as greenfield and middle ring projects.

In FY22, settlements are expected to be dominated by MPC, which will contribute over 80 per cent of FY22 lot settlements. Ongoing strong performance in MPC will increasingly benefit FY23 and beyond as projects continue to sell well in advance of delivery programs. The skew to MPC will begin to shift in the next financial year, with the contribution from apartment settlements steadily increasing from FY23 onwards.

1. Includes conditional sales and deposits.

2. These statements are future looking and based on our reasonable assumptions at the time they were made. They include possible outlooks for our operating environments, but are subject to external factors and the uncertain environment caused by the global pandemic.



# Review of operations and activities

Continued

## RISK MANAGEMENT

As a property group involved in property investment, investment management, and residential and commercial development, Mirvac faces a number of risks throughout the business cycle which have the potential to impact the achievement of its targeted financial outcomes. Our risk management framework is integrated with our day-to-day business processes and is supported by a dedicated Group Risk function. For the half year ended 31 December 2021, we continued to ensure internal and external risks were identified and appropriate strategies were implemented to manage the impact of those risks. Our Risk Management Framework is available on our website: <https://www.mirvac.com/about/corporate-governance>.

### Key risks and opportunities

### How we're addressing them

#### Pandemic

The COVID-19 pandemic has presented a number of challenges to businesses, including government-imposed restrictions, supply chain disruptions, labour shortages, and an economic slowdown. These challenges continue to present a risk to Mirvac's operations.

We continue to respond to the short-term impacts of the pandemic through prudent capital management, ensuring business continuity, and prioritising the health and wellbeing of our employees, customers and other stakeholders. We are actively working on understanding and addressing the long-term impacts of COVID-19 from an operational and strategic perspective.

#### Investment performance

Mirvac's business is impacted by the value of our property portfolio. This can be influenced by many external aspects outside our direct control, including the health of the economy and the strength of the property market.

Mirvac collaborates with aligned investors to leverage capability and develop recurring income streams. Prudent capital decisions are based on due diligence and market research to ensure investor confidence is retained. Buying and selling at the right time in the property cycle has enabled us to deliver sustainable returns to our securityholders. We have a disciplined approach to acquisitions and to maintaining growth through our sustainable and diversified urban-focused business model.

#### Macro-environment

Mirvac is impacted by changing domestic and international economic and macroprudential and regulatory measures, which impact access to capital, investor activity, and foreign investment

Mirvac monitors a wide range of economic, property market and capital market indicators as well as uses trend analysis to assess macro-economic changes and is attentive to these shifts. We maintain a robust balance sheet and appropriate gearing to ensure we can respond to unforeseen economic shocks.

#### Capital management

Maintaining a diversified capital structure to support delivery of stable investor returns and maintain access to equity and debt funding.

Mirvac has a capital management framework, approved and monitored by the Board. The framework aims to address the market, credit and liquidity risks while also meeting the Group's strategic objectives. The Group seeks to maintain an investment-grade credit rating of A-/A3 to reduce the cost of capital and diversify its sources of debt capital. The Group's target gearing ratio is between 20 and 30 per cent.

#### Social responsibility

In an Australian context of low institutional trust, Mirvac must maintain and enhance trust and reputation to retain a social licence to operate.

Mirvac provides consistent, high-quality communication and transparent and responsible reporting. We have committed to proactively sharing our progress as a business to help us earn and retain trust. We track trust and reputation through stakeholder research and are pleased to see strong results. We provide good earnings visibility, guidance and full disclosure to our securityholders so they can make informed choices.

#### Impacts of climate change

Climate change can not only affect our assets, it can affect our business operations. It is vital that Mirvac continues to respond to the implications of climate change by implementing appropriate adaptation and mitigation strategies for the portfolio and building resilience throughout the business.

Mirvac regularly assesses its portfolio for climate risk and resilience. We report under the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and climate risk is emerging as a consideration in due diligence during the acquisition and development process. We strive to design developments and major renovations to a high standard for green building and community certifications, as well as energy and water performance ratings. In 1H22, Mirvac met its ambition to be net positive carbon nine years ahead of schedule and was the first Australian property company to reach a net positive target.

#### Supply chain

With a broad range of suppliers providing an equally diverse range of goods and services, Mirvac's stakeholders can be directly and indirectly impacted by the practices of our suppliers, and the materials they're supplying.

Mirvac has well established processes to oversee key risk areas such as modern slavery, worker exploitation, material import risk, high-risk materials, and cyber security. We are elevating our controls to identify and mitigate our exposure to these risks and ensure full compliance to emerging legislation. Supply chain disruption, accelerated by COVID-19, is actively managed through supply continuity plans and alternate supply arrangements.

#### Planning and regulation

Mirvac's activities can be affected by government policies in many ways, from local decisions regarding zoning and developments, right through to national positions on immigration.

Mirvac takes the lead to have proactive and constructive engagements with all levels of government to ready our business to respond to changing community expectations. Approval timeframes are built into project delivery plans and are actively managed to minimise the impact on returns.

#### Health and safety

Maintaining the health, safety and wellbeing of our people is our most important duty of care obligation, and critical to Mirvac's ongoing success.

We continue to pursue safety excellence and to improve the overall health and wellbeing of our employees, our suppliers, our community and the environment. During 1H22, we continued to strengthen our health and safety practices and culture while recognising that the ongoing management and response to COVID-19 will continue for the foreseeable future.

# Review of operations and activities

Continued

## Key risks and opportunities

### People, culture and capability

We require a motivated, high-performing, and capable workforce and a thriving culture to remain agile and deliver our business strategy.

## How we're addressing them

Mirvac's People Strategy includes a range of initiatives designed to ensure we have the right culture and capabilities, so our people are engaged and enabled to deliver on our strategy, particularly in an uncertain and changing operating environment, in which labour markets are currently constrained. The Group has a range of programs aimed at creating great leaders, growing and retaining key talent, and fostering a diverse and inclusive workplace.

### Digital disruption

Technology is changing our world at a rapid pace. It is important we embrace new digital-enabled ways of working and customer experiences to maintain relevance and continue to innovate.

A core element of Mirvac's strategy is understanding and preparing for disruption and building a resilient business. Mirvac is committed to ensuring that we have the right people, processes, and systems to take advantage of disruption and to create a competitive advantage. Our innovation program, Hatch, ensures that we continue to innovate in a meaningful way. We also continue to invest in people and technology to ensure that digital experiences are continually evolving.

### Business continuity

It is crucial we have the ability to manage a major incident causing physical or information disruption in a timely and efficient manner and adapt to changes in our operating markets.

Mirvac has an embedded operational resilience program which enables the business to effectively manage and continue business critical processes during a business impacting event. This includes cyber security threats and/or breaches to our information systems and/or damage to physical assets which could cause significant damage to our business and reputation.

### Cyber risk

Cyber security and information privacy are an increasing risk for Mirvac given the dynamic nature of these threats, and the importance of safeguarding intellectual property, Information Technology and Operational Technology systems, contractual agreements, and employee and customer information.

Mirvac has a cyber security strategy and framework (which aligns to the National Institute of Standards and Technology (NIST) cyber security framework) to prevent and detect cyber threats and respond and recover from cyber-related incidents.

### Key partners

Our partners play a vital role in our business and our sustained success comes down to the strength of these relationships. It is crucial that we build long-term mutually beneficial relationships that benefit from trust, transparency and shared values.

Our partner relationships are based on delivering mutual benefit to all parties. Our Value Creation model has a focus on committed partners and enables the delivery of our strategy through the partner lens. Fit for purpose governance frameworks are in place to manage Mirvac's capital partnerships.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Through our sustainability strategy, *This Changes Everything*, Mirvac seeks to be a force for good. Our strategy is anchored by six pillars: climate change and natural resources (environment); our community and social inclusion (social); and our people and trusted partnerships (governance).

### Key ESG updates for 1H22

#### Environment

- > met our net positive carbon target nine years ahead of schedule, which means we now eliminate more carbon than we emit. This was achieved by maximising energy efficiency, purchasing renewable electricity, developing all-electric assets, and investing in a small amount of high-quality, nature-based carbon offsets with significant community co-benefits; and
- > finalised our Planet Positive Water plan, which outlines our approach to becoming net positive water by 2030. The plan is due to be released in Q322.

#### Social

- > named #1 Best Workplace to Give Back in 2021 by Good Company. Mirvac achieved this ranking by providing our employees with unlimited volunteer leave, uncapped matched donations to charities, and flexibility to support their involvement in the community; and
- > named in the Giving Large 2021 Top 50 companies for our philanthropic efforts.

#### Governance

- > released the Group's second Modern Slavery Statement; and
- > maintained excellent ESG disclosures and performance, including an AAA rating from MSCI, an Advanced rating from the United Nations Global Compact, and a Negligible risk rating from Sustainalytics (top 0.5 per cent globally).

# 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 2021. 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 across three major segments: Integrated Investment Portfolio, Commercial & Mixed Use and Residential.

## DIRECTORS

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

- > John Mulcahy
- > Susan Lloyd-Hurwitz
- > Christine Bartlett
- > Damien Frawley (appointed 1 December 2021)
- > Jane Hewitt
- > James M. Millar AM
- > Samantha Mostyn AO
- > Peter Nash
- > Robert Sindel

## REVIEW OF OPERATIONS

A review of operations of the Group during the half year and the results of those operations are detailed in the Review of operations and activities on pages 2 to 9.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Details of the state of affairs of the Group are disclosed on pages 2 to 9. Other than those matters disclosed, there were no significant changes to the state of affairs during the half year that are not otherwise disclosed in this interim report.

The impacts of the COVID-19 pandemic to the Group are outlined throughout the interim report and summarised under note A – Basis of preparation.

## MATTERS SUBSEQUENT TO THE END OF THE HALF YEAR

No 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 11 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**  
Director

Sydney  
10 February 2022

## Auditor's independence declaration



### *Auditor's Independence Declaration*

As lead auditor for the review of Mirvac Limited for the half-year ended 31 December 2021, 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.



Voula Papageorgiou  
Partner  
PricewaterhouseCoopers

Sydney  
10 February 2022

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# Financial report

For the half year ended 31 December 2021

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# Consolidated statement of comprehensive income

For the half year ended 31 December 2021

	Note	31 December 2021 \$m	Restated 31 December 2020 \$m
Revenue		1,285	998
<b>Other income</b>			
Revaluation of investment properties	C1	306	151
Share of net profit of joint ventures and associates		34	27
Gain on sale of assets		—	2
Gain on financial instruments		29	18
<b>Total revenue and other income</b>	B1	<b>1,654</b>	<b>1,196</b>
Development expenses		685	449
Cost of goods sold interest	B3	15	10
Inventory write-downs and losses		7	7
Selling and marketing expenses		27	18
Investment property expenses and outgoings	B3	95	96
Depreciation and amortisation expenses		35	35
Impairment loss on receivables		25	21
Employee and other expenses	B3	99	82
Finance costs	B3	49	58
Loss on financial instruments	B3	—	8
Loss on sale of assets		2	—
<b>Profit before income tax</b>		<b>615</b>	<b>412</b>
Income tax expense		50	20
<b>Profit from continuing operations</b>	B1	<b>565</b>	<b>392</b>
<b>Profit for the half year is attributable to:</b>			
Stapled securityholders	B1	565	392
Non-controlling interests		—	—
<b>Other comprehensive income/(loss) that may be reclassified to profit or loss</b>			
Changes in the fair value of cash flow hedges		11	(26)
<b>Other comprehensive income/(loss) for the half year</b>		<b>11</b>	<b>(26)</b>
<b>Total comprehensive income/(loss) for the half year</b>		<b>576</b>	<b>366</b>
<b>Total comprehensive income for the half year is attributable to:</b>			
Stapled securityholders		576	366
Non-controlling interests		—	—
		<b>576</b>	<b>366</b>
<b>Earnings per stapled security (EPS) attributable to stapled securityholders</b>	Note	Cents	Cents
Basic EPS	B2	14.3	10.0
Diluted EPS	B2	14.3	10.0

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

The comparative amounts have been restated due to the change in accounting policy applied retrospectively. Refer to note F3 Change in accounting policy.

# Consolidated statement of financial position

As at 31 December 2021

	Note	31 December 2021 \$m	30 June 2021 \$m
<b>Current assets</b>			
Cash and cash equivalents		70	117
Receivables	F1	144	117
Inventories	C4	403	632
Derivative financial assets	D3	55	—
Other assets		52	43
Assets classified as held for sale	C2	104	133
<b>Total current assets</b>		<b>828</b>	<b>1,042</b>
<b>Non-current assets</b>			
Receivables	F1	89	97
Inventories	C4	1,853	1,461
Investment properties	C2	11,947	11,821
Investments in joint ventures and associates	C3	1,606	783
Derivative financial assets	D3	238	248
Other financial assets	D3	72	78
Other assets		12	222
Property, plant and equipment		9	11
Right-of-use assets		32	17
Intangible assets		78	78
Deferred tax assets		1	55
<b>Total non-current assets</b>		<b>15,937</b>	<b>14,871</b>
<b>Total assets</b>		<b>16,765</b>	<b>15,913</b>
<b>Current liabilities</b>			
Payables		603	503
Deferred revenue		19	54
Borrowings	D1	274	—
Derivative financial liabilities	D3	9	5
Lease liabilities		7	4
Provisions		227	223
<b>Total current liabilities</b>		<b>1,139</b>	<b>789</b>
<b>Non-current liabilities</b>			
Payables		684	367
Deferred revenue		—	1
Borrowings	D1	3,744	3,922
Lease liabilities		76	64
Derivative financial liabilities	D3	72	99
Provisions		11	12
<b>Total non-current liabilities</b>		<b>4,587</b>	<b>4,465</b>
<b>Total liabilities</b>		<b>5,726</b>	<b>5,254</b>
<b>Net assets</b>		<b>11,039</b>	<b>10,659</b>
<b>Equity</b>			
Contributed equity	E2	7,526	7,510
Reserves		10	13
Retained earnings		3,437	3,070
<b>Total equity attributable to the stapled securityholders</b>		<b>10,973</b>	<b>10,593</b>
Non-controlling interests		66	66
<b>Total equity</b>		<b>11,039</b>	<b>10,659</b>

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 2021

	Attributable to stapled securityholders				Non-controlling interests \$m	Total equity \$m	
	Note	Contributed equity \$m	Reserves \$m	Retained earnings \$m			Total \$m
Balance 1 July 2020		7,503	28	2,559	10,090	51	10,141
Restated profit for the half year		—	—	392	392	—	392
Other comprehensive loss for the half year		—	(26)	—	(26)	—	(26)
<b>Total comprehensive (loss)/income for the half year</b>		—	(26)	392	366	—	366
<b>Transactions with owners of the Group</b>							
Security-based payments							
Expense recognised – EEP		1	—	—	1	—	1
Expense recognised – LTI and STI		—	6	—	6	—	6
LTI vested	E2	6	(7)	—	(1)	—	(1)
STI vested		—	(2)	—	(2)	—	(2)
Distributions	E1	—	—	(188)	(188)	—	(188)
Transactions with non-controlling interests		—	—	—	—	16	16
<b>Total transactions with owners of the Group</b>		7	(3)	(188)	(184)	16	(168)
<b>Balance 31 December 2020</b>		7,510	(1)	2,763	10,272	67	10,339
<b>Balance 1 July 2021</b>		<b>7,510</b>	<b>13</b>	<b>3,070</b>	<b>10,593</b>	<b>66</b>	<b>10,659</b>
Profit for the half year		—	—	565	565	—	565
Other comprehensive income for the half year		—	11	—	11	—	11
<b>Total comprehensive income for the half year</b>		—	11	565	576	—	576
<b>Transactions with owners of the Group</b>							
Security-based payments							
Expense recognised – LTI and STI		—	7	—	7	—	7
LTI vested	E2	16	(16)	—	—	—	—
STI vested		—	(1)	—	(1)	—	(1)
Transfer from SBP reserve for unvested awards		—	(4)	4	—	—	—
Distributions	E1	—	—	(202)	(202)	—	(202)
<b>Total transactions with owners of the Group</b>		16	(14)	(198)	(196)	—	(196)
<b>Balance 31 December 2021</b>		<b>7,526</b>	<b>10</b>	<b>3,437</b>	<b>10,973</b>	<b>66</b>	<b>11,039</b>

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



# Consolidated statement of cash flows

For the half year ended 31 December 2021

	Note	31 December 2021 \$m	Restated 31 December 2020 \$m
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		1,315	1,339
Payments to suppliers and employees (inclusive of GST)		(880)	(853)
		435	486
Interest received		3	3
Distributions received from joint ventures and associates		39	30
Interest paid		(64)	(76)
<b>Net cash inflows from operating activities</b>	D2	413	443
<b>Cash flows from investing activities</b>			
Payments for investment properties		(420)	(252)
Proceeds from sale of investment properties		129	85
Proceeds of loans from unrelated parties		5	46
Payments for property, plant and equipment		(1)	(3)
Contributions to joint ventures and associates		(55)	(7)
Proceeds from joint ventures and associates		1	3
Payments for software under development		(1)	(1)
Proceeds/(payments) for investments		6	(1)
Proceeds for acquisitions of subsidiary, net of cash acquired		11	—
Payments for disposal of subsidiary, net of cash disposed		(2)	—
<b>Net cash outflows from investing activities</b>		(327)	(130)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		730	1,109
Repayments of borrowings		(660)	(1,398)
Distributions paid		(201)	(118)
Proceeds from stapled securities issued		—	1
Proceeds from non-controlling interests		—	16
Principal element of lease payments		(2)	(2)
<b>Net cash outflows from financing activities</b>		(133)	(392)
Net decrease in cash and cash equivalents		(47)	(79)
Cash and cash equivalents at the beginning of the half year		117	324
<b>Cash and cash equivalents at the end of the half year</b>		70	245

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

# A Basis of preparation

Notes to the consolidated financial statements

## 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

The interim financial report for the half year ended 31 December 2021 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The 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 2021 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 2021 except for the adoption of new and amended accounting standards. Refer to the below sections on new and amended standards adopted by the Group.

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 to the nearest million (m) dollars in accordance with ASIC Corporations Instrument 2016/191, unless otherwise indicated.



### IMPACT OF COVID-19 ON THE GROUP

The Group has continued to navigate through the challenges presented by the COVID-19 pandemic, in particular as a result of the lockdowns experienced in parts of the country from June 2021 extending through to October 2021. During this time non-essential businesses were forced into closure and some states experienced the mandatory cessation of construction in order to help alleviate the spread of the Delta strain. Following the reopening of borders in November and December, after reaching vaccination targets, the highly contagious but somewhat milder Omicron strain arrived on our shores. Fuelled by the festive season, the rapid escalation in cases resulted in the largest case numbers since the beginning of the pandemic and caused supply chain interruptions, workforce participation constraints and pressure on our healthcare system. With the focus on continuing the vaccination and booster programs, and targeted surveillance testing, Governments have ruled out further lockdowns, instead turning to more subdued measures and precautions to see us through Omicron and the next inevitable strain.

The Group has considered the continuing impact of the COVID-19 pandemic in preparing its Interim report. As in previous reporting period, the impact of COVID-19 increases the level of judgement required across the Group's key judgement areas, in particular the measurement of the Group's assets. Further details are outlined in the following sections of this Interim financial report:



**Investment properties**  
Refer to note C1 & C2



**Inventories**  
Refer to note C4



**Receivables**  
Refer to note F1

## NET CURRENT ASSET DEFICIENCY

As at 31 December 2021, the Group was in a net current liability position of \$311m. The Group minimises its cash balance using available funds to repay borrowings, and had access to \$680m of unused borrowing facilities as at 31 December 2021. Accordingly, the Directors of the Group expect that the Group will have sufficient cash flows to meet all financial obligations as and when they fall due.

## COMPARATIVE INFORMATION

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

Specifically, the Group has made the following restatements in relation to the 31 December 2020 comparative amounts:

- > **B1 Segment information:** Mirvac's segments have been realigned following changes to its Executive Leadership Team (ELT) and adjustments to its organisation structure to enhance and maximise operating efficiencies. This restatement is presentational in nature and had no impact to the reported net assets or profit for the half year ended 31 December 2020. Refer to B1 Segment information for further information.
- > **Software-as-a-Service (SaaS) arrangements:** Mirvac changed its accounting policy in response to the IFRIC agenda decision on SaaS arrangements. The change in accounting policy has been applied retrospectively and comparative amounts have been restated. Refer to note F3 Change in accounting policy for further information on the impact of the restatement on the reported consolidated financial statements for the half year ended 31 December 2020.

## NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

Amended standards and interpretations adopted by the Group for the half year ended 31 December 2021 have not had a significant impact on the current period or any prior period and are not likely to have a significant impact on in future periods. These are listed below:

- > AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* [AASB 4, AASB 7, AASB 9, AASB 16 & AASB 139].
- > AASB 2021-3 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021* [AASB 16].

## CHANGE IN ACCOUNTING POLICY

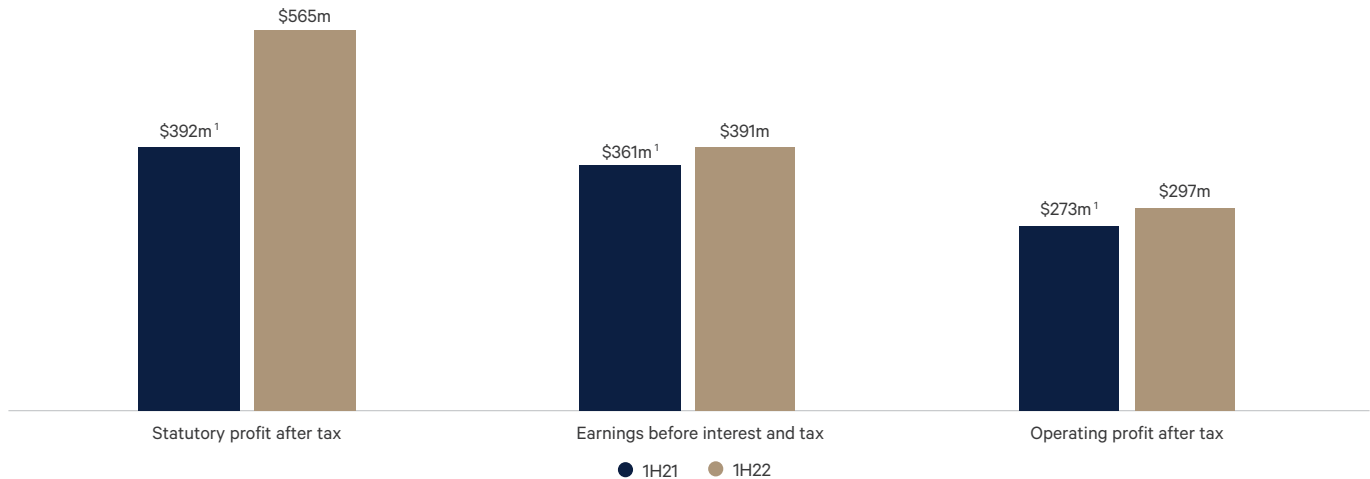
Mirvac changed its accounting policy in response to the IFRIC agenda decision on SaaS arrangements. Refer to note F3 Change in accounting policy.

## B Results for the half year

Notes to the consolidated financial statements

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

### HALF YEAR PERFORMANCE REVIEW



1. Comparative information has been restated for the Change in accounting policy relating to accounting for SaaS arrangements.

### B1 SEGMENT INFORMATION

The Group identifies its operating segments based on the internal reporting provided to the ELT, who are the Group's chief operating decision makers. Mirvac's segments have been realigned effective 1 October 2020, following changes to its ELT and adjustments to its organisation structure to enhance and maximise operating efficiencies.

The new segments are: Integrated Investment Portfolio, Commercial & Mixed Use and Residential. Comparative information has been restated to conform to the change in segments. The restatement is presentational in nature and had no impact to the reported net assets or profit for the half year ended 31 December 2020.

The Group's operating segments are as follows:



#### Integrated Investment Portfolio

Manages the office, industrial, retail and build to rent property portfolio to produce rental income and capital appreciation.

This segment also manages joint ventures and associates, properties and funds for capital partners



#### Commercial & Mixed Use

Designs, develops and constructs office buildings, industrial warehouses, retail precincts, build to rent apartments and mixed use offerings which leverages Mirvac's multi-asset expertise, unlocking value and realising synergies across its operations. The Group's Commercial and Mixed Use pipeline is primarily held in capital efficient structures providing flexibility and future value.



#### Residential

Designs, develops, markets and sells residential properties to external customers. These include masterplanned communities and apartments in core metropolitan markets, at times in conjunction with capital partners.

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

# B Results for the half year

Notes to the consolidated financial statements

## B1 SEGMENT INFORMATION CONTINUED

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

### KEY PROFIT METRICS

Half year ended 31 December	31 December 2021 \$m	Restated <sup>1</sup> 31 December 2020 \$m
<b>Investment</b>		
Integrated Investment Portfolio NOI	275	282
Asset and funds management EBIT	16	18
Management and administration expenses	(21)	(16)
<b>Investment EBIT</b>	<b>270</b>	<b>284</b>
<b>Development</b>		
Commercial & Mixed Use	73	21
Residential	89	76
<b>Development EBIT</b>	<b>162</b>	<b>97</b>
<b>Segment EBIT<sup>2</sup></b>	<b>432</b>	<b>381</b>
Unallocated overheads	(41)	(20)
<b>Group EBIT</b>	<b>391</b>	<b>361</b>
Net financing costs <sup>3</sup>	(62)	(65)
Operating income tax expense	(32)	(23)
<b>Operating profit after tax</b>	<b>297</b>	<b>273</b>
Development revaluation gain <sup>4</sup>	48	113
Investment property revaluation	260	43
Other non-operating items	(40)	(37)
<b>Statutory profit attributable to stapled securityholders</b>	<b>565</b>	<b>392</b>

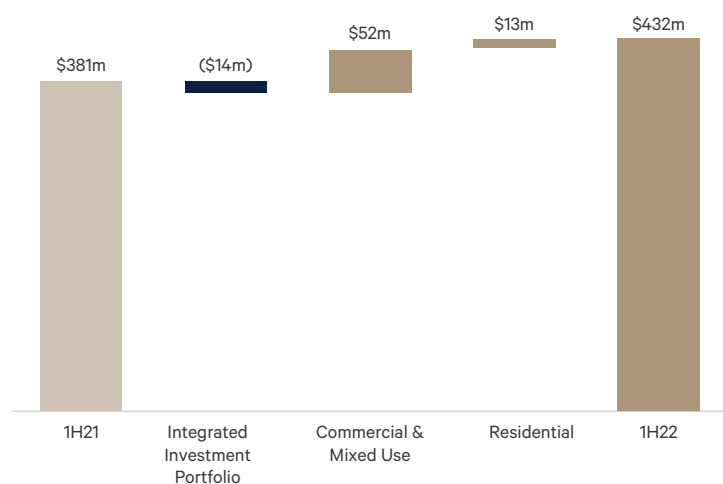
1. Comparative information has been restated for the Change in accounting policy relating to accounting for SaaS arrangements.

2. EBIT includes share of net profit of joint ventures and associates.

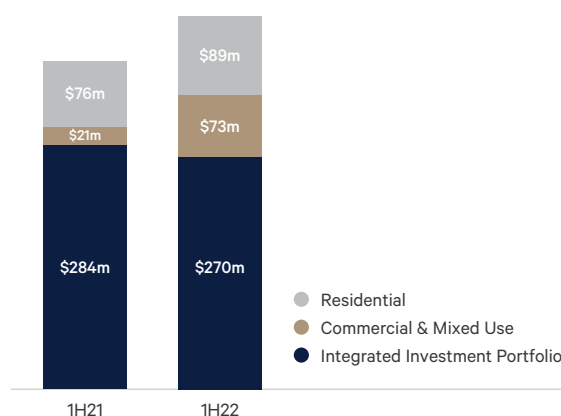
3. Includes cost of goods sold interest of \$6m for Commercial & Mixed Use (December 2020: \$nil), \$9m for Residential (December 2020: \$10m) and interest revenue of \$2m (December 2020: \$3m).

4. Relates to the fair value gain on IPUC nearing completion or recently completed projects. Fair value gain for the period comprised of 80 Ann Street, Brisbane QLD and Locomotive Workshop, South Eveleigh NSW (December 2020: Locomotive Workshop, South Eveleigh NSW, 477 Collins Street, Melbourne VIC and Building 2 South Eveleigh, South Eveleigh NSW).

### SEGMENT EBIT: 1H21 TO 1H22



### EBIT BY SEGMENT



## B Results for the half year

Notes to the consolidated financial statements

### B1 SEGMENT INFORMATION CONTINUED

#### REVENUE BY FUNCTION

Half year ended 31 December	Segments									
	Investment		Development							
	Integrated Investment Portfolio		Commercial & Mixed Use		Residential		Unallocated		Total	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Investment property rental revenue	382	391	—	—	—	—	—	—	382	391
Development revenue <sup>1</sup>	—	—	376	127	511	452	—	—	887	579
Asset and funds management revenue <sup>2</sup>	18	22	—	—	—	—	—	—	18	22
Other revenue	5	4	2	—	8	8	3	12	18	24
<b>Total operating revenue</b>	<b>405</b>	<b>417</b>	<b>378</b>	<b>127</b>	<b>519</b>	<b>460</b>	<b>3</b>	<b>12</b>	<b>1,305</b>	<b>1,016</b>
Share of net profit/(loss) of joint ventures and associates <sup>3</sup>	21	14	—	—	13	7	(1)	(1)	33	20
<b>Other income</b>	<b>21</b>	<b>14</b>	<b>—</b>	<b>—</b>	<b>13</b>	<b>7</b>	<b>(1)</b>	<b>(1)</b>	<b>33</b>	<b>20</b>
<b>Total operating revenue and other income</b>	<b>426</b>	<b>431</b>	<b>378</b>	<b>127</b>	<b>532</b>	<b>467</b>	<b>2</b>	<b>11</b>	<b>1,338</b>	<b>1,036</b>
Non-operating items <sup>4</sup>	288	140	—	—	—	—	28	20	316	160
<b>Total statutory revenue and other income</b>	<b>714</b>	<b>571</b>	<b>378</b>	<b>127</b>	<b>532</b>	<b>467</b>	<b>30</b>	<b>31</b>	<b>1,654</b>	<b>1,196</b>

1. Includes development management fees.

2. Investment property management revenue incurred on the Group's investment properties of \$10m (December 2020: \$9m) has been eliminated on consolidation.

3. Revenue excludes non-operating items.

4. Relates mainly to fair value of investment properties and investment properties under construction.

#### SEGMENT ASSETS AND LIABILITIES

	Segments									
	Investment		Development							
	Integrated Investment Portfolio		Commercial & Mixed Use		Residential		Unallocated		Total	
	31 December 2021 \$m	30 June 2021 \$m	31 December 2021 \$m	30 June 2021 \$m	31 December 2021 \$m	30 June 2021 \$m	31 December 2021 \$m	30 June 2021 \$m	31 December 2021 \$m	30 June 2021 \$m
<b>Assets</b>										
Investment properties	11,947	11,821	—	—	—	—	—	—	11,947	11,821
Inventories	—	—	125	326	2,131	1,767	—	—	2,256	2,093
Assets held for sale	104	133	—	—	—	—	—	—	104	133
Indirect investments <sup>1</sup>	1,613	949	27	23	148	164	19	14	1,807	1,150
Other assets	86	117	53	31	30	46	482	522	651	716
<b>Total assets</b>	<b>13,750</b>	<b>13,020</b>	<b>205</b>	<b>380</b>	<b>2,309</b>	<b>1,977</b>	<b>501</b>	<b>536</b>	<b>16,765</b>	<b>15,913</b>
<b>Total liabilities</b>	<b>514</b>	<b>375</b>	<b>97</b>	<b>150</b>	<b>696</b>	<b>399</b>	<b>4,419</b>	<b>4,330</b>	<b>5,726</b>	<b>5,254</b>
<b>Net assets</b>	<b>13,236</b>	<b>12,645</b>	<b>108</b>	<b>230</b>	<b>1,613</b>	<b>1,578</b>	<b>(3,918)</b>	<b>(3,794)</b>	<b>11,039</b>	<b>10,659</b>

1. Includes carrying value of investments in joint ventures and associates and other indirect investments.

#### OTHER SEGMENT INFORMATION

Half year ended 31 December	Segments									
	Investment		Development							
	Integrated Investment Portfolio		Commercial & Mixed Use		Residential		Unallocated		Total	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Share of net profit/(loss) of joint ventures and associates	22	21	—	—	13	7	(1)	(1)	34	27
Depreciation and amortisation expenses	31	31	—	—	—	—	4	4	35	35
Additions for investment properties and PPE	724	206	—	—	—	—	2	—	726	206
Additions for investments in joint ventures and associates	50	—	4	7	—	—	—	—	54	7

## B Results for the half year

Notes to the consolidated financial statements

### B1 SEGMENT INFORMATION CONTINUED

#### 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:

	Segments				31 December 2021 Total \$m	Restated 31 December 2020 Total \$m
	Investment	Development		Unallocated		
	Integrated Investment Portfolio \$m	Commercial & Mixed Use \$m	Residential \$m			
<b>Profit for the half year attributable to stapled securityholders</b>	<b>528</b>	<b>67</b>	<b>72</b>	<b>(102)</b>	<b>565</b>	<b>392</b>
<b>Exclude specific non-cash items</b>						
Revaluation of investment properties <sup>1</sup>	(306)	—	—	—	(306)	(151)
Net gain on financial instruments	(1)	—	—	(28)	(29)	(10)
Depreciation for right-of-use assets	—	—	—	2	2	3
Straight-lining of lease revenue <sup>2</sup>	(4)	—	—	—	(4)	(4)
Amortisation of lease incentives and leasing costs	53	—	—	—	53	57
Share of net profit of joint ventures and associates relating to movement of non-cash items <sup>3</sup>	(1)	—	—	—	(1)	(7)
AASB 16 Leases – net movement	—	—	—	(2)	(2)	(2)
<b>Exclude other non-operating items</b>						
Loss/(gain) on sale of assets <sup>4</sup>	1	—	—	—	1	(2)
<b>Tax effect</b>						
Tax effect of non-operating adjustments <sup>5</sup>	—	—	—	18	18	(3)
<b>Operating profit after tax</b>	<b>270</b>	<b>67</b>	<b>72</b>	<b>(112)</b>	<b>297</b>	<b>273</b>
SaaS implementation costs <sup>6</sup>	3	1	4	1	9	7
<b>FFO</b>	<b>273</b>	<b>68</b>	<b>76</b>	<b>(111)</b>	<b>306</b>	<b>280</b>

1. Includes development revaluation gain and excludes Mirvac's share in the JVA revaluation of investment properties which is included within Share of net profit of joint ventures and associates.

2. Included within Revenue.

3. Included within Share of net profit of joint ventures and associates.

4. Included within Loss on sale of assets.

5. Included within Income tax expense.

6. Adjustment for the configuration and customisation costs incurred in implementing SaaS arrangements in accordance with the Property Council of Australia's *Interim Guidance Note 2021-1 – An interim guide to Software as a Service implementation costs* issued in June 2021.

### B2 EARNINGS PER STAPLED SECURITY

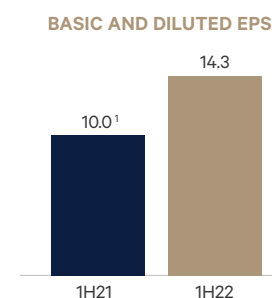
**Basic earnings per stapled security (EPS)** is calculated by dividing:

- > the profit 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 2021	31 December 2020
Profit attributable to stapled securityholders used to calculate basic and diluted EPS (\$m)	565	392 <sup>1</sup>
WANOS used in calculating basic EPS (m)	3,940	3,935
WANOS used in calculating diluted EPS (m)	3,942	3,937

1. Restated for the Change in accounting policy relating to accounting for SaaS arrangements.



## B Results for the half year

Notes to the consolidated financial statements

### B3 EXPENSES

	31 December 2021 \$m	Restated 31 December 2020 \$m
<b>Profit before income tax includes the following specific expenses:</b>		
<b>Total investment property expenses and outgoings</b>		
Statutory levies	23	24
Insurance	3	2
Power and gas	12	13
Property maintenance	25	25
Other	32	32
<b>Total investment property expenses and outgoings</b>	<b>95</b>	<b>96</b>
<b>Total employee and other expenses</b>		
Employee benefits expenses	49	45
Security-based payments expense	8	5
<b>Total employee expenses</b>	<b>57</b>	<b>50</b>
Compliance, consulting and professional fees	9	8
Office and administration expenses	7	5
IT infrastructure and other expenses <sup>1</sup>	26	19
<b>Total other expenses</b>	<b>42</b>	<b>32</b>
<b>Total employee and other expenses</b>	<b>99</b>	<b>82</b>
<b>Interest and borrowing costs</b>		
Interest paid/payable	63	70
Interest on lease liabilities	1	1
Interest capitalised <sup>2</sup>	(16)	(15)
Borrowing costs amortised	1	2
<b>Total finance costs</b>	<b>49</b>	<b>58</b>
Add: cost of goods sold interest <sup>3</sup>	15	10
<b>Total interest and borrowing costs</b>	<b>64</b>	<b>68</b>
<b>Loss on financial instruments</b>		
Loss on interest rate derivatives	—	8
<b>Total loss on financial instruments</b>	<b>—</b>	<b>8</b>

1. Includes employee benefits expenses \$4m (December 2020: \$3m) relating to the implementation of SaaS arrangements.

2. Relates to Integrated Investment Portfolio \$6m (December 2020: \$6m), Commercial & Mixed Use \$4m (December 2020: \$2m) and Residential \$6m (December 2020: \$7m).

3. This interest was previously capitalised and has been expensed in the current period. Relates to Commercial & Mixed Use \$6m (December 2020: \$nil) and Residential \$9m (December 2020: \$10m).

## B Results for the half year

Notes to the consolidated financial statements

### B4 EVENTS OCCURRING AFTER THE END OF THE HALF YEAR

No 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.

### B5 INCOME TAX

This section includes the Group's tax accounting policies and details of the income tax expense and deferred tax balances.

#### ACCOUNTING FOR INCOME TAX

Most of the Group's profit is earned by Mirvac Property Trust and its sub-trusts which are not subject to taxation, provided that the stapled securityholders of the Group are attributed the taxable income of the Mirvac Property Trust. Stapled securityholders are liable to pay tax at their effective tax rate on the amounts attributed.

Income tax expense for Mirvac Limited and its wholly-owned controlled entities is calculated at the applicable tax rate (currently 30 per cent in Australia). This is recognised in the profit for the year, unless it relates to other comprehensive income or transactions recognised directly in equity.

The tax expense comprises both current and deferred tax. Broadly, current tax represents the tax expense paid or payable for the current year. Accounting income is not always the same as taxable income, creating temporary differences. These differences usually reverse over time. Until they reverse, a deferred asset or liability is recognised on the consolidated SoFP. Deferred tax is not recognised on the initial recognition of goodwill. 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 Group estimates future taxable profits based on approved 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 the Group. 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 2021, the Group had \$211m (June 2021: \$214m) of unrecognised capital losses.

#### TAX CONSOLIDATION LEGISLATION

Mirvac Limited and its wholly-owned controlled entities are in a tax consolidated group. The entities in the tax consolidated group have entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Mirvac Limited. Accordingly, the deferred tax assets and deferred tax liabilities are permitted to be offset in the consolidated SoFP.

The entities in the tax consolidated group have also entered into a tax funding agreement to fully compensate/be compensated by Mirvac Limited for current tax balances and the deferred tax assets for unused tax losses and credits transferred.



# C Property and development assets

Notes to the consolidated financial statements

This section includes investment properties, investments in joint ventures and associates 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 (unaudited), which is available on Mirvac's website: [groupir.mirvac.com/page/Property\\_Compndium/](http://groupir.mirvac.com/page/Property_Compndium/).



### Investment properties

Investment properties are properties owned by Mirvac and not occupied by the Group. Investment properties include investment properties under construction (IPUC), 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.



### Investments in joint arrangements

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 held in a separate entity, then it is classified as a joint venture or associate (JVA). The JVA holds investment property at fair value and Mirvac recognises its share of the JVA's profit or loss as Other income.

Mirvac also holds joint operations with third parties whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement.

For further details on accounting for JVAs, refer to note C3.



### Judgements in fair value estimation

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants.

For all investment property that is measured at fair value, the existing use of the property is considered the highest and best use.

The fair values of properties are calculated using a combination of market sales comparisons, discounted cash flows and capitalisation rates.

To assist with calculating reliable estimates, Mirvac uses independent valuers on a rotational basis. Approximately 25 per cent of the portfolio is independently valued every six months, with management internally estimating the fair value of the remaining properties using estimation techniques by suitably qualified personnel. As at 31 December 2021, the Group undertook independent valuations covering 27 per cent of its investment property portfolio, by value excluding IPUC.

The fair values are a best estimate but may differ to the actual sales price if the properties were to be sold. The key judgements for each valuation method are explained below:

**Market sales comparison:** Utilises recent sales of comparable properties, adjusted for any differences including the nature, location and lease profile.

**Discounted cash flow (DCF):** Projects a series of cash flows over the property's life and a terminal value, discounted using a discount rate to give the present value.

The projected cash flows incorporate expected rental income (based on contracts or market rates), operating costs, lease incentives, lease fees, capital expenditure, and a terminal value from selling the property. The terminal value is calculated by applying the terminal yield to the net market income. The discount rate is a market rate reflecting the risk associated with the cash flows, the nature, location and tenancy profile of the property relative to comparable investment properties and other asset classes.

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

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

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

Note C2 explains the key inputs in the measurement of fair value of investment properties.



### Lease incentives

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

# C Property and development assets

Notes to the consolidated financial statements

## C1 PROPERTY PORTFOLIO CONTINUED



### Ground leases

A lease liability, reflecting the leasehold arrangements of investment properties, is separately disclosed in the consolidated SoFP and the carrying value of the investment properties is adjusted (i.e. increased) so that the net of these two amounts equals the fair value of the investment properties. The lease liabilities are calculated as the net present value of the future lease payments discounted at the incremental borrowing rate. At 31 December 2021, \$48m of lease liabilities for ground leases has been recognised in the consolidated SoFP (June 2021: \$47m).

Lease liabilities are subsequently measured by:

- > increasing the carrying amount to reflect interest on the lease liability;
- > reducing the carrying amount to reflect the lease payments made; and
- > remeasuring the carrying amount to reflect any reassessment or lease modifications.

Some ground leases contain variable payment terms that are linked to sales generated. Variable lease payments that depend on sales are recognised in the consolidated SoCI in the period in which the condition that triggers those payments occurs.

Interest on the lease liabilities and any variable lease payments not included in the measurement of the lease liabilities are recognised in the consolidated SoCI in the period to which they relate.



### Derecognition of investment properties

Investment properties are reclassified from non-current to current assets held for sale when they satisfy the conditions under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

For reclassification to occur, the disposal of the investment property must be highly probable, with an exchanged contract and settlement pending. Once control of an investment property transfers to a purchaser, usually upon settlement, the Group will derecognise the book value of the investment property with any resultant gain or loss recognised in the consolidated SoFP.

Occasionally, the Group will reassess the status of an investment property and determine that its highest and best use may be different from its current use, for example an office building may be better suited to redevelopment and sale as apartments. In these cases, once development commences with a view to resale, and the investment property ceases to be classified as an investment property, all or part is reclassified from Investment properties to Inventory.

As at 31 December 2021, the Group had exchanged contracts for the disposal of Quay West Car Park, Sydney and Tramsheds Sydney, Harold Park NSW with settlement expected to occur in FY22. Accordingly, the Group has reclassified these investment properties to assets classified as held for sale on the consolidated SoFP.



The assessment undertaken to determine the fair value of the Group's portfolio, including the impact from the COVID-19 pandemic is based on the assumptions and analysis performed and outlined below.

As at 31 December 2021, the Group had 27 per cent of its investment property portfolio independently valued (by value, excluding IPUC). The Group's investment properties had begun to see signs of recovery with increased customer patronage in our retail centres and the gradual return of workers to our office buildings. However, this has been hindered by the recent Omicron variant of COVID-19 and while there are no indications that extensive restrictions will be reintroduced there has been implications to local supply chains, labour availability and the position on return to office.

While the long term impacts of COVID-19 may have structural impacts on the space requirements of commercial tenants in the future, evidence from tenants has been scarce due to limited leasing activity, and at this point there is no firm evidence to confirm that there will be a wholesale shift of tenant demand away from Australian CBDs. A consistent theme, however, is that high quality property with modern fit-outs, surrounded by amenity and well connected by transport will be relative winners, while lower quality backfill assets will bear the brunt of any decline in tenant sentiment. Despite the challenges that Delta and Omicron have presented there has been renewed transactional evidence and increased cash flows to support the Group's fair value assessment of investment property as at 31 December 2021.

An evaluation of each investment property in the portfolio was undertaken considering the following factors:

1. Location and asset quality across the markets that the Group invests in;
2. Capital expenditure including development and operational capital expenditure forecasts;
3. Tenancy schedules: Tenancy schedules including all contractual lease information were used as the basis of all forecasts and valuations, specifically the contracted cash flows from the tenants and including tenant size and weighted average lease expiry. Assets with long WALEs and a small number of large tenants were viewed as having the least risk in valuations;
4. Market rents: rents that could be achieved if tenancy was leased on the open market as at valuation date. Passing rent refers to contractual rent as at the valuation date;
5. Growth rates and incentives: ten-year forecasts for incentives and growth rates applied to future leasing assumptions;
6. Downtime: period of vacancy between leases on a tenancy;
7. COVID-19 impact on the tenancies, in particular rental relief requested, ability to trade and industry that the tenants operate in; and
8. Fair value inputs: capitalisation rate, discount rate and terminal rate applied to capitalisation income, discounted cash flow and terminal capitalisation income.

Following this evaluation on a property basis, the valuations have been calibrated on a portfolio basis, by asset class, to ensure consistency in any assumptions such as in the modelling of leasing retention rates, incentives, downtime, growth, COVID-19 support adjustments and the expected recovery period where relevant.

# C Property and development assets

Notes to the consolidated financial statements

## C1 PROPERTY PORTFOLIO CONTINUED

### PROPERTY PORTFOLIO AS AT 31 DECEMBER 2021

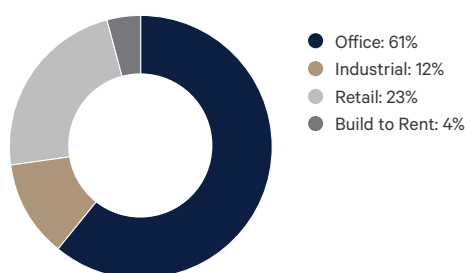
The composition of the Group's investment property portfolio includes:

	Note	Integrated Investment Portfolio				31 December 2021	30 June 2021
		Office \$m	Industrial \$m	Retail \$m	Build to Rent \$m	Total \$m	Total \$m
Investment properties		6,108	1,137	3,103	220	10,568	10,978
Investment properties under construction		703	386	—	290	1,379	843
<b>Total investment properties</b>	C2	<b>6,811</b>	<b>1,523</b>	<b>3,103</b>	<b>510</b>	<b>11,947</b>	<b>11,821</b>
Investments in JVA <sup>1</sup>		1,258	55	—	—	1,313	472
Assets classified as held for sale		52	—	52	—	104	133
<b>Total property portfolio</b>		<b>8,121</b>	<b>1,578</b>	<b>3,155</b>	<b>510</b>	<b>13,364</b>	<b>12,426</b>

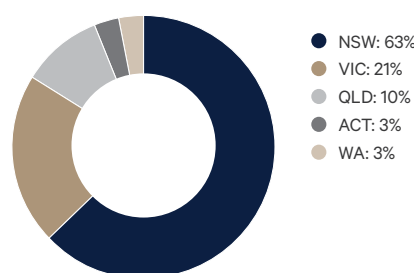
1. Represents Mirvac's share of the JVA's investment properties which is included within the carrying value of investments in JVA.

### PROPERTY PORTFOLIO AS AT 31 DECEMBER 2021

#### By asset class

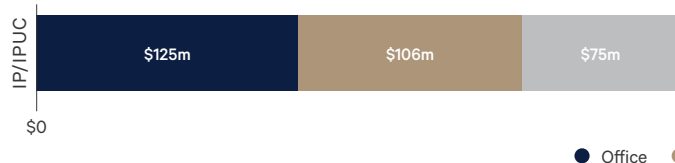


#### By geography



### REVALUATION OF INVESTMENT PROPERTIES

#### 1H22 Net revaluation gain: \$306m



#### 1H21 Net revaluation gain: \$151m



## 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.

Movements in investment properties	Integrated Investment Portfolio				31 December 2021	30 June 2021
	Office \$m	Industrial \$m	Retail \$m	Build to Rent \$m	Total \$m	Total \$m
Balance 1 July	7,191	1,186	3,074	370	11,821	11,167
Expenditure capitalised	241	46	16	84	387	473
Acquisitions	756	188	—	56	1,000	185
Disposals	(609)	—	—	—	(609)	(82)
Net revaluation gain from fair value adjustments	125	106	75	—	306	392
Transfer from/(to) inventories	18	—	—	—	18	(56)
Transfer to assets classified as held for sale	(52)	—	(52)	—	(104)	(133)
Transfer to joint ventures and associates	(819)	—	—	—	(819)	—
Amortisation expense	(40)	(3)	(10)	—	(53)	(125)
<b>Closing balance</b>	<b>6,811</b>	<b>1,523</b>	<b>3,103</b>	<b>510</b>	<b>11,947</b>	<b>11,821</b>

# C Property and development assets

Notes to the consolidated financial statements

## C2 INVESTMENT PROPERTIES CONTINUED

### FAIR VALUE MEASUREMENT AND VALUATION BASIS

Investment properties are measured as Level 3 financial instruments. Refer to note D3 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 per asset class:

	Level 3 fair value \$m	Inputs used to measure fair value				
		Net market income \$/sqm	10-year compound annual growth rate %	Capitalisation rate %	Terminal yield %	Discount rate %
<b>31 December 2021</b>						
Office	6,811	312 – 1,185	2.60 – 4.20	4.50 – 7.50	4.75 – 7.50	6.00 – 8.25
Industrial	1,523	106 – 433	3.17 – 3.25	3.75 – 5.00	4.25 – 5.25	5.00 – 6.00
Retail	3,103	316 – 1,116	1.08 – 3.74	4.75 – 8.75	5.00 – 9.00	6.00 – 9.50
Build to Rent	510	540 <sup>1</sup>	3.00	4.00	4.00	6.25
<b>Total investment properties</b>	<b>11,947</b>	—	—	—	—	—
<b>30 June 2021</b>						
Office	7,191	312 – 1,519	2.50 – 3.80	4.38 – 7.50	4.50 – 7.50	5.85 – 8.25
Industrial	1,186	104 – 407	2.82 – 3.02	4.09 – 5.75	4.50 – 6.00	5.25 – 6.61
Retail	3,074	311 – 1,121	2.30 – 3.84	4.75 – 8.75	5.00 – 9.00	6.25 – 9.50
Build to Rent	370	539 <sup>1</sup>	3.00	4.00	4.00	6.25
<b>Total investment properties</b>	<b>11,821</b>	—	—	—	—	—

1. Average net operating income per apartment per week.

Movement in any of the unobservable inputs is likely to have an impact on the fair value of investment property. The higher the net operating 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. For further detail regarding the sensitivity analysis of these assumptions, please refer to the 30 June 2021 Annual Report.

## C3 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

All JVAs are established or incorporated in Australia. The movements in the carrying amount of JVAs are as follows:

	31 December 2021 Total \$m	30 June 2021 Total \$m
<b>Movements in the carrying amount of JVA</b>		
Balance 1 July	783	744
Share of profit	34	114
Equity acquired	54	12
Other movements	(42)	2
Transfers from investment properties	819	—
Return of capital	(1)	(5)
Distributions received/receivable	(41)	(84)
<b>Closing balance</b>	<b>1,606</b>	<b>783</b>

The table below lists JVAs that are significant to the Group:

JVA	Principal activities	Interest %	31 December 2021 Carrying value \$m	Interest %	30 June 2021 Carrying value \$m
The George Street Trust <sup>1</sup>	Property investment	50	578	—	—
Mirvac (Old Treasury) Trust	Property investment	50	239	50	237
Mirvac Locomotive Trust <sup>1</sup>	Property investment	51	202	—	—
Mirvac 8 Chifley Trust	Property investment	50	210	50	210
Tucker Box Hotel Group <sup>2</sup>	Hotel investment	50	190	50	191
Other JVAs	Various	—	187	—	145
<b>Closing balance</b>			<b>1,606</b>		<b>783</b>

1. This entity was previously consolidated into the Group, however control was lost during the period and is now accounted for as a JVA. Refer to note F2.

2. The hotel portfolio held by the Tucker Box Hotel Group was contracted for sale on 23 July 2021, with settlement expected to complete in 2H22.

# C Property and development assets

Notes to the consolidated financial statements

## C4 INVENTORIES

The Group develops residential, commercial and mixed use properties for sale in the ordinary course of business.



### Judgement in calculating net realisable value (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.



In undertaking the NRV assessments for the Group as at 31 December 2021, consideration has been given to the impact of COVID-19 on key assumptions. These include sales rates, pricing, timing of settlements, expected incentives, estimated cost to complete and program duration.

#### RESIDENTIAL INVENTORY

Strong demand for the Group's residential inventory has continued with 1,814 lots exchanged during the period ended 31 December 2021 (1,365 for the period to 31 December 2020), contributing to the \$1.5bn in pre sales achieved by the Group, supporting the Group's NRV assessment of residential inventory.






The latest Omicron outbreak has required active management and mitigation of various impacts to business continuity across our projects, specifically addressing some expected short-term impacts on construction productivity due to supply chain constraints and temporary labour shortages.

Additionally, increasing construction costs and supply constraints off the back of unprecedented demand, particularly in housing construction, along with global logistics constraints are being monitored and is well mitigated by our ability to procure well in advance of construction due to our pipeline visibility. Revenue growth across our markets has helped to offset increases in construction costs.

#### COMMERCIAL & MIXED USE INVENTORY

The Group continued to deliver on its key projects during the half year and construction was largely able to continue, despite prolonged lockdowns and emergent clusters of COVID-19. The Group expects demand for newly developed and well located developments with strong lease covenants to remain strong, underpinning asset values and supporting development metrics for the Group's development pipeline. Accordingly the NRV assessments for the Group's Commercial & Mixed Use segment were well supported, with limited impact on sales prices, as these are usually contractually determined prior to commencement of development and there was no significant impact on construction programs during the period.

The key assumptions used in the project forecasts for the Group's NRV assessments include:

Key assumption	Details of key assumption
 <b>Sales rates/volumes</b>	The rate at which lots are sold over a given period.
 <b>Sales price</b>	The price at which a given lot is sold to the general public or the project contract price.
 <b>Sales incentives</b>	Recognised as a percentage of purchase price, which is allocated to either direct or indirect expenditure to induce the sale of a lot.
 <b>Settlement volumes</b>	The number of lot settlements achievable over a given period.
 <b>Cost to complete</b>	All remaining costs to complete the program of works and sell unsold stock, measured at reporting date.
 <b>Program duration</b>	The duration of a project from commencement to completion of all stages. A project program generally extends from the approval to purchase through to the final settlement of lots and may extend over many years.

# C Property and development assets

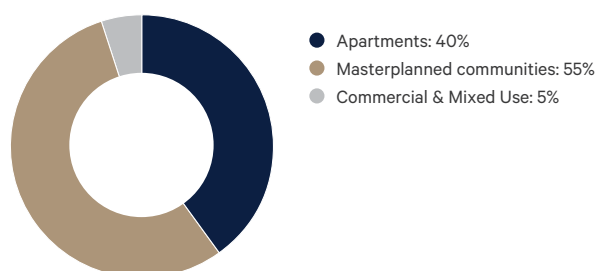
Notes to the consolidated financial statements

## C4 INVENTORIES CONTINUED

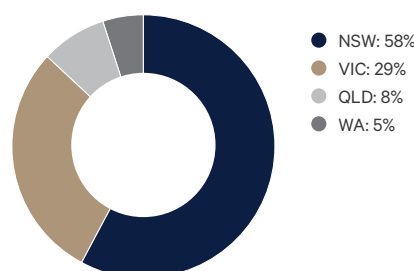
	31 December 2021			30 June 2021		
	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
<b>Residential apartments</b>						
Acquisition costs	16	475	491	13	430	443
Development costs	48	380	428	165	328	493
Interest capitalised during development	2	33	35	6	30	36
Provision for impairment of inventories	(4)	(45)	(49)	(4)	(44)	(48)
<b>Total residential apartments</b>	<b>62</b>	<b>843</b>	<b>905</b>	<b>180</b>	<b>744</b>	<b>924</b>
<b>Residential masterplanned communities</b>						
Acquisition costs	198	515	713	144	496	640
Development costs	73	425	498	98	94	192
Interest capitalised during development	8	21	29	10	18	28
Provision for impairment of inventories	(10)	(4)	(14)	(13)	(4)	(17)
<b>Total residential masterplanned communities</b>	<b>269</b>	<b>957</b>	<b>1,226</b>	<b>239</b>	<b>604</b>	<b>843</b>
<b>Total Residential</b>	<b>331</b>	<b>1,800</b>	<b>2,131</b>	<b>419</b>	<b>1,348</b>	<b>1,767</b>
<b>Commercial &amp; Mixed Use</b>						
Acquisition costs	47	5	52	38	52	90
Development costs	29	55	84	172	68	240
Interest capitalised during development	—	—	—	5	—	5
Provision for impairment of inventories	(4)	(7)	(11)	(2)	(7)	(9)
<b>Total Commercial &amp; Mixed Use</b>	<b>72</b>	<b>53</b>	<b>125</b>	<b>213</b>	<b>113</b>	<b>326</b>
<b>Total inventories</b>	<b>403</b>	<b>1,853</b>	<b>2,256</b>	<b>632</b>	<b>1,461</b>	<b>2,093</b>

### INVENTORIES AS AT 31 DECEMBER 2021

#### By product line



#### By geography



## C Property and development assets

Notes to the consolidated financial statements

### C4 INVENTORIES CONTINUED

	31 December 2021 \$m	30 June 2021 \$m
<b>Movements in inventories</b>		
Balance 1 July	2,093	1,684
Costs incurred	875	1,130
Settlements	(694)	(772)
Provision for impairment of inventories	—	(5)
Transfer (to)/from investment properties	(18)	56
<b>Closing balance</b>	<b>2,256</b>	<b>2,093</b>

### C5 COMMITMENTS

#### CAPITAL EXPENDITURE COMMITMENTS

At 31 December 2021, capital commitments on Mirvac's investment property portfolio were \$636m (June 2021: \$527m). There were no investment properties pledged as security by the Group (June 2021: nil).

#### LEASE COMMITMENTS

Lease revenue from investment properties is accounted for as operating leases. The revenue from leases is recognised in the consolidated SoCI on a straight-line basis over the lease term.

Future receipts are shown as undiscounted contractual cash flows.

#### FUTURE OPERATING LEASE RECEIPTS AS A LESSOR

31 December 2021



30 June 2021



● Within one year   ● Between one and five years   ● Later than five years

## D Capital structure and risks

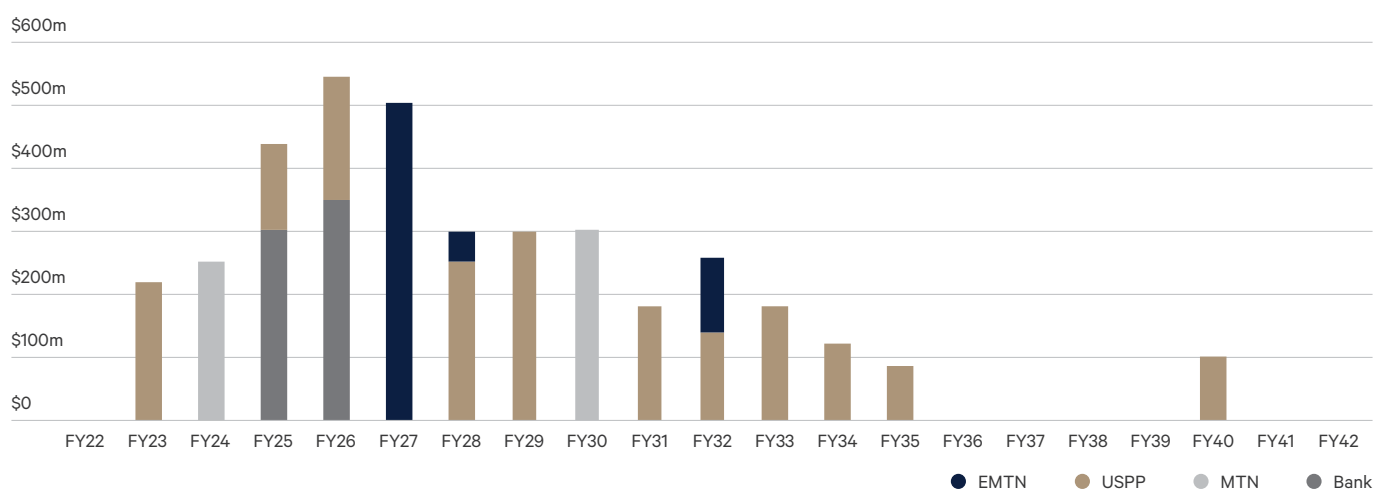
Notes to the consolidated financial statements

This section outlines the market, credit and liquidity risks that the Group is exposed to and how it manages these risks. Capital comprises stapled securityholders' equity and net debt.

### D1 BORROWINGS AND LIQUIDITY

The Group enters into borrowings at both fixed and floating interest rates and also uses interest rate derivatives to reduce interest rate risks. At 31 December 2021, the Group had \$750m (June 2021: \$867m) of cash and committed undrawn facilities available.

#### DRAWN DEBT MATURITIES AS AT 31 DECEMBER 2021



#### 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 2021				30 June 2021			
	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 facilities</b>								
Bank loans	—	648	648	648	—	578	578	578
Bonds	274	3,107	3,381	3,535	—	3,356	3,356	3,464
<b>Total unsecured borrowings</b>	<b>274</b>	<b>3,755</b>	<b>4,029</b>	<b>4,183</b>	<b>—</b>	<b>3,934</b>	<b>3,934</b>	<b>4,042</b>
Prepaid borrowing costs	—	(11)	(11)	(11)	—	(12)	(12)	(12)
<b>Total borrowings</b>	<b>274</b>	<b>3,744</b>	<b>4,018</b>	<b>4,172</b>	<b>—</b>	<b>3,922</b>	<b>3,922</b>	<b>4,030</b>
<b>Undrawn facilities</b>			<b>680</b>				<b>750</b>	
<b>Other</b>								
Lease liabilities	7	76	83	83	4	64	68	68

The fair value of bank loans is considered to approximate their carrying amount. The fair value of bonds is calculated as the expected future cash flows discounted by the relevant current market rates.



## D Capital structure and risks

Notes to the consolidated financial statements

### D2 CASH FLOW INFORMATION

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

#### RECONCILIATION OF PROFIT TO OPERATING CASH FLOW

	31 December 2021 \$m	Restated 31 December 2020 \$m
Profit from continuing operations	565	392
Revaluation of investment properties	(306)	(151)
Share of net profit of joint ventures and associates	(34)	(27)
JVA distributions received	39	30
Net (loss)/gain on sale of investment properties	1	(2)
Loss on sale of property, plant and equipment	1	—
Net gain on financial instruments	(29)	(10)
Inventory write-downs and losses	7	7
Depreciation and amortisation expenses	35	35
Impairment loss on receivables	25	21
Security-based payments expense	8	5
Change in operating assets and liabilities	101	143
<b>Net cash inflows from operating activities</b>	<b>413</b>	<b>443</b>

### D3 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 derivatives are calculated as the present value of the estimated future cash flows based on observable yield curves.

## D Capital structure and risks

Notes to the consolidated financial statements

### D3 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS CONTINUED

#### OTHER FINANCIAL ASSETS

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

Investments in unlisted entities are traded in inactive markets and the fair value is determined by the unit or share price as advised by the trustee of the unlisted entity, based on the value of the underlying assets. The unlisted entity's assets are subject to regular external valuations. The valuation methods used by the external valuers have not changed since 30 June 2021.

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

	31 December 2021				30 June 2021			
	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>								
Investments in unlisted entities	—	—	72	72	—	—	78	78
Derivative financial instruments	—	293	—	293	—	248	—	248
<b>Total financial assets carried at fair value</b>	<b>—</b>	<b>293</b>	<b>72</b>	<b>365</b>	<b>—</b>	<b>248</b>	<b>78</b>	<b>326</b>
<b>Financial liabilities carried at fair value</b>								
Derivative financial instruments	—	81	—	81	—	104	—	104
<b>Total financial liabilities carried at fair value</b>	<b>—</b>	<b>81</b>	<b>—</b>	<b>81</b>	<b>—</b>	<b>104</b>	<b>—</b>	<b>104</b>

There were no transfers between the fair value hierarchy levels during the half year. The following table presents a reconciliation of the carrying value of Level 3 instruments held by the Group (excluding investment properties):

	Investments in unlisted entities	
	31 December 2021 \$m	30 June 2021 \$m
Balance 1 July	78	68
Acquisitions	7	2
Net gain recognised in gain on financial instruments	1	8
Return of capital	(14)	—
<b>Closing balance</b>	<b>72</b>	<b>78</b>

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

# E Equity

Notes to the consolidated financial statements

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 distributions	CPSS	Amount payable/paid \$m	Date payable/paid
31 December 2021	5.1	202	28 February 2022
31 December 2020	4.8	188	1 March 2021

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 \$24m (June 2021: \$24m).

## 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 the winding up of Mirvac.

New issues of stapled securities rank equal with the existing stapled securities on issue. When new securities or options are issued, the directly attributable incremental costs are deducted from equity, net of tax.

### CONTRIBUTED EQUITY

	31 December 2021		30 June 2021	
	No. securities m	Securities \$m	No. securities m	Securities \$m
Mirvac Limited – ordinary shares issued	3,941	2,165	3,936	2,162
MPT – ordinary units issued	3,941	5,361	3,936	5,348
<b>Total contributed equity</b>		<b>7,526</b>		<b>7,510</b>

The total number of stapled securities issued as listed on the ASX at 31 December 2021 was 3,943m (June 2021: 3,938m) which included 1m of stapled securities issued under the LTI plan and EIS (June 2021: 1m). 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 2021		30 June 2021	
	No. securities	Securities \$m	No. securities	Securities \$m
Balance 1 July	3,936,111,448	7,510	3,932,737,261	7,503
Securities issued under EEP <sup>1</sup>	—	—	525,021	1
LTI vested <sup>2</sup>	5,111,753	16	2,746,083	6
Legacy schemes vested	74,762	—	103,083	—
<b>Closing balance</b>	<b>3,941,297,963</b>	<b>7,526</b>	<b>3,936,111,448</b>	<b>7,510</b>

1. Mirvac issues securities to employees as security-based payments.

2. Stapled securities issued for LTIs during the year, relate to LTIs granted in prior years.

## F Other disclosures

Notes to the consolidated financial statements

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

### F1 RECEIVABLES

The Groups receivables comprise of trade receivables in the ordinary course of business and loans receivables.

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

For the majority of the non-current receivables, the carrying amount is also not significantly different to their fair value. The expected credit loss (ECL) of receivables is reviewed on an ongoing basis. The Group applies the simplified approach to measuring ECL as appropriate based on the different characteristics of each financial asset class. To measure the ECL, management has grouped together its receivables based on shared credit risk characteristics and the days past due. The Group uses judgement in making assumptions about risk of default and ECL rates and the inputs to the impairment calculation, based on the Group's past history, existing market conditions and future looking estimates at the end of each reporting period. Receivables which are known to be uncollectable are written off.

For loans receivable, at inception of a loan, an ECL provision is recognised which considers the following:

- > The historical bad debt write offs incurred for similar loan arrangements;
- > The collateral held over the loan; and
- > The creditworthiness of the borrower.



The Group has considered the impact on its trade debtors and loan receivables in light of increased credit risk resulting from the impacts of COVID-19.

#### Trade debtors

For trade debtors relating to the Group's investment property rental income, many of the Group's tenants have experienced cash flow and financial difficulties, in particular, the retail sector, where the operating environment has been dominated by lockdowns and restrictions directly impacting customer traffic and operator performance.

The calculation of the ECL considers the historical bad debt write-offs which are specific to each segment and adjusted for specific known factors, including:

- > financial situation of a tenant;
- > the industry in which the tenant operates and if this has been impacted by mandatory Government restrictions;
- > the size and legal structure of the tenant;
- > location and demographic information affecting the tenant; and
- > sales data, rental relief requests and other impacts on trading activities during the pandemic.

For the half year ended 31 December 2021, the ECL recognised during the half year was \$25m (December 2020: \$21m), this amount is included in Impairment loss on receivables in the consolidated SoCl.

#### Loans receivable

The COVID-19 impacts for the Group's loans considers the qualitative factors surrounding the borrower and the risks that they may have or will be facing as a result of the impact of COVID-19 on their business operations and financial position. The assessment is made on an individual instrument level rather than a collective approach for all loans. There was no increase in the ECL provision for loans during the half year, with the provision remaining consistent with the 30 June 2021 balance of \$39m.

# F Other disclosures

Notes to the consolidated financial statements

## F1 RECEIVABLES CONTINUED

	31 December 2021			30 June 2021		
	Gross \$m	Loss allowance \$m	Net \$m	Gross \$m	Loss allowance \$m	Net \$m
<b>Current receivables</b>						
Trade receivables	98	(54)	44	98	(35)	63
Loans to unrelated parties	68	(39)	29	65	(39)	26
Other receivables	71	—	71	28	—	28
<b>Total current receivables</b>	<b>237</b>	<b>(93)</b>	<b>144</b>	191	(74)	117
<b>Non-current receivables</b>						
Loans to related parties	5	—	5	5	—	5
Loans to unrelated parties	79	—	79	89	—	89
Other receivables	5	—	5	3	—	3
<b>Total non-current receivables</b>	<b>89</b>	<b>—</b>	<b>89</b>	97	—	97
<b>Total receivables</b>	<b>326</b>	<b>(93)</b>	<b>233</b>	288	(74)	214

### LOSS ALLOWANCE

	31 December 2021 \$m	30 June 2021 \$m
Balance 1 July	(74)	(80)
Amounts utilised for write-off of receivables	6	26
Loss allowance recognised	(25)	(20)
<b>Closing balance</b>	<b>(93)</b>	<b>(74)</b>

### AGEING

	Not past due \$m	Days past due					Total \$m
		1 - 30 \$m	31 - 60 \$m	61 - 90 \$m	91 - 120 \$m	Over 120 \$m	
Trade receivables <sup>1</sup>	59	8	8	3	3	17	98
Loans	115	—	—	—	—	44	159
Other receivables	31	—	—	—	—	—	31
Loss allowance	(1)	(5)	(7)	(3)	(3)	(55)	(74)
<b>Balance 30 June 2021</b>	<b>204</b>	<b>3</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>6</b>	<b>214</b>
Trade receivables <sup>1</sup>	34	12	9	7	7	29	98
Loans	108	—	—	—	—	44	152
Other receivables	76	—	—	—	—	—	76
Loss allowance	—	(8)	(7)	(7)	(7)	(64)	(93)
<b>Balance 31 December 2021</b>	<b>218</b>	<b>4</b>	<b>2</b>	<b>—</b>	<b>—</b>	<b>9</b>	<b>233</b>

1. The Group has recognised a provision for impairment for all overdue investment property tenant trade receivables.

The Group does not have any significant credit risk exposure to a single customer. The Group holds collateral over receivables of \$121m (June 2021: \$164m). The collateral held equals the carrying amount of the relevant receivables. The terms and conditions of the collateral are outlined in the lease agreements, however generally as lessor, the Group has the right to call upon the collateral if a lessee breaches their lease. For further details regarding the Group's exposure to, and management of, credit risk, please refer to the 30 June 2021 Annual Report.

## F Other disclosures

Notes to the consolidated financial statements

### F2 BUSINESS COMBINATIONS

#### ACQUISITIONS OF SUBSIDIARIES

During the period, the Group purchased the remaining interests in the following entities which were previously accounted for as investments in joint ventures. Control of these entities was gained from their acquisition date and they have been consolidated from then.

At the acquisition date, the carrying amount of the Group's previously held interest in these entities approximated its fair value and accordingly, no gain or loss as a result of the remeasurement of the equity interest in these entities to fair value was recognised in the consolidated SoCI.

The cash consideration paid to acquire the remaining interest of these entities approximated the fair value of assets acquired and liabilities assumed and accordingly no goodwill arose from the acquisitions.

Entity	Pre-consolidation ownership %	Cash consideration paid \$m	Net assets acquired \$m	Inflow/(outflow) of cash, net of cash acquired \$m
Mirvac Waterloo Development Trust	51	— <sup>1</sup>	— <sup>1</sup>	2
Mirvac SLS Development Trust	51	4	4	10
Mirvac Lucas Real Estate Unit Trust	50	2	2	(2)
		<b>6</b>	<b>6</b>	<b>10</b>

1. Values not shown due to rounding.

The Mirvac Waterloo Development Trust acquired, developed and sold residential inventory in Waterloo, NSW with the project nearing completion. On 4 August 2021, the Group consolidated the assets and liabilities held by the Mirvac Waterloo Development Trust which included cash of \$2m.

The Mirvac SLS Development Trust acquired, developed and sold residential inventory in St Leonards, NSW with the project nearing completion. On 4 August 2021, the Group consolidated the assets and liabilities held by the Mirvac SLS Development Trust which included cash of \$14m and inventory of \$1m.

The Mirvac Lucas Real Estate Unit Trust performs residential property management in Victoria. On 31 July 2021, when completion of the acquisition occurred, the Group consolidated the assets and liabilities held by the Mirvac Lucas Real Estate Unit Trust which included an intangible asset of \$3m.

There were no acquisitions of subsidiaries for the period ending 31 December 2020.

#### DISPOSAL OF SUBSIDIARIES

During the period, the Group disposed of partial interests in two previously controlled and consolidated entities.

- On 5 August 2021, the Group disposed of 49% of the units in the Mirvac Locomotive Trust, which holds a 100% interest in the recently completed Locomotive Workshop, South Eveleigh NSW. Following the sale, the Group lost control of the Mirvac Locomotive Trust and reclassified its remaining 51% interest to an Investment in a joint venture.

The consideration from the sale of the 49% interest in the Mirvac Locomotive Trust was recognised as revenue of \$231m, and is reflected as sale of inventory in the ordinary course of business. The net cash inflow representing total proceeds less cash disposed of following deconsolidation was \$231m.

- On 26 August 2021, the Group exercised its pre-emptive right as existing co-owner to acquire the remaining 50% of the investment property at 200 George Street, Sydney, NSW. On the same day following this purchase, the Group disposed of 49.9% of the units in The George Street Trust, the controlled entity owning the investment property. Following the sale, the Group lost control of The George Street Trust and reclassified its remaining 50.1% interest to an Investment in a joint venture.

The consideration received from the sale of the 49.9% interest in The George Street Trust was \$609m. The Group did not outlay cash for the 50% purchase of the property, with the proceeds from the sale of the controlled entity being directed to satisfy payment to the vendor of 50% interest of the property. The net cash outflow, being the cash disposed of following deconsolidation was \$2m. The carrying value of the net assets at the time of disposal approximated the consideration received, resulting in no gain or loss on the sale recognised in the consolidated SoCI.

## F Other disclosures

Notes to the consolidated financial statements

### F3 CHANGE IN ACCOUNTING POLICY

This section explains the change in accounting policy on the Group's financial statements and discloses the new accounting policy that has been applied retrospectively.

<b>Accounting standard</b>	Software-as-a-Service (SaaS) arrangements
<b>Nature of change</b>	During the year ended 30 June 2021, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements.
<b>Application</b>	Mirvac adopted the change in accounting policy retrospectively and comparatives have been restated from the earliest period presented, commencing from 1 July 2020. Historical financial information has been restated to account for the impact of the change.
<b>Impact on financial statements</b>	<p>SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as an expense when the services are received.</p> <p><b>Determination of whether configuration and customisation services are distinct from the SaaS access</b></p> <p>Costs incurred to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received. In a contract where the cloud provider provides both the SaaS configuration and customisation, and the SaaS access over the contract term, the services are assessed to determine if they are distinct. Where the services are not distinct, the configuration and customisation costs incurred are capitalised on the consolidated SoFP as a prepayment and expensed over the SaaS contract term.</p> <p>As at 31 December 2021, the Group recognised \$4m (June 2021: \$4m) as a prepayment in respect of customisation and configuration activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS access over the contract term.</p> <p><b>Financial statement impact</b></p> <p>Historical financial information has been restated to account for the impact of the change in accounting policy as outlined below.</p>

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EXTRACT)

The following table shows the adjustments for the change in accounting policy as recognised for each individual financial statement line item in the consolidated SoCI for the half year ended 31 December 2020. These adjustments include:

- > reversal of amortisation expense; and
- > recognition of an expense for configuration and customisation costs incurred.

Line items that were not affected by the changes have been included within 'all other'. Basic and diluted EPS have been restated from 10.1 cpsps to 10.0 cpsps for the half year ended 31 December 2020.

	31 December 2020 As originally presented \$m	Total impact \$m	Restated 31 December 2020 \$m
<b>Total revenue and other income</b>	1,196	—	1,196
Depreciation and amortisation expenses	38	(3)	35
Employee and other expenses	75	7	82
All other expenses	667	—	667
<b>Profit before income tax</b>	<b>416</b>	<b>(4)</b>	<b>412</b>
Income tax expense	20	—	20
<b>Profit from continuing operations</b>	<b>396</b>	<b>(4)</b>	<b>392</b>
<b>Other comprehensive loss that may be reclassified to profit or loss</b>			
Changes in the fair value of cash flow hedges	(26)	—	(26)
<b>Total comprehensive income for the half year</b>	<b>370</b>	<b>(4)</b>	<b>366</b>

The following table shows the adjustments for the change in accounting policy as recognised for each individual financial statement line item in the consolidated SoCF. These adjustments include:

- > recognition of payments to suppliers and employees for the SaaS arrangements in operating cash flows; and
- > derecognition of payments for software under development in investing cash flows.

Line items that were not affected by the changes have been included within 'all other'.

## F Other disclosures

Notes to the consolidated financial statements

### F3 CHANGE IN ACCOUNTING POLICY CONTINUED

#### CONSOLIDATED STATEMENT OF CASH FLOWS

	31 December 2020 As originally presented \$m	Total impact \$m	Restated 31 December 2020 \$m
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees (inclusive of GST)	(846)	(7)	(853)
All other operating cash flows	1,296	—	1,296
<b>Net cash inflows from operating activities</b>	<b>450</b>	<b>(7)</b>	<b>443</b>
<b>Cash flows from investing activities</b>			
Payments for software under development	(8)	7	(1)
All other investing cash flows	(129)	—	(129)
<b>Net cash outflows from investing activities</b>	<b>(137)</b>	<b>7</b>	<b>(130)</b>
<b>Cash flows from financing activities</b>			
<b>Net cash inflows from financing activities</b>	<b>(392)</b>	<b>—</b>	<b>(392)</b>
Net increase in cash and cash equivalents	(79)	—	(79)
Cash and cash equivalents at the beginning of the half year	324	—	324
<b>Cash and cash equivalents at the end of the half year</b>	<b>245</b>	<b>—</b>	<b>245</b>

### F4 RELATED PARTIES

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

	31 December 2021 Total \$000	31 December 2020 Total \$000
<b>Transactions with JVAs and other related parties</b>		
Interest income	71	71
Project development fees	59,802	65,737
Management and service fees	2,611	2,468
Trustee fees	4,841	3,576
<b>Total transactions with JVAs and other related parties</b>	<b>67,325</b>	<b>71,852</b>

	31 December 2021 \$000	30 June 2021 \$000
<b>Loans due from JVAs and other related parties</b>		
Balance 1 July	5,104	5,000
Interest capitalised	69	104
<b>Closing balance</b>	<b>5,173</b>	<b>5,104</b>

Transactions between Mirvac and its related parties were made on commercial terms and conditions. Distributions received from JVAs were on the same terms and conditions that applied to other securityholders. Equity interests in JVAs are set out in note C3.

### F5 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 2021 \$m	30 June 2021 \$m
Bank guarantees and insurance bonds granted in the normal course of business	212	179
Health and safety claims	2	2
Payments for investment properties and inventories contingent on planning approvals	37	33

As at 31 December 2021, the Group had no contingent liabilities relating to JVAs (June 2021: \$nil).



## Directors' declaration

In the Directors' opinion:

- a) the financial statements and the notes set out on pages 13 to 39 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 2021 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.

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

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



**Susan Lloyd-Hurwitz**

**Director**

Sydney

10 February 2022

# Independent auditor's report



## Independent auditor's review report to the stapled securityholders of Mirvac Limited

### Report on the half-year financial report

#### Conclusion

We have reviewed the half-year financial report of Mirvac Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2021, 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, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2021 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*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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

#### Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement whether due to fraud or error.

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## Independent auditor's report



### *Auditor's responsibilities for the review of the half-year financial report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2021 and of 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*.

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



Voula Papageorgiou  
Partner



Joe Sheeran  
Partner

Sydney  
10 February 2022

## Glossary

<b>ASX</b>	Australian Securities Exchange
<b>CPSS</b>	Cents per stapled security
<b>EBIT</b>	Earnings before interest and tax
<b>EIS</b>	Employee Incentive Scheme
<b>EEP</b>	Employee Exemption Plan
<b>EMTN</b>	Euro medium-term note
<b>EPS</b>	Earnings per stapled security
<b>FFO</b>	Funds From Operations
<b>IP</b>	Investment properties
<b>IPUC</b>	Investment properties under construction
<b>JVA</b>	Joint ventures and associates
<b>LTI</b>	Long-term incentives
<b>MAT</b>	Moving annual turnover
<b>MPT</b>	Mirvac Property Trust
<b>NOI</b>	Net operating income
<b>NRV</b>	Net realisable value
<b>SaaS</b>	Software-as-a-Service
<b>SBP</b>	Security-based payment
<b>SoCE</b>	Statement of changes in equity
<b>SoCI</b>	Statement of comprehensive income
<b>SoCF</b>	Statement of cash flows
<b>SoFP</b>	Statement of financial position
<b>STI</b>	Short-term incentives



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