mirvac

Mirvac Property Trust 2021

Reimagine Urban Life

MIRVAC PROPERTY TRUST
AND ITS CONTROLLED ENTITIES

Annual Report
For the year ended 30 June 2021

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

DIRECTORS' REPORT

The Directors of Mirvac Funds Limited (ABN 70 002 561 640, AFSL 233121), the Responsible Entity of Mirvac Property Trust (MPT or Trust), present their report, together with the consolidated report of MPT (ARSN 086 780 645) and its controlled entities (consolidated entity) for the year ended 30 June 2021.

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

Responsible Entity

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

Directors

The following persons were Directors of Mirvac Funds Limited during the whole of the year and up to the date of this report, unless otherwise stated:
- John Mulcahy
- Susan Lloyd-Hurwitz
- Christine Bartlett
- Peter Hawkins (resigned 19 November 2020)
- Jane Hewitt
- James M. Millar AM
- Samantha Mostyn AO
- Peter Nash
- Robert Sindel (appointed on 1 September 2020)

Principal activities

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

REVIEW OF OPERATIONS AND ACTIVITIES

FINANCIAL, CAPITAL MANAGEMENT AND OPERATIONAL HIGHLIGHTS

Mirvac showed resilience and continued to build towards recovery in FY21, with a strong performance for the full year ended 30 June 2021. The impacts of the global pandemic continued to play out, causing uncertainty and challenging conditions in some operating markets. However, the consolidated entity's robust balance sheet provided stability and optionality to make strategic, value accretive investments in line with our urban strategy. Mirvac's purpose, to *Reimagine Urban Life*, and our people focus underpinned engagement and productivity, whilst our embedded innovation capability inspired us to find new ways to address environmental and social challenges, and drive positive change.

Key financial highlights for the year ended 30 June 2021:

- profit attributable to the stapled unitholders of MPT of $797.9 million (2020: $538.4 million);
- operating cash inflow of $437.9 million (2020: $372.2 million);
- distributions of $389.8 million (2020: $358.0 million), representing 9.9 cents per stapled unit (2020: 9.1 cents per stapled unit); and
- net tangible assets per stapled unit of $2.32, up from $2.22 (June 2020).

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

Key capital management highlights for the year ended 30 June 2021:

The consolidated entity's capital structure is monitored at the Mirvac Group level. Key capital management highlights include:
- maintaining the Group's existing Moody's A3 and Fitch A- credit ratings;
- maintaining adequate liquidity through cash and undrawn debt facilities, which combined total $867.0 million as at 30 June 2021;
- headline gearing within the Group's preferred range of 20-30 per cent, with headline gearing in FY22 to be near the mid-point of this preferred range; and
- maintaining a competitive cost of debt, which is expected to reduce from 3.4 per cent in FY21 as the Group's hedge profile changes.

REVIEW OF OPERATIONS AND ACTIVITIES (continued)

FINANCIAL, CAPITAL MANAGEMENT AND OPERATIONAL HIGHLIGHTS (continued)

Key operational highlights for the year ended 30 June 2021:

- investment property revaluations provided an uplift of $404.8 million for the 12 months to 30 June 2021;
- progressed construction of Suncorp's new headquarters at 80 Ann Street, Brisbane (50% interest). The 60,000sqm office precinct is 81 per cent pre-committed and practical completion remains on track for FY22;
- a design by SHoP Architects and Woods Bagot was selected for the 60,000sqm premium commercial and retail precinct planned at 55 Pitt Street, Sydney (50% interest). The stage 2 DA has been submitted, with estimated completion expected in CY26; and
- continued strong cash collections across our investment property portfolio, with collection of arrears de-risked with adequate ECL provisions.

Outlook and risks[1]

The outlook for our investment portfolio is strong, supported by high quality assets, in the most preferred markets and supported by strong tenant covenants to provide stable and visible cash flows.

Office:
After a year of weak tenant demand[2], major office markets including Sydney and Melbourne CBDs recorded stable net absorption by year end, in line with sharply improved business sentiment[3]. While elevated incentives are likely to be a feature for some time, vacancy in most markets is expected to begin declining through FY23 as supply reduces and demand improves again. However, our high quality, modern and efficient office portfolio benefits from low vacancy, low exposure to small tenants, long WALE and low capex requirements. These attributes have provided resilience throughout the pandemic and continue to differentiate the portfolio as both tenant and investor demand grows for modern, flexible, technology-enabled, sustainable workplaces that are fit for purpose in a post-pandemic world.

80 Ann Street, Brisbane will enter into the portfolio in the second half of FY22. It is currently 81 per cent pre-committed[4] and will drive NOI growth, providing a boost to performance of the portfolio. 55 Pitt Street, Sydney has also progressed along its development pipeline, contributing to the next wave of office precincts that are beginning to take shape. These landmark pipeline projects provide assurance of the Office portfolio's ability to continue to generate passive returns and drive significant value for the consolidated entity into the future.

Industrial:
As one of the few beneficiaries of the global pandemic, industrial property has received a boost from a number of tailwinds including accelerating e-commerce, a rising housing construction cycle and wide-scale supply chain investment[5]. Our Industrial portfolio benefits from a 100 per cent Sydney exposure and proximity to infrastructure. It includes assets which are widely viewed as market leading prime logistics facilities. Our Industrial portfolio has zero vacancy, long WALE and low capital expenditure, and is well placed to capitalise on the heightened demand for institutional quality logistics facilities in strategic locations with proximity to transport connections.

Sydney industrial vacancy rates tightened throughout FY21 and this is expected to continue through FY22 particularly as COVID-19 restrictions ease[6]. While tailwinds such as e-commerce are an incremental driver of industrial floor space demand, the pandemic is also expected to see an acceleration of demand requirements towards modern, highly efficient logistics spaces in strategic locations[7]. Our portfolio remains well positioned due to its long WALE, high composition of listed and multi-national tenants, limited short-term expiry risk (<4 per cent) and modern, well-located assets.

Retail:
The impacts of the global pandemic continue to play out across the retail sector and the impact on our retail assets has varied during the financial year. Generally, strong pent-up demand was evident once restrictions eased in assets with strong localised catchments, whilst out of trade area and CBD assets continued to experience the impacts of lower than normal tourist, worker and student populations.

The outlook for the retail sector remains challenging as we move into FY22, with pandemic impacts continuing to cause disruption and uncertainty. However, as Australian vaccination rates increase and restrictions ease, we expect increased mobility, an improvement in consumer confidence and pent-up demand from elevated household savings rates, to improve our operating performance.

While CBD, tourism and student catchments will take time to recover, well located assets within dense and growing catchments are likely to attract quality retailers and businesses.

1 These statements are future looking and based on our reasonable belief 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.
2 JLL REIS June 2020.
3 Source: NAB Monthly Business Survey, https://business.nab.com.au/monthly-business-survey-june-2021-2-47997/
4 Includes non-binding Heads of Agreement
5 JLL REIS June 2020, Asia Pacific logistics and industrial investment poised to double within five years, JLL, 13 July 2021, https://www.jll.com.au/en/newsroom/pacific-logistics-and-industrial-investment-poised-to-double-within-five-years
6 SA1 Property, Mirvac Research.
7 UBS, Australian Real Estate Sector Update - Looking into 2021, 19 January 2021.

REVIEW OF OPERATIONS AND ACTIVITIES (continued)

Significant changes in the state of affairs

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

Interests in the Trust

	2021 No. units m	2020 No. units m
Total ordinary stapled units issued	**3,936.0**	3,932.7
Stapled units issued under Long-Term Incentive Plan (LTI) and Employee Incentive Scheme (EIS)	**1.4**	1.6
Total stapled units issued	**3,937.4**	3,934.3

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

Instruments held by Directors

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

Director	Mirvac stapled securities	Performance rights/rights to acquire stapled securities	Interests in securities of related entities or related bodies corporate
John Mulcahy	105,172	-	-
Susan Lloyd-Hurwitz	5,020,678	1,850,357	-
Christine Bartlett	65,172	-	-
Jane Hewitt	50,000	-	-
James M. Millar AM	55,172	-	-
Samantha Mostyn AO	74,045	-	-
Peter Nash	65,123	-	-
Robert Sindel	70,000	-	-
Former Non-Executive Key Management Personnel (KMP)			
Peter Hawkins[1]	-	-	-

1 Peter Hawkins ceased as a Non-Executive Director on 19 November 2020.

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

Fees paid to the Responsible Entity or its associates

Fees paid to the Responsible Entity out of Trust property during the year were $20.0 million (2020: $31.6 million). Fees charged by the Responsible Entity represent recovery of costs. No fees were paid out of Trust property to the Directors of the Responsible Entity during the year. Fees paid to the Responsible Entity and its associates out of Trust property during the year are disclosed in note H4 to the consolidated financial statements.

REVIEW OF OPERATIONS AND ACTIVITIES (continued)

Net current asset deficiency

As at 30 June 2021, the Trust was in a net current liability position of $170.2 million (2020: $195.4 million). The Trust repays its borrowings with excess cash, but had access to $616.0 million of unused borrowing facilities at 30 June 2021 (2020: $734.0 million). Accordingly, the Directors of the Responsible Entity expect that the Trust will have sufficient cash flows to meet all financial obligations as and when they fall due.

Matters subsequent to the end of the year

In July 2021, the NSW and Victorian State Governments implemented new restrictions in response to the increase in COVID-19 cases. These restrictions have not had a significant impact on the consolidated entity's operations to date and is not expected to have a material impact on the recoverability or fair value of the consolidated entity's assets.

On 29 July 2021, the consolidated entity contracted to acquire a 50 per cent interest in The EY Centre, 200 George Street, Sydney and contracted to sell a 49.9 per cent interest in this asset to an aligned capital partner (with the consolidated entity retaining a 50.1 per cent interest) resulting in a 11 per cent valuation uplift being recognised by the consolidated entity in respect to its interest.

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

Environmental regulations

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

More information on Mirvac's sustainability strategy, actions and performance for the year ended 30 June 2021 can be found in the 30 June 2021 Annual Report of the Mirvac Group.

Non-audit services

From time to time, the consolidated entity may engage its external auditor, PricewaterhouseCoopers, to perform services additional to their statutory audit duties. Details of the amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services provided during the year ended 30 June 2021 are set out in note H6 to the consolidated financial statements.

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

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

Insurance of officers

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

REVIEW OF OPERATIONS AND ACTIVITIES (continued)

Auditor's independence declaration

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

Rounding of amounts

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

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

Susan Lloyd-Hurwitz

Susan Lloyd-Hurwitz
Director

Sydney
12 August 2021

Auditor's Independence Declaration

As lead auditor for the audit of Mirvac Property Trust for the year ended 30 June 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 audit; and

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

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

V. Papageorgiou

Voula Papageorgiou
Partner
PricewaterhouseCoopers

Sydney
12 August 2021

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CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Mirvac Funds Limited
Level 28
200 George Street
Sydney NSW 2000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on pages 2 to 6, both of which are not part of these financial statements.

The financial statements were authorised for issue by the Directors on 12 August 2021. The Directors have the power to amend and reissue the financial statements.

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

Mirvac Property Trust and its controlled entities
Consolidated statement of comprehensive income
For the year ended 30 June 2021

	Note	2021 $m	2020 $m
Revenue	B2	**686.7**	693.8
Other income			
Net revaluation gain from investment properties	C1	**404.8**	154.5
Share of net profit of joint ventures	C2	**32.7**	30.9
Gain on financial instruments	B2	**7.7**	7.6
Net gain on sale of assets		**2.2**	18.4
Total other income		**447.4**	211.4
Total revenue and other income		**1,134.1**	905.2
Investment property expenses and outgoings	B3	**189.3**	182.8
Amortisation expenses		**58.8**	53.6
Impairment loss on receivables	B3	**1.3**	41.5
Finance costs	B3	**64.3**	52.9
Responsible Entity fees	H4	**20.0**	31.6
Other expenses		**2.5**	4.4
Profit before income tax		**797.9**	538.4
Income tax expense	B5	**-**	-
Profit for the year attributable to stapled unitholders		**797.9**	538.4
Other comprehensive income that may be reclassified to profit or loss			
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year attributable to stapled unitholders		**797.9**	538.4
Earnings per stapled unit attributable to stapled unitholders		**Cents**	Cents
Basic earnings per stapled unit	H2	**20.3**	13.7
Diluted earnings per stapled unit	H2	**20.3**	13.7

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

Mirvac Property Trust and its controlled entities
Consolidated statement of financial position
As at 30 June 2021

	Note	2021 $m	2020 $m
Current assets			
Cash and cash equivalents		**31.4**	26.9
Receivables	F1	**8.5**	18.2
Other assets		**18.2**	17.4
Assets held for sale	C1	**132.8**	-
Total current assets		**190.9**	62.5
Non-current assets			
Investment properties	C1	**10,651.9**	10,187.3
Investments in joint ventures	C2	**470.0**	465.3
Other financial assets	F2	**74.5**	65.6
Intangible assets	F3	**42.8**	42.8
Total non-current assets		**11,239.2**	10,761.0
Total assets		**11,430.1**	10,823.5
Current liabilities			
Lease liabilities		**0.1**	0.1
Payables	F4	**160.2**	139.8
Provisions	F5	**200.8**	118.0
Total current liabilities		**361.1**	257.9
Non-current liabilities			
Lease liabilities		**6.8**	6.9
Payables	F4	**-**	29.0
Borrowings	D2	**1,884.0**	1,766.0
Total non-current liabilities		**1,890.8**	1,801.9
Total liabilities		**2,251.9**	2,059.8
Net assets		**9,178.2**	8,763.7
Equity			
Contributed equity	E2	**5,373.6**	5,367.2
Reserves	E3	**5.4**	5.4
Retained earnings		**3,799.2**	3,391.1
Total equity attributable to the stapled unitholders		**9,178.2**	8,763.7

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

Mirvac Property Trust and its controlled entities
Consolidated statement of changes in equity
For the year ended 30 June 2021

	Note	Attributable to stapled unitholders Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
Balance 30 June 2019		5,316.4	5.4	3,210.7	8,532.5
Profit for the year					
Other comprehensive income for the year		-	-	538.4	538.4
Total comprehensive income for the year		-	-	-	-
Transactions with owners in their capacity as owners		-	-	538.4	538.4
Unit-based payments					
Expense recognised – Employee Exemption Plan (EEP)	E2	0.9			0.9
Long-term incentives (LTI) vested	E2	9.6	-	-	9.6
Legacy schemes vested	E2	0.6	-	-	0.6
Stapled units issued net of transaction costs	E2	39.7	-	-	39.7
Distributions	E1	-	-	(358.0)	(358.0)
Total transactions with owners in their capacity as owners		50.8	-	(358.0)	(307.2)
Balance 30 June 2020		**5,367.2**	**5.4**	**3,391.1**	**8,763.7**
Profit for the year		**-**	**-**	**797.9**	**797.9**
Other comprehensive income for the year		**-**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**-**	**797.9**	**797.9**
Transactions with owners in their capacity as owners					
Unit-based payments					
Expense recognised – EEP	E2	**0.9**	**-**	**-**	**0.9**
LTI vested	E2	**5.0**	**-**	**-**	**5.0**
Legacy schemes vested	E2	**0.3**	**-**	**-**	**0.3**
Reversal of costs of issuing equity	E2	**0.2**	**-**	**-**	**0.2**
Distributions	E1	**-**	**-**	(389.8)	(389.8)
Total transactions with owners in their capacity as owners		**6.4**	**-**	**(389.8)**	**(383.4)**
Balance 30 June 2021		**5,373.6**	**5.4**	**3,799.2**	**9,178.2**

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

Mirvac Property Trust and its controlled entities
Consolidated statement of cash flows
For the year ended 30 June 2021

	Note	2021 $m	2020 $m
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**692.1**	632.3
Payments to suppliers (inclusive of GST)		**(213.2)**	(220.5)
		478.9	411.8
Distributions received from joint ventures	C2	**28.1**	27.9
Distributions received		**1.0**	1.8
Interest paid	B3	**(70.1)**	(69.3)
Net cash inflows from operating activities	H5	**437.9**	372.2
Cash flows from investing activities			
Payments for investment properties		**(333.8)**	(374.7)
Proceeds from sale of investment properties		**84.7**	130.3
Contributions to joint ventures		**(1.2)**	(0.2)
Net cash outflows from investing activities		**(250.3)**	(244.6)
Cash flows from financing activities			
Proceeds from loans from entities related to Responsible Entity		**577.0**	726.0
Repayments of loans to entities related to Responsible Entity		**(459.0)**	(407.0)
Proceeds from issue of stapled units		**6.0**	49.9
Principal elements of lease payments		**(0.1)**	(0.1)
Distributions paid		**(307.0)**	(486.4)
Net cash outflows from financing activities		**(183.1)**	(117.6)
Net increase in cash and cash equivalents		**4.5**	10.0
Cash and cash equivalents at the beginning of the year		**26.9**	16.9
Cash and cash equivalents at the end of the year		**31.4**	26.9

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

A BASIS OF PREPARATION

Mirvac Group – stapled securities

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

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

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

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

Statement of compliance

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

Basis of preparation

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

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

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

Basis of preparation (continued)

Impact of COVID-19 on the consolidated entity

The consolidated entity has navigated through a period of change and has demonstrated its adaptability to the rapidly changing conditions in which it operates. The June and July 2021 lockdowns across the country, and in particular in NSW, have seen non-essential businesses into forced closure and the mandatory cessation of construction for two weeks. This latest outbreak draws upon the lessons learned in the prior year and the consolidated entity faced the challenges presented once again by the pandemic, however this time with a deeper understanding of the impacts across its tenants, customers and employees. Experts are confident that the vaccination roll out across the country will see the easing of restrictions and a solid level of activity return, albeit this will take some time.

The consolidated entity has considered the continuing impact of the COVID-19 pandemic in preparing its annual report. As in the prior year, the impact of COVID-19 increases the level of judgement required across the consolidated entity's key judgement areas, in particular the measurement of the assets. Further details are outlined in the following sections of this financial report:

Investment Properties
Refer to Note C1

Receivables
Refer to Note F1

Going Concern

The consolidated entity has considered its ability to continue as a going concern, using projected cash flow forecasts and other metrics and information for at least the next 12 months from the approval of these financial statements, taking into consideration an estimation of the continued business impacts of COVID-19. This assessment assumes the consolidated entity will be able to continue trading and realise assets and discharge liabilities in the ordinary course of business beyond this period.

As of 30 June 2021, the consolidated entity was in a net current liability position of $170.2m (June 2020: $195.4m) but had undrawn capacity under its debt facilities of $616.0m (June 2020: $734.0m) maturing in December 2023. As of 30 June 2021, the consolidated entity had capital commitments of $45.4m (June 2020: $12.4m).

Comparative Information

Where necessary, comparative information has been restated to conform to the current year's disclosures and are presentational in nature. These restatements had no impact to the reported net assets or profit for the year ended 30 June 2020.

Critical accounting estimates and judgements

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

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

New and amended standards adopted by the Trust

Amended standards and interpretations adopted by the consolidated entity for the year ended 30 June 2021 have not had a significant impact on the current period or any prior period and are not likely to have a significant impact in future periods. These are listed below:

- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* [AASB 101 and AASB 108]
- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business* [AASB 3]
- *Revised Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework*
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* [AASB 7, AASB 9 and AASB 139].

B RESULTS FOR THE YEAR

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

B1 SEGMENT INFORMATION

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

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

B2 REVENUE

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

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

Investment property rental revenue
The consolidated entity invests in properties for rental yields and capital appreciation. Rental revenue from investment properties is recognised on a straight-line basis over the lease term, net of any incentives. Modifications to the leases are accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. The consolidated entity also provides services to the lessees which primarily consist of general building management and operations in accordance with their lease agreements. Service income, representing the recovery of associated costs from the lessees, is recognised over time when the services are provided.

	2021 $m	2020 $m
Revenue		
Lease revenue	**577.7**	604.9
Service revenue	**107.3**	87.5
Total property rental revenue	**685.0**	692.4
Other revenue	**1.7**	1.4
Total revenue	**686.7**	693.8
Gain on financial instruments		
Net revaluation gain on units in unlisted funds	**7.7**	7.6
Total gain on financial instruments	**7.7**	7.6

B3 EXPENSES

Investment property expenses and outgoings

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

	2021 $m	2020 $m
Profit before income tax includes the following specific expenses:		
Statutory levies	**39.5**	36.7
Insurance	**3.9**	3.1
Outgoings	**15.9**	17.9
Other property expenses	**130.0**	125.1
Total investment property expenses and outgoings	**189.3**	182.8
Interest paid	**70.1**	69.3
Borrowing costs capitalised	**(5.8)**	(16.4)
Total finance costs	**64.3**	52.9
Bad debts expense	**-**	5.1
Loss allowance on trade debtors	**1.3**	36.4
Total impairment loss on receivables	**1.3**	41.5

B4 EVENTS OCCURRING AFTER THE END OF THE YEAR

In July 2021, the NSW and Victorian State Governments implemented new restrictions in response to the increase in COVID-19 cases. These restrictions have not had a significant impact on the consolidated entity's operations to date and is not expected to have a material impact on the recoverability or fair value of the consolidated entity's assets.

On 29 July 2021, the consolidated entity contracted to acquire a 50 per cent interest in The EY Centre, 200 George Street, Sydney and contracted to sell a 49.9 per cent interest in this asset to an aligned capital partner (with the consolidated entity retaining a 50.1 per cent interest) resulting in a 11 per cent valuation uplift being recognised by the consolidated entity in respect to its interest.

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

B5 INCOME TAX

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

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

C INVESTMENT ASSETS

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

C1 INVESTMENT PROPERTIES

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

Investment properties

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

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

Judgement in fair value estimation

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

To assist with calculating reliable estimates, the consolidated entity 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. In response to COVID-19, the consolidated entity increased the level of independent valuations across its segments, particularly across the markets and asset types it invests in where the impacts from COVID-19 have been more significant. For the full year ended 30 June 2021, 41 independent valuations were undertaken by the consolidated entity, covering 60 per cent of its investment property portfolio by value.

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.

Ground leases

On initial recognition, 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.

C1 INVESTMENT PROPERTIES (continued)

At 30 June 2021, $6.9m of lease liabilities for ground leases has been recognised in the consolidated SoFP (2020: $7.0m). 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.

Lease incentives

The carrying amount of investment properties includes lease incentives provided to tenants. Lease incentives are deferred and recognised on a straight-line basis over the lease term as a reduction of net property income and do not change under AASB 16 Leases.

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 consolidated entity will derecognise the book value of the Investment property with any resultant gain or loss recognised in the consolidated SoFP.

As at 30 June 2021, the consolidated entity had exchanged contracts for the disposal of Cherrybrook Shopping Village, Cherrybrook NSW and settlement is expected to occur in FY22. Accordingly, the consolidated entity has reclassified the investment property to assets classified as held for sale on the consolidated SoFP.

Movements in investment properties

	2021	2020
	Total	Total
	$m	$m
Balance 1 July	**10,187.3**	9,853.3
Expenditure capitalised	**345.9**	398.6
Acquisitions	**48.5**	-
Disposals	**(82.2)**	(130.5)
Transfer to held for sale	**(132.8)**	-
Net revaluation gain from fair value adjustments	**404.8**	154.5
Ground lease liability unwind	**(0.1)**	(0.1)
Amortisation expenses	**(119.5)**	(88.5)
Balance 30 June	**10,651.9**	10,187.3
Total investment properties	**10,358.6**	9,566.8
Total investment properties under construction	**293.3**	620.5

C1 INVESTMENT PROPERTIES (continued)

Fair value measurement and valuation basis

The basis of valuation of investment properties is fair value. Fair values are based on market values, being the price that would be received to sell an asset in an orderly transaction between market participants at the reporting date.

Investment properties are measured as Level 3 financial instruments. Refer to note D4 for explanation of the levels of fair value measurement. The following are the unobservable inputs used in determining the fair value measurement of investment properties. Movement in any of the unobservable inputs is likely to have an impact on the fair value of investment property. The higher the net market income or 10-year compound annual growth rate, the higher the fair value. The higher the capitalisation rate, terminal yield or discount rate, the lower the fair value.

The key inputs and sensitivity to changes are explained below.

	Unobservable inputs	Details
	Capitalisation rate	The rate at which net market income is capitalised to determine the value of a property.
	Discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. This should reflect the opportunity cost of capital, that is, the required rate of return the capital can earn if put to other uses having regard to a similar risk profile.
	Terminal yield	The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation.
	Market rate and growth rate	The rent at which a tenancy could be leased in the market including rental growth in future years at the date of valuation. Market rent includes gross rent and net rent. Gross rent is where outgoings are incorporated in the rent being paid. Net market rent is where the owner recovers outgoings from the tenant on a pro-rata basis.

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

		Inputs used to measure fair value				
	Level 3 fair value	Net market income	10-year compound annual growth rate	Capitalisation rate	Terminal yield	Discount rate
Sector	$m	$/sqm	%	%	%	%
2021						
Office	**6,803.8**	**312.0 – 1,519.0**	**2.50 – 3.80**	**4.38 – 6.75**	**4.50 – 7.25**	**5.85 – 7.25**
Industrial	**1,025.0**	**104.0 – 407.0**	**2.82 – 3.02**	**4.09 – 5.75**	**4.50 – 6.00**	**5.25 – 6.61**
Retail	**2,823.1**	**311.0 – 1,121.0**	**2.30 – 3.84**	**4.75 – 8.75**	**5.00 – 9.00**	**6.25 – 9.50**
2020						
Office	6,413.4	312.0 – 1,573.0	2.64 - 3.97	4.63 - 6.75	4.88 - 7.25	6.25 - 7.25
Industrial	878.7	102.5 – 486.0	2.77 - 3.05	4.84 - 6.50	5.25 - 7.00	6.25 - 7.50
Retail	2,895.2	304.0 – 1,439.0	2.03 - 3.53	4.75 - 8.75	5.00 - 9.00	6.50 - 9.50

C1 INVESTMENT PROPERTIES (continued)

As a result of the COVID-19 pandemic, there is still some heightened uncertainty in assessing the fair values of investment properties. Market evidence of similar properties in similar markets in which the consolidated entity invests was limited in the office and retail sectors as sales volumes were impacted by the COVID-19 pandemic, with prospective purchasers demonstrating caution and preserving capital. In the industrial asset class, the level of demand has increased over the past twelve months as the sector has proven to be resilient during recent times of economic uncertainty.

In consideration of the COVID-19 pandemic, the assessment undertaken to determine the fair value of the consolidated entity's portfolio is based on the assumptions and analysis performed and outlined below.

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

i) Location and asset quality across the markets that the consolidated entity invests in;

ii) Capital expenditure including development and operational capital expenditure forecasts;

iii) 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;

iv) 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;

v) Growth rates and incentives: 10-year forecasts for incentives and growth rates applied to future leasing assumptions;

vi) Downtime: period of vacancy between leases on a tenancy;

vii) COVID-19 impact on the tenancies, in particular rental relief requested, ability to trade and industry that the tenants operate in; and

viii) Fair value inputs: capitalisation rate, discount rate and terminal rate applied to capitalisation income, DCF and terminal capitalisation income.

Following this evaluation on a property basis, the valuations have been calibrated on a portfolio basis, by segment, 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.

The consolidated entity considered the 30 June 2021 valuations with regard to the July 2021 outbreaks of COVID-19, in particular for its retail investment properties. There was expected to be some impact to the future cash flows and rent relief requests, possibly accompanied by the reinstatement of a mandatory code for landlords. However, based on information as at 30 June 2021, these impacts to the valuation of the consolidated entity's investment properties were not expected to have a material impact.

Sensitivity analysis

Due to the significant judgement of fair value the COVID-19 pandemic presents, a sensitivity analysis has been undertaken to further stress test the consolidated entity's assessment of fair value at 30 June 2021.

The below table presents the outcome of the sensitivity analysis as the decrement or increment to the fair value of each asset class of the consolidated entity's investment property portfolio (including Office JV but excluding IPUC and development assets) should the unobservable inputs increase or decrease by 25 bps. For example an increase of 25 bps of the capitalisation rate, discount rate and terminal yield in the consolidated entity's Office portfolio would have resulted in a decrement of $367.7m in addition to the fair value presented as at 30 June 2021.

	Capitalisation rate, discount rate and terminal yield movement by	
	⇧ 25 bps $m	⇩ 25 bps $m
Office	(367.7)	379.3
Industrial	(51.8)	58.6
Retail	(127.4)	139.6
Total	**(546.9)**	**577.5**

C1 INVESTMENT PROPERTIES (continued)

Future committed operating lease receipts

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

	2021 $m	2020 $m
Future operating lease receipts as a lessor		
Within one year	**472.5**	492.7
Between one and five years	**1,628.5**	1,558.6
Later than five years	**1,442.2**	1,415.2
Total future operating lease receipts as a lessor	**3,543.2**	3,466.5

C2 INVESTMENTS IN JOINT VENTURES

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

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

Judgement in testing for impairment of investments in JVs

The Trust assesses at the end of each reporting period whether there is any indication that its investment in the JV may be impaired. If any such indication exists, the Trust shall estimate the recoverable amount of the asset. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use.The Trust has measured its investment in JV's at fair value less costs of disposal. The fair value of the JV is primarily determined based on the value of the underlying investment property held by the JV and is subject to regular external valuations. These valuations are based on discounted net cash inflows from expected future income and/or comparable sales of similar assets.

As at the date of this report there is no indication of impairment in the Trust investment in JV's. All JVs are established or incorporated in Australia.

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

	Mirvac 8 Chifley Trust		Mirvac (Old Treasury) Trust		Total	
	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Principal activities	Property investment		Property investment			
Summarised SoFP						
Cash and cash equivalents	**1.8**	2.3	**5.9**	5.8	**7.7**	8.1
Other current assets	**0.4**	0.6	**1.0**	1.1	**1.4**	1.7
Total current assets	**2.2**	2.9	**6.9**	6.9	**9.1**	9.8
Total non-current assets	**457.8**	474.8	**486.8**	455.8	**944.6**	930.6
Other current liabilities	**6.7**	3.1	**7.0**	6.8	**13.7**	9.9
Total current liabilities	**6.7**	3.1	**7.0**	6.8	**13.7**	9.9
Total non-current liabilities	-	-	-	-	**-**	-
Net assets	**453.3**	474.6	**486.7**	455.9	**940.0**	930.5
Trust's share of net assets (%)	**50.0**	50.0	**50.0**	50.0		
Trust's share of net assets ($m)	**226.7**	237.3	**243.3**	228.0	**470.0**	465.3
Carrying amount in consolidated SoFP	**226.7**	237.3	**243.3**	228.0	**470.0**	465.3

C2 INVESTMENTS IN JOINT VENTURES (continued)

	Mirvac 8 Chifley Trust		Mirvac (Old Treasury) Trust		Total	
	2021	2020	**2021**	2020	**2021**	2020
	$m	$m	**$m**	$m	**$m**	$m
Summarised SoCI						
Revenue	**31.7**	28.1	**41.9**	46.6	**73.6**	74.7
Profit after tax	**6.6**	22.6	**58.8**	39.2	**65.4**	61.8
Total comprehensive income/(loss)	**6.6**	22.6	**58.8**	39.2	**65.4**	61.8
Trust's share of profit/(loss) after tax (%)	**50.0**	50.0	**50.0**	50.0		
Trust's share of profit/(loss) after tax ($m)	**3.3**	11.3	**29.4**	19.6	**32.7**	30.9
Distributions received/receivable from JVs	**12.9**	13.7	**12.8**	13.4	**25.7**	27.9

Capital expenditure commitments

At 30 June 2021, the consolidated entity had no capital commitments approved but not yet provided for regarding its share of JVs (2020: nil).

C3 COMMITMENTS

At 30 June 2021, capital commitments on the consolidated entity's investment property portfolio were $45.4m (2020: $12.4m). There were no investment properties pledged as security by the consolidated entity (2020: nil).

D CAPITAL STRUCTURE AND RISKS

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

D1 CAPITAL MANAGEMENT

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

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

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

At 30 June 2021, the Group was in compliance with all debt covenants.

D2 BORROWINGS AND LIQUIDITY

The consolidated entity borrows using loans from related parties.

The consolidated entity has one loan facility from a related party. The total facility limit as at 30 June 2021 is $2,500.0 million (2021: $2,500.0 million) and can be drawn in Australian or US dollars. The facility expires on 18 December 2023. Interest accrues at the related party's cost of financing from their borrowing facilities, calculated including associated derivative financial instruments.

At 30 June 2021, the consolidated entity had $616.0 million of undrawn facilities available (2020: $734.0 million).

D2 BORROWINGS AND LIQUIDITY (continued)

	2021						2020					
		Fixed interest maturing in:						Fixed interest maturing in:				
	Floating interest rate $m	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m	Total $m	Floating interest rate $m	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m	Total $m
Loans from related party	**1,884.0**	**-**	**-**	**-**	**-**	**1,884.0**	1,766.0	-	-	-	-	1,766.0

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

D3 FINANCIAL RISK MANAGEMENT

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

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

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

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

D3 FINANCIAL RISK MANAGEMENT (continued)

Market risk - interest rate risk

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

Sensitivity analysis
This sensitivity analysis shows the impact on profit after tax and equity if Australian interest rates changed by 25 basis points (bps). Given the low interest environment that the consolidated entity is operating in and with official interest rates holding for the medium term, a 25bps movement is a more appropriate sensitivity to consider for 30 June 2021.

Total impact on profit after tax and equity	2021		2020	
	25 bps ⇧ $m	25 bps ⇩ $m	25 bps ⇧ $m	25 bps ⇩ $m
Changes in:				
Australian interest rates	**$4.7 m decrease**	**$4.7 m increase**	$3.3 m decrease	$3.3 m increase

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

Liquidity risk

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

	2021					2020				
	Maturing in:					Maturing in:				
	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m	Total $m	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m	Total $m
Payables	**160.2**	**-**	**-**	**-**	**160.2**	139.8	-	-	-	139.8
Borrowings	**64.7**	**74.4**	**1,922.9**	**-**	**2,062.0**	71.6	72.9	1,876.9	-	2,021.4
Lease liabilities	**0.1**	**0.1**	**0.4**	**6.3**	**6.9**	0.1	0.1	0.3	6.5	7.0
	225.0	**74.5**	**1,923.3**	**6.3**	**2,229.1**	211.5	73.0	1,877.2	6.5	2,168.2

D4 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The consolidated entity measures various financial assets and liabilities at fair value which, in some cases, may be subjective and depend on the inputs used in the calculations. The different levels of measurement are described below:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: not traded in an active market but calculated with significant inputs coming from observable market data; and
- Level 3: significant inputs to the calculation that are not based on observable market data (unobservable inputs).

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

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

Other financial assets

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

D4 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

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

		2021				2020			
	Note	Level 1 $m	Level 2 $m	Level 3 $m	Total $m	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets carried at fair value									
Units in unlisted funds	F2	**-**	**-**	**74.5**	**74.5**	-	-	65.6	65.6
		-	**-**	**74.5**	**74.5**	-	-	65.6	65.6

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

	2021	2020	
	Units in unlisted funds $m	Units in unlisted funds $m	Other financial assets $m
Balance 1 July	**65.6**	58.0	79.7
Acquisitions	**1.2**	-	-
Net revaluation gain on financial instruments	**7.7**	7.6	-
Repayments	**-**	-	(79.7)
Balance 30 June	**74.5**	65.6	-

E EQUITY

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

E1 DISTRIBUTIONS

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

	Distribution Cents	Date paid/payable	Total amount $m
Distributions for the year ended 30 June 2021			
31 December 2020	4.80	1 Mar 2021	**189.0**
30 June 2021	5.10	31 Aug 2021	**200.8**
Total distribution	**9.90**		**389.8**
Distributions for the year ended 30 June 2020			
31 December 2019	6.10	28 Feb 2020	240.0
30 June 2020	3.00	14 Sep 2020	118.0
Total distribution	9.10		358.0

E2 CONTRIBUTED EQUITY

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

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

Movements in paid up equity

	2021		2020	
	No. units m	Units $m	No. units m	Units $m
Balance 1 July	**3,932.7**	**5,367.2**	3,909.4	5,316.4
Stapled units issued under EEP	**0.5**	**0.9**	0.3	0.9
Long-term performance plan, LTI and EIS stapled units converted, sold, vested or forfeited	**2.7**	**5.0**	6.9	9.6
Legacy schemes vested	**0.1**	**0.3**	0.2	0.6
Stapled unit issuance	**-**	**-**	15.9	39.7
Reversal of costs of issuing equity	**-**	**0.2**	-	-
Balance 30 June	**3,936.0**	**5,373.6**	3,932.7	5,367.2

The number of stapled units issued as listed on the ASX at 30 June 2021 was 3,937.4 million (2020: 3,934.3 million) which includes 1.4 million of stapled units issued under the LTI and EIS (2020: 1.6 million). Units issued to employees under the Mirvac LTI and EIS are accounted for as options and are recognised by the Group in the security-based payments reserve, not in contributed equity.

E3 RESERVES

Non-controlling interests (NCI) reserve

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

	Capital reserve $m	NCI reserve $m	Total reserves $m
Balance 30 June 2020	(1.4)	6.8	5.4
Balance 30 June 2021	**(1.4)**	**6.8**	**5.4**

F OPERATING ASSETS AND LIABILITIES

F1 RECEIVABLES

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

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

The consolidated entity has considered the impact on its trade debtors in light of increased credit risk resulting from the impacts of COVID-19.

Trade debtors
For trade debtors relating to the consolidated entity's investment property rental income, many of the consolidated entity's tenants have experienced cash flow and financial difficulties, in particular, the retail sector, due to mandatory closures, a halt on discretionary spending, employment instability and the general economic downturn.

The calculation of the ECL considers the historical bad debt write-offs which are specific to each segment, less collateral held and adjusted for specific known factors, including:
- financial situation of a tenant;
- industry in which the tenant operates and if this has been impacted by mandatory government restrictions;
- 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 year ended 30 June 2021, there were no trade debtors written off (2020: $5.1m). The increase in the ECL provision for trade debtors during the year was $1.3m (2020: $36.4m). These amounts are included in impairment loss on receivables in the consolidated SoCI.

	2021			2020		
	Gross $m	Loss allowance $m	Net $m	Gross $m	Loss allowance restated $m	Net $m
Trade receivables	**25.6**	**(19.5)**	**6.1**	47.1	(36.8)	10.3
Accrued income	**2.4**	**-**	**2.4**	7.9	-	7.9
Total receivables	**28.0**	**(19.5)**	**8.5**	55.0	(36.8)	18.2

Ageing

		Days past due					
	Not past due	1 - 30	31 - 60	61 - 90	91 - 120	Over 120	Total
2021							
Total receivables	**2.4**	**5.1**	**3.5**	**2.9**	**1.8**	**12.3**	**28.0**
Loss allowance	**-**	**-**	**(2.5)**	**(2.9)**	**(1.8)**	**(12.3)**	**(19.5)**
Balance 30 June 2021	**2.4**	**5.1**	**1.0**	**-**	**-**	**-**	**8.5**
2020							
Total receivables restated	7.9	15.9	13.5	11.5	3.2	3.0	55.0
Loss allowance restated	-	(5.6)	(13.5)	(11.5)	(3.2)	(3.0)	(36.8)
Balance 30 June 2020	7.9	10.3	-	-	-	-	18.2

F1 RECEIVABLES (continued)

Loss allowance

	2021 $m	Restated 2020 $m
Balance 1 July	**(36.8)**	(2.5)
Amounts utilised for write-off of receivables	**18.6**	-
Loss allowance recognised	**(1.3)**	(34.3)
Balance 30 June	**(19.5)**	(36.8)

The consolidated entity does not have any significant credit risk exposure to a single customer. The consolidated entity holds collateral over receivables of $64.4 million (2020: $158.9 million) 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 a lessor, the consolidated entity has the right to call upon the collateral if a lessee breaches their lease. Refer to note D3 for further details on the consolidated entity's exposure to, and management of, credit risk.

F2 OTHER FINANCIAL ASSETS

Units in unlisted funds

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

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

Impairment Recoverability

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

	2021 $m	2020 $m
Non-current		
Units in unlisted funds	**74.5**	65.6
Total non-current other financial assets	**74.5**	65.6

F3 GOODWILL

	2021 $m	2020 $m
Balance 1 July	**42.8**	42.8
Balance 30 June	**42.8**	42.8

Impairment testing

Goodwill acquired in a business combination is tested annually for impairment. Goodwill is impaired if the recoverable amount, calculated as the higher of the value in use and the fair value less costs to sell, is less than its carrying amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which goodwill is monitored for internal management purposes and allocated to cash generating units (CGU). The estimation of the recoverable amount of goodwill depends on the nature of the CGU. For the consolidated entity CGU, the value in use is the discounted present value of estimated cash flows that the CGU will generate, which primarily comprise of the consolidated entity's investment properties in office, industrial and retail.

AASB 136 *Impairment of Assets* recommends that cash flow projections should cover a maximum period of five years, unless a longer period can be justified. As the cash flow projections used for budgeting and forecasting are based on long-term, predictable and quantifiable leases, with renewal assumptions based on sector and industry experience, management is comfortable that a 10-year cash flow projection is more appropriate. The cash flow projections are based on a management approved forecasts covering an initial period of 5 years and the subsequent 5 years are based on a growth rate of 3.0% p.a.

F3 GOODWILL (continued)

Impairment testing (continued)

The key assumptions used to determine the forecast cash flows include net market rent, capital expenditure, growth rate, discount rate and market conditions.

Net market rent	The rent at which a tenancy could be leased in the market including outgoings recovery
Other cash flows	These cashflows are minimal in comparison to the rental cashflows but form part of the IIP CGU
Capital expenditure	The amount of additional investment required to upgrade or maintain the Group's investment properties
Growth rate	The rate at which cashflows will grow over time. The growth rate has been adjusted to reflect current market conditions and does not exceed the long-term average growth rate. The cash flow projections are based on management approved forecasts covering an initial period of five years and the subsequent five years are based on a growth rate of 3.0% p.a.
Cash flow period	AASB 136 *Impairment of Assets* recommends that cash flow projections should cover a maximum period of five years, unless a longer period can be justified. As the cash flow projections used for budgeting and forecasting are based on long-term, predictable and quantifiable leases, with renewal assumptions based on asset class and industry experience, management is comfortable that a ten year cash flow projection is appropriate.
Terminal growth rate	The constant rate that cash flows are expected to grow at into perpetuity
Pre-tax discount rate	The rate of return used to convert cashflows into present value, these are specific to the risks of each of the cash flows within the consolidated entity. This includes using the weighted investment property portfolio discount rate, which was 6.5% as at 30 June 2021, and then applying a premium adjustment to this rate on the basis that a prospective purchaser would expect there to be multiple benefits to acquiring a portfolio of assets.

	Growth rate 30 June 2021[1] % pa	**Discount rate 30 June 2021 % pa**	Growth rate 30 June 2020[1] % pa	Discount rate 30 June 2020 % pa
Mirvac Property Trust	**3.0**	**5.9**	3.0	6.6

1. Weighted average growth rate used to extrapolate cashflows beyond the initial management approved 5-year forecast period.

Sensitivity
If the pre-tax discount rate and the growth rate or terminal growth rate applied to the cash flow projections were increased or decreased by 0.5%, and 1.0% respectively, the consolidated entity's value in use calculations would have sufficient headroom and this would not result in an impairment.

Based on information available and market conditions as at 30 June 2021 and up to the date of this report, management have considered that a reasonably foreseeable change in the other assumptions used in the goodwill assessment would not result in an impairment to the value of goodwill as at 30 June 2021 (2020: nil). The foreseeable change in the assumptions also considered the June and July 2021 COVID-19 pandemic lockdowns into consideration.

F4 PAYABLES

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

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

	Note	**2021 $m**	2020 $m
Current			
Trade payables		**2.0**	25.7
Rent in advance		**26.8**	18.7
Other accruals		**102.7**	22.6
Other creditors		**-**	1.7
Amounts due to entities related to Responsible Entity	H4	**28.7**	71.1
Total current payables		**160.2**	139.8
Non-current			
Other creditors		**-**	29.0
Total non-current payables		**-**	29.0

F5 PROVISIONS

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

	2021 $m	2020 $m
Distributions payable		
Balance 1 July	**118.0**	246.4
Interim and final distributions declared	**389.8**	358.0
Payments made	**(307.0)**	(486.4)
Balance 30 June	**200.8**	118.0

G CONSOLIDATED ENTITY STRUCTURE

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

G1 CONTROLLED ENTITIES

Controlled entities

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

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

Structured entities

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

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

Funds and trusts

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

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

10-20 Bond Street Trust
367 Collins Street Trust
367 Collins Street No. 2 Trust
380 St Kilda Road Trust[1]
477 Collins Street No. 1 Trust
Australian Office Partnership Trust
Eveleigh Trust
James Fielding Trust
Joynton North Property Trust
Joynton Properties Trust
Meridian Investment Trust No. 1
Meridian Investment Trust No. 2
Meridian Investment Trust No. 3
Meridian Investment Trust No. 4
Meridian Investment Trust No. 5
Meridian Investment Trust No. 6
Mirvac 90 Collins Street Trust
Mirvac Allendale Square Trust
Mirvac Ann Street Trust
Mirvac Bay St Trust
Mirvac Bourke Street No.1 Sub-Trust
Mirvac Broadway Sub-Trust
Mirvac Capital Partners 1 Trust
Mirvac Collins Street No.1 Sub-Trust
Mirvac Commercial No.3 Sub Trust
Mirvac Commercial Trust[1]
Mirvac Group Funding No.2 Pty Limited
Mirvac Group Funding No.3 Pty Limited
Mirvac Hoxton Park Trust
Mirvac Industrial No. 1 Sub-Trust
Mirvac Kensington Trust
Mirvac Kirrawee Trust No.1
Mirvac Kirrawee Trust No.2
Mirvac La Trobe Office Trust
Mirvac Living Trust
Mirvac Padstow Trust No.1
Mirvac Parramatta Sub-Trust No. 1
Mirvac Pitt Street Trust
Mirvac Property Trust No.3
Mirvac Property Trust No.4
Mirvac Property Trust No.5
Mirvac Property Trust No.6
Mirvac Property Trust No.7
Mirvac Real Estate Investment Trust
Mirvac Retail Head Trust
Mirvac Retail Sub-Trust No. 1
Mirvac Retail Sub-Trust No. 2
Mirvac Retail Sub-Trust No. 3
Mirvac Retail Sub-Trust No. 4
Mirvac Rhodes Sub-Trust
Mirvac Rydalmere Trust No. 1
Mirvac Rydalmere Trust No. 2
Mirvac Smail Street Trust
Mirvac Toombul Trust No. 1
Mirvac Toombul Trust No. 2
Old Treasury Holding Trust
Springfield Regional Shopping Centre Trust
The George Street Trust

1. One unit on issue held by Mirvac Limited as custodian for MPT.

G2 PARENT ENTITY

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

Parent entity	2021 $m	2020 $m
Current assets	**266.0**	73.7
Total assets	**10,078.1**	9,390.9
Current liabilities	**905.1**	633.1
Total liabilities	**2,622.7**	2,236.4
Equity		
Contributed equity	**5,373.4**	5,367.2
Reserves	**7.6**	7.6
Retained earnings	**2,074.4**	1,779.6
Total equity	**7,455.4**	7,154.4
Profit for the year	**675.7**	442.7
Total comprehensive income for the year	**675.7**	442.7

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

At 30 June 2021, the parent entity did not provide any other guarantees (2020: nil), have any contingent liabilities (2020: nil), or any capital commitments (2020: nil).

H OTHER DISCLOSURES

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

H1 CONTINGENT LIABILITIES

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

The consolidated entity had contingent liabilities at 30 June 2021 in respect of the following:

	2021 $m	2020 $m
Health and safety claims	**0.2**	0.2

The consolidated entity has no contingent liabilities relating to JVs (2020: nil).

H2 EARNINGS PER STAPLED UNIT

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

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

H2 EARNINGS PER STAPLED UNIT (continued)

	2021	2020
Earnings per stapled unit		
Basic EPU (cents)	**20.3**	13.7
Diluted EPU (cents)	**20.3**	13.7
Profit for the year attributable to stapled unitholders ($m) used to calculate basic and diluted EPU	**797.9**	538.4
WANOU used in calculating basic EPU (m)	**3,935.6**	3,931.6
WANOU used in calculating diluted EPU (m)	**3,937.1**	3,933.2

H3 KEY MANAGEMENT PERSONNEL

Key management personnel (KMP) compensation

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

Equity instrument disclosures relating to KMP

Securityholdings
The number of ordinary securities in Mirvac held during the year by each Executive KMP, including their personally-related parties, is set out below:

	Balance 1 July 2020	Changes	Balance 30 June 2021	Value 30 June 2021 $	Minimum securityholding guideline[1] $	Date securityholding to be attained[1]
Executive KMP						
Susan Lloyd-Hurwitz	4,402,940	617,738	5,020,678	14,660,380	2,250,000	June 2021
Brett Draffen	845,000	-	845,000	2,467,400	950,000	June 2021
Campbell Hanan	465,428	420,344	420,344	1,227,404	950,000	June 2021
Stuart Penklis	74,099	141,628	215,727	629,923	800,000	May 2022
Courtenay Smith	-	-	-	-	800,000	March 2026
Former Executive KMP						
Shane Gannon	617,199	(617,199)	-	-	$900,000	June 2021
Susan MacDonald	770,437	(770,437)	-	-	$800,000	June 2021

1 Minimum securityholding requirement and attainment date is based on the new requirements effective from FY19.

Options
No options (i.e. a right to acquire a security upon payment of an exercise price) were granted as remuneration during the year ended 30 June 2021 and no unvested or unexercised options are held by Executive KMP as at 30 June 2021.

Performance rights held during the year
The number of performance rights in Mirvac held during the year by each Executive KMP, including their personally-related parties, is set out below:

		Long-term Incentives		Deferred Short-term Incentives (STI)		
	Balance 1 July 2020	Rights issued	Rights vested/forfeited relating to performance period ended 30 June 2021	Rights issued	Rights vested/ forfeited	Balance 30 June 2021
Executive KMP						
Susan Lloyd-Hurwitz	2,149,864	1,017,412	(1,159,793)	-	(157,126)	1,850,357
Brett Draffen	874,524	386,616	(440,721)	-	(100,918)	719,501
Campbell Hanan	448,471	214,787	(206,185)	-	(75,369)	381,704
Stuart Penklis	443,080	180,873	(206,185)	-	(69,978)	347,790
Courtenay Smith	-	90,436	-	90,436	-	180,872

H3 KEY MANAGEMENT PERSONNEL (continued)

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

						Vested			Lapsed		
Executive KMP	Plan	Grant date	Number of rights granted	Value at grant date[1]	Vesting date	Number of rights	% of total grant	Value of rights	Number of rights	% of total grant	Value of rights
Susan Lloyd-Hurwitz	STI	1 Oct 18	94,727	204,610	30 Sep 20	94,727	100%	204,610	-	0%	-
	LTI	3 Dec 18	1,159,793	1,433,041	30 Jun 21	880,978	76.0%	1,089,111	278,815	24%	343,930
	STI	30 Sep 19	62,399	183,838	30 Sep 20	62,399	100%	183,838	-	0%	-
	STI	30 Sep 19	62,398	176,996	30 Sep 21	-		-	-		-
	LTI	2 Dec 19	770,547	1,684,444	30 Jun 22	-		-	-		-
	LTI	3 Dec 20	1,017,412	1,649,225	30 Jun 23	-		-	-		-
Total			**3,167,276**	**5,332,154**		**1,038,104**		**1,477,559**	**278,815**		
Brett Draffen	STI	1 Oct 18	60,841	131,417	30 Sep 20	60,841	100%	131,417	-	0%	-
	LTI	3 Dec 18	440,721	544,556	30 Jun 21	334,771	76.0%	413,863	105,950	24%	130,693
	STI	30 Sep 19	40,077	118,074	30 Sep 20	40,077	100%	118,074	-	0%	-
	STI	30 Sep 19	40,077	113,681	30 Sep 21	-		-	-		-
	LTI	2 Dec 19	292,808	640,089	30 Jun 22	-		-	-		-
	LTI	3 Dec 20	386,616	626,705	30 Jun 23	-		-	-		-
Total			**1,261,140**	**2,174,522**		**435,689**		**663,354**	**105,950**		**130,693**
Campbell Hanan	STI	1 Oct 18	45,438	98,146	30 Sep 20	45,438	100%	98,146	-	0%	-
	LTI	3 Dec 18	206,185	254,762	30 Jun 21	156,617	76.0%	193,619	49,568	24%	61,143
	STI	30 Sep 19	29,931	88,182	30 Sep 20	29,931	100%	88,182	-	0%	-
	STI	30 Sep 19	29,931	84,901	30 Sep 21	-		-	-		-
	LTI	2 Dec 19	136,986	299,457	30 Jun 22	-		-	-		-
	LTI	3 Dec 20	214,787	348,170	30 Jun 23	-		-	-		-
Total			**663,258**	**1,173,618**		**231,986**		**379,947**	**49,568**		**61,143**
Stuart Penklis	STI	1 Oct 18	40,047	86,502	30 Sep 20	40,047	100%	86,502	-	0%	-
	LTI	3 Dec 18	206,185	254,762	30 Jun 21	156,617	76.0%	193,619	49,568	24%	61,143
	STI	30 Sep 19	29,931	88,182	30 Sep 20	29,931	100%	88,182	-	0%	-
	STI	30 Sep 19	29,931	84,901	30 Sep 21	-		-	-		-
	LTI	2 Dec 19	136,986	299,457	30 Jun 22	-		-	-		-
	LTI	3 Dec 20	180,873	293,195	30 Jun 23	-		-	-		-
Total			**623,953**	**1,106,999**		**226,595**		**368,303**	**49,568**		**61,143**
Courtenay Smith	STI	26 Mar 21	45,218	106,579	8 Mar 22	-		-	-		-
	STI	26 Mar 21	45,218	103,233	8 Mar 23	-		-	-		-
	LTI	26 Mar 21	90,436	127,515	30 Jun 23	-		-	-		-
Total			**180,872**	**337,327**		**-**		**-**	**-**		**-**

1. The calculation of the value of performance rights used the fair value as determined at the time of grant. For the LTI grants subject to Return On Invested Capital (ROIC) performance, the initial accounting treatment assumes 75 per cent vesting, which is reflected in the above valuation.

H4 RELATED PARTIES

The Responsible Entity

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

As outlined in the Explanatory Memorandum dated 4 May 1999, Mirvac Funds Limited charges MPT Responsible Entity fees on a cost recovery basis. Fees charged by Mirvac Funds Limited for the year ended 30 June 2021 were $20.0 million (2020: $31.6 million).

Transactions with related parties

	Note	2021 $000	2020 $000
Property rental revenue from entities related to Responsible Entity		**6,567**	6,128
Fees paid to Responsible Entity		**(19,965)**	(31,610)
Interest paid to entities related to Responsible Entity		**(69,809)**	(69,046)
Property management fee expense paid to entities related to Responsible Entity		**(25,747)**	(24,527)
Capital expenditure paid to entities related to Responsible Entity		**(172,389)**	(240,361)
(Purchase)/Sale of investment property from/to related party		**(48,500)**	80,500
Amounts due to entities related to Responsible Entity	F4	**28,716**	71,099
Loans from entities related to Responsible Entity	D2	**1,884,000**	1,766,000

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

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

H5 RECONCILIATION OF PROFIT TO OPERATING CASH FLOW

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

	2021 $m	2020 $m
Profit for the year attributable to stapled unitholders	**797.9**	538.4
Net revaluation gain from investment properties and investment properties under construction	**(404.8)**	(154.5)
Amortisation expenses	**119.5**	88.5
Impairment loss on receivables recognised	**1.3**	36.4
Lease incentives and straight-lining of lease revenue	**(79.0)**	(40.4)
Net gain on financial instruments	**(7.7)**	(7.6)
Net gain on sale of assets	**(2.2)**	(18.4)
Share of net profit of JVs net of distributions received	**(7.1)**	(3.0)
Change in operating assets and liabilities	**20.0**	(67.2)
Net cash inflows from operating activities	**437.9**	372.2

H5 RECONCILIATION OF PROFIT TO OPERATING CASH FLOW (continued)

Net Debt Reconciliation

	Current lease liabilities $m	Non-current lease liabilities $m	Non-current borrowings $m	Total liabilities $m	Cash and cash equivalents $m	Total $m
Balance 1 July 2019	-	-	(1,447.0)	(1,447.0)	16.9	(1,430.1)
Recognised on adoption of AASB 16	0.1	7.0	-	7.1	-	7.1
Net cash flow movements	(0.1)	-	(319.0)	(319.1)	10.0	(309.1)
Other non-cash movements	0.1	(0.1)	-	-	-	-
Balance 30 June 2020	0.1	6.9	(1,766.0)	(1,759.0)	26.9	(1,732.1)
Net cash flow movements	(0.1)	**-**	**(118.0)**	**(118.1)**	**4.5**	**(113.6)**
Other non-cash items	**0.1**	**(0.1)**	**-**	**-**	**-**	**-**
Balance 30 June 2021	**0.1**	**6.8**	**(1,884.0)**	**(1,877.1)**	**31.4**	**(1,845.7)**

H6 AUDITOR'S REMUNERATION

	2021 $000	2020 $000
Audit services		
Audit and review of financial reports	**757.6**	699.0
Other assurance services	**226.3**	270.4
Total auditor's remuneration	**983.9**	969.4

In the Directors' opinion:

(a) the financial statements and notes set out on pages 8 to 36 are in accordance with the *Corporations Act 2001*, including:

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

 (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

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

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

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

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

Susan Lloyd-Hurwitz

Susan Lloyd-Hurwitz
Director

Sydney
12 August 2021

Independent auditor's report

To the stapled securityholders of Mirvac Property Trust

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The consolidated entity's financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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Our audit approach

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

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

Materiality	*Audit scope*	*Key audit matters*
For the purpose of our audit we used overall consolidated entity materiality of $19.425 million, which represents approximately 5% of the adjusted profit before tax of the consolidated entity. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose adjusted profit before tax of the consolidated entity because, in our view, it is the benchmark against which the performance of the consolidated entity is most commonly measured. Profit before tax is adjusted for fair value movements in investment property, unlisted equity investments and foreign exchange movements because they are significant non-cash items. We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	Our audit focused on where the consolidated entity made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. The consolidated entity owns and manages investment property assets across Sydney, Melbourne, Brisbane, Perth and Canberra. The accounting processes are structured around a consolidated entity finance function at its head office in Sydney.	Amongst other relevant topics, we communicated the following key audit matters to the Audit, Risk and Compliance Committee: ● Fair value of investment properties This matter is further described in the *Key audit matters* section of our report.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Fair value of investment properties *(Refer to note C1) $10,651.9m* Investment properties are recognised at fair value. The consolidated entity's estimate of fair value of investment properties includes assumptions about unobservable inputs including future market and economic conditions which are inherently subject to the risk of change. The economic impact of the COVID-19 pandemic in Australia has increased the level of judgement and uncertainty in the assumptions used in determining the fair value of investment properties as described in note C1. At each reporting period, the Directors determine the fair value of the consolidated entity's investment property portfolio having regard to the consolidated entity's valuation policy which requires all properties to be externally valued by valuation experts at least once every two years. In the period between external valuations the Directors' valuation is supported by internal valuation models. Fair value of investment properties was a key audit matter because: ● Investment property balances are financially significant in the Consolidated Statement of Financial Position. ● The impact of changes in the fair value of investment properties can have a significant effect on the consolidated entity's total comprehensive income. ● Investment property valuations are inherently subjective due to the use of unobservable inputs in the valuation methodology.	We performed tests of selected controls related to: ● The consolidated entity's compliance with its policy to externally value all properties at least once in the last two years and to rotate valuation firms. ● The approval of the adopted fair values for all individual properties by the Directors of the consolidated entity. We agreed the fair values of all properties to the external valuation or internal valuation model (together, the 'valuations') and assessed the competency, capability and objectivity of the relevant external or internal valuer. We read recent independent property market reports to develop our understanding of the prevailing market conditions in which the consolidated entity invests. We engaged PwC valuation experts to join our discussions with several valuation firms to obtain an understanding and assess the appropriateness of the methodology used by each of the firms to address the increased market uncertainty related to COVID-19 impacting the valuations. We met with management to discuss the specifics of the property portfolio including, amongst other things, any significant leasing activity, capital expenditure and vacancies impacting the portfolio. We evaluated the completeness and accuracy of tenancy schedules used in the valuations on a sample basis to evaluate whether the relevant leasing information had been correctly input. We performed a risk assessment over the consolidated entity's investment property portfolio to determine those properties at greater risk of fair value being materially misstated. Our risk assessment was informed by our understanding of each property,

- Fair values are highly sensitive to changes in key assumptions.

consideration of the results of the consolidated entity's estimate of fair value and our understanding of current market conditions including the impact of COVID-19.

For those properties which were assessed as being at greater risk, we performed procedures to assess the appropriateness of key assumptions used in the consolidated entity's assessment of fair value. In our audit procedures over the valuations we:

- Obtained the valuation and held discussions with management to develop an understanding of the basis for assumptions used.
- Assessed the appropriateness of the methodology adopted and the mathematical accuracy of the valuations.
- Assessed the appropriateness of the capitalisation rate, discount rate and market rents used in the valuation by comparing them against market data for comparable properties.
- Assessed the appropriateness of rental income data used in the valuation against rental income recorded in the general ledger in FY21 for each property.

We also assessed the reasonableness of the consolidated entity's disclosures against the requirements of Australian Accounting Standards, including the impact of COVID-19.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

V. Papageorgiou

Voula Papageorgiou
Partner

Joe Sheeran

Joe Sheeran
Partner

Sydney
12 August 2021

Reimagine Urban Life