by mirvac

MIRVAC GROUP
ANNUAL REPORT 2012

ANNUAL REPORT
For the year ended 30 June 2012

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

COVER IMAGE: ARTIST'S IMPRESSION OF 8 CHIFLEY SQUARE, SYDNEY, NSW

The Directors of Mirvac Limited present their report, together with the consolidated report of Mirvac Group ("Mirvac" or "Group") for the year ended 30 June 2012. Mirvac comprises Mirvac Limited ("parent entity") and its controlled entities, which includes Mirvac Property Trust ("MPT" or "Trust") and its controlled entities.

DIRECTORS

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

- James MacKenzie
- Nicholas Collishaw
- Marina Darling (appointed as a Director on 23 January 2012)
- Peter Hawkins
- James Millar AM
- Penny Morris (retired as a Director on 17 November 2011)
- John Mulcahy
- John Peters (appointed as a Director on 17 November 2011)
- Elana Rubin.

PRINCIPAL ACTIVITIES

The principal continuing activities of Mirvac consist of real estate investment, development and investment management. Mirvac has two core divisions: Investment (comprising MPT) and Development (comprising residential and commercial development).

There are also two business units, Mirvac Investment Management ("MIM") which comprises two business activities for segment reporting purposes: third party, listed and unlisted funds management; and the property asset management business, Mirvac Asset Management ("MAM").

On 16 December 2011, Mirvac announced it had entered into contracts for the sale of it Hotel Management business, Mirvac Hotels & Resorts, to Accor Asia Pacific, together with various associated investments, to a consortium comprising Accor Asia Pacific ("Accor") and Ascendas. The sale transaction was completed on 22 May 2012. Hotel Management was responsible for the management of hotels across Australia and New Zealand. Details are provided within the review of operations and activities.

DIVIDENDS/DISTRIBUTIONS

Dividends/distributions paid to stapled securityholders during the year were as follows:

	2012 $m	2011 $m
June 2011 quarterly dividend/distribution paid on 29 July 2011 2.20 cents (2011: 2.20 cents) per stapled security	**75.2**	65.3
September 2011 quarterly dividend/distribution paid on 28 October 2011 2.00 cents (2011: 2.00 cents) per stapled security	**68.3**	68.3
December 2011 quarterly dividend/distribution paid on 27 January 2012 2.00 cents (2011: 2.00 cents) per stapled security	**68.3**	68.3
March 2012 quarterly dividend/distribution paid on 27 April 2012 2.00 cents (2011: 2.00 cents) per stapled security	**68.4**	68.3
Total dividends/distributions paid	**280.2**	270.2

The June 2012 quarterly dividend/distribution of 2.40 cents per stapled security totalling $82.0m declared on 29 June 2012 was paid on 27 July 2012.

Dividends and distributions paid and payable by Mirvac for the year ended 30 June 2012 totalled $287.0m, being 8.40 cents per stapled security (2011: $280.1m — 8.20 cents per stapled security). The payments for the year ended 30 June 2012 and the previous year were distributions made by the Trust.

REVIEW OF OPERATIONS AND ACTIVITIES

The statutory profit after tax attributable to the stapled securityholders of Mirvac for the year ended 30 June 2012 was $416.1m (2011: $182.3m). Included in the statutory profit was a provision for loss on inventories totalling $25.0m (2011: $295.8m). The operating profit (profit before specific non-cash and significant items) was $366.3m which is above market guidance provided previously.

Operating profit is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents the profit under AAS adjusted for specific non-cash items and significant items. The Directors consider operating profit to reflect the core earnings of the Group.

The following table summarises key reconciling items between statutory profit after tax attributable to the stapled securityholders of Mirvac and operating profit. The operating profit information in the table has not been subject to any specific audit procedures by the Group's auditor but has been extracted from note 3 of the accompanying financial statements for the year ended 30 June 2012, which have been subject to audit, refer to pages 107 to 108 for the auditor's report on the financial statements.

REVIEW OF OPERATIONS AND ACTIVITIES / CONTINUED

	2012 $m	2011 $m
Profit attributable to the stapled securityholders of Mirvac	**416.1**	182.3
Specific non-cash items		
Net gain on fair value of investment properties and owner-occupied hotel management lots and freehold hotels	**(148.7)**	(110.4)
Net loss on fair value of investment properties under construction ("IPUC")	**15.8**	58.6
Net loss/(gain) on fair value of derivative financial instruments and associated foreign exchange movements	**82.0**	(7.5)
Security based payment expense	**8.5**	6.2
Depreciation of owner-occupied investment properties, hotels and hotel management lots (including hotel property, plant and equipment)	**9.5**	8.1
Straight-lining of lease revenue	**(15.9)**	(16.4)
Amortisation of lease fitout incentives	**14.4**	10.4
Net loss/(gain) on fair value of investment properties, derivatives and other specific non-cash items included in share of net profit of associates and joint ventures	**13.7**	(11.0)
Net loss on fair value of investment properties, derivatives and other specific non-cash items included in non-controlling interest ("NCI")	**–**	(0.4)
Significant items		
Impairment of loans	**6.0**	–
Provision for loss on inventories	**25.0**	295.8
Net (gain)/loss on sale of non-aligned assets	**(0.8)**	0.2
Net gain on sale of Hotel Management business and related assets	**(21.4)**	–
Business combination transaction costs	**–**	31.8
Tax effect		
Tax effect of non-cash and significant adjustments	**(37.9)**	(89.2)
Operating profit (profit before specific non-cash items and significant items)	**366.3**	358.5

FINANCIAL AND OPERATIONAL HIGHLIGHTS
Key financial highlights for the year ended 30 June 2012 included:

- profit attributable to the stapled securityholders of Mirvac of $416.1m, an increase of 128.0 per cent, which included a net gain on investment properties (including IPUC) of $132.9m, profit of $21.4m from the sale of the Hotel Management business and, as previously announced in February 2012, a provision for loss on inventories of $25.0m in respect to Beachside Leighton, North Fremantle, WA;
- operating profit after tax of $366.3m[1], representing 10.7 cents per stapled security;
- net tangible assets ("NTA") per stapled security of $1.66 from $1.62[2];
- operating cash flow of $317.0m; and
- full year distribution of $287.0m, representing 8.40 cents per stapled security.

Key operational highlights for the year ended 30 June 2012 included:

- successfully delivered on the Group's strategy to simplify its business with the sale of the Hotel Management business, realising a profit of $21.4m[3];
- established strategic relationships with K-REIT Asia and AVIVA Investors via the sale of 50.0 per cent of 8 Chifley Square, Sydney NSW and Hoxton Distribution Park, Hoxton Park NSW respectively;
- achieved 3.4 per cent like-for-like net operating income growth within the Investment Division's portfolio;
- maintained a high portfolio occupancy rate of 98.4 per cent[4] and a strong weighted average lease expiry of 7.4 years[4] within the Investment Division's portfolio;
- leased 147,646 square metres (10.4 per cent of net lettable area) within the Investment Division's portfolio;
- disposed of four non-core retail properties within the Investment Division's portfolio, realising $132.0m in gross sale proceeds;
- continued the strong focus on corporate responsibility and sustainability with the Investment Division's portfolio achieving a National Australian Built Environment Rating System ("NABERS") Office energy rating of 4.3 Star average, six months ahead of the December 2012 target of 4.0 Stars, and 8 Chifley Square, Sydney NSW awarded a 6.0 Star Green Star Office Design v2 rating;
- Mirvac's safety performance continued to improve with a lost time injury frequency rate of 7.3 for employees plus service providers, representing a 17.0 per cent improvement over the corresponding period for the year ended 30 June 2011. In addition, the number of workers' compensation claims reduced by 20.5 per cent and the average cost per claim reduced by 34.7 per cent over the corresponding period for the year ended 30 June 2011; and
- strong levels of exchanged pre-sales contracts at $907.7m[5] in residential projects and achieved 1,807 residential lot settlements.

1) Excludes specific non-cash items, significant items and related taxation.
2) NTA per stapled security based on ordinary securities including Employee Incentive Scheme ("EIS") securities.
3) After costs.
4) By area, excluding assets under development.
5) Total exchanged pre-sales contracts as at 30 June 2012, adjusted for Mirvac's share of joint ventures, associates and Mirvac's managed funds.

CAPITAL MANAGEMENT AND FUNDING

For the year ended 30 June 2012, the Group maintained its strong capital and liquidity position. On 22 May 2012, the Group completed the sale of the Hotel Management business with the proceeds received (totalling $293.2m) used to repay debt, which reduced gearing to 22.7 per cent [1]. This is comfortably within the Group's targeted range of 20.0 to 25.0 per cent.

Other key highlights for the Group included:

- no debt maturities in the year ending 30 June 2013;
- $530.0m of debt facilities maturing in January 2014, of which only $237.9m is actually drawn;
- high levels of liquidity with $804.4m [2] in cash and undrawn committed debt facilities on hand;
- repayment of $140.0m debt facility which was scheduled to mature in January 2013;
- weighted average debt maturity of 3.5 years;
- average borrowing costs increased slightly to 7.6 per cent per annum including margins and line fees;
- maintained the BBB credit rating from Standard & Poor's; and
- continued to comfortably meet all debt covenants.

Outlook

The volatility created by the European debt crisis dominated international capital markets for most of the 2012 financial year, resulting in funding costs remaining elevated and reduced appetite for lending from European based lenders. There will be limited impact of these events on the Group's borrowing costs for the next six to 12 months, allowing time for conditions to stabilise before any refinancing is required.

The Group remains focused on managing its capital position prudently by monitoring and accessing diversified sources of capital, including both domestic and international markets. This ensures Mirvac can continue to meet its strategic objectives without increasing its overall risk profile.

OPERATIONAL HIGHLIGHTS AND DIVISIONAL STRATEGY

Investment Division

At 30 June 2012, the Investment Division had invested capital of $6,002.7m [3], with investments in 66 direct property assets, covering the office, retail and industrial sectors, as well as investments in other funds managed by Mirvac. The asset allocation for MPT invested capital was as follows:

- office: 57.6 per cent;
- retail: 27.2 per cent; and
- other: 15.2 per cent [4].

For the year ended 30 June 2012, the Investment Division's statutory profit before tax was $495.5m and operating profit before tax was $403.7m.

Key highlights for MPT for the year ended 30 June 2012 included:

- achieved 3.4 per cent like-for-like net operating income growth;
- occupancy remained high at 98.4 per cent [5];
- 29 properties (43.9 per cent [6]) of the Trust's assets were independently valued resulting in a $163.4m or 3.0 per cent increase over the previous book value for the 12 months ended 30 June 2011;
- disposed of four non-core retail assets realising $132.0m in gross sale proceeds (2.6 per cent premium to book value);
- established strategic relationships with K-REIT Asia and AVIVA Investors via the sale of 50.0 per cent of 8 Chifley Square, Sydney NSW and Hoxton Distribution Park, Hoxton Park NSW respectively;
- completed 325 leasing deals over 147,646 square metres of net lettable area (10.4 per cent of the portfolio), with significant office leasing commitments at:
  - 10-20 Bond Street, Sydney NSW (99.3 per cent [7] of net lettable area secured); and
  - 8 Chifley Square, Sydney NSW (42.0 per cent of net lettable area secured with the asset's first lease to Corrs Chambers Westgarth);
- progressed with Development Approvals for:
  - the development of the Old Treasury Building, Perth WA, which incorporates 30,000 square metres of prime office space that is 100.0 per cent pre-leased to the WA Government for 25 years; and
  - the Stage 2 Development Application at 190-200 George Street, Sydney NSW which incorporates 38,500 square metres of net lettable area over 32 office levels, and includes 63 basement car spaces;
- the Development Division completed construction on the final industrial building at Nexus Industry Park, Prestons NSW in October 2011, which is now 100.0 per cent leased to HPM Legrand Australia and held within MPT's investment portfolio;
- received authority approvals for expansions at Kawana Shopping Centre, Buddina QLD, Stanhope Village, Stanhope Gardens NSW and Orion Springfield, Springfield QLD; and
- Broadway Shopping Centre, Sydney NSW was ranked second nationally in the Big Guns for MAT of $9,833 per square metre [8].

The Group's focus on corporate responsibility and sustainability delivered results within the Trust's portfolio, with key achievements including:

- 8 Chifley Square, Sydney NSW awarded a 6.0 Star Green Star Office Design v2 rating;
- a NABERS Office energy rating of 4.3 Star average, six months ahead of the December 2012 target of 4.0 stars;
- 275 Kent Street, Sydney NSW achieved a 4.5 Star NABERS energy rating for the first time since construction as a result of management efficiencies within the building;
- 23 Furzer Street, Phillip ACT achieved 5.5 Star NABERS energy rating with the building contractually designed to only achieve a 4.5 Star rating; and
- 340 Adelaide Street, Brisbane QLD achieved a NABERS energy rating of 5.0 Stars, a significant improvement on the prior rating of 1.5 Stars.

The Trust's earnings continue to be secure with a strong weighted average lease expiry profile of 7.4 years [9], 72.7 per cent of FY13 rent reviews being fixed or linked to the Consumer Price Index ("CPI"), and 72.2 per cent of revenue derived from multinational, Australian Securities Exchange ("ASX") listed and government tenants.

1) Net debt (at foreign exchange hedged rate) excluding leases/(total tangible assets – cash).
2) Total liquidity includes total available liquidity of $721.1m and cash on hand of $77.3m.
3) By book value, includes assets under development.
4) Includes industrial assets, assets under development, indirect property investments, car park assets and a hotel.
5) By area, excluding assets under development.
6) By total number of investment properties.
7) Incorporates Heads of Agreement and executed leases as at 30 June 2012.
8) The national magazine, Shopping Centre News, publish an annual awards for Big Guns shopping centres. Big Guns are defined as those centres with a gross lettable area in excess of 45,000 square metres, and typically contain a department store/s, discount department store/s, supermarket/s and specialties. Moving Annual Turnover ("MAT") is the total retail sales for the past 12 months including GST.
9) By area, excluding assets under development.

OPERATIONAL HIGHLIGHTS AND DIVISIONAL STRATEGY / CONTINUED

Outlook
The Investment Division remains focused on providing secure passive income to the Group, with key areas of focus including:

- improving the quality of the portfolio via non-aligned asset sales and new development product;
- remaining strategically overweight in the office sector; and
- focusing on prime sub-regional shopping centres located in growth markets.

Hotel Management
The Group completed the sale of its Hotel Management business to Accor on 22 May 2012.

As at the settlement date, the Hotel Management business comprised a portfolio of 45 hotels covering 5,648 rooms throughout Australia (42) and New Zealand (three) under a suite of four core brands comprising Sea Temple (five star resorts); Quay West Suites (five star all-suite hotels); Sebel (four and a half star hotels and resorts); and Citigate (four star hotels).

For the period up to settlement (22 May 2012), the business unit achieved a statutory profit before tax of $15.5m and an operating profit before tax of $17.2m.

Investment Management
MIM comprises two business activities for segment reporting purposes: third party, listed and unlisted funds management; and property asset management.

For the year ended 30 June 2012, MIM recorded a statutory loss before tax of $9.0m and an operating loss before tax of $6.7m.

At 30 June 2012, MIM remained responsible for the management of four wholesale funds: Mirvac Wholesale Residential Development Partnership; Travelodge Group; JF Infrastructure Yield Fund; and, Australian Sustainable Forestry Investors. MIM also managed the ASX listed Mirvac Industrial Trust and two unlisted residential development funds.

MIM continued to rationalise activities considered non-core to Mirvac's strategy as demonstrated by the exit from the following:

- 25.0 per cent interest in the Mirvac City Regeneration Partnership;
- investment in the RedZed residential mortgage warehouse; and
- roles as investment manager and responsible entity for:
  - New Zealand Sustainable Forestry Investors; and
  - Mirvac Wholesale Hotel Fund (as part of the Group's exit from its hotel management business).

MAM provides asset management services for the Investment Division's portfolio. MAM currently manages 78 properties principally located in metropolitan locations on the east coast of Australia.

Outlook
MIM will continue to seek to exit its responsible entity, trustee and investment manager responsibilities as the opportunities arise. MAM will seek to continue to expand its asset management services in accordance with growth in the Investment Division's portfolio.

Development Division
The Group announced a new organisational structure on 15 February 2012 with the formation of national product and service functions to further leverage the Group's integrated model in the delivery of residential and commercial product. The Development Division now operates four national product lines consisting of Apartments, Masterplanned Communities and Commercial, as well as a new product line being Resource Partnerships, designed to meet the increasing accommodation needs of the resource sector. At 30 June 2012, the Development Division had invested capital of $1,807.3m[1].

For the year ended 30 June 2012, the Division's statutory loss before tax was $10.0m and operating profit before tax was $15.2m.

Residential
In the Group's core metropolitan markets, the Division continued to deliver quality residential product, with new release projects targeted at the right price points and right locations such as:

Apartments:

- Harold Park, Glebe NSW: launched the first residential precinct (296 lots) and received Master Plan Development Consent post 30 June 2012 with site works to commence in August 2012, in line with the development program;
- Rhodes Waterside, Rhodes NSW: achieved 223 settlements for the 12 months ended 30 June 2012, with settlements at Waters Edge (114 lots), Elyina (106 lots) and Amarco (three lots). The Division also commenced construction on the final stage of Rhodes Waterside (Pinnacle, 231 lots); and
- Array, Yarra's Edge VIC: achieved planning approval for Mirvac's seventh apartment tower at Docklands and successful VIP launch.

Masterplanned Communities:

- Elizabeth Hills, NSW: Stage 1 (96 lots) released with 86 contracts exchanged;
- Middleton Grange, NSW: 180 settlements with 46 contracts exchanged; and
- Rockbank, VIC: the 5,780 lot site located in Melbourne's western growth corridor was identified by the State Government for an accelerated planning approval process.

For the year ended 30 June 2012, the Division secured future income with $907.7m[2] of residential exchanged pre-sales contracts and settled 1,807 residential lots.

1) Development Division's total inventories, investments and loans in associates and joint ventures as at 30 June 2012.
2) Total exchanged pre-sales contracts as at 30 June 2012, adjusted for Mirvac's share of joint ventures, associates and Mirvac's managed funds.

OPERATIONAL HIGHLIGHTS AND DIVISIONAL STRATEGY / CONTINUED

State based settlements for the year ended 30 June 2012 were as follows:

State	Lots
NSW	1,060
WA	318
VIC	216
QLD	213
Total	**1,807**

State based settlements by product for the year ended 30 June 2012 were as follows:

State	Masterplanned Communities	Apartments	Total
NSW	812	248	1,060
WA	318	–	318
VIC	179	37	216
QLD	145	68	213
Total			**1,807**

For the year ended 30 June 2012, the Development Division's residential pipeline totalled 29,787 lots, which was supplemented by the acquisition of a number of key projects that will contribute significantly to the Division's FY15 and beyond development pipeline, including:

- Googong, NSW: acquired in December 2011. Stage 1 was released with 174 exchanged contracts. Googong is a joint venture with CIC Australia to develop a masterplanned community comprising approximately 5,800 lots;
- Clyde North, VIC: secured site in November 2011 on capital efficient terms. The 200 hectare site located in Melbourne's south east growth corridor will comprise approximately 2,100 lots on completion;
- Alex Avenue, NSW: in February 2012 Mirvac secured 259 lots on capital efficient terms. Alex Avenue is located in Sydney's north west growth centre; and
- Green Square, NSW: in March 2012 Mirvac executed the project agreement with Landcom and joint venture partner, Leighton Properties, to deliver the Green Square Town Centre core sites. On completion, the core sites will comprise approximately 1,600 lots, 48,000 square metres of office space and 12,000 square metres of retail space as well as substantial public domain and open space.

During the period, the Division completed the disposals of its non-core inventory at Magenta Shores, The Entrance NSW and The Royal, Newcastle NSW (Stages 1c and 2), thereby finalising the major provisioned englobo sales for the year ended 30 June 2012.

Commercial

Mirvac's commercial development activities include office, retail and industrial projects, and the Group's strategy is to sell a part share to aligned third parties and retain the remaining share within the Investment Division's property portfolio. For the year ended 30 June 2012, Mirvac's commercial pipeline totalled $1,361.9m.

Key highlights for the year ended 30 June 2012 included:

- completed the sale of 50.0 per cent of 8 Chifley Square, Sydney NSW to K-REIT Asia and secured the first lease to Corrs Chambers Westgarth for 42.0 per cent of the building's net lettable area;
- completed the sale of 50.0 per cent of Hoxton Distribution Park, Hoxton Park NSW to AVIVA Investors and achieved practical completion on the Dick Smith and Big W warehouses, five months ahead of schedule;
- progressed the Stage 2 Development Application at 190-200 George Street, Sydney NSW with architectural firm, Francis-Jones Morehen Thorp, being selected as preferred architect following a design excellence competition;
- approval received for the development of the Old Treasury Building, Perth WA, which incorporates 30,000 square metres of prime office space that is 100.0 per cent pre-leased to the WA Government for 25 years;
- commenced construction at Orion Springfield, Springfield QLD and Kawana Shopping Centre, Buddina QLD[1] after building approvals for expansions at both centres were approved;
- completed the final building at Nexus Industry Park, Prestons NSW in October 2011, which is now 100.0 per cent leased to HPM Legrand Australia;
- named as the preferred proponent by the WA Government to deliver a major residential and hotel development at Port Hedland in partnership with the WA Government and LandCorp; and
- shortlisted in July 2012 as the preferred proponent by the WA Government to develop the mixed-use Perth City Link project, in conjunction with Leighton Properties.

Outlook

The Division remains on track towards achieving its 2014 recovery, with key areas of focus including:

- improving earnings to represent a 20.0 per cent contribution to the overall Group result;
- continue to improve key metrics including return on invested capital (10.0 plus per cent target) and gross margin (18.0-22.0 per cent target);
- selectively restocking the development pipeline; and
- strong levels of pre-sales to mitigate future earning risks.

1) Construction at Kawana Shopping Centre commenced in late July 2012.

MARKET AND GROUP OUTLOOK

Market outlook

Whilst the resource sector continues to underpin domestic economic output, the easing of economic policy settings over the past nine months has started to provide support to the non-mining sectors of the economy.

Commercial outlook

The European debt crisis has resulted in weaker levels of activity in finance related industries, as demonstrated by the softening in white collar employment resulting in an easing in office demand in Sydney and Melbourne. With the exception of Perth, vacancy rates have trended higher by varying degrees. However, the low level of office construction should limit the upside to vacancy rates.

Conditions in the retail sector remain subdued. Even though income growth is solid and saving appears to have stopped increasing, there has been a growing tendency for consumers to substitute goods for experiences. While vacancy rates are expected to remain stable, this is expected to be at the expense of incentives and rental growth.

Industrial sector rents and demand remain subdued. Limited speculative construction, along with the majority of new supply being pre-committed, should see support for modest rental growth.

Residential outlook

The factors underpinning the residential property market have improved over the past year and vary by state. The combination of soft property prices and declining mortgage interest rates has resulted in an improvement in affordability, while population growth has started to pick up.

The bias towards medium density accommodation continues, especially in the south eastern states. This trend is expected to continue given housing affordability, the preference of new migrants, transport infrastructure constraints, the cost of travel and the ageing population.

Housing approvals in NSW are now broadly in line with their pre global financial crisis levels. A low rental vacancy rate and rising rental growth are evident of strong underlying demand. A further strengthening in population growth, together with measures by the State Government to increase dwelling supply, suggests a further improvement in market conditions.

With the appreciation of the Australian dollar continuing to exert pressure on the state's manufacturing base and investment remaining biased towards the resource states, the Victorian property market is likely to continue to underperform the other main states.

The QLD property market has been adversely affected by the rising Australian dollar impacting on its tourism industry, weak economic conditions and a slowing in population growth. There are early signs the housing market is undergoing a modest recovery. Longer term prospects are underpinned by resource related activity, in conjunction with an improvement in population growth.

The WA property market is showing signs of a recovery. Population growth has increased significantly, while property prices are starting to edge higher. Short-term prospects for the property market are expected to improve while, in the longer term, resource related activity is expected to lead both stronger dwelling demand and prices.

Group outlook

The Group remains focused on being an Australian real estate expert concentrating on its two core Divisions.

The Investment Division remains focused on providing secure passive income to the Group, whilst improving the quality of the portfolio via non-aligned asset sales and new development product. The Division also maintains a focus on prime sub-regional shopping centres located in high growth markets. In spite of the subdued retail environment, Mirvac's portfolio is comprised of shopping centres that are primarily driven by non-discretionary spend.

The Development Division will continue to improve its return on invested capital and increase its earnings contribution to the Group by selectively restocking the development pipeline and maintaining strong levels of pre-sales to mitigate future earning risks.

On 15 August 2012, the Group announced that by agreement, Nicholas Collishaw would be stepping down as Managing Director on 31 October 2012, and that Susan Lloyd-Hurwitz has been appointed Chief Executive Officer and Managing Director. Susan will take up the role before the end of the 2012 calendar year.

The Group also announced post 30 June 2012, the appointment of Bevan Towning as Chief Executive Officer, Platform, effective 9 July 2012, and the appointment of Greg Dyer as Finance Director, effective 4 September 2012. Greg will join the Mirvac Board as an Executive Director on his commencement and will assume the responsibilities of the current Chief Financial Officer, Justin Mitchell, who previously announced his intention to leave the Group on 1 October 2012.

ENVIRONMENTAL REGULATIONS

A key initiative to reduce greenhouse gas emissions was a commitment to achieve an average 4 Star NABERS Energy rating on applicable office buildings by December 2012. The Investment Division achieved this target during the 12 months ended 30 June 2012, six months ahead of schedule. This has resulted in improved environmental performance, demonstrating excellent energy or water performance due to design and management practices, and high efficiency systems and equipment.

Mirvac and its business operations are subject to compliance with both Federal and state environment protection legislation.

At the Federal level, Mirvac has triggered the *Energy Efficiency Opportunities Act 2006* ("EEO") threshold and is required to participate. An EEO Assessment and Reporting Schedule ("ARS") has been approved under section 16 of the EEO and Mirvac is progressing assessments in accordance with the ARS. Mirvac has also triggered the participation threshold of the *National Greenhouse and Energy Reporting Act 2007* ("NGER"). The NGER requires large energy-using companies to report annually on greenhouse gas emissions, reductions, removals and offsets, and energy consumption and production figures. Mirvac must report annually by 31 October.

Mirvac is also subject to the commercial *Building Energy Efficiency Disclosure Act 2010*. This involves the disclosure of energy efficiency related information at the point of sale or lease of office space greater than 2,000 square metres.

Within Mirvac's health, safety and environment performance reporting systems, including internal and external audits and inspections, no incidents of significant harm to the environment occurred during the year ended 30 June 2012. Mirvac's development projects across Australia were issued a total of two environmental infringement notices throughout the year with a total value of $3,000. The notices related to minor incidents of potential environmental impact at development sites and were rectified immediately. The two instances related to the potential for uncontrolled sediment run off.

ENVIRONMENTAL REGULATIONS / CONTINUED

The Federal Government has introduced a price on carbon pollution, which came in to affect on 1 July 2012. Mirvac is not a liable entity under the legislation and is marginally affected. The legislation bill provides for increases in the total carbon cap and therefore does not preclude expansion of the number of directly liable entities before the scheme transitions to a cap and trade system in 2015.

INFORMATION ON DIRECTORS

Directors' experience and areas of special responsibilities
The members of the Board, their qualifications, experience and responsibilities are set out below:

James MacKenzie, BBus, FCA, FAICD — Chairman — Independent Non-Executive

Chair of the nomination committee
Member of the audit, risk and compliance committee
Member of the human resources committee

James MacKenzie was appointed to the Mirvac Board in January 2005 and assumed the role of Chairman in November 2005.

James led the transformation of the Victorian Government's Personal Injury Schemes as Chairman of the Transport Accident Commission ("TAC") and Victorian WorkCover Authority from 2000 to 2007. He has previously held senior executive positions with Australia and New Zealand Banking Group Limited ("ANZ"), Norwich Union and Standard Chartered Bank, and was Chief Executive Officer of the TAC. A Chartered Accountant by profession, James was a partner in both the Melbourne and Hong Kong offices of an international accounting firm, now part of Deloitte.

Nicholas Collishaw, SAFin, AAPI, FRICS — Managing Director — Dependent

Nicholas Collishaw was appointed Managing Director on 26 August 2008. Prior to this appointment, he was the Executive Director — Investment responsible for Mirvac's Investment operations including MPT, Investment Management and Hotel Management, having been appointed to the Mirvac Board on 19 January 2006.

Nicholas has been involved in property and property investment management for over 25 years and has extensive experience in development and investment management of real estate in all major sectors and geographies throughout Australia. Prior to joining Mirvac in 2005 following its merger with James Fielding Group, Nicholas was an Executive Director and Head of Property at James Fielding Group. He has also held senior positions with Deutsche Asset Management, Paladin Australia Limited and Schroders Australia.

Marina Darling, BA (Hons), LLB, FAICD — Independent Non-Executive

Member of the human resources committee

Marina Darling was appointed to the Mirvac Board on 23 January 2012.

Marina is currently the Managing Director of Caponero Group, a diversified property development and investment organisation. Alongside her executive role, she is currently a Non-Executive Director of Southern Cross Media Group Limited and until recently a Non-Executive Director of Argo Investments Limited.

Marina has previously been a Non-Executive Director of a number of listed companies and other entities including Southern Cross Broadcasting Limited, National Australia Trustees Limited, GIO Holdings Limited, Deacons (Lawyers) and Southern Hydro Limited.

Peter Hawkins, BCA (Hons), FAICD, SFFin, FAIM, ACA (NZ) — Independent Non-Executive

Chair of the human resources committee
Member of the audit, risk and compliance committee
Member of the nomination committee

Peter Hawkins was appointed a Non-Executive Director of Mirvac on 19 January 2006, following his retirement from the ANZ Bank after a career of 34 years. Prior to his retirement, Peter was Group Managing Director, Group Strategic Development, responsible for the expansion and shaping of ANZ's businesses, mergers, acquisitions and divestments and for overseeing its strategic cost agenda.

Peter was a member of ANZ's Group Leadership Team and sat on the Boards of Esanda Limited, ING Australia Limited and ING (NZ) Limited, the funds management and life insurance joint ventures between ANZ and ING Group. He was previously Group Managing Director, Personal Financial Services, as well as holding a number of other senior positions during his career with ANZ.

James Millar AM, BCom, FCA, FAICD — Independent Non-Executive

Chair of the audit, risk and compliance committee
Member of the human resources committee

James Millar AM was appointed a Non-Executive Director of Mirvac on 19 November 2009 and is the former Chief Executive Officer and Oceania Area Managing Partner of Ernst & Young, one of the world's leading professional services firms. He was a member of the global Board of Ernst & Young.

James commenced his career in the reconstruction practice, conducting some of the largest corporate workouts of the early 1990s. James has qualifications in business and accounting, and is a Fellow of The Institute of Chartered Accountants of Australia.

John Mulcahy, PhD (Civil Engineering), FIEAust — Independent Non-Executive

Member of the audit, risk and compliance committee
Member of the human resources committee
Member of the nomination committee

John Mulcahy was appointed a Non-Executive Director of Mirvac on 19 November 2009 and is the former Managing Director and Chief Executive Officer of Suncorp-Metway Limited ("Suncorp"). Prior to Suncorp, John held a number of senior executive roles at Commonwealth Bank, including Group Executive, Investment and Insurance Services. He also held a number of senior roles during his 14 years at Lend Lease Corporation, including Chief Executive Officer, Lend Lease Property Investment and Chief Executive Officer, Civil and Civic.

John has more than 27 years of management experience in financial services and property investment.

Elana Rubin, BA (Hons), MA, FFin, FAICD, FAIM, FAIST — Independent Non-Executive

Member of the audit, risk and compliance committee
Member of the nomination committee

Elana Rubin was appointed a Non-Executive Director of Mirvac on 11 November 2010 and has extensive experience in property and financial services.

Elana is the former Executive Director — Investments of the Australian Retirement Fund, one of Australia's leading superannuation funds.

Elana has been a Director on a number of listed companies and other entities including Tower Australia Ltd and Bravura Solutions Ltd.

INFORMATION ON DIRECTORS / CONTINUED

John Peters, BArch, Adv Dip BCM, ARAIA, MAIPM, GAICD — Independent Non-Executive

Member of the audit, risk and compliance committee

John Peters was appointed a Non-Executive Director of Mirvac on 17 November 2011.

John brings to the Board 35 years experience in architectural design, project management, property development and property management.

For the last 16 years, John has been the principal of a private property development company focused on substantial mixed use developments and redevelopments in South East Queensland. During this period, he has also consulted to various investors and other financial stakeholders in several Queensland development projects.

Prior to this, John was with Lend Lease for 14 years, where he was Queensland Manager Lend Lease Development, and Director, Lend Lease Commercial.

Company Secretary

Margaret Mezrani, LLB, FCIS, FCSA

Margaret Mezrani was appointed Company Secretary in November 2011 after joining Mirvac in February 2011. Margaret has had over 15 years experience as a company secretary in listed and unlisted companies, including OnePath Wealth Management (formerly ING Australia Group), MLC Wealth Management Group, Promina Group and Westpac Banking Corporation.

MEETINGS OF DIRECTORS

The number of meetings of the Board of Directors and of each Board standing committee of which the relevant Director was a member held during the year ended 30 June 2012 and the number of meetings attended by each Director are detailed below:

Director	Board		Board committee[1]		Audit, risk and compliance committee ("ARCC")		Human resources committee ("HRC")		Nomination committee	
	A	B	A	B	A	B	A	B	A	B
James MacKenzie	16	16	3	3	7	7	6	6	3	3
Nicholas Collishaw	16	16	4	4	–	–	–	–	–	–
Marina Darling[2]	6	6	–	–	–	–	2	2	–	–
Peter Hawkins	16	16	–	–	7	7	6	6	3	3
James Millar AM	16	16	2	2	7	7	6	6	–	–
Penny Morris[3]	6	6	–	–	–	–	2	2	–	–
John Mulcahy	16	16	–	–	7	7	6	6	3	3
John Peters[4]	10	10	–	–	2	2	–	–	–	–
Elana Rubin	16	16	–	–	7	7	–	–	3	3

1) Committees of the Board established to deal with particular purposes during the year.
2) Appointed as a Director on 23 January 2012 and appointed as a member of the HRC on 24 January 2012.
3) Retired as a Director on 17 November 2011.
4) Appointed as a Director on 17 November 2011 and appointed as a member of the ARCC on 20 February 2012.

A) Indicates number of meetings attended during the period the Director was a member of the Board or Committee.
B) Indicates the number of meetings held during the period the Director was a member of the Board or Committee.

REMUNERATION REPORT

The remuneration report comprises the following sections:

1 Highlights for the year ended 30 June 2012
2 Alignment of remuneration strategy and business strategy
3 Mirvac's approach to executive remuneration design
4 Remuneration components and outcomes for the Executive Leadership Team
5 Five year snapshot of business and executive remuneration outcomes
6 Service agreements for the Executive Leadership Team
7 Non-Executive Directors' remuneration
8 Additional information

This report covers the key management personnel ("KMP") of Mirvac. KMP are those people with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. In essence, the KMP are responsible for determining and executing Mirvac's strategy.

For Mirvac, the KMP are:

- members of the Executive Leadership Team ("ELT"); and
- Non-Executive Directors.

For the year ended 30 June 2012, the ELT comprised:

- Managing Director — Nicholas Collishaw;
- Chief Executive Officer — Investment — Andrew Butler;
- Chief Executive Officer — Development — Brett Draffen;
- Chief Operating Officer — Gary Flowers; and
- Chief Financial Officer — Justin Mitchell.

REMUNERATION REPORT / CONTINUED

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

1 HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2012 ("FY12")

Fixed remuneration	1	In accordance with its market positioning strategy, Mirvac assessed the remuneration levels and mix for members of the ELT and identified where adjustments were appropriate based on current market benchmarking. As a result, some members of the ELT will have their fixed remuneration reduced effective 1 July 2012.
Short-term incentives ("STI")	2	To ensure that the STI pool was appropriately aligned to Mirvac's strategic drivers, Mirvac continued with its balanced scorecard of measures for determining the STI pool for the year ended 30 June 2012.
	3	The FY12 STI pool was larger than the STI pool in FY11. This was largely due to Mirvac exceeding threshold performance levels on the return on assets and customer/investor satisfaction measures in FY12.
Long-term incentives ("LTI")	4	The three year performance period for the LTI grants made during the year ended 30 June 2010 finished on 30 June 2012. In total, 37.5% the performance rights from this grant vested as the relative total securityholder return ("TSR") performance hurdle was met.
	5	Consistent with the intention stated in the 2011 Remuneration Report, two performance measures will be applied to the LTI grants made in the year ended 30 June 2012: 50 per cent of the LTI allocation will be tested against a Relative TSR hurdle and 50 per cent against a return on equity ("ROE") hurdle. These two performance measures will also be retained for the FY13 LTP grants.
Introduction of Minimum Securityholding Guidelines	6	The HRC approved the Minimum Securityholding Guidelines for the Managing Director (100 per cent of fixed remuneration) and his direct reports (50 per cent of fixed remuneration), in order to further align the interests of the ELT with the interests of securityholders. Executives covered by the guidelines will have five years to build up their securityholding to the minimum level.
	7	The HRC also approved the introduction of Minimum Securityholding Guidelines for Non-Executive Directors. Under the guidelines, each Non-Executive Director will be required to hold a minimum of 25,000 Mirvac stapled securities. Non-Executive Directors will have two years to build up their securityholding to the minimum level.
Rebalancing remuneration components	8	To support the Minimum Securityholding Guidelines, commencing from FY13 25 per cent of STI awards for ELT members will be delivered in the form of Mirvac securities (with the remainder paid in cash). While there is no set deferral period for securities granted under the STI plan, members of the ELT will be expected to retain their securities until they satisfy the Minimum Securityholding Guidelines. The combination of the Minimum Securityholding Guidelines and the payment of STI in the form of equity will reinforce the alignment between executive and securityholder interests and focus the ELT on delivering consistently strong performance across the business cycle.
	9	To recognise the acceptance of reduced fixed remuneration by some ELT members, the affected executives will receive increased LTI awards in the FY13 and FY14 grants. These additional awards will be "at risk" to the executive and subject to applicable performance hurdles and service conditions.
Non-Executive Director fees	10	The maximum aggregate Non-Executive Director remuneration for FY12 remained unchanged from the $1.95m limit approved by securityholders at the 2009 Mirvac Annual General Meeting/General Meeting ("AGM"). No increase to this maximum remuneration amount is proposed for FY13.

2 ALIGNMENT OF REMUNERATION STRATEGY AND BUSINESS STRATEGY

Mirvac's remuneration strategy is designed to support and reinforce its business strategy. Linking the at-risk components of remuneration (that is, our STI and LTI schemes) to the drivers that support the business strategy ensures that remuneration outcomes for executives are aligned with the creation of sustainable value for securityholders.

Mirvac's remuneration arrangements support its strategic vision of being a globally recognised leader in real estate investment and development. The Board has identified drivers that are critical to the achievement of this strategic vision, being:

1 financial performance and capital efficiency;
2 customer and investor satisfaction;
3 employee engagement; and
4 health, safety environment and sustainability ("HSE&S") excellence.

The at-risk components of executive reward are directly tied to these four strategic drivers, as shown in the following diagram. This is intended to motivate executives to focus on the areas the Board has identified as most important for delivering the business strategy. Actual remuneration outcomes for executives are directly affected by, and aligned with, Group performance in these areas.

2 ALIGNMENT OF REMUNERATION STRATEGY AND BUSINESS STRATEGY / CONTINUED

OUR STRATEGIC DRIVERS...	ARE REFLECTED IN STI PERFORMANCE MEASURES...	AND LTI PERFORMANCE MEASURES...	SO MIRVAC'S ACTUAL PERFORMANCE...	DIRECTLY AFFECTS WHAT EXECUTIVES ARE PAID
Capital efficiency and financial performance Deliver top 3 A-REIT returns.		**Relative total securityholder return ("TSR")** Measures the performance of Mirvac securities over time, relative to other entities in a comparison group. **Return on equity ("ROE")** Measures Mirvac's profitability relative to securityholders' investment in the Group.	**From FY10-FY12** – Mirvac's TSR was ranked at the 63rd percentile relative to its comparison group. – Average annual return on equity was 4.8%.	Managing Director STI outcome in FY12 = 96% of target Average STI in FY12 for other ELT members = 82% of target LTI vesting outcome in FY12 = 38% of target
	Operating earnings Reflects how much revenue the business has generated for the year, less operating costs. **Return on assets ("ROA")** Measures Mirvac's profitability relative to its total assets. It is calculated by dividing the Group's annual earnings by its total assets.		**In FY12:** – Operating earnings were $366.3m, up 2.2% from $358.5m in FY11. – FY12 ROA result represented a significant improvement from FY11, and was in line with growth required to achieve FY14 targets.	
Customer and investor satisfaction Provide customers and investors an experience that delivers excellence, consistently exceeds expectations and engenders loyalty.	**Improvement in investment community confidence** Measures Mirvac's year-on-year improvement against an independant external benchmark of investment community confidence.		**In FY12:** – Mirvac achieved a significant improvement against the external investment community confidence benchmark relative to FY11 results.	
Employee engagement Have an engaged and motivated workforce with superior skills and capabilities.	**Aon Hewitt engagement survey outcomes** A measure of employees' commitment to their organisation and its success. Aon Hewitt surveys Mirvac employees and calculates a score for the Group out of 100.		**In FY12:** – Mirvac's employee engagement score was 59, up 14% from FY11.	
HSE&S excellence Be recognised as a leader in sustainability. Provide workplaces free from harm and supported by a culture where safety remains an absolute priority.	**HSE&S excellence "scorecard"** The HSE&S priorities are graded using a traffic light system. Mirvac looks at what proportion of those measures are rated 'green'.		**In FY12:** – 92% of the measures on the HSE&S scorecard were assessed as 'green'.	

2 ALIGNMENT OF REMUNERATION STRATEGY AND BUSINESS STRATEGY / CONTINUED

The following table sets out the actual value of the remuneration receivable by the ELT members during the year. The figures in this table are different from those shown in the accounting table in section 4(f). The main difference between the two tables is that the accounting table includes an apportioned accounting value for all LTI grants on foot during the year (some of which remain subject to satisfaction of performance and service conditions and may not ultimately vest). The table below, on the other hand, shows the LTI value based on the awards that actually vested and delivered value to ELT members.

Executive	Year	Fixed remuneration $	STI[1] $	LTI[2] $	Employee loans[3] $	Termination benefits $	Other $	Total $
Nicholas Collishaw	**2012**	**1,500,000**	**1,080,000**	**1,058,378**	**773,283**	**–**	**24,735**	**4,436,396**
	2011	1,875,000	735,000	–	600,523	–	27,465	3,237,988
Andrew Butler	**2012**	**618,000**	**308,876**	**–**	**604,279**	**–**	**8,918**	**1,540,073**
	2011	604,815	205,800	–	511,980	–	11,414	1,334,009
Brett Draffen	**2012**	**1,000,000**	**464,800**	**238,584**	**810,080**	**–**	**15,231**	**2,528,695**
	2011	1,000,000	269,500	–	638,693	–	17,129	1,925,322
Gary Flowers	**2012**	**648,900**	**433,790**	**126,608**	**266,158**	**–**	**8,962**	**1,484,418**
	2011	630,000	216,100	–	216,652	–	10,211	1,072,963
Justin Mitchell	**2012**	**700,001**	**470,400**	**88,023**	**604,279**	**–**	**11,403**	**1,874,106**
	2011	700,001	240,100	–	511,980	–	11,374	1,463,455

1) STI values reflect payments to be made in September 2012 in recognition of performance during FY12.
2) LTI amounts represent the value to the participant during FY12 arising from performance rights whose performance period ended 30 June 2012.
3) Amount reported includes amounts forgiven during the year, imputed interest and related fringe benefits tax ("FBT").

3 MIRVAC'S APPROACH TO EXECUTIVE REMUNERATION DESIGN

The Board and HRC are responsible for designing remuneration arrangements that support the business strategy.

Remuneration arrangements are designed to enable Mirvac to derive maximum value from its remuneration spend, by attracting, motivating and retaining the individuals who are best equipped to successfully execute the business strategy.

a) How remuneration decisions are made

Board and HRC oversight and accountability
The Board, with assistance from the HRC, is ultimately responsible for ensuring that remuneration at Mirvac is consistent with the business strategy and aligned with the creation of sustainable securityholder value.

The HRC, consisting of five independent Non-Executive Directors, has been delegated responsibility for reviewing the remuneration strategy annually and advises the Board on remuneration policies and practices generally. It also makes specific recommendations to the Board on remuneration packages, incentives and other terms of employment for Non-Executive and Executive Directors, including the Managing Director, and approves the remuneration packages, incentives and other terms of employment for other KMP.

The HRC regularly reviews the at-risk components of executive remuneration (that is, the STI and LTI schemes) to ensure that executive remuneration continues to be appropriately aligned with securityholders' interests, while also serving to attract, motivate and retain suitably qualified people. The HRC also reviews and approves the performance targets set for the STI and LTI schemes, as well as the assessment of Mirvac's performance against those targets, which ultimately determines the size of the STI and LTI pools.

Expert input from management and external advisors
To ensure it has the necessary information to make remuneration decisions, the HRC seeks advice and input from Mirvac's Group General Manager, Human Resources. In addition, the HRC has appointed Ernst & Young as its external remuneration advisor. Ernst & Young's role in this regard is to provide both information on current market practice and independent input into key remuneration decisions.

Ernst & Young's terms of engagement include specific measures designed to protect its independence. The HRC recognises that, to effectively perform its role, it is necessary for Ernst & Young to interact with members of Mirvac management, particularly those in the Human Resources team. However, to ensure Ernst & Young remains independent, members of Mirvac's management are precluded from requesting services that would be considered to be a 'remuneration recommendation' as defined by the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011.*

During the year ended 30 June 2012, Ernst & Young provided the HRC with:

- guidance in the review and design of executive remuneration strategy;
- assistance in drafting of remuneration disclosures;
- relative TSR performance calculations; and
- market remuneration information which was used as an input to the annual review of KMP and selected executives' remuneration.

No remuneration recommendations were provided by Ernst & Young or any other advisor during the year.

b) Remuneration principles

The Board and HRC have developed six remuneration principles to ensure remuneration continues to support Mirvac's business strategy and create value for securityholders through all stages of the business cycle. These principles underpin remuneration decision making at Mirvac and provide a consistent framework to ensure maximum value is derived from remuneration decisions.

Remuneration at Mirvac should:

1 align and contribute to Mirvac's key strategic business objectives and desired business outcomes;
2 align the interests of employees with those of securityholders;
3 assist Mirvac in attracting and retaining the employees required to execute the business strategy;
4 support Mirvac's desired performance based culture;
5 encompass the concept of pay parity and be fair and equitable; and
6 be simple and easily understood.

3 OUR APPROACH TO EXECUTIVE REMUNERATION DESIGN / CONTINUED

c) Market positioning

Consistent with the principles outlined above, Mirvac has adopted a market positioning strategy designed to attract and retain talented employees, and to reward them for delivering strong performance. The market positioning strategy also supports fair and equitable outcomes between employees.

Definition of market

When determining the relevant market for each role, Mirvac considers the companies from which it sources talent, and to whom it could potentially lose talent. A distinction is made between the market for business roles and the market for corporate roles.

For business roles:

- the primary comparison group is the Australian Real Estate Investment Trust ("A-REIT") sector, plus Lend Lease, FKP Property Group and Australand Property Group; and
- the secondary comparison group is a general industry comparison group with a similar market capitalisation (50-200 per cent of Mirvac's 12 month average market capitalisation).

For corporate roles:

- the primary comparison group is a general industry comparison group with a similar market capitalisation (50-200 per cent of Mirvac's 12 month average market capitalisation) to reflect the greater transferability of skills.

Where disclosed data is unavailable, Mirvac relies on published remuneration surveys covering relevant industries and the broader market.

Targeted market positioning

Fixed remuneration at Mirvac is positioned at the median (50th percentile), with the ability to work within a range around the median based on criteria such as:

- the criticality of the role to successful execution of the business strategy;
- assessment of employee performance/potential; and
- the employee's experience level.

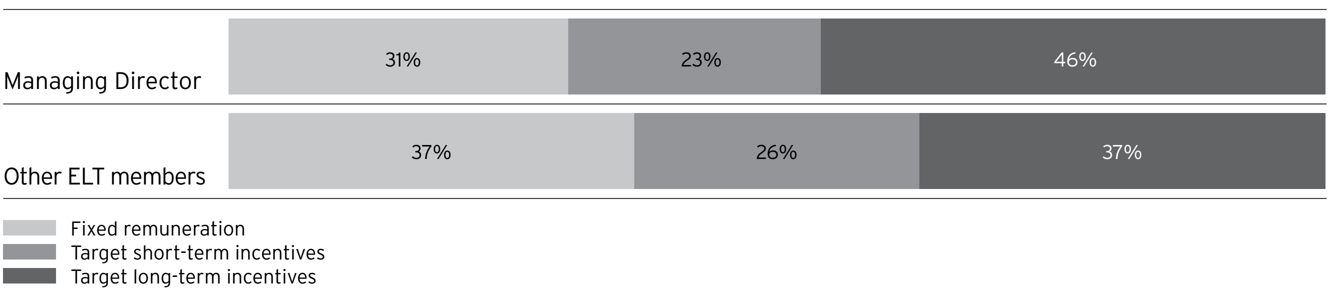
Target total remuneration at Mirvac is positioned at the median (50th percentile) with the opportunity to earn total remuneration up to the upper quartile (75th percentile) in the event that both the individual and the business achieve stretch targets.

d) Remuneration mix

Mirvac's remuneration structures strive to fairly and responsibly reward employees, while complying with all relevant regulatory requirements.

A significant portion of total remuneration for executives is variable or at risk if applicable performance criteria are not met or exceeded each year.

The average remuneration mix at target for ELT members for the year ended 30 June 2012 was as follows:



In order to reweight executives' remuneration mix towards equity, FY12 saw the introduction of Minimum Securityholding Guidelines for ELT members, as follows:

Level	Minimum securityholding
Managing Director	100% of fixed remuneration
Other ELT members	50% of fixed remuneration

This initiative will further align the interests of ELT members with the interests of securityholders. Executives covered by the Minimum Securityholding Guidelines will have five years to build up their securityholding to the suggested level. Consistent with this approach, from FY13 25 per cent of any STI allocation to an ELT member will be paid in equity (rather than cash), with the intention that executives will use those securities to build up part of their minimum securityholding.

4 REMUNERATION COMPONENTS AND OUTCOMES FOR THE ELT

At Mirvac, the three components of executive remuneration — fixed remuneration, STI grants and LTI grants — are weighted so as to direct executives' focus towards building long-term value for the Group. To earn their at-risk components, executives must first create sustainable value for securityholders.

a) Fixed remuneration

Fixed remuneration acts as a base-level reward for a competent level of performance in an executive's particular role. It includes cash, compulsory superannuation and any salary-sacrifice items (including FBT). The following factors are taken into account when setting fixed remuneration levels at Mirvac:

- the size and complexity of the role;
- role accountabilities;
- skills and experience of the individual; and
- market pay levels for comparable roles.

The opportunity value for the at-risk components of remuneration is determined by reference to fixed remuneration, so Mirvac is conscious that any adjustments to fixed remuneration have a flow-on impact on the executive's potential STI and LTI awards.

Mirvac regularly considers benchmarking information and, having regard to its market positioning strategy and the desired remuneration mix, decides whether to adjust fixed remuneration for each executive. Following a review conducted during FY12, the fixed remuneration levels for some ELT members will be reduced effective 1 July 2012. To recognise their acceptance of reduced fixed remuneration, the affected executives will receive increased LTI awards in the FY13 and FY14 grants. The additional awards will be "at risk" to the executive and subject to applicable performance hurdles and service conditions. Specific details of the adjustments will be included in the FY13 remuneration disclosures.

4 REMUNERATION COMPONENTS AND OUTCOMES FOR THE ELT / CONTINUED

b) The STI component – how does it work?

The purpose of STI is to motivate and reward employees for contributing to the delivery of annual business performance as assessed against a balanced scorecard of measures. STI is an annual incentive based on Group, divisional and individual performance. Mirvac's STI plan has been structured as follows:

Eligibility	– Executives and managers at Mirvac are eligible to participate in the STI plan based on their responsibility for achieving annual objectives. – Other employees are eligible for a discretionary bonus where management recognises that exceptional individual performance has been achieved.
Payment form	– STI awards with respect to the year ended 30 June 2012 were paid in cash. – Commencing FY13, 25 per cent of any STI award for an ELT member will be delivered in the form of Mirvac securities, with the remaining 75 per cent delivered in cash. ELT members will be expected to retain the securities they receive as part of their STI award until they satisfy the Minimum Securityholding Guidelines.
STI pool formation	– A gateway requirement of Group operating earnings being at least 90 per cent of target must be achieved before any STI payments are made. – If the Group operating earnings gateway is satisfied, the size of the STI pool (from which all STI payments are made) is determined based on Group performance against a balanced scorecard of measures linked to Mirvac's strategic drivers.
STI individual allocation	– An individual's STI target opportunity is the amount earned for 'on target' Group and individual performance. – STI awards can range from zero to double the STI target opportunity. – Once the Group STI gateway has been met, actual STI awards are scaled up or down from the individual's STI target based on Group and individual performance. For employees other than the Managing Director and Chief Financial Officer, divisional performance is also taken into account when determining the final STI award.
Termination/forfeiture	– STI awards are forfeited if the executive terminates for any reason prior to the payment date.

STI performance measures

Group and divisional STI performance measures are directly linked to Mirvac's strategic drivers, as shown in the diagram in section 2. A description of each measure, its weighting and the rationale behind its inclusion in the Group's balanced scorecard is presented in the following table:

Strategic driver	Aligned STI measure(s)	Explanation of measure	Weighting %	Rationale for using
Financial performance and capital efficiency	Operating earnings	Operating earnings reflect how much revenue the business has generated, less its operating costs.	50	Reflects the underlying performance of Mirvac's normal core business operations and represents a key driver of securityholder value.
	Return on assets	ROA is a measure of how profitable a company is relative to its total assets. It is calculated by dividing the company's annual earnings by its total assets.	20	Reflects how efficiently Mirvac is using its assets to generate earnings.
Customer and investor satisfaction	Improvment in investment community confidence	Measures Mirvac's year-on-year improvement against an independant external benchmark of investment community confidence.	10	Represents how well Mirvac is meeting the expectations of key external stakeholders.

4 REMUNERATION COMPONENTS AND OUTCOMES FOR THE ELT / CONTINUED

Strategic driver	Aligned STI measure(s)	Explanation of measure	Weighting %	Rationale for using
Employee engagement	Employee engagement survey outcomes	Employee engagement is a measure of employees' intellectual and emotional commitment to their organisation and its success. It has been shown to be linked to an organisation's financial performance. Aon Hewitt conducted an anonymous survey of Mirvac's employees, and reported back to Mirvac with a score for the Group out of 100.	10	There is a strong correlation between high levels of employee engagement and total securityholder return.
HSE&S excellence	Balanced scorecard of HSE&S excellence	The 'balanced scorecard' of HSE&S grades a suite of measures, such as lost time injury frequency rate and proportion of waste reused or recycled using a traffic light system. Mirvac looked at what proportion of those measures were rated 'green', which corresponds to an industry leading level of performance.	10	Mirvac is committed to providing a safe workplace for all of its employees and to ensuring its activities do not have an adverse impact on the environment.

For each performance measure on the STI scorecard:

- a threshold, target and stretch goal is set at the start of the financial year;
- 75 per cent of the target opportunity is awarded for achieving threshold performance;
- 100 per cent of the target opportunity is awarded for achieving target performance;
- 150 per cent of the target opportunity is awarded for achieving stretch performance; and
- a sliding scale operates between threshold and target, and between target and stretch.

Following an assessment of Group performance:

- the operating earnings result is assessed to determine whether the gateway performance level has been achieved;
- if the operating earnings gateway has been achieved, each performance measure is assigned an STI score ranging from zero per cent (for performance below threshold) to 150 per cent (for performance at or above stretch) of target;
- the STI scores for each component are then converted into an overall STI score for Group performance;
- the HRC then has an opportunity to exercise discretion to adjust the Group STI score up or down in order to ensure payments are consistent with Mirvac's remuneration strategy, and to prevent any anomalous remuneration outcomes;
- the STI score is used to determine the STI pool; and
- STI scores are also assigned to divisions, based on an assessment their contribution to the Group result.

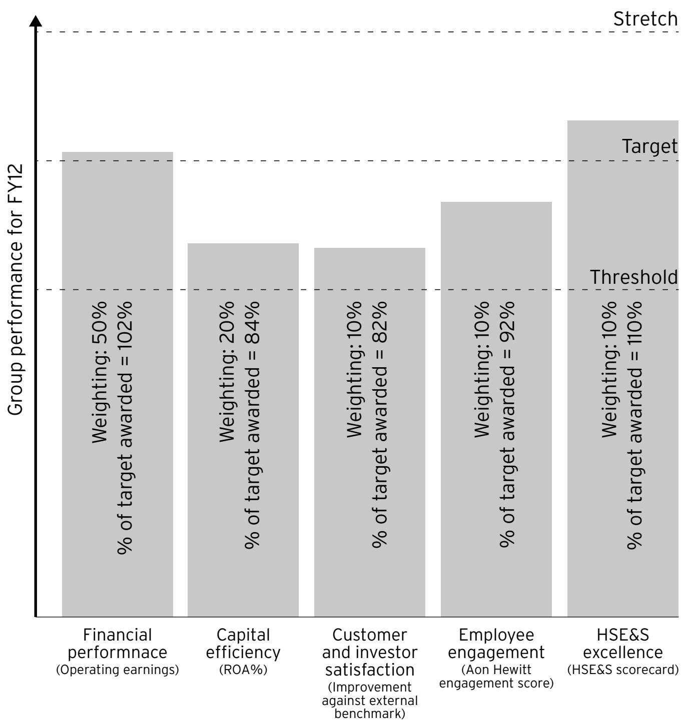
To calculate an individual's STI award:

- each participant is awarded an individual STI score of between zero and 150 per cent of their STI target based on an assessment of their personal performance for the year against objectives linked to Mirvac's strategic drivers; and
- the final STI outcomes are then calculated by scaling each individual's STI score up or down based on the overall STI score for Group performance, adjusted, as appropriate, for divisional performance scores.

c) The STI component: how was reward linked to performance this year?

STI pool in FY12

The Group operating earnings gateway was achieved in FY12 which meant that an STI pool was formed. The STI pool in FY12 was larger than the STI pool in FY11. This was largely due to Mirvac exceeding threshold performance levels on the ROA and customer and investor satisfaction measures in FY12. The following graph summarises Mirvac's performance against each of the measures on the balanced scorecard for the year ended 30 June 2012:



In light of Mirvac's performance against these five measures for the year ended 30 June 2012, the Board approved an STI pool equivalent to 96 per cent of target, compared to a maximum potential pool of 150 per cent of target.

4 REMUNERATION COMPONENTS AND OUTCOMES FOR THE ELT / CONTINUED

FY12 STI awards for the ELT

The following table shows the actual STI outcomes for each of the ELT members for the year ended 30 June 2012. Note that the STI maximum for an individual represents double his or her STI target. As noted previously, each individual's actual STI is based on the Group's balanced scorecard, adjusted, as appropriate, for divisional and individual performance.

	STI max % of fixed remuneration	Actual STI % max	STI forfeited % max	Actual STI (total) $
Nicholas Collishaw	150	48	52	1,080,000
Andrew Butler	140	36	64	308,876
Brett Draffen	140	33	67	464,800
Gary Flowers	140	48	52	433,790
Justin Mitchell	140	48	52	470,400

d) The LTI component: how does it work?

Mirvac's LTI plans facilitate executive security ownership for those employees who have the largest strategic impact on the long term success of Mirvac.

The purpose of LTI at Mirvac is to:

- assist in attracting and retaining the required executive talent;
- focus executive attention on driving sustainable long term growth; and
- align the interests of executives with those of securityholders.

Mirvac's LTI plans have changed over time to align with market practice. A summary of previous plans is in section 8.

Mirvac's current LTI plan, the Long Term Performance ("LTP") plan, was originally introduced in the year ended 30 June 2008 following approval by securityholders at the 2007 AGM. Securityholders approved an update to the LTP plan at the 2010 AGM. The purpose of the LTP plan is to drive performance, retain executives and facilitate executive security ownership.

Key details of the LTP plan are set out in the table below.

Eligibility	— LTP grants are generally restricted to those senior executives who are most able to influence securityholder value. Non-Executive Directors are not eligible to participate in the LTP plan.
Instrument	— Awards under this plan are made in the form of performance rights. Awards of options have also been made under this plan in previous years. A performance right is a right to acquire one fully paid Mirvac security provided a specified performance hurdle is met. — No loans are made to participants under this plan.
Grant value	— The maximum annual LTI opportunity is 150 per cent of fixed remuneration for the Managing Director and 100 per cent of fixed remuneration for other ELT members. — In determining the value of the performance rights to grant to ELT members, the HRC takes into account the annual retention value associated with participation in the Executive Retention Plan (a legacy LTI plan described in section 8). The fair value of rights granted under the LTP equates to the ELT member's maximum annual LTI opportunity, less the annual retention value associated with their ERP participation. — A table included later in this section sets out full details of the performance rights granted to ELT members under the LTP during FY12.
Performance hurdles	— The HRC reviews the performance conditions annually to determine the appropriate hurdles based on Mirvac's strategy and prevailing market practice. Consistent with the intention stated in the 2011 Remuneration Report, two performance measures apply to the LTI grants made in the year ended 30 June 2012: 50 per cent of the LTI allocation will be tested against a Relative TSR hurdle and 50 per cent against a ROE hurdle. These two measures will be retained for the FY13 LTP grants. — Relative TSR is used because it is an objective measure of securityholder value creation and is widely understood and accepted by the various key stakeholders. The entities against which Mirvac's TSR performance is compared are shown on the following page. — ROE is used as the second performance condition because it is aligned to Mirvac's strategic drivers, in particular financial performance and capital efficiency, and to take into account investor feedback that has been received on the LTP plan. ROE measures how well management has used securityholder funds and reinvested earnings to generate additional earnings for securityholders.

4 REMUNERATION COMPONENTS AND OUTCOMES FOR THE ELT / CONTINUED

Vesting/delivery	– The performance rights offered under the scheme can only be exercised if and when the performance conditions are achieved over a three year period. If the performance rights vest, entitlements will be satisfied by, at the Board's discretion, either an allotment of new securities to participants or by the purchase of existing securities on-market that are then transferred to the participant. – At the end of the three year performance period, all performance rights that vest are automatically converted to Mirvac securities. However, if the performance rights do not vest at the end of the three year performance period, they will lapse. There are no further tests of the performance conditions. Directors have also indicated that there is no intention to retest the performance conditions in the future.
Termination/ forfeiture	– If an employee resigns or is dismissed, all their unvested rights are forfeited. If an employee leaves due to retirement, redundancy, total and permanent disablement or death, the HRC determines the number of rights which will lapse or are retained, subject to both the original performance period and hurdles. Consistent with the recent amendments to the *Corporations Act 2001*, participants are prohibited from hedging their unvested performance rights or options. – If a change of control event occurs, the HRC determines the number of performance rights that vest, if any, taking into account the performance from the date of grant to the event.

Relative TSR performance hurdle
For the grant made during the year ended 30 June 2012, the vesting outcome at the end of the performance period will depend on Mirvac's TSR performance relative to the constituents of the comparison group. To ensure that performance is measured objectively, the HRC receives the relative TSR data from an independent external consultant. The HRC then determines the number of performance rights that will vest, if any, by applying the TSR data to the vesting schedule.

For the grant made during the year ended 30 June 2012, the vesting outcome at the end of the three year performance period for the portion of the grant for which TSR is the performance measure will be based on the following schedule:

Performance level	Relative TSR (percentile)	Percentage of TSR-tested rights to vest
<Threshold	<50th	Nil
Threshold	50th	50
Threshold – maximum	50th to 75th	Pro-rata between 50 and 100
Maximum	75th and above	100

The comparison group for assessing Relative TSR performance consists of Mirvac's primary market competitors, including:
- the constituents of the S&P/ASX 200 A-REIT Index;
- Lend Lease Corporation Limited;
- Australand Property Group; and
- FKP Property Group.

For the grant made during the year ended 30 June 2012, the entities comprising the TSR comparison group are:

No.	ASX code	Entity
1	ABP	Abacus Property Group
2	ALZ	Australand Property Group
3	BWP	BWP Trust
4	CFX	CFS Retail Property Trust
5	CHC	Charter Hall Group
6	CQO	Charter Hall Office REIT
7	CQR	Charter Hall Retail REIT
8	CPA	Commonwealth Property Office Fund
9	DXS	Dexus Property Group
10	FKP	FKP Property Group
11	GMG	Goodman Group
12	GPT	GPT Group
13	IOF	Investa Office Fund
14	LLC	Lend Lease Group
15	MGR	Mirvac Group
16	SGP	Stockland Group
17	WDC	Westfield Group
18	WRT	Westfield Retail Trust

4 REMUNERATION COMPONENTS AND OUTCOMES FOR THE ELT / CONTINUED

ROE performance hurdle

The vesting outcome at the end of the performance period will depend on Mirvac's average annual ROE performance. The HRC determines the number of performance rights that will vest, if any, by applying the ROE data for the relevant performance period to the vesting schedule.

For the grant made during the year ended 30 June 2012, the vesting outcome at the end of the three year performance period for the half of the grant for which ROE is the performance measure will be based on the following schedule:

Performance level	Average annual ROE	Percentage of ROE-tested rights to vest
<Threshold	< CPI + 3%	Nil
Threshold	CPI + 3%	50
Threshold — maximum	CPI + 3% to CPI + 8%	Pro-rata between 50 and 100
Maximum	CPI + 8% and above	100

LTIs granted in FY12

Details of the performance rights granted to ELT members under the LTP during the year ended 30 June 2012 are set out in the table below:

Executive	Performance measure	Number of performance rights granted	Vesting date	Fair value per performance right ($)	Minimum value of grant ($)	Maximum value of grant ($)[1]
Nicholas Collishaw	TSR	701,950	1 July 2014	0.72	–	505,404
	ROE	701,950	1 July 2014	0.55	–	386,073
Total		**1,403,900**			**–**	**891,477**
Andrew Butler	TSR	5,167	1 July 2014	0.72	–	3,720
	ROE	5,167	1 July 2014	0.55	–	2,842
Total		**10,334**			**–**	**6,562**
Brett Draffen	TSR	298,174	1 July 2014	0.72	–	214,685
	ROE	298,173	1 July 2014	0.55	–	163,995
Total		**596,347**			**–**	**378,680**
Gary Flowers	TSR	181,495	1 July 2014	0.72	–	130,676
	ROE	181,495	1 July 2014	0.55	–	99,822
Total		**362,990**			**–**	**230,498**
Justin Mitchell	TSR	44,215	1 July 2014	0.72	–	31,834
	ROE	44,214	1 July 2014	0.55	–	24,318
Total		**88,429**			**–**	**56,152**

1) The maximum value of the grant has been estimated based on the fair value as calculated at the time of the grant.

Key inputs used in valuing performance rights granted during the year ended 30 June 2012 were as follows:

	Performance rights
Grant date	12 December 2011
Performance hurdles	Relative TSR and ROE
Performance period start	1 July 2011
Performance testing date	1 July 2014
Security price at grant date	$1.29
Exercise price	$nil
Expected life	2.6 years
Volatility	35%
Risk-free interest rate (per annum)	3.11%
Dividend/distribution yield (per annum)	6.4%

4 REMUNERATION COMPONENTS AND OUTCOMES FOR THE ELT / CONTINUED

e) LTI: How reward was linked to performance this year

The LTP grants with a performance period ended 30 June 2012 have vested in part as the Group reached the Relative TSR performance threshold over the last three years but did not reach the ROE performance threshold.

	Rights granted in FY10	Rights vested in FY12			Rights forfeited in FY12		
Executive[1]	Number	Number	% of total grant	Value ($)[2]	Number	% of total grant	Value ($)[2]
Nicholas Collishaw	2,213,600	830,100	37.5	639,177	1,383,500	62.5	832,867
Brett Draffen	499,000	187,125	37.5	144,086	311,875	62.5	187,749
Gary Flowers	264,800	99,300	37.5	76,461	165,500	62.5	99,631
Justin Mitchell	184,100	69,037	37.5	53,158	115,063	62.5	69,269

1) Andrew Butler did not receive a grant of performance rights in FY10.
2) Value of the grant has been estimated based on the fair value as calculated at the time of the grant.

The actual LTI vested presented in the previous table is consistent with the fact that Mirvac's relative TSR performance was at the 62.5th percentile relative to the comparison group over the three year performance period. Mirvac's ROE performance, however, failed to meet the required threshold, largely due to the impairments announced in FY10. As a result, none of the performance rights linked to the ROE measure vested.

f) Total remuneration for the ELT

The table below shows the total remuneration for ELT members for the year ended 30 June 2012, as well as comparative figures for the year ended 30 June 2011. The information in the table below has been calculated in accordance with the applicable Accounting Standards and, accordingly, it differs from the information in the table in section 2. The main difference between the two tables is that the table in section 2 includes an LTI value based on the awards that actually vested and delivered value to ELT members, whereas, in accordance with the Accounting Standards, the table below includes an apportioned accounting value for all LTI grants on foot during the year (some of which remain subject to satisfaction of performance and service conditions and may not ultimately vest).

		Short term benefits				Post-employment	Security based payment			Other long term benefits	Termination benefits	Total remuneration
	Year	Cash salary and fees[1] $	STI[2] $	Non-cash benefits[3] $	Employee loans[4] $	Super contributions $	Value of options[5] $	Value of rights[5] $	Cash settled payments[6] $	Long service leave ("LSL")[7] $	$	$
Executive Director												
Nicholas Collishaw	**2012**	**1,484,225**	**1,080,000**	**–**	**773,283**	**15,775**	**–**	**1,048,352**	**187,200**	**24,735**	**–**	**4,613,570**
	2011	1,825,000	735,000	2,804	600,523	50,000	262,824	933,012	46,800	24,662	–	4,480,625
Executives												
Andrew Butler	**2012**	**535,540**	**308,876**	**66,685**	**604,279**	**15,775**	**–**	**21,067**	**–**	**8,918**	**–**	**1,561,140**
	2011	528,670	205,800	63,749	511,980	15,199	–	51,129	–	8,610	–	1,385,137
Brett Draffen	**2012**	**884,247**	**464,800**	**99,978**	**810,080**	**15,775**	**–**	**256,510**	**–**	**15,231**	**–**	**2,546,621**
	2011	928,738	269,500	58,867	638,693	15,199	73,595	192,473	–	14,325	–	2,191,390
Gary Flowers	**2012**	**564,672**	**433,790**	**68,453**	**266,158**	**15,775**	**–**	**191,967**	**–**	**8,962**	**–**	**1,549,777**
	2011	610,801	216,100	–	216,652	19,199	26,281	129,280	–	10,211	–	1,228,524
Justin Mitchell	**2012**	**684,226**	**470,400**	**–**	**604,279**	**15,775**	**–**	**50,413**	**–**	**11,403**	**–**	**1,836,496**
	2011	662,067	240,100	22,734	511,980	15,199	45,551	81,825	–	11,374	–	1,590,830
Total	**2012**	**4,152,910**	**2,757,866**	**235,116**	**3,058,079**	**78,875**	**–**	**1,568,309**	**187,200**	**69,249**	**–**	**12,107,604**
	2011	4,555,276	1,666,500	148,154	2,479,828	114,796	408,251	1,387,719	46,800	69,182	–	10,876,506

1) Cash salary and fees includes accrued annual leave paid out as part of salary and salary sacrifice amounts where applicable.
2) STI payments relate to amounts accrued for the relevant year.
3) Non-cash benefits include salary-sacrificed benefits and related FBT where applicable.
4) Employee loans are interest free and provided for personal use (excludes EIS loans). Disclosed value includes amounts forgiven during the year, imputed interest and related FBT.
5) Valuation of options and rights is conducted by an external accounting firm. Negative amounts (if any) relate to forfeiture of some or all participation in equity plans due to terminations. Refer to note 35(f) to the financial statements for details.
6) Represents security based payment expense during the year ended 30 June 2012 in relation to the potential future one-off cash payment linked to Mirvac's TSR performance offered to the Managing Director following his acceptance of a reduction in fixed remuneration.
7) LSL relates to amounts accrued during the year.

4 REMUNERATION COMPONENTS AND OUTCOMES FOR THE ELT / CONTINUED

The following table indicates the proportion of each ELT member's FY12 total remuneration that was performance related:

2012	Total remuneration $	Remuneration related to performance: STI $	Value of options $	Value of rights $	Cash settled payments $	Performance related remuneration % of total	Value of options granted as % of total
Executive Director							
Nicholas Collishaw	4,613,570	1,080,000	–	1,048,352	187,200	50	–
Executives							
Andrew Butler	1,561,140	308,876	–	21,067	–	21	–
Brett Draffen	2,546,621	464,800	–	256,510	–	28	–
Gary Flowers	1,549,777	433,790	–	191,967	–	40	–
Justin Mitchell	1,836,496	470,400	–	50,413	–	28	–
Total	**12,107,604**	**2,757,866**	**–**	**1,568,309**	**187,200**	**37**	**–**

5 FIVE YEAR SNAPSHOT OF BUSINESS AND EXECUTIVE REMUNERATION OUTCOMES

Over the last five years, Mirvac has moved towards a model which more closely links executive remuneration outcomes with Group performance.

The table below provides summary information on the Group's earnings and securityholders' wealth for the five years to 30 June 2012:

	2012	2011	2010	2009	2008
Operating profit ($m)	**366.3**	358.5	275.3	200.8	352.2
Profit attributable to the stapled securityholders of Mirvac ($m)	**416.1**	182.3	234.7	(1,078.1)	171.8
Distributions paid ($m)	**280.2**	270.2	179.4	194.8	339.2
Security price at 30 June ($)	**1.28**	1.25	1.32	1.08	2.96
Operating EPS — diluted (cents)	**10.7**	10.5	9.3	13.4	33.4
Statutory EPS — basic (cents)	**12.2**	5.4	8.0	(65.2)	14.9

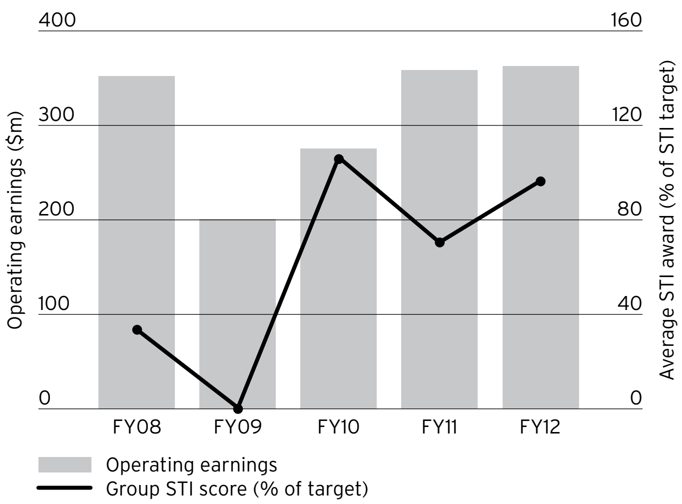
a) How the Group's performance has translated into STI awards

Mirvac only pays STI awards when operating earnings are strong. In the year ended 30 June 2009 ("FY09") the Group did not meet its operating earnings gateway which resulted in no STI award being made (as can be seen in the following graph). The graph also shows that, in FY11, following the formal introduction of the 'balanced scorecard' approach, the Group STI score was lower than target. This was because, notwithstanding solid operating earnings, the Group did not meet the thresholds for ROA and customer and investor satisfaction.

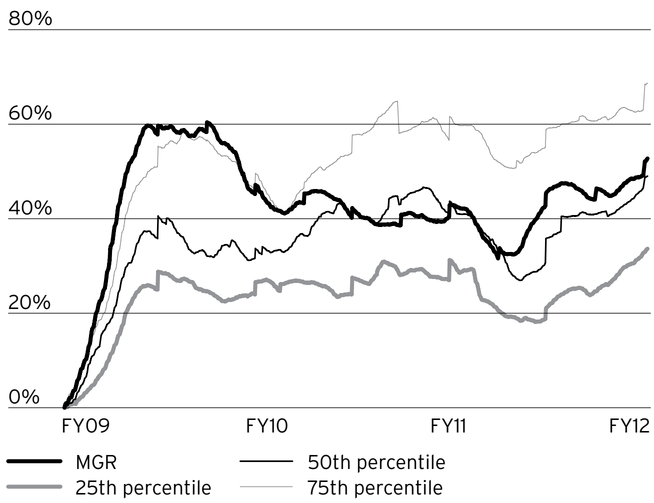
b) How the Group's performance has translated into LTI awards

The vesting of half of the performance rights with performance period ended 30 June 2012 was linked to Mirvac's TSR performance relative to the comparison group of listed property entities. Mirvac achieved a TSR of 52.75 per cent over the three year performance period, which positioned it at the 62.5th percentile relative to the entities in the comparison group. As a result, 75 per cent of the TSR-hurdled performance rights vested.

Operating earnings vs Group STI score



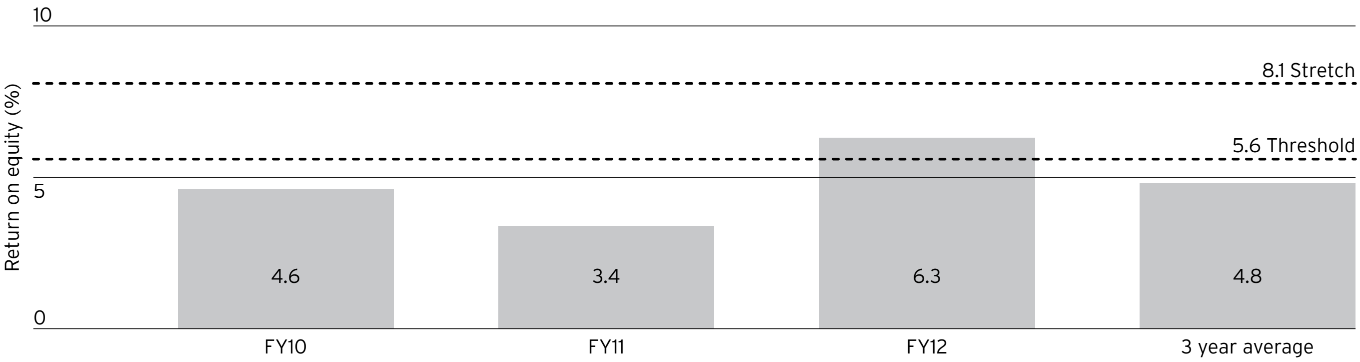
Mirvac TSR 1 July 2009 – 30 June 2012



5 FIVE YEAR SNAPSHOT OF BUSINESS AND EXECUTIVE REMUNERATION OUTCOMES / CONTINUED

The vesting of the other half of performance rights was linked to Mirvac's average annual ROE performance over the three year period. As presented in the graph below, Mirvac's average annual ROE of 4.8 per cent over this period was less than the threshold, largely due to the impairments announced in FY11, and therefore none of the performance rights linked to the ROE measure vested.

Mirvac ROE performance



A summary of vesting under Mirvac's performance-hurdled equity grants made under the LTP for the last three years is shown in the following table:

Grant year	Performance hurdle	Test date	Vested %	Lapsed %
FY08 LTP	TSR and EPS	30 June 2010	25	75
FY09 LTP	TSR	30 June 2011	–	100
FY10 LTP	TSR and ROE	30 June 2012	38	72

6 SERVICE AGREEMENTS FOR ELT MEMBERS

Mirvac's engagement arrangements with its ELT members are set out in formal service agreements.

a) Terms of employment are detailed in formal service agreements

Each member of the ELT has a formal contract, known as a service agreement. These agreements are of a continuing nature and have no set term of service (subject to the termination provisions). Each agreement covers:

- general duties;
- remuneration and other benefits; and
- termination of employment and termination benefits.

In cases of serious and wilful misconduct, or in certain other circumstances, Mirvac can terminate an executive's employment without notice or payment in lieu of notice.

b) Termination entitlements

The termination entitlements for each of the ELT members are limited to 12 months' fixed remuneration, consistent with the maximum amount permissible without requiring securityholder approval. The terms of the service agreements for the Managing Director and other ELT members are summarised below:

c) Managing Director: summary of key terms

Condition	Contractual arrangement
Length of contract	No fixed term
Notice period	Six months
STI eligibility	75% of fixed remuneration
LTI eligibility	150% of fixed remuneration
Termination payment	Capped at 12 months' fixed remuneration
Treatment on termination	If Mirvac terminates employment with notice, for reasons other than unsatisfactory performance, the Managing Director is entitled to a termination payment of six months' fixed remuneration. In the event of redundancy, retirement, or total and permanent disablement, the HRC will exercise discretion to determine the portion of LTP grants to be retained after termination, subject to the original performance period and hurdles. Any outstanding ERP loan balance is payable within 12 months of ceasing employment.

6 SERVICE AGREEMENTS FOR ELT MEMBERS / CONTINUED

d) Other ELT members: summary of key terms

Condition	Contractual arrangement
Length of contract	No fixed term
Notice period	Three months
STI eligibility	70% of fixed remuneration
LTI eligibility	100% of fixed remuneration
Termination payment	Capped at 12 months' fixed remuneration
Treatment on termination	For Gary Flowers and Brett Draffen, if Mirvac terminates employment with notice, for reasons other than unsatisfactory performance, the executive is entitled to a termination payment of nine months' fixed remuneration. Any payment in lieu of notice would be in addition to this termination payment, subject to the total termination payment not exceeding 12 months' fixed remuneration. For Andrew Butler and Justin Mitchell, if Mirvac terminates employment with notice, for reasons other than unsatisfactory performance, the executive is entitled to a termination payment of 12 months' fixed remuneration (inclusive of any payment in lieu of notice). In the event of redundancy, retirement, or total and permanent disablement, the HRC will exercise discretion to determine the portion of LTP grants to be retained after termination, subject to the original performance period and hurdles. The outstanding balance for an ERP loan (see section 8(a) for additional information) is payable within 12 months of ceasing employment.

7 NON-EXECUTIVE DIRECTORS' REMUNERATION

In contrast to ELT members' remuneration, the remuneration of Mirvac's Non-Executive Directors is not linked with performance. This is consistent with Non-Executive Directors being responsible for objective and independent oversight of the Group.

a) Remuneration strategy and components

Mirvac Limited's Constitution provides that Non-Executive Directors may determine their own remuneration but the total amount provided to all Directors (not including the Managing Director and any other Executive Directors) must not exceed the sum agreed by securityholders at a general meeting. The maximum aggregate remuneration of $1.95m per annum was approved by securityholders at the 2009 AGM.

Non-Executive Directors have not received any fees other than those described below, and do not receive bonuses or any other incentive payments or retirement benefits. They are reimbursed for expenses properly incurred in performing their duties as a Director of Mirvac.

The fees paid to Non-Executive Directors during FY12 are set out in the table below and are annual fees unless otherwise stated:

Board/Committee	$
Mirvac Limited and Mirvac Funds Limited Board Chairman	465,000
Mirvac Limited and Mirvac Funds Limited Board member	185,000
ARCC Chair	30,000
ARCC member	15,000
HRC Chair [1]	30,000
Due diligence committee (per diem fee)	4,000

1) Fee for HRC Chair increased from $20,000 to $30,000 on 23 January 2012.

7 NON-EXECUTIVE DIRECTORS' REMUNERATION / CONTINUED

b) Total remuneration for Non-Executive Directors

	Year	Short-term benefits Cash salary and fees $	Post-employment Super contributions $	Total $
Non-Executive Directors				
James MacKenzie	**2012**	**464,225**	**15,775**	**480,000**
	2011	464,801	15,199	480,000
Marina Darling [1]	**2012**	**75,219**	**6,770**	**81,989**
Peter Hawkins	**2012**	**205,873**	**15,775**	**221,648**
	2011	199,801	15,199	215,000
James Millar AM	**2012**	**219,225**	**35,775**	**255,000**
	2011	176,681	38,773	215,454
Penny Morris [2]	**2012**	**74,629**	**6,371**	**81,000**
	2011	167,847	38,566	206,413
John Mulcahy	**2012**	**184,225**	**15,775**	**200,000**
	2011	184,801	15,199	200,000
John Peters [3]	**2012**	**110,729**	**9,672**	**120,401**
Elana Rubin [4]	**2012**	**184,225**	**15,775**	**200,000**
	2011	111,210	9,684	120,894
Total	**2012**	**1,518,350**	**121,688**	**1,640,038**
	2011	1,305,141	132,620	1,437,761

1) Marina Darling was appointed a Non-Executive Director to the Mirvac Board on 23 January 2012.
2) Penny Morris retired as Non-Executive Director on 17 November 2011.
3) John Peters was appointed a Non-Executive Director to the Mirvac Board on 17 November 2011.
4) Elana Rubin was appointed a Non-Executive Director to the Mirvac Board during the year ended 30 June 2011.

c) Non-Executive Director Minimum Securityholding Guidelines

In order to further strengthen the alignment of interests between Non-Executive Directors and securityholders, FY12 saw the introduction of Minimum Securityholding Guidelines. Under the guidelines, each Non-Executive Director will be required to hold a minimum shareholding of 25,000 Mirvac stapled securities. The securities can be acquired over a two year period.

8 ADDITIONAL INFORMATION

a) Previous LTI plans closed for new grants

Mirvac's LTI plans have changed over time to align with market practice, while continuing to support Mirvac's business strategy. The following table sets out Mirvac's historic LTI plans that are no longer used for new LTI grants (that is, all LTI plans other than the LTP plan). Further detail of each legacy plan is also provided below.

Plan	Purpose	Detail
i) Executive Retention Plan ("ERP")	Interest-free loan program designed to assist in retaining employees critical to Mirvac's ongoing success.	No further awards will be made under this program, consistent with Mirvac's intention to eliminate the use of loan plans as part of employee reward.
ii) Employee Incentive Scheme ("EIS")	Designed to share the benefits of the Group's performance through the provision of loans to purchase Mirvac stapled securities.	Closed to new participants as no longer considered to be consistent with market practice.
iii) Long Term Incentive Plan ("LTIP")	Loan which was applied to fund the acquisition of Mirvac's securities at market value.	Closed to new participants. Two performance conditions for vesting Relative TSR and absolute EPS growth.
iv) Executive Incentive Program ("EIP")	Interest-free loan program designed to assist in retaining employees critical to Mirvac's ongoing success.	Closed to new participants as no longer considered to be consistent with market practice.

8 ADDITIONAL INFORMATION / CONTINUED

Further detail of these plans follows.

i) ERP

A small number of senior executives were invited to participate in the ERP. While the loans under this program were offered during the year ended 30 June 2009, some of the loan amounts were drawn down in the year ended 30 June 2010. The amounts of the loans range from $500,000 to $2,000,000 and must be secured against property or an unconditional bank guarantee. A progressively increasing forgiveness schedule allows for no more than 50 per cent of the total loan balance in total to be forgiven. The forgiveness schedule for the Managing Director and other executives is set out below:

	Percentage of loan forgiven	
Anniversary	Managing Director %	Other executives %
1st	5	5
2nd	10	7.5
3rd	15	10
4th	20	12.5
5th	N/A	15
Maximum amount to be forgiven	**50**	**50**

The repayment date of the loan is the earlier of one of the following:

- 12 months after the participant ceases to be employed by Mirvac;
- 12 months after the fourth anniversary of the loan for the Managing Director; or
- 12 months after the fifth anniversary of the loan for other participants.

The annual retention value to the individual includes amounts forgiven during the year, imputed interest and related FBT. This value is offset against the value of the individual's LTI grant in each year until the retention program is complete. As such, any retention grant replaces a portion of the LTI award. On termination, no further amounts are forgiven.

The following table presents the amounts forgiven during the year ended 30 June 2012 for the Managing Director and other participating executives, together with the outstanding balance at the end of the year:

Executive	Loan balance 1 July 2011 $	Amount forgiven during year $	Loan balance 30 June 2012 $	Annual retention value $
Nicholas Collishaw	1,700,000	300,000	1,400,000	773,283
Andrew Butler	1,750,000	200,000	1,550,000	604,279
Brett Draffen	1,750,000	200,000	1,550,000	497,122
Gary Flowers [1]	950,000	75,000	875,000	266,158
Justin Mitchell	1,750,000	200,000	1,550,000	604,279

1) Forgiveness date for Gary Flowers is 1 July. Therefore, his loan balance reduced from $950,000 to $875,000 on this date.

ii) EIS

Until 2006, Mirvac's long-term variable remuneration scheme for employees was the EIS. Open to all permanent employees, allocations were made annually, were unrestricted and fully vested on allotment. Existing arrangements remain in place until all current loans are repaid.

The loans were repayable via distributions received on the securities or upon their sale. If an employee resigns or is dismissed, the outstanding loan balance must be paid when employment ceases. In the event of redundancy, retirement, total and permanent disablement or death, the employee has 12 months after employment ceases in which to repay the loan. If the loan value is greater than the value of the securities when the loan balance is due, the remaining balance is written off and the securities are forfeited.

The EIS is closed to new participants and will be run down until all loans under it are extinguished.

iii) LTIP

The LTIP was introduced in 2006 and approved by securityholders at the 2006 AGM. At this time, loan-funded incentive plans were common for entities with stapled securities due to the prevailing tax rules. Participation in the plan was open to the Managing Director, other Executive Directors, other executives and eligible employees. Participants were offered an interest-free loan which was applied to fund the acquisition of Mirvac's stapled securities at market value.

The term of the loan is eight years. Any loan balance outstanding at the end of the eighth year must be repaid at that time. The loan is reduced annually by applying the post-tax amounts of any distributions paid by Mirvac to the outstanding principal. The loans are interest free and non-recourse over their term.

Two performance conditions had to be met before the securities vested in full: Relative TSR and EPS growth. The satisfaction of each condition was given an equal weighting in terms of the total number of securities that may vest (that is, 50 per cent of the total securities held by a participant was subject to each performance condition).

8 ADDITIONAL INFORMATION / CONTINUED

On vesting, 53.5 per cent of the original loan to fund the purchase of the vested securities was waived. The remaining balance of the loan will continue to be reduced by post-tax distributions until either the loan has been fully repaid or the eight year term expires, whichever occurs first. If a participant terminates their employment, any outstanding loans must be repaid in full immediately or the underlying securities will be forfeited.

The LTIP is closed to new participants and will be run down until all loans under it are extinguished. At 30 June 2012, 408,192 (2011: 498,074) securities remain on issue under the 2006 plan.

iv) EIP

The final loans amounts under the EIP were drawn down during the year ended 30 June 2008. The amounts of the loans range from $50,000 to $800,000 with Mirvac holding security over the assets purchased with the loan proceeds. A progressively increasing forgiveness schedule applied which allowed the total loan balance to be forgiven if the employee remained employed on the final forgiveness date.

The Chief Executive Officer — Development is the sole remaining participant in the scheme with amounts yet to be forgiven. The Chief Executive Officer — Development had $150,000 forgiven during the year, leaving an outstanding balance of $200,000 at 30 June 2012. Subject to continued employment, the remaining $200,000 is due to be forgiven during the year ending 30 June 2013.

b) Movements in performance rights and options holdings of the ELT

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

Executive	Grant date	Number of rights granted	Value at grant date ($)	Vesting date	Number of rights vested	Value of rights vested ($)	Number of rights lapsed[1]	Value of rights lapsed ($)[2]
Nicholas Collishaw	29 Jun 10	2,213,600	1,472,044	1 Jul 12	830,100	639,177	1,383,500	832,867
	17 Dec 10	2,189,600	1,401,344	1 Jul 13	–	–	–	–
	12 Dec 11	1,403,900	891,477	1 Jul 14	–	–	–	–
Total		**5,807,100**	**3,764,865**		**830,100**	**639,177**	**1,383,500**	**832,867**
Andrew Butler	17 Dec 10	88,500	56,640	1 Jul 13	–	–	–	–
	12 Dec 11	10,334	6,562	1 Jul 14	–	–	–	–
Total		**98,834**	**63,202**		**–**	**–**	**–**	**–**
Brett Draffen	29 Jun 10	499,000	331,835	1 Jul 12	187,125	144,086	311,875	187,749
	17 Dec 10	452,200	289,408	1 Jul 13	–	–	–	–
	12 Dec 11	596,347	378,680	1 Jul 14	–	–	–	–
Total		**1,547,547**	**999,923**		**187,125**	**144,086**	**311,875**	**187,749**
Gary Flowers	29 Jun 10	264,800	176,092	1 Jul 12	99,300	76,461	165,500	99,631
	17 Dec 10	380,400	243,456	1 Jul 13	–	–	–	–
	12 Dec 11	362,990	230,498	1 Jul 14	–	–	–	–
Total		**1,008,190**	**650,046**		**99,300**	**76,461**	**165,500**	**99,631**
Justin Mitchell	29 Jun 10	184,100	122,427	1 Jul 12	69,037	53,158	115,063	69,269
	17 Dec 10	179,500	114,880	1 Jul 13	–	–	–	–
	12 Dec 11	88,429	56,152	1 Jul 14	–	–	–	–
Total		**452,029**	**293,459**		**69,037**	**53,158**	**115,063**	**69,269**

1) Includes performance rights granted on 29 April 2010 that lapsed in August 2012 due to a failure to fully satisfy performance conditions.
2) The calculation of the value of performance rights lapsed used the fair value as determined at the time of grant.

No options were granted or exercised during the year ended 30 June 2012.

The relevant interests held in stapled securities of Mirvac by the ELT members are detailed in note 34 to the financial statements.

8 ADDITIONAL INFORMATION / CONTINUED

c) Equity instruments held by Directors

Director	Mirvac stapled securities	Interests in securities of related entities or related body corporate
James MacKenzie (direct)	129,914	–
Mirvac Industrial Trust – units (direct)	–	122,643
Mirvac Development Fund – Seascapes – units (indirect)	–	300,000
Nicholas Collishaw (direct and indirect)	2,036,512	–
Mirvac Development Fund – Seascapes – units (indirect)	–	25,000
Options	103,310	–
Performance rights	5,807,100	–
Peter Hawkins (direct and indirect)	596,117	–
James Millar AM (indirect)	40,714	–
John Mulcahy (indirect)	25,000	–
Elana Rubin (direct)	10,000	–

During the year ended 30 June 2009, Mirvac introduced a security acquisition plan for Non-Executive Directors whereby they could sacrifice a portion of their Directors' fees each month and use them to acquire additional Mirvac stapled securities. No Non-Executive Directors acquired securities under this plan during the year ended 30 June 2012. However, securities purchased in previous years continue to be held in the plan.

d) Other directorships

Details of all directorships of other listed companies held by each Director in the three years immediately before 30 June 2012 are as follows:

Director	Company	Date appointed	Date ceased
James MacKenzie	Gloucester Coal Limited (merged with Yancoal effective 27 June 2012)	June 2009	June 2012
	Yancoal Australia Limited	June 2012	Current
	Melco Crown Entertainment Limited	April 2008	Current
	Pacific Brands Limited	May 2008	Current
Marina Darling	Argo Investments	July 1999	February 2012
	Southern Cross Media Group Limited	September 2011	Current
Peter Hawkins	Visa Inc	October 2007	January 2011
	Westpac Banking Corporation	December 2008	Current
James Millar AM	Jetset Travelworld Limited	September 2010	Current
	Fantastic Holdings Limited	May 2012	Current
John Mulcahy	Campbell Brothers Limited	February 2012	Current
	Coffey International Limited	September 2009	Current
	GWA Limited	November 2010	Current
John Peters	Nil		
Elana Rubin	TAL Limited (formerly Tower Australia Group Limited)	November 2007	Delisted May 2011

8 ADDITIONAL INFORMATION / CONTINUED

e) Options over unissued securities

During the year ended 30 June 2012, no options over Mirvac stapled securities were issued to executives under the LTIP. Options over 391,076 (2011: 152,617) Mirvac stapled securities were forfeited during the year as a result of employees leaving the Group. No securities in the Group or any of its controlled entities were issued during or since the year ended 30 June 2012 as a result of the exercise of an option over unissued securities. Dilution that may result from securities being issued under Mirvac's LTI plans is capped at the limit set out in Australian Securities and Investments Commission's ("ASIC") Class Order 03/184, which provides that the number of unissued securities under those plans must not exceed five per cent of the total number of securities of that class as at the time of the relevant offer.

f) Other benefits

Fees paid by Mirvac for Directors' and Officers' liability insurance are not itemised for each Director as their disclosure would breach the terms of the policy.

Executives and Directors (including Non-Executive Directors) are entitled to participate in arrangements available to directly purchase Mirvac developed residential property, on the same terms and conditions as for other employees within the Group.

g) Loans to ELT

Information on the loans to members of the ELT is disclosed in note 34 to the financial statements. Loans are not provided to Non-Executive Directors.

Non-audit services

Mirvac may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are relevant. Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year ended 30 June 2012 are set out in note 38 to the financial statements.

The Board has considered its position and, in accordance with the advice received from the ARCC, 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*. The Directors are satisfied that the provision of non-audit services by the auditor, as set in note 38 to the financial statements, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the ARCC to ensure they do not affect the impartiality and objectivity of the auditor; and
- none of the services undermines the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards ("APES") 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 Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

Significant changes in the state of affairs

Details of the state of affairs of the Group are disclosed within the review of operations and activities.

Matters subsequent to the end of the year

No matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

- the Group's operations in future years; or
- the results of those operations in future years; or
- the Group's state of affairs in future years.

Insurance of officers

During the year, Mirvac paid a premium for an insurance policy insuring any past, present or future Director, secretary, executive officer or employee of the Group against certain liabilities. In accordance with commercial practice, the insurance policy prohibits disclosure of the nature of the liabilities insured against and the amount of the premium.

Auditor's independence declaration

A copy of the auditor's independence declaration required under section 307C of the *Corporations Act 2001* is set out on page 27.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

Rounding of amounts

Mirvac is an entity of the kind referred to in Class Order 98/0100 issued by ASIC, relating to the rounding off of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest tenth of a million ("m") dollars in accordance with that class order.

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

Nicholas Collishaw
Director

Sydney
21 August 2012

pwc

As lead auditor for the audit of Mirvac Limited for the year ended 30 June 2012, 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 Limited and the entities it controlled during the period.

Matthew Lunn
Partner

PricewaterhouseCoopers

Sydney
21 August 2012

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1 INTRODUCTION

This section of the Annual Report outlines Mirvac's governance framework.

Mirvac is committed to ensuring that its systems, procedures and practices reflect a high standard of corporate governance. The Directors believe that Mirvac's corporate governance framework is critical in maintaining high standards of corporate governance and fostering a culture that values ethical behaviour, integrity and respect to protect securityholders' and other stakeholders' interests at all times.

During the year ended 30 June 2012, Mirvac's corporate governance framework was consistent with the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council in August 2007 ("Recommendations") which were updated in 2010. The table on pages 37 and 38 indicates where specific Recommendations are dealt with in this corporate governance statement. In accordance with the Recommendations, copies of the Group policies referred to in this corporate governance statement are posted to Mirvac's website: www.mirvac.com/corporate-governance.

2 PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

a) Responsibilities of the Board and management

i) Primary objective of Board

The primary objective of the Board is to build long-term securityholder value with due regard to other stakeholder interests. The Board does this by setting strategic direction and context, such as Mirvac's mission, vision and values, and focusing on issues critical for its successful execution such as personnel, performance and the management of risk. The Board is also responsible for overseeing Mirvac's corporate governance framework.

ii) Board Charter

In order to promote high standards of corporate governance and to clarify the role and responsibilities of the Board, the Board has formalised its roles and responsibilities into a Board Charter. The Board Charter sets out the Board's accountabilities and responsibilities, including strategy and planning, personnel, remuneration, capital management and financial reporting, performance monitoring, risk management, audit and compliance, progress in relation to the Group's diversity objectives and compliance with its diversity policy and Board processes and policies. The Board Charter was reviewed and updated during 2011.

Non-Executive Directors spend approximately 25 to 30 days each year on Board activities and business, including attendance at Board meetings, Board committee meetings, strategy and budget meetings with management, visits to interstate sites and meetings with Mirvac stakeholders. During the year ended 30 June 2012, the Board visited Mirvac offices and sites in Brisbane, Melbourne, WA and Sydney.

The Non-Executive Directors meet regularly without the presence of management, to discuss the operation of the Board and a range of other matters. Relevant matters arising from these meetings are shared with the full Board.

The Managing Director provides open and detailed reports on Mirvac's performance and related matters to each Board meeting. The Chief Financial Officer also provides open and comprehensive reports on Mirvac's financial performance and other relevant matters such as Mirvac's debt position and the status of Mirvac's financing facilities. The Board monitors the decisions and actions of the Managing Director and the performance of the Group to gain assurance that progress is being made towards attainment of the approved strategies and plans. The Board also monitors the performance of the Group through its Board committees.

A copy of the Board Charter is available on the Group's website: www.mirvac.com/corporate-governance.

iii) Delegation to Managing Director and senior executives

The Board Charter delegates responsibility for the day to day management and administration of the Group to the Managing Director, assisted by the ELT. The Managing Director and senior executives of the Group operate in accordance with Board-approved policies and limits of delegated authority.

iv) ELT

The ELT was formed by the Board and is governed by the ELT Charter. The ELT Charter sets out the responsibilities and accountabilities of the ELT and the delegated authority of the Board which may be exercised by the ELT. The terms of the ELT Charter specify the membership of the ELT, which at 30 June 2012 comprised the Managing Director, the Chief Financial Officer, the Chief Operating Officer, the Chief Executive Officer — Investment and the Chief Executive Officer — Development. A copy of the ELT Charter is available on the Group's website: www.mirvac.com/corporate-governance.

All senior executives have their position descriptions, roles and responsibilities set out in writing, either in their employment contract or as part of the performance management system.

v) Evaluation of performance of senior executives

The performance of senior executives is reviewed on an annual cycle, with an interim six monthly review. This is part of Mirvac's performance management system, which is in place for all Mirvac employees. The performance management system comprises a series of key performance indicators ("KPI") which are aligned to Mirvac's strategic objectives. Performance is measured against the agreed KPI and against consistency of senior executives' behaviour against the agreed Mirvac corporate values.

On an annual basis, the Chairman and the Board review the performance of the Managing Director, following a review by the HRC. The Managing Director is assessed against qualitative and quantitative criteria, including profit performance of Mirvac and achievement of other measures, including safety performance and alignment of Group performance to strategic objectives. In turn, the Managing Director reviews the performance of his direct reports against their agreed KPI, which are reviewed by the HRC.

A performance evaluation of all senior executives and the Managing Director took place during the year ended 30 June 2012 in accordance with the process referred to above. Further information on performance evaluation and remuneration (including assessment criteria) is set out in the remuneration report starting on page 08.

3 PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

a) Structure of the Board

Together, the Board members have a broad range of financial and other skills, expertise and experience required to effectively oversee Mirvac's business. The Board comprises seven Non-Executive Directors and one Executive Director (being the Managing Director). The Chairman of the Board, James MacKenzie, is an independent Non-Executive Director. The skills, experience and expertise of each Director are set out on pages 07 and 08 in the Directors' report. The Board determines its size and composition subject to the limits imposed by Mirvac's Constitutions, which provide that there be a minimum of three and a maximum of 10 Directors.

The Board Charter provides that the Board should comprise:

- a majority of independent Non-Executive Directors;
- Directors with an appropriate range of skills, experience and expertise;
- Directors who have a proper understanding of, and competence to deal with, current and emerging issues of the business; and
- Directors who can effectively review and challenge the performance of management and exercise independent judgement.

At each AGM of Mirvac, one-third of the Directors, or if their number is not three or a multiple of three, then the number nearest one-third (but not more than one-third) must retire from office. A Director (other than the Managing Director) must retire at the conclusion of the third AGM after the Director was last elected or re-elected even if his or her retirement results in more than one-third of all directors retiring. The Managing Director and a Director appointed to fill a casual vacancy or as an additional Director are not subject to retirement by rotation and are not to be taken into account in determining the rotation of Directors. A Director appointed to fill a casual vacancy or as an additional Director only holds office until the next AGM, where they must retire and seek re-election by securityholders at the meeting.

The period of office held by each current Director is as follows:

Director	Appointed	Last elected at an AGM
James MacKenzie (Chairman)	January 2005	11 November 2010
Nicholas Collishaw (Managing Director)	January 2006	N/A
Marina Darling [1]	January 2012	Will stand for election at the 2012 AGM
Peter Hawkins	January 2006	17 November 2011
James Millar AM	November 2009	11 November 2010
John Mulcahy	November 2009	11 November 2010
John Peters [2]	November 2011	Will stand for election at the 2012 AGM
Elana Rubin	November 2010	17 November 2011

1) Marina Darling was appointed to the Board on 23 January 2012.
2) John Peters was appointed to the Board on 17 November 2011.

b) Chairman's responsibilities and independence

The Board Charter provides that the Chairman of the Board:

- is appointed by the Directors;
- must be an independent Non-Executive Director; and
- must not be the Managing Director of the Group.

The Group's Chairman is James MacKenzie, an independent Non-Executive Director. The Board Charter sets out the roles and responsibilities of the Chairman. These include:

- providing leadership to the Board and to the Group;
- ensuring the efficient organisation and conduct of the Board;
- monitoring Board performance annually;
- facilitating Board discussions to ensure core issues facing the Group are addressed;
- briefing all Directors in relation to issues arising at Board meetings;
- facilitating the effective contribution and ongoing development of all Directors;
- promoting consultative and respectful relations between Board members and between the Board and management; and
- chairing securityholder meetings.

c) Board independence

The Board only considers Directors to be independent where they are independent of management and free of any other business relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered judgement, and otherwise meet the criteria for independence set out in the Recommendations. The Board has determined that material relationships include a Director:

- having a security holding in or being an officer of a company which holds more than five per cent of the Group's voting stock;
- being a principal or employee of a professional adviser to the Group or its entities whose billings exceed five per cent of the advisor's total revenues; and
- is a significant supplier or customer of the Group (i.e. amounts receivable or payable to the supplier or customer exceed five per cent of the supplier's total revenue or customer's total operating costs) or an officer or otherwise associated with a significant supplier or customer.

However, a qualitative assessment of whether any particular relationship could affect a Director's independence will override these quantitative considerations. The guidelines for assessing the independence of Mirvac's Directors and Mirvac's materiality thresholds are contained in full in the Board Charter, which is published on Mirvac's website: www.mirvac.com/corporate-governance.

3 PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE / CONTINUED

The ARCC is responsible for reviewing the independence of Directors each year. It is Mirvac's view that the status of its Directors at 30 June 2012 is as follows:

Executive Director
Nicholas Collishaw (Managing Director)

Independent Non-Executive Directors
James MacKenzie (Chairman)
Marina Darling
Peter Hawkins
James Millar AM
John Mulcahy
John Peters
Elana Rubin

It is Mirvac's view that none of the relationships listed in Box 2.1 in the Recommendations exist in relation to any of its Directors and that all of its Directors have exercised judgement and discharged their responsibilities in an unrestricted and independent manner throughout the year.

d) Board committees

To assist the Board in carrying out its functions, the Board has established:

- an ARCC (see section 5(a) of this statement);
- a nomination committee (see section 3(e) of this statement); and
- a HRC (see section 9(a) of this statement).

The Board also established special purpose committees as required during the year. Membership and terms of reference of these committees are determined for each particular purpose. Attendances at special purpose committee meetings are included in the Director attendance table on page 34 in the Directors' report.

All Directors are entitled to attend meetings of the Board committees. Minutes of all Board committee and ELT meetings are provided to Directors in each Board pack. Proceedings of each Board committee meeting are reported by the committee Chair at the subsequent Board meeting. Each committee is entitled to the resources and information it requires to discharge its responsibilities, including direct access to senior executives, employees and advisers as needed.

e) Nomination committee

The nomination committee was formed by resolution of the Board, in accordance with the Board Charter. The nomination committee is governed by the nomination committee Charter, which is available on Mirvac's website: www.mirvac.com/corporate-governance. The objective of this committee is to assist the Board in ensuring that Mirvac has Boards and committees of effective composition, size, expertise and commitment to adequately discharge their responsibilities and duties, having regard to the law and the highest standards of governance, with the specific responsibilities as set out in its Charter. The nomination committee Charter was reviewed and updated during 2011.

The nomination committee consists of four members. Members are appointed by the Board from the independent Non-Executive Directors. The current members of the Nomination committee are James MacKenzie (Chair), Peter Hawkins, John Mulcahy and Elana Rubin, each an independent Non-Executive Director. Details of meeting attendance of the Non-Executive Director members of the Nomination committee are contained in the following table:

Director	Number of nomination committee meetings held whilst a member	Number of nomination committee meetings attended whilst a member
James MacKenzie (Chair)	3	3
Peter Hawkins	3	3
John Mulcahy	3	3
Elana Rubin	3	3

The accountabilities and responsibilities of the nomination committee are set out in the nomination committee Charter. The responsibilities include reviewing Non-Executive Director remuneration, assessing the skills and necessary industry, technical or functional experience required on the Board, conducting searches for new Board members, ensuring succession plans are in place for Board members and assisting the Chairman to evaluate the performance of the Board as a whole, as well as individual Non-Executive Directors.

f) Director selection process and Board renewal

The nomination committee manages the process of recommending preferred director candidates to the Board. The committee reviews the skills and necessary industry, technical or functional experience required on the Board and then assesses the extent to which these are represented on the existing Board. If the need for a new candidate is identified, the committee will conduct a search, using professional assistance if required and recommend a candidate to the Board. This process ensures a diverse range of candidates is considered.

The Board seeks to have a mix of skills and diversity across its members. The mix of skills and diversity the Board is looking to achieve in its membership is 50 per cent female membership by 2020 to reflect the communities and customers Mirvac serves, financial expertise, industry experience, technical expertise related to Mirvac's current and future business and independence. The skills mix required will change from time to time as Mirvac's business and environment changes.

A key component of the Board renewal and selection process is ensuring succession plans are in place for Directors. The committee ensures that succession plans are in place to maintain an appropriate mix of skills, experience, expertise and diversity on the Board.

g) Board and Director performance evaluation

The performance of the Board, the Board committees and Directors is reviewed and conducted through the Chairman.

The Chairman provides open and transparent performance feedback to the Board, the Board committees and each individual Director, based on the discussions conducted. The Chairman also seeks feedback on the performance of the Board and Directors from the Managing Director and other members of the ELT. Feedback is also sought on the Chairman's performance.

The Board performance review process conducted during the year ended 30 June 2012 indicated no major issues or concerns in relation to the Board, Board committees or individual Director performance which required further attention.

3 PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE / CONTINUED

h) Induction

Management and the Board provide new Directors with an induction program. This includes meetings with senior executives, briefings on Mirvac's strategy, independent meetings with Mirvac's external auditors, provision of all relevant corporate governance material and policies and discussions with the Chairman and other Directors.

i) Continuing education

Directors are provided with continuing education opportunities to update and enhance their skills and knowledge, including office and site visits to understand Mirvac's operations, regular briefings from Mirvac's Head Research and briefings on any key changes to the industry and environment in which Mirvac operates. Directors are also encouraged to access external education including director-related courses and industry conferences.

j) Access to information, indemnification and independent advice

The Company Secretary provides assistance to the Board, and Directors also have access to senior executives at any time to request any relevant information.

Under the relevant Constitutions and relevant Deeds with Directors (and only to the extent permitted by law), Mirvac indemnifies Directors against certain liabilities incurred in their capacity as Directors of Mirvac and against certain legal costs incurred in defending any action for those liabilities.

The Board Charter provides that Directors may obtain independent professional advice, at the expense of Mirvac, with the consent of the Chairman (which consent will not be unreasonably withheld or delayed).

k) Conflicts of interest

The Board Charter sets out the obligations of Directors in dealing with any conflicts of interest. Pursuant to the Board Charter, Directors are obliged to:

- disclose to the Board any actual or potential conflicts of interest which may exist as soon as they become aware of the issue;
- take any necessary and reasonable measures to resolve the conflict; and
- comply with all law in relation to disclosure of interests and restrictions on voting.

Unless the Board determines otherwise, a Director with any actual or potential conflict of interest in relation to a matter before the Board, does not:

- receive any Board papers in relation to that matter; and
- participate in any discussion or decision making in relation to that matter.

In 2011, Mirvac also adopted a Conflicts of Interest and Governance Issues Protocol regarding potential conflicts of interest in relation to Mirvac. This applies to all Directors and management involved with Mirvac.

Mirvac's code of conduct also sets down guidelines for dealing with conflicts of interest that may arise particularly for executives and other employees.

4 PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

a) Responsibilities of the Board and management

i) Conduct and ethics — code of conduct

Integrity is one of the Group's core values. The Group has built a reputation for integrity and in dealing fairly, honestly and transparently with all stakeholders. Mirvac has adopted a code of conduct which espouses its core values and reflects the Recommendations in terms of the matters addressed. The code of conduct applies to the Board, executives and all other employees. A copy of the code is posted to Mirvac's website: www.mirvac.com/corporate-governance. In addition, Mirvac is committed to maintaining a high standard of ethical business behaviour at all times and requires Mirvac employees to:

- treat other Mirvac employees with fairness, honesty and respect;
- comply with all laws and regulations;
- comply with Mirvac policies and procedures in force from time to time; and
- not engage in any improper conduct.

The Board has implemented the Whistleblower and Open Line Policy, which assists in creating an ethical environment where employees may, in good faith, make a disclosure, reporting what they believe to be improper conduct without any adverse action being taken against the discloser. The Policy applies to all employees and outlines the processes for reporting alleged improper conduct (including anonymous disclosures and outlines the ways in which Mirvac will protect disclosers). A copy of the Policy is posted to Mirvac's website: www.mirvac.com/corporate-governance.

ii) Dealings in Mirvac securities

Mirvac has implemented a Security Trading Policy which covers dealings in Mirvac securities by Directors, executives and other designated employees, as well as their respective associates ("designated persons"). Designated persons may only deal in Mirvac securities (with prior approval to do so), or in securities of other public, listed entities that are related to Mirvac, outside certain periods as identified in the Policy. Notwithstanding this, no Director, executive or other employee may deal in Mirvac securities if they are in possession of price sensitive information. Any securities dealing in the Group by Directors is notified to the ASX within five business days of the dealing. Mirvac does not stipulate any minimum securityholding requirements by its Directors. Margin loans and any form of short term speculative dealing in Mirvac securities (including options or derivatives) are prohibited under the Policy.

In 2012, the Board established minimum Securityholding guidelines for Non-Executive Directors with Non-Executive Directors to be given two years to build up to a minimum securityholding level of 25,000 Mirvac stapled securities. Any purchases will be subject to the Security Trading Policy.

As noted in the remuneration report, performance rights or options relating to Mirvac securities are granted to employees in accordance with the Mirvac remuneration strategy. Consistent with the prohibition under the *Corporations Act 2011*, the Policy prohibits hedging the value of both unvested awards and vested awards that remain subject to a holding lock.

A copy of the Security Trading Policy is available at Mirvac's website: www.mirvac.com/corporate-governance.

4 PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING / CONTINUED

iii) Political donations

The *Election Funding, Expenditure and Disclosures Act 1981* (amended in 2009) prohibits property developers from making political donations. Mirvac has in place a Political Donations Policy, which prohibits the Group and any Mirvac employee from making any political donation on behalf of the Group. During the year ended 30 June 2012, Mirvac made no political donations.

iv) Charitable donations

The Mirvac Foundation is the focus of Mirvac's charitable support on both a national and state basis. Mirvac employees make donations to the Foundation and donate their time to support the Foundation.

b) Diversity

Mirvac has adopted, and is fully compliant with, the ASX Corporate Governance Guidelines, recommendations 3.2 to 3.5. The Group's Diversity Policy can be found on the website at: www.mirvac.com/corporate-governance. As an early adopter of the ASX Corporate Governance Guidelines, the Group has continued to demonstrate its ongoing commitment to diversity. Although Mirvac recognises it is at the early stages of maturity in its diversity journey, Mirvac understands and recognises that diversity represents the key to engaging the full potential of the talented individuals working with Mirvac. While there is still some way to go before Mirvac achieves all its diversity objectives, the steps taken in FY12 have been important and have moved the Group forward.

Mirvac's commitment to diversity extends beyond the programs and initiatives in place; the Group strives to create a culture in which both visible and tacit differences are recognised and valued. Mirvac believes its competitive advantage lies in creating and maintaining a culture where all employees are able to contribute and fulfil their potential without artificial barriers. Mirvac's goal is to have a workforce representative of the communities in which Mirvac operate.

The Board, HRC and management have worked hand-in-hand to create a culture where individual differences are valued and respected. Mirvac has, and will continue to develop, strategies and programs to promote diversity and inclusion. During FY12, Mirvac focused on gender diversity and identified indigenous, disability, single-parent and ethnic diversity as future priorities. The Board has committed to measurable gender diversity targets and reports on progress each year. The HRC is responsible for the regular review of diversity-related activities.

The Board has appointed the Chairman, James MacKenzie, as the diversity program sponsor. The Managing Director, Nicolas Collishaw, established and chairs the Diversity Council. The Diversity Council regularly meets to coordinate diversity activities and reports to the HRC regarding diversity initiatives and progress.

Mirvac aspires to ensure diversity outcomes are integrated at every level of its business. With a priority focus on gender, Mirvac's approach to diversity demonstrates its strong commitment in supporting women entering the workforce, equity in promotion and initiatives to enhance female retention.

A range of initiatives have been undertaken throughout FY12 to directly support Mirvac's Diversity Policy.

The key initiatives implemented, the measurable objectives, and performance against these objectives are set out in the table below:

Initiative	Measureable objective	Progress to date	Status
Establish a women's network	Establish a leadership network and development program for female leaders by November 2011	– Sponsor and Chair appointed. – Initiative launched (September 2011). – Network established. – Development program requirements specified.	Achieved
Establish an organisation-wide graduate program to provide a pipeline of gender diverse talent for future leadership roles	Implement Mirvac graduate program with 50 per cent female graduates by February 2012	– Responsibility assigned to Group General Manager, Human Resources. – Graduate recruitment policy/guidelines introduced. – First graduate intake 50 per cent female.	Achieved
Update recruitment guidelines to encourage, where possible, a gender balance of shortlisted candidates	Implement recruitment policy that all executive recruitment briefs include a guideline for 50 per cent of shortlisted candidates to be female	– Responsibility assigned to the HRC. – Mirvac recruitment policy updated. – Recruitment process review in progress.	Ongoing
Flexible work arrangements/ job design policy	Implement flexible work policy by June 2011	– Flexible work arrangements/job design policy developed. – Policy launched June 2011.	Ongoing
Conduct a pay parity review and implement measures to achieve gender equity and parity in pay	Complete annual pay parity review and report against internal and external benchmarks	– First pay parity review conducted (September 2011). – Measures developed to ensure relevant factors are considered in relation to pay decisions.	Achieved
Implement a talent management program for female leaders	Implement a women in Mirvac talent management program by October 2011	– Responsibility assigned to Group General Manager, Human Resources. – Talent management program designed and implemented (December 2011). – High potential women identified at middle management. – Development centres conducted to identify development needs (June 2012).	Achieved

4 PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING / CONTINUED

These initiatives form part of the broader strategy focused on removing barriers to achieving diversity at all levels of the Mirvac workforce.

Proportion of female employees
In line with the Diversity Policy, the tables below outline Mirvac's female representation and talent turnover targets, and progress against achievement of these targets:

	Measurable objectives		Actuals	Actuals
	Target by 2015 %	Target by 2020 %	30 June 2009 %	30 June 2012[1] %
Women on Mirvac Board	35	50	14	25
Women in senior executive positions (full time equivalent ("FTE"))	35	50	–	25
Women in Mirvac (FTE)	50	50	43	37
Women in graduate positions (FTE)	50	50	–	50

1) Excludes Hotel Management.

	Target female turnover 2014 %	Female talent turnover 2012 %	Male talent turnover %
Mirvac employees	10	14	7
Mirvac managers	7	9	8
Mirvac senior executives	–	–	–
Mirvac total	10	12	6

5 PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

a) ARCC

i) ARCC Charter
The ARCC was formed by resolution of the Board, in accordance with the Board Charter. The ARCC is governed by the ARCC Charter, which is available on Mirvac's website: www.mirvac.com/corporate-governance.

ii) ARCC role
The objective of the ARCC is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Group's financial reporting, systems of internal controls and management of risk, internal and external audit functions, compliance obligations and processes for monitoring compliance with relevant laws and regulations and the Group code of conduct. It is the ARCC's role to ensure that the Group's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable law. The ARCC is also responsible for making recommendations to the Board regarding the selection and appointment of the external auditor and the rotation of external audit engagement partners, as outlined in the committee Charter and section 8(b) below.

iii) ARCC composition
The ARCC consists of eight members. Members are appointed by the Board and all members are Non-Executive and independent. The members of the ARCC as at 30 June 2012 were six Non-Executive Directors from the Mirvac Board — James Millar AM (Chair), James MacKenzie, Peter Hawkins, John Mulcahy, John Peters and Elana Rubin. The Board has also appointed two additional Non-Executive, independent members who are not directors of Mirvac Board — Paul Barker and Richard Turner. Each member of the ARCC has the technical expertise to enable the committee to effectively discharge its mandate. The Chair of the ARCC, James Millar AM, is the former Chief Executive Officer of Ernst & Young. Further details of the Mirvac Board members' qualifications can be found at pages 07 and 08 in the Directors' report.

Paul Barker is not a member of the Board; however, he is the Chair of Mirvac Funds Management Limited and he has been appointed a member of the committee due to this role. Paul Barker is independent and is a Chartered Accountant. He has extensive experience in accounting and financial services both in Australia and overseas. Richard Turner is also not a member of the Board. Richard Turner was previously an independent member of the Mirvac Board, retiring in August 2009. He is a Chartered Accountant by profession and is a former Chief Executive Officer of Ernst & Young with over 35 years with the firm.

5 PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING / CONTINUED

The Managing Director, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer as well as representatives of the external and internal auditors are able to attend ARCC meetings. The ARCC regularly meets with the external auditors without management present. Details of meeting attendance of members of the ARCC are contained in the following table:

	Number of ARCC meetings held whilst a member	Number of ARCC meetings attended whilst a member
Mirvac Director		
James Millar AM (Chair)	7	7
Peter Hawkins	7	7
James MacKenzie	7	7
John Mulcahy	7	7
John Peters	2	2
Elana Rubin	7	7
Non-Mirvac Directors		
Paul Barker	7	7
Richard Turner	7	7

iv) ARCC responsibilities

The ARCC Charter sets out the responsibilities of the ARCC. The ARCC responsibilities include the review of external financial accounting, internal control and risk management, external audit, internal audit, compliance, special investigations and managed investment schemes.

v) Compliance

The ARCC has direct responsibility for monitoring and reviewing the compliance plans of Mirvac's registered managed investment schemes and wholly owned controlled entities holding Australian financial services ("AFS") licences, as well as overseeing their adherence to all applicable laws and regulations.

6 PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

a) Commitment to disclosure

Mirvac is committed to ensuring:

- compliance with ASX Listing Rules disclosure requirements;
- accountability at a senior executive level for that compliance;
- facilitation of an efficient and informed market in Mirvac securities by keeping the market appraised through ASX announcements of all material information; and
- compliance with the requirements of the *Corporations Act 2001*, ASX Listing Rules and the Recommendations.

b) Continuous Disclosure Policy

The Group's Continuous Disclosure Policy, which was updated during 2012, is designed to support its commitment to a fully informed market in its securities by ensuring that the Group announcements are:

- made to the market (via the ASX Company Announcements platform) in a timely manner, are factual and contain all relevant material information; and
- expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

A copy of Mirvac's Continuous Disclosure Policy is available at Mirvac's website: www.mirvac.com/corporate-governance.

7 PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

a) Communications Policy

All Mirvac ASX announcements are posted to Mirvac's website including half year and annual reports, results releases, market briefings, notices of meetings and the Mirvac property compendium. Teleconferencing and webcasting facilities are provided for market briefings to encourage participation from all stakeholders, regardless of location. Mirvac is committed to rotating the location of its AGM, to allow securityholders in locations other than Sydney to participate in person. The 2009 meetings were held in Sydney, the 2010 meetings were held in Brisbane and the 2011 meetings were held in Perth. The 2012 meetings will be held in Sydney. Mirvac encourages securityholders to attend the AGM. At those meetings, securityholders are entitled to ask questions about the management of Mirvac. Securityholders are provided with a reasonable opportunity to ask questions of the external auditor at the meetings. The external auditor is also allowed a reasonable opportunity to answer written questions submitted by securityholders to the meetings. The meetings are webcast each year, with access details posted to Mirvac's website in advance of the date of the meetings.

Notices of meeting for general meetings are accompanied by explanatory notes to provide securityholders with information to enable them to decide whether to attend the meeting. Full copies of notices of meetings and explanatory notes are posted on Mirvac's website. Securityholders who are unable to attend the meeting may vote by appointing a proxy, using the form attached to the notice of meeting or an online facility. Securityholders are also invited to submit questions in advance of the meeting so that Mirvac can ensure those issues are addressed at the meeting.

Mirvac's Communications Policy is available at Mirvac's website: www.mirvac.com/corporate-governance.

8 PRINCIPLE 7: RECOGNISE AND MANAGE RISK

a) Risk management policies

i) Risks

Mirvac is a leading ASX listed, integrated real estate group with activities involving real estate investment, residential and commercial development and investment management. These activities involve risks of varying types and to varying extents. Risk can relate to both threats to existing activities, as well as a failure to take advantage of opportunities that may arise. Mirvac's objective is to ensure those risks are identified and appropriate measures are implemented to mitigate or otherwise manage the impact those risks may have on the Group's activities.

8 PRINCIPLE 7: RECOGNISE AND MANAGE RISK / CONTINUED

ii) Risk Management Policy

In recognition that risk management is a key element of an organisation's effective corporate governance processes, the Board has adopted a Risk Management Policy statement and associated procedures for identifying, assessing and managing Mirvac's strategic, operational, financial and reputational risks.

The objectives of the Policy are to:

- provide a systematic approach to risk management aligned to the Group's strategic objectives;
- define the mechanisms by which the Group determines its risk appetite and considers and manages risks; and
- articulate the roles and accountabilities for the management, oversight and governance of risk.

The approach defined within this Policy is consistent with the Australian and New Zealand standard on risk management (ISO 31000: 2010). The Policy applies to all legal entities within the Group to enable an enterprise-wide approach to managing risk to be applied.

Supporting this Policy is a framework which has been prepared to guide the various business units in addressing their particular risk exposures through a structured implementation of risk management processes. Although structured, the framework maintains a sufficient degree of flexibility to allow the respective business units to adopt appropriate strategies to address their risk exposures, as risks and their management by designated controls are the responsibility of the business.

A copy of the Mirvac Risk Policy is available at Mirvac's website: www.mirvac.com/corporate-governance.

iii) Risk management responsibility

The Board determines the overall risk appetite for the Group and has approved the strategies, policies and practices to ensure that risks are identified and managed within the context of this risk appetite. The application of the Group's policies and procedures to manage risk is ultimately the responsibility of the Board, which has in turn delegated specific authority to the ARCC (as more fully detailed in the ARCC Charter).

The ARCC advises the Board on risk management and is responsible for reviewing policies for approval by the Board and for reviewing the effectiveness of the Group's approach to risk management. Risk management is specifically reviewed at least quarterly by the ARCC.

iv) Risk management function

The Board has charged management with the responsibility for managing risk within the Group and the implementation of mitigation measures, under the direction of the Managing Director supported by senior executives. A Group risk management function, led by the Chief Risk Officer, has been established to facilitate the process by providing a centralised role in advising the various business units on executing risk management and mitigation strategies, as well as consolidating risk reporting to the senior executives, the ARCC and ultimately the Board.

Management has advised the Board of the effectiveness of the management of material business risks.

v) Role of internal audit

The Group's risk management systems work along side its internal control systems to establish an effective control environment to manage business risks. Internal Audit's role is to evaluate, assess and support continuous improvement of the Group's internal control system and provide independent reasonable assurance to the ARCC and the Board that material risks are effectively managed. Internal Audit's focus is on key risks and business drivers which may hinder the achievement of the Group's business objectives. The Internal Audit function is led by the Head of Internal Audit who reports to the Chair of the ARCC and has open access to the ARCC and its Chair at all times.

vi) Operational risks

The Managing Director, supported by senior executives, is responsible for implementing and maintaining effective risk management and internal control systems for operational risks that arise from the Group's activities. To ensure consistent and effective practices are employed, each business unit has developed risk registers, detailing the key risks facing the particular business unit.

vii) Financial risks

The Board has approved principles and policies to manage financial risks arising from the Group's operations, including its financing and treasury management activities. The ARCC reports to the Board in relation to the integrity of the Group's financial reporting, internal control structure, risk management systems as well as the internal and external audit functions. Mirvac management also provides assurance to the Board and the ARCC as to the effectiveness of the Group's risk management and internal control systems in relation to financial reporting risks.

The ARCC also oversees, and reports to various Boards within the Group on, the specific risks and compliance requirements arising from the activities of the Group's AFS licensed entities and respective registered managed investment schemes.

b) External auditor relationship

i) Role of ARCC

Mirvac's ARCC is responsible for overseeing the relationship with the Group's external auditor, PricewaterhouseCoopers, including the terms of engagement of the external auditor and the scope of the external audit program each year. The ARCC is also responsible for monitoring and evaluating the performance, and independence, of the external auditor and the provision of non-audit services.

ii) Auditor independence

It is the Group's policy to rotate audit engagement partners on listed companies at least every five years, and in accordance with that policy a new audit engagement partner was introduced for the year ended 30 June 2011.

To maintain auditor independence, the Board has adopted a policy and practice protocol related to non-audit services which forms part of the ARCC Charter published on Mirvac's website. It is the Group's policy to engage the best available professional advisers at the most competitive price. This policy must, however, be applied within the context of maintaining the independence of the Group's external auditors.

The ARCC policy endorses the fundamental principles of auditor independence that, in order to be eligible to undertake any non-audit related services, the external auditor must not, as a result of that assignment:

- create a mutual or conflicting interest with that of the Group;
- audit their own work;
- act in a management capacity or as an employee; or
- act as an advocate for the Group.

The policy also details the services that the external auditor is prohibited from performing.

8 PRINCIPLE 7: RECOGNISE AND MANAGE RISK / CONTINUED

iii) Certificate of independence
PricewaterhouseCoopers has provided the ARCC with a half yearly and annual certification of its continued independence, in accordance with the requirements of the *Corporations Act 2001*, and in particular, confirmed that it did not carry out any services or assignments during the year ended 30 June 2012 that were not compatible with auditor independence.

iv) Non-audit services
In addition to the audit partner rotation and appointment requirements set out in the Group's policy and in the *Corporations Act 2001*, the ARCC also reviews and approves, or declines, as considered appropriate before the engagement commences, any individual engagement for non-audit services involving fees exceeding $100,000. Below this amount, approval, or otherwise as considered appropriate, is delegated to the Chief Financial Officer. No work will be awarded to the external auditor if the ARCC (or the Chief Financial Officer as applicable) believes such work would give rise to a "self review threat" (as defined in APES 110 *Code of Ethics for Professional Accountants*) or would create an actual or perceived conflict of interest for the external auditor or any member of the audit team, or would otherwise compromise the auditor's independence requirements under the *Corporations Act 2001*.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 38 to the financial statements.

c) Assurances

The Managing Director and Chief Financial Officer have provided the following assurance to the Board in connection with the Group's full year financial statements and reports, namely that in their opinion:

- the financial records of the Group for the year ended 30 June 2012 have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
- the Group's financial statements, and the notes to those statements, for the year ended 30 June 2012 comply with the relevant accounting standards;
- the Group's financial statements, and the notes to those statements, for the year ended 30 June 2012 give a true and fair view of the financial position, operational results and performance of the Group;
- the statements referred to in the points above with respect to the integrity of the Group's financial reports are founded on a sound system of risk management and internal control which implements the policies adopted by the Board; and
- Mirvac's risk management and internal control system is operating effectively in all material respects in relation to financial reporting risks.

The effective control environment established by the Board supports this assurance provided by the Managing Director and Chief Financial Officer. However, it should be noted that associates and joint ventures, which are not controlled by Mirvac, are not covered for the purpose of this assurance or the declaration given under section 295A of the *Corporations Act 2001*.

9 PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

a) HRC

i) HRC Charter
The HRC was formed by resolution of the Board, in accordance with the Board Charter. The HRC is governed by the HRC Charter, which is available on the Group's website: www.mirvac.com/corporate-governance.

ii) HRC role
The objectives of this committee are to assist the Board in ensuring the Group:

- has coherent remuneration policies and practices which are consistent with the Group's strategic goals and human resource objectives by attracting and retaining individuals who will create value for securityholders;
- fairly and responsibly remunerates Directors and executives, having regard to the performance of the Group, the performance of the individuals and the general remuneration environment;
- has effective policies and procedures to attract, motivate and retain appropriately skilled persons to meet the Group's needs;
- has an effective Diversity Policy and regularly reviews progress towards achieving measurable objectives and strategies aimed at improving diversity; and
- integrates human capital and organisational issues to the overall business strategy.

iii) HRC composition
The HRC consists of five members. Members are appointed by the Board from the Non-Executive Directors, all of whom are also independent. The members of the HRC as at 30 June 2012 were Peter Hawkins (Chair), James MacKenzie, Marina Darling, James Millar AM and John Mulcahy.

Details of meeting attendance of the Non-Executive Director members of the HRC are contained in the following table:

Director	Number of HRC meetings held whilst a member	Number of HRC meetings attended whilst a member
Peter Hawkins (Chair)	6	6
Marina Darling [1]	2	2
James MacKenzie	6	6
James Millar AM	6	6
Penny Morris [2]	2	2
John Mulcahy	6	6

1) Marina Darling was appointed to the Committee effective 24 January 2012.
2) Penny Morris retired from the Board and Committee on 17 November 2011.

iv) HRC responsibilities
The accountabilities and responsibilities of the HRC are set out in the HRC Charter. The HRC's responsibilities include reviewing remuneration programs and performance targets for the Managing Director and other Executive Directors and approving these for the senior executives; reviewing and approving the Group's recruitment, retention and termination policies and procedures for executives and senior management, approving the strategy and principles for people management including remuneration programs, performance management processes and career and skills development initiatives and reviewing the Diversity Policy, objectives and strategies and progress towards achieving greater diversity, including reviewing the proportion of women in the workforce at all levels.

9 PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY / CONTINUED

v) Remuneration policy

Information on the Group's remuneration policies and practices is set out in the remuneration report starting on page 08 in the Directors' report.

b) Distinguish Non-Executive Director remuneration

The remuneration of Non-Executive Directors is fixed and is paid according to the role of the Non-Executive Director and the Board committees on which they serve and their role on the Board committees. Non-Executive Directors do not participate in other remuneration components such as performance-related short-term or long-term incentives, options or variable remuneration and do not receive retirement benefits other than superannuation. Information relating to the remuneration of Non-Executive Directors is disclosed in the remuneration report on pages 08 to 26.

10 CONCLUSION

The Board is satisfied with its level of compliance and corporate governance requirements. However, the Board recognises that processes and procedures require continual monitoring and improvement. Mirvac's corporate governance framework will be updated as changes occur in the regulatory environment, to ensure that it remains effective and compliant.

ASX Corporate Governance Council's Principles and Recommendations
Mirvac's corporate governance statement 2012

All section references in the table below are to the corporate governance statement unless noted otherwise. All references to the website are references ro the corporate governance section of Mirvac's website at www.mirvac.com/corporate-governance.

Principles and recommendations	Page	Mirvac compliance
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1: Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	28	✔
Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.	28	✔
Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.	28	✔
Principle 2: Structure the board to add value		
Recommendation 2.1: A majority of the board should be independent directors.	29	✔
Recommendation 2.2: The chair should be an independent director.	29	✔
Recommendation 2.3: The roles of the chair and the chief executive officer should not be exercised by the same individual.	29	✔
Recommendation 2.4: The board should establish a nomination committee.	30	✔
Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	30	✔
Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.	31	✔
Principle 3: Promote ethical and responsible decision making		
Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to: – the practices necessary to maintain confidence in the company's integrity; – the practices necessary to take into account their legal obligations and the reasonable expectations of stakeholders; and – the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	31	✔
Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	32	✔
Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	33	✔
Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	33	✔
Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.	33	✔

Principles and recommendations	Page	Mirvac compliance
Principle 4: Safeguard integrity in financial reporting		
Recommendation 4.1: The board should establish an audit committee.	33	✔
Recommendation 4.2: The audit committee should be structured so that it: – consists only of non-executive directors; – consists of a majority of independent directors; – is chaired by an independent chair, who is not chair of the board; and – has at least three members.	34	✔
Recommendation 4.3: The audit committee should have a formal charter.	34	✔
Recommendation 4.4: Provide the information indicated in the Guide to reporting on Principle 4.	34	✔
Principle 5: Make timely and balanced disclosure		
Recommendation 5.1: Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	34	✔
Recommendation 5.2: Provide the information indicated in the Guide to reporting on Principle 5.	34	✔
Principle 6: Respect the rights of shareholders		
Recommendation 6.1: Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	34	✔
Recommendation 6.2: Provide the information indicated in the Guide to reporting on Principle 6.	34	✔
Principle 7: Recognise and manage risk		
Recommendation 7.1: Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	34	✔
Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of the material business risks.	35	✔
Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	36	✔
Recommendation 7.4: Provide the information indicated in the Guide to reporting on Principle 7.	36	✔
Principle 8: Remunerate fairly and responsibly		
Recommendation 8.1: The board should establish a remuneration committee.	36	✔
Recommendation 8.2: The remuneration committee should be structured so that it: – consists of a majority of independent directors; – is chaired by an independent director; and – has at least three members.	36	✔
Recommendation 8.3: Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	36	✔
Recommendation 8.4: Provide the information indicated in the Guide to reporting on Principle 8.	36	✔

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

Mirvac Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Mirvac Limited
Level 26
60 Margaret 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 01 to 26, both of which are not part of these financial statements.

The financial statements were authorised for issue by the Directors on 21 August 2012. The Directors have the power to amend and reissue the financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Note	**2012 $m**	2011 $m
Revenue from continuing operations			
Investment properties rental revenue		**558.7**	545.7
Investment management fee revenue		**11.8**	15.8
Development and construction revenue	4	**918.4**	958.1
Development management fee revenue		**19.3**	21.8
Interest revenue	4	**25.2**	45.1
Dividend and distribution revenue		**1.2**	0.3
Other revenue		**13.0**	18.3
Total revenue from continuing operations		**1,547.6**	1,605.1
Other income			
Net gain on fair value of investment properties and owner-occupied hotel management lots and freehold hotels	16	**148.7**	111.6
Share of net profit of associates and joint ventures accounted for using the equity method	14	**13.4**	38.1
Gain on financial instruments	4	**38.8**	13.2
Net gain on sale of investments		**–**	2.5
Net gain on sale of investment properties		**3.4**	–
Foreign exchange gain		**–**	110.8
Total other income		**204.3**	276.2
Total revenue from continuing operations and other income		**1,751.9**	1,881.3
Net loss on fair value of IPUC	16	**15.8**	58.6
Net loss on sale of investments		**2.6**	–
Net loss on sale of investment properties		**–**	1.2
Net loss on sale of property, plant and equipment		**0.4**	0.3
Foreign exchange loss		**22.2**	–
Investment properties expenses		**126.6**	124.5
Hotel operating expenses		**–**	0.8
Cost of property development and construction		**804.7**	846.6
Employee benefits expenses		**94.3**	95.1
Depreciation and amortisation expenses	5	**34.2**	25.7
Impairment of loans	5	**6.0**	7.8
Finance costs	5	**129.2**	126.2
Loss on financial instruments	5	**98.6**	116.3
Selling and marketing expenses		**28.7**	26.4
Provision for loss on inventories	5	**25.0**	295.8
Business combination transaction costs		**–**	31.8
Other expenses		**47.2**	60.6
Profit from continuing operations before income tax		**316.4**	63.6
Income tax benefit	6	**68.1**	106.5
Profit from continuing operations		**384.5**	170.1
Profit from discontinued operations (net of tax)	13	**31.6**	12.5
Profit for the year		**416.1**	182.6

The comparative figures have been adjusted to reflect the creation of a disposal group in relation to the hotels operations, the results of which are disclosed as discontinued operations. Refer to note 13 for further information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Note	**2012 $m**	2011 $m
Profit for the year		**416.1**	182.6
Other comprehensive income			
Increment on revaluation of property, plant and equipment, net of tax	25	**29.1**	35.4
Exchange differences on translation of foreign operations	25	**3.0**	(14.1)
Other comprehensive income for the year		**32.1**	21.3
Total comprehensive income for the year		**448.2**	203.9
Profit for the year is attributable to:			
– Stapled securityholders of Mirvac		**416.1**	182.3
– NCI		**–**	0.3
		416.1	182.6
Total comprehensive income for the year is attributable to:			
– Stapled securityholders of Mirvac		**448.2**	203.6
– NCI		**–**	0.3
		448.2	203.9
Earnings per stapled security for profit from continuing operations attributable to the stapled securityholders of Mirvac		**Cents**	Cents
Basic earnings per security	7	**11.27**	5.01
Diluted earnings per security	7	**11.25**	5.00
Earnings per stapled security for profit attributable to the stapled securityholders of Mirvac		**Cents**	Cents
Basic earnings per security	7	**12.20**	5.38
Diluted earnings per security	7	**12.18**	5.36

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Note	**2012 $m**	2011 $m
Current assets			
Cash and cash equivalents	39	**77.3**	673.1
Receivables	8	**132.3**	197.3
Derivative financial assets	9	**–**	0.2
Current tax assets	6	**–**	0.7
Inventories	10	**403.9**	549.5
Other financial assets at fair value through profit or loss	11	**12.7**	15.5
Other assets	12	**17.7**	23.4
		643.9	1,459.7
Assets classified as held for sale and discontinued operations	13	**–**	3.4
Total current assets		**643.9**	1,463.1
Non-current assets			
Receivables	8	**117.2**	125.6
Inventories	10	**1,048.9**	988.6
Investments accounted for using the equity method	14	**357.4**	439.8
Derivative financial assets	9	**–**	3.3
Other financial assets	15	**51.5**	–
Investment properties	16	**5,488.5**	5,442.0
Property, plant and equipment	17	**307.4**	359.3
Intangible assets	18	**65.7**	74.7
Deferred tax assets	6	**330.1**	241.9
Total non-current assets		**7,766.7**	7,675.2
Total assets		**8,410.6**	9,138.3
Current liabilities			
Payables	19	**372.4**	469.2
Borrowings	20	**2.9**	583.1
Derivative financial liabilities	21	**15.0**	1.7
Provisions	22	**89.8**	83.0
Current tax liabilities	6	**0.2**	–
Other liabilities	23	**0.5**	2.5
Total current liabilities		**480.8**	1,139.5
Non-current liabilities			
Payables	19	**46.1**	5.9
Borrowings	20	**1,822.1**	2,153.2
Derivative financial liabilities	21	**170.6**	142.1
Deferred tax liabilities	6	**132.7**	97.2
Provisions	22	**3.6**	4.7
Total non-current liabilities		**2,175.1**	2,403.1
Total liabilities		**2,655.9**	3,542.6
Net assets		**5,754.7**	5,595.7
Equity			
Contributed equity	24	**6,334.7**	6,327.4
Reserves	25	**64.2**	125.9
Retained earnings	26	**(644.2)**	(870.1)
Equity, reserves and retained earnings attributable to the stapled securityholders of Mirvac		**5,754.7**	5,583.2
NCI	27	**–**	12.5
Total equity		**5,754.7**	5,595.7

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

		Attributable to the stapled securityholders of Mirvac				
	Note	Contributed equity $m	Reserves $m	Retained earnings $m	NCI $m	Total $m
Balance 30 June 2010		6,098.8	114.3	(768.7)	11.0	5,455.4
Profit for the year		–	–	182.3	0.3	182.6
Other comprehensive income for the year		–	21.3	–	–	21.3
Total comprehensive income for the year		–	21.3	182.3	0.3	203.9
EEP securities issued	24	6.8	–	–	–	6.8
LTI and EIS securities converted, sold or forfeited	24	17.8	–	–	–	17.8
Contributions of equity, net of transaction costs	24	204.0	–	–	1.8	205.8
Security based payment transactions	25	–	(9.7)	–	–	(9.7)
Security based compensation	26	–	–	(3.6)	–	(3.6)
Dividends/distributions provided for or paid	26	–	–	(280.1)	(0.6)	(280.7)
Total transactions with owners in their capacity as owners		228.6	(9.7)	(283.7)	1.2	(63.6)
Balance 30 June 2011		6,327.4	125.9	(870.1)	12.5	5,595.7
Profit for the year		–	–	416.1	–	416.1
Other comprehensive income for the year		–	32.1	–	–	32.1
Total comprehensive income for the year		–	32.1	416.1	–	448.2
EEP securities issued	24	1.5	–	–	–	1.5
LTIP, LTI and EIS securities converted, sold, vested or forfeited	24	5.8	–	–	–	5.8
Security based payment transactions	25	–	4.4	–	–	4.4
Security based compensation	26	–	–	(1.3)	–	(1.3)
Dividends/distributions provided for or paid	26	–	–	(287.0)	–	(287.0)
Deconsolidation of entity	26	–	–	(0.1)	(12.5)	(12.6)
Transfers due to deconsolidation of disposal group	26	–	(98.2)	98.2	–	–
Total transactions with owners in their capacity as owners		7.3	(93.8)	(190.2)	(12.5)	(289.2)
Balance 30 June 2012		**6,334.7**	**64.2**	**(644.2)**	**–**	**5,754.7**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	Note	2012 $m	2011 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,918.9**	1,842.8
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,464.2)**	(1,443.3)
		454.7	399.5
Interest received		**23.6**	32.1
Associates and joint ventures dividends/distributions received		**26.2**	18.5
Dividends/distributions received		**4.8**	0.3
Borrowing costs paid		**(192.3)**	(203.5)
Income tax refund		**–**	1.6
Net cash inflows from operating activities	39(b)	**317.0**	248.5
Cash flows from investing activities			
Payments for property, plant and equipment		**(8.4)**	(7.8)
Proceeds from sale of property, plant and equipment		**0.2**	0.3
Payments for investment properties		**(91.8)**	(116.4)
Proceeds from sale of investment properties		**128.3**	159.7
Payments for loans to related entities		**(31.7)**	(0.7)
Proceeds from loans to related entities		**51.0**	–
Payments for loans to unrelated entities		**(12.6)**	(10.1)
Proceeds from loans to unrelated entities		**16.5**	12.6
Contributions to associates and joint ventures		**(83.6)**	(24.1)
Proceeds from associates and joint ventures		**20.9**	70.1
Acquisition of controlled entities, net of cash acquired		**–**	(232.3)
Cash impact of controlled entities leaving the Group		**(4.6)**	–
Proceeds from sale of investments		**23.4**	17.3
Proceeds net of costs from sale of assets classified as held for sale (sale of Hotel Management business and related assets)		**275.9**	–
Payments for other intangible assets		**–**	(2.1)
Net cash inflows/(outflows) from investing activities		**283.5**	(133.5)
Cash flows from financing activities			
Proceeds from borrowings		**776.6**	2,862.6
Repayments of borrowings		**(1,693.0)**	(2,607.6)
Dividends/distributions paid as part of business combination		**–**	(8.0)
Dividends/distributions paid		**(280.2)**	(270.8)
Net cash outflows from financing activities		**(1,196.6)**	(23.8)
Net (decrease)/increase in cash and cash equivalents		**(596.1)**	91.2
Cash and cash equivalents at the beginning of the year		**673.1**	582.0
Effects of exchange rate changes on cash and cash equivalents		**0.3**	(0.1)
Cash and cash equivalents at the end of the year	39(a)	**77.3**	673.1

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements of Mirvac consist of the consolidated financial statements of Mirvac Limited and its controlled entities including MPT and its controlled entities.

a) Mirvac — stapled securities

A Mirvac stapled security comprises one Mirvac Limited share "stapled" to one MPT unit to create a single listed security traded on the ASX. The stapled securities cannot be traded or dealt with separately. With the establishment of the Group and its common investors, Mirvac Limited and Mirvac Funds Limited (as responsible entity for MPT) have common directors and operate as Mirvac Group with two core divisions: Investment and Development. The entities forming the stapled group entered into a Deed of Cooperation. This Deed of Cooperation allows that members of the stapled group, where permitted by law, will carry out activities with other members on a cost recovery basis, thereby maintaining the best interests of Mirvac as a whole.

The two Mirvac entities comprising the stapled group, remain separate legal entities in accordance with the *Corporations Act 2001*, and are each required to comply with the reporting and disclosure requirements of AAS and the *Corporations Act 2001*. In accordance with AAS, Mirvac Limited has been deemed the parent entity of MPT. The stapled security structure will cease to operate on the first to occur of:

- Mirvac Limited or MPT resolving by special resolution in general meeting and in accordance with its Constitution to terminate the stapling provisions; or
- the commencement of the winding up of Mirvac Limited or MPT.

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

b) Basis of preparation

These general purpose financial statements have been prepared in accordance with AAS, other authoritative pronouncements of the AASB, Urgent Issues Group Interpretations and the *Corporations Act 2001*. Mirvac Group is a for-profit entity for the purpose of preparing the financial statements.

i) Compliance with International Financial Reporting Standards ("IFRS")

The consolidated financial statements of the Group also comply with IFRS as issued by the International Accounting Standards Board ("IASB").

ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment properties.

iii) Critical accounting estimates

The preparation of financial statements in conformity with AAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Mirvac's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

iv) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

v) Comparative information

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current year amounts and other disclosures.

vi) Rounding of amounts

Mirvac is an entity of the kind referred to in Class Order 98/0100 issued by ASIC, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest tenth of a million dollars in accordance with that class order.

vii) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from or payable to the taxation authority, are presented as operating cash flow.

viii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, the adoption of the revised AASB 124 *Related Party Disclosures* resulted in the disclosure of additional related party transactions and required the restatement of some comparative information in note 36, and the adoption of AASB 1054 *Australian Additional Disclosures* and AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* enabled the removal of certain disclosures in relation to commitments and the franking of dividends.

c) Principles of consolidation

i) Controlled entities

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of Mirvac at 30 June 2012 and the results of all controlled entities for the year then ended. Controlled entities are all those entities (including special purpose entities) over which Mirvac has the power to govern the financial and operating policies, generally accompanying an interest of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Mirvac controls another entity. Controlled entities are fully consolidated from the date on which control is transferred to Mirvac. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for the business combinations undertaken by Mirvac (refer to note 1(i)). Intercompany transactions and balances between Mirvac entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group. NCI in the results and equity of controlled entities are shown separately in the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

ii) Associates
Associates are all entities over which Mirvac has significant influence but not control or joint control, generally accompanying a holding of between 20 per cent and 50 per cent of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

Mirvac's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends/distributions receivable from associates reduce the carrying amount of the investments. When Mirvac's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, Mirvac does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between Mirvac and its associates are eliminated to the extent of Mirvac's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by Mirvac.

As permitted by AASB 128 *Investment in Associates*, investments in associates within certain asset classes, including infrastructure investments, have been measured at fair value. Changes in fair value are recognised as income or expenses in the consolidated statement of comprehensive income in the year in which the change occurred.

iii) Joint ventures
Interests in joint venture entities and partnerships ("joint ventures") are accounted for in the consolidated financial statements using the equity method, after initially being recognised at cost. Under the equity method, the share of the profits or losses of the joint ventures are recognised in profit or loss, and the share of movements in reserves is recognised in other comprehensive income.

Profits or losses on transactions establishing joint ventures and transactions with the joint ventures are eliminated to the extent of Mirvac's ownership interest until such time as they are realised by the joint venture on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value ("NRV") of current assets, or an impairment loss.

iv) Changes in ownership interests
The Group treats transactions with NCI that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling interests and NCI to reflect their relative interests in the controlled entity. Any difference between the amount of the adjustment to NCI and any consideration paid or received is recognised in a separate reserve within equity attributable to the stapled securityholders of Mirvac.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if Mirvac had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate or joint venture is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

d) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the ELT.

e) Foreign currency translation

i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Australian currency, which is Mirvac Limited's functional and presentation currency.

ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or they are attributable to part of the net investment in a foreign operation. Translation differences on non monetary financial assets and liabilities held at fair value are reported as part of the fair value gain or loss using the exchange rate applicable at the date fair value is determined. Translation differences on non monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non monetary financial assets such as equities classified as available for sale financial assets are included in a fair value reserve in equity.

iii) Foreign controlled entities
The results and financial position of entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities at the end of the reporting period are translated at the closing rate at the end of the reporting period;
- income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign controlled entity is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Mirvac recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

i) Development projects and land sales

Revenue from the sale of development projects and land is recognised upon settlement, which has been determined to be when the significant risks and rewards of ownership are transferred to the purchaser. Other revenue from development projects such as project management fees is recognised as services are performed.

ii) Construction contracts

Agreements to develop real estate are only defined as construction contracts when the purchaser is able to specify the main elements of the design of the project. Where this is not the case, the project is treated as a development project. Revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. The stage of completion is determined by costs incurred to date as a percentage of total expected cost. Where it is probable that a loss will arise from a construction contract, the excess of total costs over revenue is recognised as an expense immediately. When the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

iii) Hotel revenue

Revenue is recognised when goods and services have been provided to the customer.

iv) Rental income

Rental revenue for operating leases is recognised on a straight line basis over the term of the lease, except when an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises. Lease incentives offered under operating leases are amortised on a straight line basis in profit or loss.

v) Recoverable outgoings

Recovery of outgoings as specified in lease agreements is accrued on an estimated basis and adjusted when the actual amounts are invoiced to the respective tenants.

vi) Fees

Revenues from the rendering of property funds management, property advisory and facilities management services are recognised upon the delivery of the service to the customers or where there is a signed unconditional contract for the sale or purchase of assets.

vii) Interest

Interest revenue is brought to account when earned, taking into account the effective yield on the financial asset.

viii) Dividends/distributions

Dividends/distributions are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

ix) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

g) Income tax

The income tax expense or benefit for the year is the tax payable or receivable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the controlled entities, associates and joint ventures generate taxable incomes.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Mirvac and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are recorded in the consolidated financial statements. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

i) Investment allowances
Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

h) Leases
Leases of property, plant and equipment where Mirvac has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term or long-term payables. Each lease payment is allocated between the liability and finance costs. The finance costs are charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease. Lease income from operating leases where the Group is a lessor is recognised in income on a straight line basis over the lease term.

i) Business combinations
The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a controlled entity comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the controlled entity. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any NCI in the acquiree either at fair value or at the NCI's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the controlled entity acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a discount on business combination. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

j) Impairment of assets
Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using the post-tax discount rate that reflects current market assessments of both the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted. An impairment loss is recognised for the amount by which the asset's (or cash generating unit ("CGU")) carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). The lowest level at which Mirvac allocates and monitors goodwill is at the primary reporting segments level (refer to note 3).

k) Cash and cash equivalents
For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

l) Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Collectability of trade receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that Mirvac will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in profit or loss. When a trade receivable for which an impairment provision had been recognised becomes uncollectible in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

m) Mezzanine loans
Mezzanine loans are loans to unrelated parties for predominately real estate property development. These loans are secured by a second ranking mortgage, behind that of the senior lender. Mezzanine loans are recognised initially at fair value. Collectability of loans is reviewed on an ongoing basis and those which are considered uncollectible are written off to profit or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

n) Inventories

Inventories comprise development projects, construction contracts and hotel stock.

i) Development projects

Development projects are valued at the lower of cost and NRV. Cost includes the costs of acquisition, development, borrowings and all other costs directly related to specific projects, including an allocation of direct overhead expenses. Upon completion of the contract of sale, borrowing costs and other holding charges are expensed as incurred. Profits on development projects are not brought to account until settlement of the contract of sale.

ii) Construction contracts

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under payables. Contract costs include all costs directly related to specific contracts and costs that are specifically chargeable to the customer under the terms of the contract. The stage of completion is measured using the percentage of completion method unless the outcome of the contract cannot be reliably measured.

iii) Hotel stock

Hotel stock is stated at lower of cost and NRV.

o) Non-current assets (or disposal groups) classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount, and fair value less costs to sell, except for assets such as deferred tax assets, financial assets and investment properties that are carried at fair value. An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

A disposal group is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of a disposal group are shown as discontinued operations and are presented separately in the consolidated statement of comprehensive income. The comparatives in the consolidated statement of comprehensive income are restated to include the profit or loss of the disposal group in discontinued operations.

p) Investments and other financial assets

i) Classification

Mirvac classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

— Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise, they are classified as non-current.

— Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when Mirvac provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are included in receivables in the consolidated statement of financial position, except where the amount relates to the funding of investment structures, which are disclosed separately.

— Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Mirvac's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those maturities less than 12 months from the end of the reporting period, which are classified as current assets.

— Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available for sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

ii) Financial assets — reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification. Reclassifications are made at fair value as of the reclassification date.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

iii) Recognition and derecognition

Regular way purchases and sales of investments are recognised on trade date, being the date on which Mirvac commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Mirvac has transferred substantially all the risks and rewards of ownership. When securities classified as available for sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

iv) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established. Interest income from these financial assets is included in the net gain/(loss). Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income. Details on how the fair value of financial instruments is determined are disclosed in note 2.

v) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

— Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of trade receivables is described in note 1(l).

— Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period. If the fair value of a debt instrument classified as available for sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

q) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Mirvac designates certain derivatives as either (1) hedges of the fair value of recognised assets, liabilities or firm commitments ("fair value hedges"); or (2) hedges of highly probable forecast transactions ("cash flow hedges"). Mirvac documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Mirvac also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

i) Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

ii) Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item will affect profit or loss (for instance, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventories) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability. When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

iii) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

r) Fair value estimation
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of each reporting period. The quoted market price used for financial assets held by Mirvac is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. Mirvac uses a variety of methods and makes assumptions that are based on market conditions existing at the end of the reporting period. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flow ("DCF"), are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Mirvac for similar financial instruments. Transaction costs are included in the initial carrying amounts of the financial instruments, which are not carried at fair value through profit or loss.

s) Property, plant and equipment
Property, plant and equipment comprises land and buildings, plant and equipment (including hotel plant and equipment), owner-occupied hotel management lots, owner-occupied freehold hotels and owner-occupied administration properties. Increases in the carrying amounts arising on the revaluation of certain classes of property, plant and equipment are credited, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

i) Plant and equipment (including hotel plant and equipment)
Plant and equipment (including hotel plant and equipment) is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

ii) Owner-occupied hotel management lots
Hotel management lots are classified as owner-occupied where the lot is owned and managed by Mirvac. The management lots, land and buildings are shown at fair value, less subsequent depreciation for buildings. Fair values are derived internally by management. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is revalued to fair value.

iii) Owner-occupied freehold hotels
Owner-occupied freehold hotels are shown at fair value, less subsequent depreciation for buildings. Fair values are determined by external valuers on a rotation basis with approximately one-half of the portfolio being valued annually. Those assets which are not subject to an external valuation at the end of each reporting period are fair valued internally by management. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is revalued to fair value.

iv) Owner-occupied administration properties
Administration properties are classified as owner-occupied where Mirvac occupies more than 10 per cent of the total lettable area of the individual property. Owner-occupied administration properties are shown at fair value, less subsequent depreciation for buildings. Fair values are determined by external valuers on a rotation basis with one-half of the portfolio being valued annually. Those assets which are not subject to an external valuation at the end of the reporting period are fair valued internally by management. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is revalued to fair value.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings	40 years
Plant and equipment	3-15 years
Office leasehold improvements	1-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to note 1(j)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss on a net basis when the risks and rewards pass to the purchaser.

t) Investment properties

i) Investment properties
Investment properties are properties held for long-term rental yields and for capital appreciation. Investment properties are carried at fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases, with any gain or loss arising from a change in fair value recognised in profit or loss. Investment properties are revalued by external valuers on a rotation basis with approximately one-half of the portfolio being valued annually. Investment properties which are not subject to an external valuation at the end of the reporting period are fair valued internally by management. The carrying amount of the investment properties recorded in the consolidated statement of financial position includes components relating to lease incentives.

Investment properties also include properties that are under construction for future use as investment properties. These are carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete. The fair value of IPUC is determined by using estimation models including DCF and residual valuations. The estimated value of future assets is based on the expected future income from the project, using current yields of similar completed properties. The remaining expected costs of completion plus risk adjusted development margin are deducted from the estimated future asset value.

ii) Investment properties under redevelopment
Existing investment properties being redeveloped for continued future use are carried at fair value.

iii) Lease incentives
Lease incentives provided under an operating lease by the Group as lessor are recognised on a straight line basis against rental income. As these incentives are repaid out of future lease payments, they are recognised as an asset in the consolidated statement of financial position as a component of the carrying amount of investment properties and amortised over the lease period. Where the investment property is supported by a valuation that incorporates the value of lease incentives, the investment property is revalued back to the valuation amount after the lease incentive amortisation has been charged as an expense.

u) Intangible assets

i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of Mirvac's share of the net identifiable assets of the acquired controlled entity, associate or joint venture at the date of acquisition. Goodwill on acquisition of controlled entities is included in intangible assets. Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures respectively. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (refer to note 3).

ii) Management rights
Management rights which have an indefinite useful life are not amortised but tested annually for impairment.

v) Trade and other payables
These amounts represent liabilities for goods and services provided to Mirvac prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

w) Borrowings and borrowing costs
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual drawdown of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility. Borrowings are classified as current liabilities unless Mirvac has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

x) Employee benefits

i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the end of the reporting period in which the employees render the related service, are recognised in other creditors and accruals in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

ii) LSL
The liability for LSL vesting within 12 months of the end of the reporting period is recognised and is measured in accordance with (i) above and included in provisions. The liability for LSL vesting more than 12 months from the end of the reporting period is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of each reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates attaching, at the end of the reporting period, to national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash flows.

iii) Security based payments
Security based payments are recognised for the following plans:

— Current LTI
The fair value at grant date is independently determined using a Monte-Carlo simulation that takes into account the exercise price, the vesting and performance criteria, the impact of dilution, the security price at grant date and expected price volatility of the underlying security, the expected dividend yield and the risk-free interest rate for the term of the equity instrument. The fair value is then expensed on a straight line basis over the vesting period of equity instruments.

— EEP
Security based charges relating to the securities issued under the EEP are included in profit or loss in the year in which the securities are granted with a corresponding increase to Mirvac's contributed equity.

— Superseded plans
The fair value of equity instruments granted under the superseded LTI plan and EIS is recognised in employee benefits expenses with a corresponding increase in equity. The fair value is measured at grant date and recognised over the vesting period.

iv) STI
A liability for STI payable is recognised in accruals where there is a present obligation to settle the liability and at least one of the following conditions is met:

- there are formal terms for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the consolidated financial statements; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for STI are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

v) Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Mirvac recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

vi) Retirement benefit obligations
Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

y) Provisions
Provisions for legal claims, contracts and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

z) Contributed equity
Ordinary securities are classified as equity. Incremental costs directly attributable to the issue of new securities or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new securities or options, or for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration. In accordance with AASB 2 *Share-based Payment*, securities issued as part of the LTI plan and EIS are not classified as ordinary securities, until such time as the employee loans are fully repaid or the employee leaves Mirvac. If Mirvac reacquires its own equity instruments, for example, as the result of a security buy-back, those instruments are deducted from equity and the associated securities are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

aa) Distributions
Provision is made for the amount of any distribution declared at or before the end of the year but not distributed at the end of the year.

bb) Earnings per security

i) Basic earnings per security
Basic earnings per security are calculated by dividing the profit attributable to securityholders of the Group by the weighted average number of ordinary securities outstanding during the year. In calculating basic earnings per security, securities issued under the EIS have been excluded from the weighted average number of securities.

ii) Diluted earnings per security
Diluted earnings per security adjusts the figures used in the determination of basic earnings per security to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary securities (including those securities issued under the EIS) and the weighted average number of securities assumed to have been issued for no consideration in relation to dilutive potential ordinary securities.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

cc) Parent entity financial information

The financial information for the parent entity, Mirvac Limited, disclosed in note 41 has been prepared on the same basis as the consolidated financial statements, except as set out below:

i) Investments in controlled entities, associates and joint ventures

Investments in controlled entities, associates and joint ventures are accounted for at cost in the financial statements of Mirvac Limited. Dividends/distributions received from associates and joint ventures are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

ii) Tax consolidation legislation

Mirvac Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Mirvac Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Mirvac Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements within the tax consolidated group are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 6(d).

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement is recognised as a contribution to (or distribution from) wholly owned tax consolidated entities. Under the current income tax legislation, MPT is not liable for income tax, provided its taxable income is fully distributed to unitholders each year.

iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of controlled entities or associates and joint ventures for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

dd) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below:

i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013[1]). AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013[1] but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*, and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013). In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 112 *Consolidation — Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules. AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The Group's investment in the joint venture partnership will be classified as a joint venture under the new rules. As the Group already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements. AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments. Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group is still assessing the impact of these amendments. The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the year ending 30 June 2014.

1) In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013) AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the year ending 30 June 2014.

iv) AASB 2010-8 *Amendments to Australian Accounting Standards — Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012). In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Group will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.

v) AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013). In July 2011, the AASB decided to remove the individual KMP disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act 2001* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

vi) AASB 2011-9 *Amendments to Australian Accounting Standards — Presentation of Items of Other Comprehensive Income* (effective 1 July 2012). In September 2011, the AASB made an amendment to AASB 101 *Presentation of Financial Statements* which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the consolidated statement of comprehensive income or consolidated statement of financial position in the current or future periods. The Group intends to adopt the new standard from 1 July 2012.

vii) *Offsetting Financial Assets and Financial Liabilities* (Amendments to IAS 32) and *Disclosures-Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7) (effective 1 January 2014 and 1 January 2013 respectively). In December 2011, the IASB made amendments to the application guidance in IAS 32 *Financial Instruments: Presentation*, to clarify some of the requirements for offsetting financial assets and financial liabilities in the consolidated statement of financial position. These amendments are effective from 1 January 2014. They are unlikely to affect the accounting for any of the entity's current offsetting arrangements. However, the IASB has also introduced more extensive disclosure requirements into IFRS 7 which will apply from 1 January 2013. The AASB is expected to make equivalent changes to AASB 132 *Financial Instruments: Presentation* and AASB 7 *Financial Instruments: Disclosures* shortly. When they become applicable, the Group will have to provide a number of additional disclosures in relation to its offsetting arrangements. The Group intends to apply the new rules for the first time from 1 July 2013.

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

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements and estimates are continually evaluated, based on historical experience and other factors, including expectations of future events that may have a financial impact and are believed to be reasonable under the circumstances.

a) Critical judgements in applying Mirvac's accounting policies

The following are the critical judgements that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

i) Revenue recognition

The measurement of development revenue, which is recognised when the significant risks and rewards of ownership are transferred to the purchaser, requires management to exercise its judgement in setting selling prices, given due consideration to cost inputs and market conditions. The measurement of construction revenue, which is recognised upon construction contracts on a percentage of completion basis, requires an estimate of expenses incurred to date as a percentage of total estimated costs.

ii) Cost of goods sold

Inventories are expensed as cost of goods sold upon sale. Management uses its judgement in determining the apportionment of cost of goods sold, through either unit entitlement or percentage of revenue, the quantum of cost of goods sold, which includes both costs incurred to date and forecast final costs, and the nature of cost of goods sold, which may include acquisition costs, borrowing costs and those costs incurred in bringing the inventories to a saleable state.

iii) Provision for loss on inventories

Mirvac is required to carry inventories at the lower of cost and NRV. Through the use of project feasibility assessments, which are based on the most reliable evidence available at the time, and incorporate both quantitative and qualitative factors, such as estimated selling rates and costs to complete, judgement is made concerning estimated NRV, which, in some cases, has resulted in the establishment of a provision.

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES / CONTINUED

iv) Investment properties and owner-occupied administration properties

Mirvac is required to make a judgement to determine whether a property qualifies as an investment property or property, plant and equipment in the cases where part of the building is occupied by the Group. Each property is considered individually. Where more than 10 per cent of the lettable space is occupied by the Group, the property is normally treated as owner-occupied and accounted for as part of property, plant and equipment.

v) Fair value estimation

Where financial assets and liabilities are carried at fair value, the fair value is based on assumptions of future events and involves significant estimates. The basis of valuation is set out in note 1(r); however, the fair values of derivatives reported at the end of the reporting period may differ if there is volatility in market rates, indexes, equity prices or foreign exchange rates in future periods.

vi) Security based payment transactions

The Group measures the cost of equity settled securities allocated to employees by reference to the fair value of the equity instruments at the date at which they are granted. As explained in note 35, the fair value is determined by an external valuer using the bionomial simulation pricing method; this method includes a number of judgements and assumptions. These judgements and assumptions relating to security based payments would have no impact on the carrying amounts of assets and liabilities in the consolidated statement of financial position but may impact the security based payment expense taken to profit or loss and equity.

b) Key sources of estimation uncertainty

In preparing the consolidated financial statements, management is required to make estimations and assumptions. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next year:

i) Inventories

The NRV of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and costs to sell. Such estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the reporting period. The key assumptions require the use of management judgement and are reviewed quarterly. During the year, Mirvac expensed $25.0m (2011: $295.8m) in relation to inventories that were carried in excess of the NRV.

ii) Impairment of goodwill

Mirvac annually tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1. Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from each CGU and a suitable discount rate in order to calculate the net present value ("NPV"). The carrying amount of goodwill at the end of the reporting period was $63.1m (2011: $69.4m). There was no impairment loss recognised during the year (2011: $nil). Details on the assumptions used are provided in note 18.

iii) Estimated impairment of investments accounted for using the equity method

The investments are tested for impairment, by comparing recoverable amounts (higher of value in use, and fair value less costs to sell) with the carrying amounts, whenever there is an indication that the investment may be impaired. In determining the value in use of the investment, Mirvac estimates the present value of the estimated future cash flows expected to arise from distributions to be received from the investment and from its ultimate disposal. Details of the assumptions used by management in assessing the impairment are provided in notes 30 and 31.

iv) Fair value of investments not traded in active markets

The fair value of investments not traded in an active market is determined by the unit price as advised by the fund manager. The unit price is determined by NPV calculations using future cash flows and an appropriate post-tax discount rate. The carrying value of investments not traded in an active market determined using the above techniques and assumptions was $12.7m (2011: $15.5m) and is disclosed as other financial assets at fair value through profit or loss (refer to note 11).

v) Valuation of investment properties and owner-occupied properties

Mirvac uses judgement in respect of the fair values of investment properties and owner-occupied properties. Investment properties and owner-occupied properties are revalued by external valuers on a rotation basis with approximately one-half of the portfolio being valued annually. Investment properties which are not subject to an external valuation at the end of the reporting period are fair valued internally by management. The assumptions used in the estimations of fair values include expected future market rentals, discount rates, market prices and economic conditions. The reported fair values of investment properties and owner-occupied properties reflect the market conditions at the end of the reporting period. While this represents the best estimation of fair value at the reporting date, actual sale prices achieved (should the investment properties and owner-occupied properties be sold) may be higher or lower than the most recent valuation. This is particularly relevant in periods of market illiquidity or uncertainty. The carrying value at the end of the reporting period for investment properties was $5,488.5m (2010: $5,442.0m) and owner-occupied properties $294.7m (2011: $278.3m). Details on investment properties are provided in note 16 and owner-occupied properties in note 17.

vi) Valuation of IPUC

IPUC are valued at fair value. There are generally no active markets for IPUC and fair value is considered to be the estimated market price that would be paid for the partially completed property, reflecting the expectations of market participants of the value of the property when complete less deductions for the estimated costs to complete, with appropriate adjustments for risk and profit. The fair value is determined on the basis of either DCF or residual methods. Both methods require consideration of the project risks which are relevant to the development process, including but not limited to construction and letting risks. The estimated value of future assets is based on the expected future income from the project, using current yields of similar completed properties. The net loss on fair value of IPUC was $15.8m (2011: $58.6m). The carrying value of $34.2m (2011: $108.0m) at the end of the year was included in investment properties (refer to note 16).

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES / CONTINUED

vii) Valuation of assets acquired in business combinations
On 4 August 2010, Mirvac completed the acquisition of the Westpac office portfolio ("WOP"). On recognising this acquisition, management used estimations and assumptions on the fair value of the assets and liabilities assumed at the date of control.

viii) Valuation of security based payment transactions
Valuation of security based payment transactions is performed using judgements around the fair value of the equity instruments on the date at which they are granted. The fair value is determined using a Monte-Carlo simulation. Mirvac recognises a security based payment over the vesting period which is based on the estimation of the number of equity instruments likely to vest. At the end of the vesting period, Mirvac will assess the total expense recognised in comparison to the number of equity instruments that ultimately vested.

ix) Valuation of derivatives and other financial instruments
Mirvac uses judgement in selecting the appropriate valuation technique for financial instruments not quoted in an active market. Valuation of derivative financial instruments involves assumptions based on quoted market rates adjusted for specific features of the instrument. The valuations of any financial instrument may change in the event of market volatility.

3 SEGMENTAL INFORMATION

a) Description of business segments
Management has determined the segments based on the reports reviewed by the ELT that are used to make strategic decisions. The ELT considers the business from both a product, and within Australia, a geographic perspective. Each division prepares an executive finance report on a monthly basis; this is a detailed report that summarises the following:

- historic results of the division, using both statutory profit and operating profit;
- future forecast of the division for the remainder of the year; and
- key risks and opportunities facing the division.

The ELT assesses the performance of the segments based on a number of measures, both financial and non-financial, which include a measure of operating profit; the use of capital; and success in delivering against KPIs. The ELT has identified two core divisions, Investment and Development. Applying the requirements of AASB 8 *Operating Segments*, Mirvac has four reportable segments, as the two business units; Investment Management (including MAM) and Hotel Management, do not meet the requirements for aggregation and therefore cannot be included within Investments:

i) Investment
The division is made up solely of MPT which holds investments in properties covering the retail, office, industrial and hotel sectors throughout Australia, held for the purpose of producing rental income, predominately through the Trust, its controlled trusts and corporate entities holding investment properties. Income is also derived from investments in associates including Mirvac Industrial Trust and Mirvac Wholesale Hotel Fund.

ii) Hotel Management
Hotel Management is responsible for management of hotels across Australia and New Zealand. The Hotel Management business was sold on 22 May 2012.

iii) Investment Management
MIM manages listed and unlisted property funds on behalf of retail and institutional investors. MIM has been disposing of non-aligned funds over the past two years in line with the Group's strategy to focus on its core divisions. MIM also includes MAM. MAM manages assets on behalf of MPT and external property owners across the real estate spectrum.

iv) Development
The division's primary operations are property development and construction of residential, office, industrial and retail development projects throughout Australia. In addition, project management fees are received from the management of development and construction projects on behalf of associates, joint ventures and residential development funds.

b) Inter-segment transfers
Segment revenues, expenses and results include transfers between segments. Such transfers are on an arm's length basis and eliminated on consolidation.

c) Elimination
The elimination segment includes adjustment to eliminate trading between segments and to transfer balances to reflect correct disclosure of items on a consolidated basis.

d) Comparative information
When necessary, comparative information has been reclassified to achieve consistency in disclosure in current year amounts and other disclosures.

e) Operating profit
Operating profit is a financial measure which is not prescribed by AAS and represents the profit under AAS adjusted for specific non-cash items and significant items which management considers to reflect the core earnings of the Group.

f) Segment liabilities
The amounts provided to the ELT with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segment. The Group's borrowings and derivative financial instruments are not considered to be segment liabilities but rather are managed by the Group treasury function.

g) Geographical and customer analysis
Mirvac operates predominately in Australia with investments in New Zealand, and the United States. Materially, all revenue is derived in Australia and all assets are in Australia. No single customer in the current or prior year provided more than 10 per cent of the Group's revenue.

3 SEGMENTAL INFORMATION / CONTINUED

2012	Investment $m	Hotel Management $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	**Total inc. discontinued operations $m**	Discontinued operations[1] $m	**Consolidated SoCI $m**
Revenue from continuing operations									
Investment properties rental revenue	555.2	–	4.7	–	–	(1.2)	**558.7**	–	**558.7**
Hotel operating revenue	–	150.7	–	–	–	–	**150.7**	(150.7)	**–**
Investment management fee revenue	–	–	14.8	–	–	(0.8)	**14.0**	(2.2)	**11.8**
Development and construction revenue	–	–	–	918.4	–	–	**918.4**	–	**918.4**
Development management fee revenue	–	–	–	18.3	–	2.8	**21.1**	(1.8)	**19.3**
Interest revenue	14.2	0.1	2.2	6.1	3.6	(0.8)	**25.4**	(0.2)	**25.2**
Dividend and distribution revenue	4.8	–	–	–	–	–	**4.8**	(3.6)	**1.2**
Other revenue	3.6	0.5	3.1	7.2	2.0	(2.8)	**13.6**	(0.6)	**13.0**
Inter-segment sales	54.7	0.4	14.7	100.8	0.9	(171.5)	**–**	–	**–**
Total revenue from continuing operations	632.5	151.7	39.5	1,050.8	6.5	(174.3)	**1,706.7**	(159.1)	**1,547.6**
Net gain/(loss) on fair value of investment properties and owner-occupied hotel management lots and freehold hotels	163.4	–	–	–	–	(14.7)	**148.7**	–	**148.7**
Share of net profit of associates and joint ventures accounted for using the equity method	8.7	–	2.7	0.6	0.3	–	**12.3**	1.1	**13.4**
Gain on financial instruments	–	–	–	–	38.8	–	**38.8**	–	**38.8**
Net gain on sale of investment properties	3.4	–	–	–	–	–	**3.4**	–	**3.4**
Total other income	175.5	–	2.7	0.6	39.1	(14.7)	**203.2**	1.1	**204.3**
Total revenue from continuing operations and other income	808.0	151.7	42.2	1,051.4	45.6	(189.0)	**1,909.9**	(158.0)	**1,751.9**
Net loss on fair value of IPUC	15.8	–	–	–	–	–	**15.8**	–	**15.8**
Net loss/(gain) on sale of investment	9.0	–	0.6	–	(24.6)	(0.3)	**(15.3)**	17.9	**2.6**
Net loss/(gain) on sale of property, plant and equipment	–	–	–	0.3	(3.4)	–	**(3.1)**	3.5	**0.4**
Foreign exchange loss	0.7	–	–	–	21.5	–	**22.2**	–	**22.2**
Investment properties expenses	137.5	–	2.9	–	–	(13.8)	**126.6**	–	**126.6**
Hotel operating expenses	–	46.7	–	–	–	(1.7)	**45.0**	(45.0)	**–**
Cost of property development and construction	–	–	–	889.6	–	(84.9)	**804.7**	–	**804.7**
Employee benefits expenses	–	69.5	19.2	18.3	56.5	1.1	**164.6**	(70.3)	**94.3**
Depreciation and amortisation expenses	24.9	4.4	0.2	2.7	1.4	5.4	**39.0**	(4.8)	**34.2**
Impairment of loans	–	–	–	–	6.0	–	**6.0**	–	**6.0**
Finance costs	79.5	1.3	19.6	76.4	6.7	(54.3)	**129.2**	–	**129.2**
Loss on financial instruments	36.8	–	–	–	61.8	–	**98.6**	–	**98.6**
Selling and marketing expenses	–	8.7	0.6	27.7	0.4	–	**37.4**	(8.7)	**28.7**
Provision for loss on inventories	–	–	–	25.0	–	–	**25.0**	–	**25.0**
Other expenses	8.3	5.6	8.1	21.4	18.7	(9.4)	**52.7**	(5.5)	**47.2**
Profit/(loss) from continuing operations before income tax	495.5	15.5	(9.0)	(10.0)	(99.4)	(31.1)	**361.5**	(45.1)	**316.4**
Income tax benefit							**54.6**	13.5	**68.1**
Profit from continuing operations							**416.1**	(31.6)	**384.5**
Profit from discontinued operations (net of tax)							**–**	31.6	**31.6**
Profit attributable to the stapled securityholders of Mirvac							**416.1**	–	**416.1**

1) Reclassification of the results of the assets that form part of the disposal group. Refer to note 13 for further information.

3 SEGMENTAL INFORMATION / CONTINUED

2012	Investment $m	Hotel Management $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	Tax $m	**Total $m**
Profit/(loss) attributable to the stapled securityholders of Mirvac	495.5	15.5	(9.0)	(10.0)	(99.4)	(31.1)	54.6	**416.1**
Specific non-cash items								
Net (gain)/loss on fair value of investment properties and owner-occupied hotel management lots and freehold hotels	(163.4)	–	–	–	–	14.7	–	**(148.7)**
Net loss on fair value of IPUC	15.8	–	–	–	–	–	–	**15.8**
Net loss on fair value of derivative financial instruments and associated foreign exchange movements [1]	37.5	–	–	–	44.5	–	–	**82.0**
Security based payment expense [2]	–	–	–	–	8.5	–	–	**8.5**
Depreciation of owner-occupied investment properties, hotels and hotel management lots (including hotel property, plant and equipment) [3]	–	1.7	–	0.2	–	7.6	–	**9.5**
Straight-lining of lease revenue [4]	(15.9)	–	–	–	–	–	–	**(15.9)**
Amortisation of lease fitout incentives [5]	16.6	–	–	–	–	(2.2)	–	**14.4**
Net loss on fair value of investment properties, derivatives and other specific non-cash items included in share of net profit of associates [6]	12.0	–	1.7	–	–	–	–	**13.7**
Significant items								
Impairment of loans	–	–	–	–	6.0	–	–	**6.0**
Provision for loss on inventories	–	–	–	25.0	–	–	–	**25.0**
Net (gain)/loss on sale of non-aligned assets [7]	(1.8)	–	0.6	–	0.4	–	–	**(0.8)**
Net loss/(gain) on sale of Hotel Management business and related assets	7.4	–	–	–	(29.4)	0.6	–	**(21.4)**
Tax effect								
Tax effect of non-cash and significant adjustments	–	–	–	–	–	–	(37.9)	**(37.9)**
Operating profit/(loss) (profit before specific non-cash and significant items)	403.7	17.2	(6.7)	15.2	(69.4)	(10.4)	16.7	**366.3**

1) Total of Gain on financial instruments, Foreign exchange loss and Loss on financial instruments.
2) Included within Employee benefits expenses in the SoCI.
3) Included within Depreciation and amortisation expenses in the SoCI.
4) Included within Investment properties rental revenue in the SoCI.
5) Included within Depreciation and amortisation expenses in the SoCI.
6) Included within Share of net profit of associates and joint ventures accounted for using the equity method in the SoCI.
7) Total of Net gain on sale of investment properties and Net loss on sale of investments.

2011	Investment $m	Hotel Management $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	Total inc. discontinued operations $m	Discontinued operations $m	Consolidated SoCI $m
Revenue from continuing operations									
Investment properties rental revenue	544.5	–	4.6	–	–	(3.4)	545.7	–	545.7
Hotel operating revenue	–	159.7	–	–	–	(0.2)	159.5	(159.5)	–
Investment management fee revenue	–	–	19.9	–	–	(1.7)	18.2	(2.4)	15.8
Development and construction revenue	–	–	–	955.1	–	3.0	958.1	–	958.1
Development management fee revenue	–	–	–	23.6	–	(0.7)	22.9	(1.1)	21.8
Interest revenue	27.7	0.2	4.7	6.5	6.6	(0.4)	45.3	(0.2)	45.1
Dividend and distribution revenue	0.7	–	–	–	–	(0.4)	0.3	–	0.3
Other revenue	2.7	0.8	3.6	11.6	3.2	(2.7)	19.2	(0.9)	18.3
Inter-segment sales	51.8	0.2	16.0	57.6	0.3	(125.9)	–	–	–
Total revenue from continuing operations	627.4	160.9	48.8	1,054.4	10.1	(132.4)	1,769.2	(164.1)	1,605.1
Net gain/(loss) on fair value of investment properties and owner-occupied hotel management lots and freehold hotels	119.5	(1.2)	–	–	–	(7.9)	110.4	1.2	111.6
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	33.8	–	4.1	3.1	0.6	(0.3)	41.3	(3.2)	38.1
Gain on financial instruments	3.2	–	–	–	10.0	–	13.2	–	13.2
Net gain/(loss) on sale of investments	–	–	4.1	–	(1.6)	–	2.5	–	2.5
Foreign exchange gain/(loss)	3.6	(0.2)	(0.4)	–	107.6	–	110.6	0.2	110.8
Total other income	160.1	(1.4)	7.8	3.1	116.6	(8.2)	278.0	(1.8)	276.2
Total revenue from continuing operations and other income	787.5	159.5	56.6	1,057.5	126.7	(140.6)	2,047.2	(165.9)	1,881.3

3 SEGMENTAL INFORMATION / CONTINUED

2011	Investment $m	Hotel Management $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	Total inc. discontinued operations $m	Discontinued operations $m	Consolidated SoCI $m
Net loss on fair value of IPUC	58.6	–	–	–	–	–	58.6	–	58.6
Net loss on sale of investment properties	1.2	–	–	–	–	–	1.2	–	1.2
Net loss on sale of property, plant and equipment	–	0.7	–	–	0.3	–	1.0	(0.7)	0.3
Investment properties expenses	133.4	–	3.3	–	–	(12.2)	124.5	–	124.5
Hotel operating expenses	–	50.0	–	0.8	–	(2.0)	48.8	(48.0)	0.8
Cost of property development and construction	–	–	–	902.0	–	(55.4)	846.6	–	846.6
Employee benefits expenses	–	76.8	22.6	18.7	54.1	1.0	173.2	(78.1)	95.1
Depreciation and amortisation expenses	17.3	4.8	0.2	2.8	2.0	4.1	31.2	(5.5)	25.7
Impairment of loans	–	–	7.8	–	–	–	7.8	–	7.8
Finance costs	96.6	0.7	18.0	52.8	11.2	(53.1)	126.2	–	126.2
Loss on financial instruments	–	–	–	–	116.3	–	116.3	–	116.3
Selling and marketing expenses	–	10.1	0.9	25.1	0.4	–	36.5	(10.1)	26.4
Provision for loss on inventories	–	–	–	295.8	–	–	295.8	–	295.8
Business combination transaction costs	16.8	–	–	–	15.0	–	31.8	–	31.8
Other expenses	12.0	8.5	13.6	21.7	25.9	(13.0)	68.7	(8.1)	60.6
Profit/(loss) from continuing operations before income tax	451.6	7.9	(9.8)	(262.2)	(98.5)	(10.0)	79.0	(15.4)	63.6
Income tax benefit							103.6	2.9	106.5
Profit from continuing operations							182.6	(12.5)	170.1
Profit from discontinued operations (net of tax)							–	12.5	12.5
Profit attributable to NCI							(0.3)	–	(0.3)
Profit attributable to the stapled securityholders of Mirvac							182.3	–	182.3

2011	Investment $m	Hotel Management $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	Tax $m	Total $m
Profit/(loss) after tax before NCI	451.6	7.9	(9.8)	(262.2)	(98.5)	(10.0)	103.6	182.6
Less: NCI	–	–	–	–	–	(0.3)	–	(0.3)
Profit/(loss) attributable to the stapled securityholders of Mirvac	451.6	7.9	(9.8)	(262.2)	(98.5)	(10.3)	103.6	182.3
Specific non-cash items								
Net (gain)/loss on fair value of investment properties and owner-occupied hotel management lots and freehold hotels	(119.5)	1.2	–	–	–	7.9	–	(110.4)
Net loss on fair value of IPUC	58.6	–	–	–	–	–	–	58.6
Net (gain)/loss on fair value of derivative financial instruments and associated foreign exchange movements	(6.8)	0.2	0.4	–	(1.3)	–	–	(7.5)
Security based payment expense	–	–	–	–	6.2	–	–	6.2
Depreciation of owner-occupied investment properties, hotels and hotel management lots (including hotel property, plant and equipment)	–	1.7	–	0.5	–	5.9	–	8.1
Straight-lining of lease revenue	(16.4)	–	–	–	–	–	–	(16.4)
Amortisation of lease fitout incentives	12.2	–	–	–	–	(1.8)	–	10.4
Net gain on fair value of investment properties, derivatives and other specific non-cash items included in share of net profit of associates	(8.3)	–	(1.8)	(0.1)	(0.4)	(0.4)	–	(11.0)
Net loss on fair value of investment properties, derivatives and other specific non-cash items included in NCI	–	–	–	–	–	(0.4)	–	(0.4)
Significant items								
Provision for loss on inventories	–	–	–	295.8	–	–	–	295.8
Net loss/(gain) on sale of non-aligned assets	1.2	–	(1.0)	–	–	–	–	0.2
Business combination transaction costs	16.8	–	–	–	15.0	–	–	31.8
Tax effect								
Tax effect of non-cash and significant adjustments	–	–	–	–	–	–	(89.2)	(89.2)
Operating profit/(loss) (profit before specific non-cash and significant items)	389.4	11.0	(12.2)	34.0	(79.0)	0.9	14.4	358.5

3 SEGMENTAL INFORMATION / CONTINUED

	Investment $m	Hotel Management[1] $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	Total inc. disposal group $m	Discontinued operations $m	**Consolidated SoFP/SoCI $m**
30 June 2012									
Total assets	6,622.6	15.8	53.7	1,961.9	381.5	(624.9)	8,410.6	–	**8,410.6**
Total liabilities	761.2	0.5	9.1	377.4	2,052.8	(545.1)	2,655.9	–	**2,655.9**
Investments in associates and joint ventures	147.2	–	9.5	231.7	2.4	(33.4)	357.4	–	**357.4**
Acquisitions of investments and property, plant and equipment	109.5	2.6	0.6	41.6	1.0	–	155.3	–	**155.3**
Depreciation and amortisation expenses	24.9	4.4	0.2	2.7	1.4	5.4	39.0	(4.8)	**34.2**
30 June 2011									
Total assets	7,156.7	158.7	87.3	2,056.2	360.5	(681.1)	9,138.3	–	9,138.3
Total liabilities	1,520.2	29.2	9.5	351.7	2,252.3	(620.3)	3,542.6	–	3,542.6
Investments in associates and joint ventures	249.0	–	12.5	217.4	2.4	(41.5)	439.8	–	439.8
Acquisitions of investments and property, plant and equipment	1,305.1	4.4	2.0	6.7	1.5	–	1,319.7	–	1,319.7
Depreciation and amortisation expenses	17.3	4.8	0.2	2.8	2.0	4.1	31.2	(5.5)	25.7

1) The Hotel Management business was sold on 22 May 2012. Assets remaining primarily relate to the sale proceeds due from the sale of Sebel Newcastle.

4 REVENUE FROM CONTINUING OPERATIONS AND OTHER INCOME

	2012 $m	2011 $m
Development and construction revenue		
Development revenue	**911.0**	906.1
Construction revenue	**7.4**	52.0
Total development and construction revenue	**918.4**	958.1
Interest revenue		
Cash and cash equivalents	**12.7**	34.0
Associates, joint ventures and related party loans	**11.6**	7.8
Mezzanine loans	**0.9**	3.3
Total interest revenue	**25.2**	45.1
Gain on financial instruments		
Gain on interest rate derivatives	**–**	13.0
Gain on revaluation of assets at fair value through profit or loss	**–**	0.2
Gain on cross currency derivatives	**38.8**	–
Total gain on financial instruments	**38.8**	13.2

5 EXPENSES

Profit before income tax includes the following specific expenses:	Note	**2012 $m**	2011 $m
Finance costs			
Interest and finance charges paid/payable net of provision release		**168.4**	169.5
Amount capitalised		**(93.0)**	(88.7)
Interest capitalised in current and prior years expensed this year net of provision release		**50.2**	39.8
Borrowing costs amortised		**3.6**	5.6
Total finance costs		**129.2**	126.2
Depreciation			
Plant and equipment		**3.5**	3.7
Owner-occupied freehold hotels		**1.0**	1.2
Owner-occupied administration properties		**7.0**	5.3
Total depreciation expenses	17	**11.5**	10.2
Amortisation			
Lease fitout incentives		**14.4**	10.4
Lease incentives		**8.3**	5.1
Total amortisation expenses		**22.7**	15.5
Total depreciation and amortisation expenses		**34.2**	25.7

5 EXPENSES / CONTINUED

Profit before income tax includes the following specific expenses:	Note	2012 $m	2011 $m
Loss on financial instruments			
Loss on cross currency derivatives		**–**	116.3
Loss on interest rate derivatives		**97.5**	–
Loss on revaluation of assets at fair value through profit or loss		**1.1**	–
Total loss on financial instruments		**98.6**	116.3
Other charges against assets			
Provision for loss on inventories		**25.0**	295.8
Impairment of trade receivables	8	**0.2**	0.5
Impairment of loans		**6.0**	7.8
Rental expense relating to operating leases		**5.1**	5.1

6 INCOME TAX

a) Income tax benefit	2012 $m	2011 $m
Current tax	**2.0**	6.2
Deferred tax	**(56.6)**	(109.8)
Income tax benefit	**(54.6)**	(103.6)
Income tax benefit is attributable to:		
Loss from continuing operations	**(68.1)**	(106.5)
Profit from discontinued operations	**13.5**	2.9
Aggregate income tax benefit	**(54.6)**	(103.6)
Deferred income tax benefit included in income tax benefit comprises:		
Increase in deferred tax assets	**(95.3)**	(117.1)
Increase in deferred tax liabilities	**38.7**	7.3
Deferred income tax benefit	**(56.6)**	(109.8)
b) Numerical reconciliation of income tax benefit to prima facie tax payable		
Profit from continuing operations before income tax	**316.4**	63.6
Profit from discontinuing operations before income tax	**45.1**	15.4
Profit before income tax	**361.5**	79.0
Income tax calculated at 30 per cent	**108.5**	23.7
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Non-deductible impairment of goodwill, management rights and other intangible assets	**0.1**	–
Non-deductible impairment of loans	**1.3**	–
Non-deductible business acquisition costs	**–**	4.5
Other non-deductible/non-assessable items	**0.6**	1.9
Utilisation of prior year tax and CGT losses not previously recognised	**(21.6)**	0.1
Trust net income not subject to tax	**(140.9)**	(132.1)
	(52.0)	(101.9)
Over provided in prior years	**(2.6)**	(1.7)
Income tax benefit	**(54.6)**	(103.6)
c) Tax losses		
Unused tax and CGT losses incurred by Australian entities for which no deferred tax asset has been recognised	**144.3**	216.4
Potential tax benefit at 30 per cent	**43.3**	64.9

d) Tax consolidation legislation

Mirvac Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003 (refer to note 1(cc)). On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Mirvac Limited. The entities within the tax consolidated group have also entered into a tax funding agreement under which the wholly owned entities fully compensate Mirvac Limited for any current tax payable assumed and are compensated by Mirvac Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Mirvac Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current inter-company receivables/payables.

6 INCOME TAX / CONTINUED

	2012 $m	2011 $m
e) Current tax (liabilities)/assets		
Tax (payable)/receivable	**(0.2)**	0.7
f) Net deferred tax assets		
Non-current assets — deferred tax assets		
The balance comprises temporary differences attributable to:		
Unearned profits with associates	**15.1**	12.7
Accrued expenses	**23.0**	22.1
Employee provisions	**6.3**	7.5
Derivative financial instruments	**47.0**	41.1
Impairment of loans	**4.4**	8.6
Property, plant and equipment	**5.0**	–
Equity raising costs	**0.6**	1.1
Tax losses	**228.7**	148.8
Deferred tax assets	**330.1**	241.9
Non-current liabilities — deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Equity accounted investments	**9.1**	9.3
Inventories	**82.7**	32.5
Foreign exchange translation gain	**39.1**	46.0
Property, plant and equipment	**–**	3.1
Other	**1.8**	6.3
Deferred tax liabilities	**132.7**	97.2
Net deferred tax assets	**197.4**	144.7
g) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in profit or loss or other comprehensive income but directly debited or credited to equity:		
Current tax — credited directly to equity	**–**	–
Net deferred tax — credited directly to equity	**0.7**	(0.1)
	0.7	(0.1)
h) Tax expense/(benefit) relating to items of other comprehensive income		
Decrement on revaluation of property, plant and equipment	**–**	(0.1)
Exchange differences on translation of foreign operations	**1.0**	(0.2)
	1.0	(0.3)

Movements in deferred tax	Equity accounted investments $m	Foreign exchange translation (gain)/loss $m	Unearned profits with associates $m	Derivative financial instruments $m	Impairment of loans $m	Property, plant and equipment $m
Balance 1 July 2010	(7.1)	(22.0)	14.1	8.9	6.4	(3.7)
Credited/(charged) to profit or loss	(2.2)	(24.2)	(1.4)	32.2	2.2	0.5
Credited/(charged) to other comprehensive income	–	0.2	–	–	–	0.1
Credited to equity	–	–	–	–	–	–
Acquisition/disposal of controlled entity	–	–	–	–	–	–
Balance 30 June 2011	(9.3)	(46.0)	12.7	41.1	8.6	(3.1)
Credited/(charged) to profit or loss	**0.2**	**6.8**	**2.4**	**5.9**	**(4.2)**	**10.3**
Credited/(charged) to other comprehensive income	**–**	**0.1**	**–**	**–**	**–**	**–**
Charged to equity	**–**	**–**	**–**	**–**	**–**	**–**
Acquisition/disposal of controlled entity	**–**	**–**	**–**	**–**	**–**	**(2.2)**
Balance 30 June 2012	**(9.1)**	**(39.1)**	**15.1**	**47.0**	**4.4**	**5.0**

6 INCOME TAX / CONTINUED

	Equity raising costs $m	Inventories $m	Accrued expenses $m	Employee provisions $m	Tax losses $m	Other $m	Total $m
Balance 1 July 2010	1.7	(59.5)	20.3	7.8	65.8	(3.6)	29.1
Credited/(charged) to profit or loss	(0.5)	21.3	1.9	(0.3)	83.0	(2.7)	109.8
Credited/(charged) to other comprehensive income	–	–	–	–	–	–	0.3
Credited to equity	(0.1)	–	–	–	–	–	(0.1)
Acquisition/disposal of controlled entity	–	5.7	(0.1)	–	–	–	5.6
Balance 30 June 2011	1.1	(32.5)	22.1	7.5	148.8	(6.3)	144.7
Credited/(charged) to profit or loss	**(0.5)**	**(50.2)**	**1.6**	**0.6**	**79.2**	**4.5**	**56.6**
Credited/(charged) to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**0.1**
Charged to equity	**–**	**–**	**–**	**–**	**0.7**	**–**	**0.7**
Acquisition/disposal of controlled entity	**–**	**–**	**(0.7)**	**(1.8)**	**–**	**–**	**(4.7)**
Balance 30 June 2012	**0.6**	**(82.7)**	**23.0**	**6.3**	**228.7**	**(1.8)**	**197.4**

7 EARNINGS PER STAPLED SECURITY

	2012 Cents	2011 Cents
Basic earnings per stapled security		
From continuing operations	**11.27**	5.01
From discontinued operations[1]	**0.93**	0.37
Total basic earnings per stapled security attributable to the stapled securityholders of Mirvac	**12.20**	5.38
Diluted earnings per stapled security[2]		
From continuing operations	**11.25**	5.00
From discontinued operations[1]	**0.93**	0.36
Total diluted earnings per stapled security attributable to the stapled securityholders of Mirvac	**12.18**	5.36

	$m	$m
Basic and diluted earnings per stapled security[2]		
From continuing operations	**384.5**	169.8
From discontinued operations[1]	**31.6**	12.5
Profit attributable to the stapled securityholders of Mirvac used in calculating earnings per security	**416.1**	182.3

Weighted average number of securities used as denominator[2]	**Number m**	Number m
Weighted average number of securities used in calculating basic earnings per security	**3,409.9**	3,391.0
Adjustment for calculation of diluted earnings per security		
Securities issued under EIS	**7.4**	11.2
Weighted average number of securities used in calculating diluted earnings per security	**3,417.3**	3,402.2

1) Includes the results of the discontinued operations. Refer to note 13 for further information.
2) Diluted securities do not include the options and rights issued under the current LTI plans as the exercise of these equity instruments is contingent on conditions during the vesting period.

8 RECEIVABLES

	Gross $m	Provision for impairment $m	Net $m
30 June 2012			
Current receivables			
Trade receivables	**27.2**	**(0.4)**	**26.8**
Amounts due from related parties	**37.5**	**(2.6)**	**34.9**
Amounts due from unrelated parties	**38.3**	**(22.3)**	**16.0**
Mezzanine loans	**12.4**	**(12.4)**	**–**
Accrued income	**16.3**	**–**	**16.3**
Other receivables	**38.7**	**(0.4)**	**38.3**
	170.4	**(38.1)**	**132.3**
Non-current receivables			
Loans to Directors and employees	**13.9**	**–**	**13.9**
Amounts due from related parties	**86.2**	**(39.5)**	**46.7**
Other receivables	**56.6**	**–**	**56.6**
	156.7	**(39.5)**	**117.2**
30 June 2011			
Current receivables			
Trade receivables	44.8	(2.1)	42.7
Amounts due from related parties	111.2	(52.6)	58.6
Amounts due from unrelated parties	30.3	(0.4)	29.9
Mezzanine loans	34.5	(28.1)	6.4
Accrued income	21.3	–	21.3
Other receivables	38.9	(0.5)	38.4
	281.0	(83.7)	197.3
Non-current receivables			
Loans to Directors and employees	17.7	–	17.7
Amounts due from related parties	96.0	(47.4)	48.6
Other receivables	64.7	(5.4)	59.3
	178.4	(52.8)	125.6

Further information in relation to loans to KMP is set out in note 34 and amounts due from related parties is set out in note 36.

a) Trade receivables
The average credit period on sales of goods is 30 days. No interest is charged on any outstanding trade receivables. Refer to note 8(d) for details regarding the credit risk of receivables.

b) Other receivables
These amounts generally arise from transactions outside of the classification of trade receivables such as GST receivables and other sundry debtors.

c) Provision for impairment of trade receivables
Movements in the provision for impairment of trade receivables are detailed below:

	Note	2012 $m	2011 $m
Balance 1 July		**(2.1)**	(2.3)
Amounts written off		**1.9**	0.7
Provision for impairment recognised	5	**(0.2)**	(0.5)
Balance 30 June		**(0.4)**	(2.1)

Mirvac has written off $1.9m (2011: $0.7m) for impaired trade receivables during the current year. This loss has been applied against the provision for impairment of receivables. The creation and release of the provision for impaired receivables have been included in impairment of loans in profit or loss where these relate to the mezzanine loans, and have been included in other expenses in profit or loss where these relate to the impairment of trade receivables.

8 RECEIVABLES / CONTINUED

d) Credit risk

Receivables consist of a large number of customers. Mirvac does not have any significant credit risk exposure to a single customer or groups of customers. Ongoing credit evaluation is performed on the financial condition of customers and, where appropriate, a provision for impairment of receivables is raised. Mirvac holds collateral in certain circumstances which takes the form of bank guarantees, security deposits, personal guarantee or a mortgage over property until completion. The ageing of receivables is detailed below:

	2012 Total receivables $m	**2012 Provision for impairment $m**	2011 Total receivables $m	2011 Provision for impairment $m
Not past due	**254.7**	**(20.4)**	412.9	(101.0)
Renegotiated	**–**	**–**	–	–
Past due 1-30 day(s)	**14.1**	**–**	6.3	(0.1)
Past due 31-60 days	**0.5**	**–**	1.5	–
Past due 61-90 days	**0.2**	**–**	0.7	–
Past due 91-120 days	**0.2**	**–**	0.9	(0.5)
Past 120 days	**57.4**	**(57.2)**	37.1	(34.9)
	327.1	**(77.6)**	459.4	(136.5)

Under certain circumstances, Mirvac has not provided for all balances past due as it has been determined that there has not been a significant change in credit quality at the end of the reporting period based upon the customer's payment history and analysis of the customer's financial accounts. The Group holds collateral over receivables of $120.9m (2011: $117.1m). The fair value of the collateral held equals the fair value of the receivables for which the collateral is held. The terms of the collateral are if payment due is not received per the agreed terms, Mirvac is able to claim the collateral held.

e) Interest rate risk exposures

Refer to note 37 for Mirvac's exposure to interest rate risk.

9 DERIVATIVE FINANCIAL ASSETS

	2012 $m	2011 $m
Current		
Interest rate swap contracts — fair value	**–**	0.2
Non-current		
Interest rate swap contracts — fair value	**–**	3.3

a) Instruments used by Mirvac

Refer to note 37 for information on instruments used by Mirvac.

b) Risk exposures

Refer to note 37 for Mirvac's exposure to interest rate, credit and foreign exchange risk on interest rate swaps.

10 INVENTORIES

	2012 $m	2011 $m
Current [1]		
Development projects		
Cost of acquisition	**167.9**	346.4
Development costs	**202.5**	331.2
Borrowing costs capitalised during development	**61.8**	85.3
Provision for loss	**(84.8)**	(216.2)
	347.4	546.7
Construction work in progress (amount due from customers for contract work)		
Contract costs incurred and recognised profits less recognised losses	**56.4**	83.0
Borrowing costs capitalised during construction	**0.7**	–
Progress billings	**(0.6)**	(81.4)
	56.5	1.6
Hotel inventories	**–**	1.2
Total current inventories	**403.9**	549.5

10 INVENTORIES / CONTINUED

	2012 $m	2011 $m
Non-current[1]		
Development projects		
Cost of acquisition	**711.6**	700.2
Development costs	**295.6**	295.1
Borrowing costs capitalised during development	**151.4**	135.5
Provision for loss	**(109.7)**	(142.2)
Total non-current inventories	**1,048.9**	988.6
Aggregate carrying amount of inventories		
Current	**403.9**	549.5
Non-current	**1,048.9**	988.6
Total inventories	**1,452.8**	1,538.1

1) Lower of cost and NRV.

a) Inventories expense
Inventories expensed as cost of property development and construction during the year ended 30 June 2012 amounted to $804.7m (2011: $846.6m). For inventories that were carried in excess of their NRV, an amount of $25.0m (2011: $295.8m) was expensed as provision for loss on inventories.

b) Current and non-current inventories
The disclosure of inventories as either current or non-current is determined by the period within which they are expected to be realised. Inventories disclosed as current are expected to be realised within 12 months, all other inventories are expected to be realised beyond 12 months from the reporting date.

11 OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2012 $m	2011 $m
Units in unlisted fund			
Balance 1 July		**15.5**	15.3
(Loss)/gain on revaluation		**(1.1)**	0.2
Capital distribution		**(1.7)**	–
Balance 30 June	30(d)	**12.7**	15.5

Changes in fair values of other financial assets at fair value through profit or loss are recorded as a gain or loss on financial instruments in profit or loss.

a) Unlisted securities
Unlisted securities are traded in inactive markets. The fair value of investments that are not traded in an active market is determined by the unit price as advised by the trustee of the fund. Unlisted securities held in the Group are units in JF Infrastructure Yield Fund. James Fielding Trust, a wholly-owned Group entity, owns 12.9m units (22 per cent) of this entity. The fair value of the security is determined based on the value of the underlying assets held by the fund. The assets of the fund are subject to regular external valuations. These valuations are based on discounted net cash inflows from expected future income and/or comparable sales of similar assets. Appropriate discount rates determined by the external valuer are used to determine the present value of the net cash inflows based on a market interest rate adjusted for the risk premium specific to each asset. The fair value is determined using valuation techniques that are not supported by prices from an observable market; so the fair value recognised in the consolidated financial statements could change significantly if the underlying assumptions made in estimating the fair values were significantly changed.

b) Price risk exposures
Refer to note 37 for Mirvac's exposure to price risk on other financial assets at fair value through profit or loss.

12 OTHER ASSETS

	2012 $m	2011 $m
Prepayments	**17.3**	21.2
Monies held in trust	**0.4**	2.2
	17.7	23.4

Monies held in trust relate to deposits received in respect of future sales of inventories.

13 ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

a) Discontinued operations

On 16 December 2011, the Group announced that it had entered into contracts for the sale of its Hotel Management business and various associated investments following a strategic review of this business. The sale completed on 22 May 2012.

b) Assets classified as held for sale

	2012 $m	2011 $m
Non-current assets held for sale		
Investment properties	–	3.4
	–	3.4

As part of the Group's strategy, investment properties that no longer meet the investment criteria and are subject to a contract for sale are classified as held for sale.

c) Financial performance and cash flow information

The financial performance and cash flow information for the discontinued operations for the year ended 30 June 2012 and 30 June 2011 were as follows:

	2012 $m	2011 $m
Revenue and other income	**157.9**	165.9
Expenses	**(134.2)**	(150.5)
Profit before income tax	**23.7**	15.4
Income tax expense	**(6.4)**	(2.9)
Profit after tax from discontinued operations	**17.3**	12.5
Gain on sale before income tax	**21.4**	–
Income tax expense	**(7.1)**	–
Gain on sale after income tax	**14.3**	–
Profit from discontinued operations	**31.6**	12.5
Cash flow from discontinued operations [1]		
Net cash inflows from operating activities	**10.7**	18.2
Net cash outflows from investing activities	**(2.6)**	(6.5)
Net cash outflows from financing activities	**(41.7)**	(5.7)
Net (decrease)/increase in cash from discontinued operations	**(33.6)**	6.0

1) The cash flow from discontinued operations does not include the cash flow from proceeds from sale of Hotel Management business.

d) Details of the sale

	2012 $m	2011 $m
Consideration received or receivable:		
Cash	**310.7**	–
Total consideration	**310.7**	–
Carrying amount of net assets sold (including selling costs)	**(289.3)**	–
Gain on sale before income tax	**21.4**	–
Income tax expense	**(7.1)**	–
Gain on sale after income tax	**14.3**	–

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	2012 $m	2011 $m
Consolidated statement of financial position			
Investments accounted for using the equity method			
Investments in associates	30	**10.9**	128.6
Investments in joint ventures	31	**346.5**	311.2
		357.4	439.8
Consolidated statement of comprehensive income			
Share of net (loss)/profit of associates and joint ventures accounted for using the equity method			
Investments in associates [1]	30	**(0.4)**	0.1
Investments in joint ventures	31	**13.8**	38.0
		13.4	38.1

1) The comparative includes amount reclassified to discontinued operations. Refer to note 13 for further information.

15 OTHER FINANCIAL ASSETS

	2012 $m	2011 $m
Non-current		
Convertible notes	**51.5**	–

16 INVESTMENT PROPERTIES

	Date of acquisition	Book value **30 June 2012 $m**	Book value 30 June 2011 $m	Capitalisation rate **30 June 2012 %**	Capitalisation rate 30 June 2011 %	Discount rate **30 June 2012 %**	Discount rate 30 June 2011 %	Date of last external valuation	Last external valuation $m
MPT and its controlled entities									
1 Castlereagh Street, Sydney NSW	Dec 1998	**72.0**	72.8	**7.63**	7.50	**9.25**	9.50	Jun 2012	72.0
1 Darling Island, Pyrmont NSW	Apr 2004	**179.2**	175.0	**7.00**	7.00	**9.25**	9.25	Dec 2010	175.0
1 Hugh Cairns Avenue, Bedford Park SA [1]	Aug 2010	**16.5**	17.8	**9.50**	9.50	**10.00**	10.00	Jun 2011	17.8
1 Woolworths Way NSO, Bella Vista NSW [1]	Aug 2010	**246.6**	250.0	**7.75**	7.75	**9.25**	9.25	Jun 2011	250.0
10 Julius Avenue, North Ryde NSW [1]	Dec 2009	**53.9**	53.1	**8.50**	8.50	**9.25**	9.25	Jun 2011	53.1
101-103 Miller Street & Greenwood Plaza, North Sydney NSW (50% interest)	Jun 1994	**259.0**	242.0	**6.75-7.00**	6.75-7.00	**9.00-9.25**	9.00-9.25	Dec 2010	238.5
10-20 Bond Street, Sydney NSW (50% interest) [1]	Dec 2009	**175.1**	124.5	**6.88**	7.50	**9.00**	9.50	Dec 2011	162.0
12 Julius Avenue, North Ryde NSW [1]	Dec 2009	**23.4**	23.4	**8.50**	8.50	**9.25**	9.25	Jun 2011	23.4
1-47 Percival Road, Smithfield NSW	Nov 2002	**29.0**	28.1	**8.25**	8.25	**9.75**	9.75	Dec 2011	28.3
189 Grey Street, Southbank QLD	Apr 2004	**76.7**	72.5	**7.63**	7.75	**9.25**	9.25	Dec 2011	73.0
19 Corporate Drive, Cannon Hill QLD [1]	Aug 2010	**23.0**	24.0	**8.75**	8.75	**9.75**	9.75	Jun 2011	24.0
190 George Street, Sydney NSW	Aug 2003	**40.0**	35.5	**8.00**	8.75	**9.50**	9.50	Dec 2011	40.0
1900-2060 Pratt Boulevard, Chicago Illinois USA	Dec 2007	**29.1**	28.9	**7.50**	8.00	**9.25**	9.75	Dec 2011	28.1
191-197 Salmon Street, Port Melbourne VIC	Jul 2003	**102.5**	102.3	**8.00**	7.75	**9.25**	9.25	Jun 2012	102.5
200 George Street, Sydney NSW	Oct 2001	**29.1**	26.2	**8.00**	8.25	**9.50**	9.50	Dec 2011	27.5
271 Lane Cove Road, North Ryde NSW	Apr 2000	**31.3**	32.5	**8.25**	8.00	**9.50**	9.50	Jun 2012	31.3
275 Kent Street, Sydney NSW [1]	Aug 2010	**792.0**	750.0	**6.75**	6.75	**9.00**	8.75	Jun 2012	792.0
3 Rider Boulevard, Rhodes NSW [1]	Dec 2009	**80.9**	76.4	**8.00**	8.00	**9.25**	9.25	Jun 2011	76.4
32 Sargents Road, Minchinbury NSW [1,2]	Dec 2009	**23.5**	23.5	**8.75**	8.75	**9.50**	9.50	Jun 2011	23.5
33 Corporate Drive, Cannon Hill QLD [1,2]	Aug 2010	**16.0**	16.5	**9.00**	9.00	**9.75**	9.75	Jun 2011	16.5
340 Adelaide Street, Brisbane QLD [1,3]	Dec 2009	**–**	57.0	**–**	9.00	**–**	10.00	Dec 2010	56.0
38 Sydney Avenue, Forrest ACT	Jun 1996	**35.0**	35.1	**8.50**	8.50	**9.50**	9.50	Dec 2010	35.0
40 Miller Street, North Sydney NSW	Mar 1998	**103.6**	98.0	**7.25**	7.25	**9.25**	9.25	Jun 2012	103.6
47-67 Westgate Drive, Altona North VIC [1,2]	Dec 2009	**19.1**	19.1	**9.50**	9.75	**9.75**	10.00	Dec 2011	19.1
5 Rider Boulevard, Rhodes NSW [4]	Jan 2007	**123.3**	–	**7.63**	–	**9.13**	–	Mar 2011	117.6
52 Huntingwood Drive, Huntingwood NSW [1,2]	Dec 2009	**22.0**	22.0	**8.50**	8.50	**9.75**	9.75	Jun 2011	22.0
54 Marcus Clarke Street, Canberra ACT	Oct 1987	**15.9**	16.1	**9.50**	9.50	**9.75**	9.75	Dec 2010	15.8
54-60 Talavera Road, North Ryde NSW [1]	Aug 2010	**45.5**	45.5	**7.50**	7.50	**9.50**	9.50	Dec 2010	45.0
55 Coonara Avenue, West Pennant Hills NSW [1]	Aug 2010	**105.1**	102.6	**8.50**	8.50	**9.50**	9.50	Dec 2010	99.0
60 Marcus Clarke Street, Canberra ACT	Sep 1989	**49.6**	49.0	**8.75**	8.75	**9.50**	9.50	Jun 2011	49.0
64 Biloela Street, Villawood NSW [2]	Feb 2004	**19.1**	19.1	**10.50**	10.50	**10.75**	10.75	Jun 2011	19.1
Aviation House, 16 Furzer Street, Phillip ACT	Jul 2007	**68.3**	69.8	**7.75**	7.50	**9.50**	9.25	Jun 2012	68.3
Ballina Central, Ballina NSW [5]	Dec 2004	**–**	28.0	**–**	8.75	**–**	9.50	Jun 2011	28.0
Bay Centre, Pirrama Road, Pyrmont NSW	Jun 2001	**106.9**	111.0	**7.65**	7.50	**9.25**	9.25	Dec 2011	103.5
Broadway Shopping Centre, Broadway NSW (50% interest)	Jan 2007	**245.0**	227.5	**6.00**	6.25	**9.00**	9.00	Jun 2012	245.0
Cherrybrook Village Shopping Centre, Cherrybrook NSW [1]	Dec 2009	**80.0**	78.5	**7.50**	7.50	**9.50**	9.50	Jun 2011	78.5
City Centre Plaza, Rockhampton QLD [1]	Dec 2009	**48.7**	48.0	**8.00**	8.00	**9.75**	9.75	Jun 2011	48.0
Como Centre, Cnr Toorak & Chapel Streets, South Yarra VIC [6]	Aug 1998	**153.5**	125.0	**7.75-8.75**	8.00-8.75	**9.29-9.75**	9.30-10.00	Jun 2011	125.0
Cooleman Court, Weston ACT [1]	Dec 2009	**46.5**	43.0	**7.75**	7.75	**9.50**	9.50	Dec 2011	46.0
Gippsland Centre, Sale VIC	Jan 1994	**49.1**	50.3	**8.25**	8.25	**9.50**	9.50	Dec 2011	49.1
Hinkler Central, Bundaberg QLD	Aug 2003	**91.0**	89.5	**7.75**	7.75	**9.50**	9.50	Mar 2011	89.5
John Oxley Centre, 339 Coronation Drive, Milton QLD	May 2002	**56.0**	52.5	**9.00**	9.00	**10.00**	10.00	Mar 2011	52.5
Kawana Shoppingworld, Buddina QLD	Dec 1993 (50%) & Jun 1998 (50%)	**215.7**	203.7	**6.75**	6.75	**9.25**	9.25	Dec 2011	209.7
Logan Megacentre, Logan, QLD	Oct 2005	**55.5**	60.5	**9.75**	9.25	**10.50**	10.25	Dec 2010	61.5
Moonee Ponds Central (Stage II), Moonee Ponds VIC	Feb 2008	**40.0**	40.0	**8.50**	8.50	**9.75**	9.75	Jun 2012	40.0
Moonee Ponds Central, Moonee Ponds VIC	May 2003	**25.5**	24.0	**7.75**	7.75	**9.50**	9.50	Jun 2012	25.5
Nexus Industry Park (Building 1), Lyn Parade, Prestons NSW	Aug 2004	**18.3**	17.9	**8.13**	8.25	**9.50**	9.50	Jun 2011	17.9
Nexus Industry Park (Building 2), Lyn Parade, Prestons NSW	Aug 2004	**12.5**	12.3	**8.25**	8.50	**9.50**	9.75	Mar 2011	12.3
Nexus Industry Park (Building 3), Lyn Parade, Prestons NSW	Aug 2004	**23.7**	23.5	**8.13**	8.25	**9.50**	9.50	Jun 2011	23.5
Nexus Industry Park (Building 4), Lyn Parade, Prestons NSW [7]	Aug 2004	**33.5**	–	**8.00**	–	**9.50**	–	Jun 2012	33.5
Nexus Industry Park (Building 5), Lyn Parade, Prestons NSW	Aug 2004	**15.5**	14.8	**8.13**	8.50	**9.50**	9.75	Dec 2010	14.8
Orange City Centre, Orange NSW	Apr 1993	**48.0**	49.5	**8.50**	8.25	**10.00**	9.25	Dec 2011	49.0

16 INVESTMENT PROPERTIES / CONTINUED

	Date of acquisition	Book value 30 June 2012 $m	Book value 30 June 2011 $m	Capitalisation rate 30 June 2012 %	Capitalisation rate 30 June 2011 %	Discount rate 30 June 2012 %	Discount rate 30 June 2011 %	Date of last external valuation	Last external valuation $m
Orion Springfield Town Centre, Springfield QLD	Aug 2002	**124.0**	130.0	**6.75**	6.75	**9.25**	9.25	Dec 2010	136.0
Peninsula Lifestyle, Mornington VIC [5]	Dec 2003	**–**	44.0	**–**	9.75	**–**	10.25	Dec 2010	45.0
Quay West Car Park, 109-111 Harrington Street, Sydney NSW	Nov 1989	**29.5**	29.2	**8.50**	8.50	**10.00**	10.00	Jun 2011	29.2
Rhodes Shopping Centre, Rhodes NSW (50% interest)	Jan 2007	**115.0**	110.0	**7.00**	7.00	**9.25**	9.25	Jun 2011	110.0
Riverside Quay, Southbank VIC	Apr 2002 & Jul 2003	**192.1**	170.0	**7.75-8.00**	7.75-8.25	**9.25-10.00**	9.25-10.25	Dec 2011	176.0
Royal Domain Centre, 380 St Kilda Road, Melbourne VIC	Oct 1995 (50%) Apr 2001 (50%)	**110.0**	107.0	**8.00**	8.00	**9.00**	9.25	Jun 2011	107.0
Sirius Building, 23 Furzer Street, Phillip ACT	Feb 2010	**240.0**	234.9	**7.50**	7.25	**9.50**	9.25	Jun 2012	240.0
St Marys Village Centre, St Marys NSW	Jan 2003	**43.0**	43.0	**7.75**	7.75	**9.50**	9.50	Dec 2010	43.0
Stanhope Village, Stanhope Gardens NSW	Nov 2003	**73.8**	66.0	**7.50**	7.75	**9.25**	9.25	Dec 2011	70.5
Taree City Centre, Taree NSW [1,5]	Dec 2009	**–**	53.0	**–**	8.13	**–**	9.50	Jun 2011	53.0
Waverley Gardens Shopping Centre, Mulgrave VIC	Nov 2002	**132.0**	128.0	**7.75**	7.75	**9.50**	9.25	Dec 2011	131.5
Mirvac Limited and its controlled entities									
Forestry land	Mar 2004	**–**	58.7	**–**	–	**–**	–	Jun 2011	58.7
5 Rider Boulevard, Rhodes NSW [8]	Jan 2007	**–**	117.6	**–**	7.63	**–**	9.13	Mar 2011	117.6
Hoxton Distribution Park, Hoxton Park NSW (50% interest) [9]	Jul 2010	**91.7**	–	**7.50**	–	**9.25**	–	Jun 2012	99.6
Manning Mall, Taree NSW	Dec 2006	**33.0**	34.8	**8.50**	8.50	**9.50**	9.50	Dec 2011	34.8
Total investment properties		**5,454.3**	5,334.0						
IPUC									
4 Dalley Street & Laneway, Sydney NSW	Mar 2004	**2.2**	2.3	**6.75**	6.75	**9.25**	9.25	Dec 2011	–
8 Chifley Square, Sydney NSW [1,10]	Oct 2009	**–**	49.0	**–**	6.50	**–**	9.25	Dec 2010	36.5
Nexus Industry Park (Building 4), Lyn Parade, Prestons NSW [7]	Aug 2004	**–**	23.7	**–**	7.88	**–**	9.50	–	–
Orion Springfield land, Springfield QLD [11]	Aug 2002	**32.0**	33.0	**6.50-9.25**	6.50-9.25	**9.25-10.75**	9.25-10.75	Dec 2010	33.0
Total IPUC		**34.2**	108.0						
Total investment properties and IPUC		**5,488.5**	5,442.0						

1) Date of acquisition represents business combination acquisition date.
2) Investment property subject to conditional agreement for sale as at 30 June 2012.
3) Transfer of owner-occupied property to property, plant and equipment during the year.
4) Investment property acquired during the year.
5) Investment property disposed of during the year.
6) Internal valuation is based on the Como Centre including the hotel. The Group's book value of the Como Centre includes the hotel, as the hotel was reclassified from property, plant and equipment to investment property during the year.
7) IPUC completed during the year and held as investment property.
8) Investment property held by Mirvac Limited sold to MPT during the year.
9) Investment property previously held as inventory, completed and reclassified during the year.
10) 50 per cent of the entity holding IPUC sold during the year and remaining interest reclassified to joint ventures.
11) Movement during the year relates to partial land resumption by QLD Government.

a) Reconciliation of carrying amounts of investment properties

At fair value	Note	2012 $m	2011 $m
Balance 1 July		**5,442.0**	4,226.5
Additions		**109.4**	150.0
Disposals		**(126.2)**	–
Additions resulting from business combination		**–**	1,152.7
Net gain on fair value of investment properties and owner-occupied hotel management	39	**148.7**	111.5
Net loss on fair value of IPUC	39	**(15.8)**	(58.6)
Net gain/(loss) from foreign currency translation		**1.6**	(6.6)
Assets reclassified as held for sale or disposals		**–**	(111.4)
Sale of asset and transfer to equity accounted investments		**(49.0)**	–
Transfers from inventories		**97.3**	–
Transfers of owner-occupied property to property, plant and equipment		**(31.6)**	–
Deconsolidation of entity		**(58.7)**	–
Amortisation of fitout incentives, leasing costs and rent incentive		**(29.2)**	(22.1)
Balance 30 June		**5,488.5**	5,442.0

b) Amounts recognised in profit or loss for investment properties

Investment properties rental revenue	**558.7**	545.7
Investment properties expenses	**(126.6)**	(124.5)
	432.1	421.2

16 INVESTMENT PROPERTIES / CONTINUED

c) Valuation basis

i) Investment properties
Investment properties are carried at fair value. Valuation methods used to determine the fair value include market sales comparison, DCF and capitalisation rate ("CR"). The fair value for a property may be determined by using a combination of these and other valuation methods.

Market sales comparison: The sales comparison approach utilises recent sales of comparable properties, adjusted for any differences including the nature, location and lease profile, to indicate the fair value of a property. Where there is a lack of recent sales, activity adjustments are made from previous comparable sales to reflect changes in economic conditions.

DCF: DCF projections derived from contracted rents, market rents, operating costs, lease incentives, lease fees, capital expenditure and future income on vacant space are discounted at a rate to arrive at a value. The discount rate is a market assessment of the risk associated with the cash flows, and the nature, location and tenancy profile of the property relative to returns from alternative investments, CPI rates and liquidity risk. It is assumed that the property is sold at the end of the investment period at a terminal value. The terminal value is determined by using an appropriate terminal CR. Mirvac's terminal CR is in the range of an additional nil to 100 basis points above the respective property's CR.

CR: An assessment is made of fully leased net income based on contracted rents, market rents, operating costs and future income on vacant space. The adopted fully leased net income is capitalised in perpetuity from the valuation date at an appropriate CR. The CR reflects the nature, location and tenancy profile of the property together with current market investment criteria, as evidenced by current sales evidence. Various adjustments, including incentives, capital expenditure, and reversions to market rent, are made to arrive at the property value.

ii) IPUC
There are generally no active markets for IPUC; therefore, a lack of comparable transactions for IPUC usually requires the use of estimation models. The two main estimation models used to value IPUC are residual and DCF valuations. The residual method of determining the value of a property uses the estimated total cost of the development, including construction and associated expenditures, finance costs, and an allowance for developer's risk and profit is deducted from the end value of the completed project. The resultant figure is then adjusted back to the date of valuation to give the residual value.

d) Non-current assets pledged as security
Refer to note 20(b) for information on non-current assets pledged as security by the Group.

e) Property portfolio
Mirvac's property portfolio is made up as follows:

	Note	**2012 $m**	2011 $m
Investment properties per consolidated statement of financial position		**5,488.5**	5,442.0
Properties classified as assets held for sale	13	**–**	3.4
Owner-occupied hotel management lots classified as property, plant and equipment	17	**–**	58.3
Owner-occupied freehold hotels classified as property, plant and equipment	17	**–**	60.3
Owner-occupied administration properties classified as property, plant and equipment	17	**294.7**	218.0
		5,783.2	5,782.0

17 PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment $m	Owner-occupied hotel management lots $m	Owner-occupied freehold hotels $m	Owner-occupied properties $m	**Total $m**
2012					
Balance 1 July	22.7	58.3	60.3	218.0	**359.3**
Revaluation increment	–	–	1.4	27.2	**28.6**
Additions	8.2	–	–	–	**8.2**
Transfers (to)/from other assets	(1.9)	–	(39.3)	56.5	**15.3**
Disposals	(9.9)	(57.0)	(20.8)	–	**(87.7)**
Depreciation expenses[1]	(6.4)	(1.3)	(1.6)	(7.0)	**(16.3)**
Balance 30 June	**12.7**	**–**	**–**	**294.7**	**307.4**
2012					
Cost or fair value	41.3	–	–	322.0	363.3
Accumulated depreciation	(28.6)	–	–	(27.3)	(55.9)
Net book amount	**12.7**	**–**	**–**	**294.7**	**307.4**

17 PROPERTY, PLANT AND EQUIPMENT / CONTINUED

	Plant and equipment $m	Owner-occupied hotel management lots $m	Owner-occupied freehold hotels $m	Owner-occupied properties $m	**Total $m**
2011					
Balance 1 July					
Opening net book amount	23.2	59.3	61.5	211.2	355.2
Revaluation (decrement)/increment	–	(1.3)	0.7	12.1	11.5
Additions	4.9	2.6	0.3	–	7.8
Transfers from/(to) other assets	2.3	–	(0.2)	–	2.1
Assets classified as held for sale and other disposals	(0.7)	(0.6)	–	–	(1.3)
Exchange differences	(0.1)	(0.2)	–	–	(0.3)
Depreciation expenses[1]	(6.9)	(1.5)	(2.0)	(5.3)	(15.7)
Balance 30 June	22.7	58.3	60.3	218.0	359.3
2011					
Cost or fair value	76.9	67.5	71.2	238.3	453.9
Accumulated depreciation	(54.2)	(9.2)	(10.9)	(20.3)	(94.6)
Net book amount	22.7	58.3	60.3	218.0	359.3

1) Depreciation expenses for the year ended 30 June 2012 include $4.8m (2011: $5.5m) which was included in the results of the discontinued operations. Refer to note 13 for further information.

A reconciliation of the revaluation increment/(decrement) and the asset revaluation reserve is shown in note 25(d).

a) Valuations of owner-occupied properties

Owner-occupied properties are revalued by external valuers on a rotation basis with approximately one-half of the portfolio (including owner-occupied buildings) being valued annually. The basis of valuation of owner-occupied properties is fair value, being the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation basis is consistent with the approach taken for investment properties (refer to note 16(c)). Discount rates range from 9.00 to 10.00 per cent (2011: 9.00 to 10.00 per cent) and capitalisation rates range from 6.50 to 9.00 per cent (2011: 6.50 to 8.00 per cent). The revaluation increment net of applicable deferred income taxes was credited to the asset revaluation reserve in equity (refer to note 25(b)).

b) Historical cost of items carried at fair value

	Owner-occupied hotel management lots $m	Owner-occupied freehold hotels $m	Owner-occupied properties $m
2012			
Balance 30 June 2012	**–**	**–**	**242.7**
2011			
Balance 30 June 2011	49.5	80.3	198.6

18 INTANGIBLE ASSETS

	Management rights $m	Goodwill $m	Other intangible assets $m	**Total $m**
2012				
Balance 1 July	3.2	69.4	2.1	**74.7**
Disposal of controlled entity	(0.6)	(6.3)	(2.1)	**(9.0)**
Balance 30 June	**2.6**	**63.1**	**–**	**65.7**
2011				
Balance 1 July	10.5	44.4	–	54.9
Acquisition of controlled entities	–	26.7	–	26.7
Acquisition of brands	–	–	2.1	2.1
Disposal of controlled entity	(7.3)	(1.7)	–	(9.0)
Balance 30 June	3.2	69.4	2.1	74.7

18 INTANGIBLE ASSETS / CONTINUED

a) Allocation of intangible assets by operating segment
A segment level summary of the intangible asset allocations is presented below:

	Investment $m	Hotel Management $m	Investment Management $m	**Total $m**
2012				
Management rights – indefinite life[1]	–	–	2.6	**2.6**
Goodwill	63.1	–	–	**63.1**
Balance 30 June 2012	**63.1**	**–**	**2.6**	**65.7**
2011				
Management rights – indefinite life[1]	–	–	3.2	3.2
Goodwill	63.1	6.3	–	69.4
Other intangible assets	–	2.1	–	2.1
Balance 30 June 2011	63.1	8.4	3.2	74.7

1) Management rights are primarily held in relation to funds established or rights established by entities acquired by Mirvac. These funds are considered to be open-ended and therefore have no expiry. The Group also holds strategic stakes in these funds in order to protect its interests.

b) Key assumptions used for value in use calculations for goodwill and other intangible assets
The recoverable amount of CGUs is determined using the higher of fair value less cost to sell, and their value in use. The value in use calculation is based on financial budgets and forecasts approved by management covering a five year period. For the Hotel Management and Investment Management CGUs, cash flows beyond the five year period are extrapolated using the estimated growth rates stated below. For the Investment CGU, no forecast growth rate is assumed as the value in use calculations are based on forecast cash flows from existing projects and investment properties. The growth rate has been adjusted to reflect current market conditions and does not exceed the long term average growth rate for the business in which the CGU operates. The discount rates used are post-tax and reflect specific risks relating to the relevant segments and the countries in which they operate. A terminal growth rate of three per cent has also been applied.

CGU	**Growth rate[1] 2012 % pa**	**Discount rate 2012 % pa**	Growth rate[1] 2011 % pa	Discount rate 2011 % pa
Investment	**–**[2]	**9.5**	–[2]	10.0
Hotel Management	**–**	**–**	3.0	13.0
Investment Management	**1.0**	**13.0**	1.0	13.0

1) Weighted average growth rate used to extrapolate cash flows beyond the budget period.
2) The value in use calculation is based on financial budgets and forecasts approved by management covering a five year period. No forecast growth rate is assumed as the value in use calculations are based on forecast cash flows from existing projects and investment properties.

The recoverable amount of intangible assets exceeds the carrying value at 30 June 2012. Management considers that for the carrying value to exceed the recoverable amount, there would have to be unreasonable changes to key assumptions. Management considers the chances of these changes occurring as unlikely.

c) Impairment of goodwill
There was no impairment of goodwill (2011: $nil).

d) Impairment of intangible assets
There was no impairment of management rights or brands (2011: $nil). Management rights are primarily held in relation to funds established or rights established by entities acquired by Mirvac. These funds are considered to be open-ended and therefore have no expiry.

19 PAYABLES

	2012 $m	2011 $m
Current		
Trade payables	**32.6**	43.4
Employee benefits	**10.2**	15.2
Deferred revenue[1]	**111.1**	22.7
Accruals	**157.3**	124.4
Deferred payment for land	**27.9**	201.5
Other creditors	**33.3**	59.8
Amounts due to related parties	**–**	2.2
	372.4	469.2
Non-current		
Deferred payment for land	**35.5**	–
Other creditors	**10.6**	5.9
	46.1	5.9

1) Deferred revenue includes payment received in respect of development contracts that do not meet the requirements to be accounted for as construction contracts.

20 BORROWINGS

	Note	**2012 $m**	2011 $m
Current			
Unsecured			
Bank loans	20(a)(i)	**–**	47.5
Secured			
Bank loans	20(a)(iii)	**–**	28.0
Commercial mortgage backed securities ("CMBS")	20(a)(iv)	**–**	505.0
Lease liabilities	20(a)(v)	**2.9**	2.6
		2.9	583.1
Non-current			
Unsecured			
Bank loans	20(a)(i)	**1,012.9**	1,359.9
Domestic medium term note ("MTN")	20(a)(ii)	**425.0**	425.0
Foreign MTN	20(a)(vi)	**378.0**	359.2
Secured			
Lease liabilities	20(a)(v)	**6.2**	9.1
		1,822.1	2,153.2

a) Borrowings

i) Unsecured bank loans

Mirvac has unsecured bank facilities totalling $1,740.0m (2011: $1,927.5m). The facility contains three tranches: a $530.0m tranche maturing in January 2014, a $530.0m tranche maturing in January 2015 and a $530.0m tranche maturing in January 2016. There is also a bilateral bank facility of $150.0m (2011: $150.0m) maturing in November 2014. Subject to compliance with the terms, each of these bank loan facilities may be drawn at any time.

ii) Domestic MTN

Mirvac has a total of $425.0m (2011: $425.0m) of domestic MTN outstanding: $200.0m maturing in March 2015 and $225.0m maturing in September 2016. Interest is payable either quarterly or semi-annually in arrears in accordance with the terms of the notes.

iii) Secured bank loans

No controlled entities have secured bank facilities (2011: $28.0m).

iv) CMBS

The CMBS facility acquired as part of the acquisition of WOP was repaid during the year from cash on hand (2011: $505.0m).

v) Lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

vi) Foreign MTN

Mirvac has a US Private Placement issue made up of US$275.0m maturing in November 2016 and US$100.0m maturing in November 2018. An additional $10.0m maturing in November 2016 was also issued in conjunction with this placement. Interest is payable semi-annually in arrears for all notes. The notes were issued with fixed and floating rate coupons payable in US dollars and swapped back to Australian dollar floating rate coupons through cross currency principal and interest rate swaps.

b) Assets pledged as security

A controlled entity has debt facilities secured by real property mortgages and a fixed and floating charge. The carrying amounts of assets pledged as security for current and non-current borrowings are as follows:

	Note	**2012 $m**	2011 $m
First ranking real property mortgage			
Investment properties	16	**–**	58.7
Total assets pledged as security		**–**	58.7

c) Financing arrangements

	2012	2011
Total facilities		
Unsecured bank loans	**1,740.0**	1,927.5
Domestic MTN	**425.0**	425.0
Secured bank loans	**–**	28.0
CMBS	**–**	505.0
Foreign MTN	**378.0**	359.2
	2,543.0	3,244.7

20 BORROWINGS / CONTINUED

	2012 $m	2011 $m
Used at end of the reporting period		
Unsecured bank loans	**1,012.9**	1,407.4
Domestic MTN	**425.0**	425.0
Secured bank loans	**–**	28.0
CMBS	**–**	505.0
Foreign MTN	**378.0**	359.2
	1,815.9	2,724.6
Unused at end of the reporting period		
Unsecured bank loans	**727.1**	520.1
Domestic MTN	**–**	–
Secured bank loans	**–**	–
CMBS	**–**	–
Foreign MTN	**–**	–
	727.1	520.1

d) Fair value

	Note	Carrying amount 2012 $m	Carrying amount 2011 $m	Fair value 2012 $m	Fair value 2011 $m
Included in consolidated statement of financial position					
Non-traded financial liabilities					
Unsecured bank loans		**1,012.9**	1,407.4	**1,012.9**	1,407.4
Domestic MTN		**425.0**	425.0	**425.0**	425.0
Secured bank loans		**–**	28.0	**–**	28.0
CMBS		**–**	505.0	**–**	505.0
Foreign MTN		**378.0**	359.2	**378.0**	359.2
Lease liabilities		**9.1**	11.7	**9.1**	11.7
Not included in consolidated statement of financial position					
Contingent liabilities	32	**106.1**	84.2	**106.1**	84.2
		1,931.1	2,820.5	**1,931.1**	2,820.5

None of the classes above is readily traded on organised markets in standardised form.

i) Included in consolidated statement of financial position
The fair value for borrowings less than 12 months to maturity is deemed to equal the carrying amounts. All other borrowings are discounted if the effect of discounting is material. The fair value of borrowings is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

ii) Not included in consolidated statement of financial position
The Group has potential financial liabilities which may arise from certain contingent liabilities as disclosed in note 32. No material losses are anticipated in respect of those contingent liabilities and the fair value disclosed is the estimated amount which would be payable by Mirvac as consideration for the assumption of those contingent liabilities by another party.

21 DERIVATIVE FINANCIAL LIABILITIES

	2012 $m	2011 $m
Current		
Interest rate swap contracts — fair value	**15.0**	1.4
Interest rate collar contracts — fair value	**–**	0.3
	15.0	1.7
Non-current		
Interest rate swap contracts — fair value	**99.5**	32.2
Cross currency derivatives — fair value	**71.1**	109.9
	170.6	142.1

a) Instruments used by Mirvac
Refer to note 37 for information on instruments used by Mirvac.

b) Interest rate and foreign currency risk exposures
Refer to note 37 for Mirvac's exposure to interest rate and foreign currency risk on cross currency swaps.

22 PROVISIONS

	2012 $m	2011 $m
Current		
Employee benefits – LSL	**7.8**	7.5
Dividends/distributions payable	**82.0**	75.5
	89.8	83.0
Non-current		
Asset retirement obligations	**0.6**	0.9
Employee benefits – LSL	**3.0**	3.8
	3.6	4.7

Movements in each class of provision during the year, other than employee benefits, are set out below:

	2012 $m	2011 $m
Dividends/distributions payable[1]		
Balance 1 July	**75.5**	65.6
Interim and final dividends/distributions	**287.0**	280.7
Payments made	**(280.5)**	(270.8)
Balance 30 June	**82.0**	75.5
Asset retirement obligations[2]		
Balance 1 July	**0.9**	2.0
Provision release	**(0.3)**	(1.1)
Balance 30 June	**0.6**	0.9

1) The amounts reported in the provision include dividends/distributions paid/payable to securityholders of the Group and NCI.
2) The asset retirement obligations relate to obligations under lease agreements for office space on expiry of the lease, to return the space to its condition at the commencement of the lease.

23 OTHER LIABILITIES

	2012 $m	2011 $m
Monies held in trust	**0.5**	2.5

24 CONTRIBUTED EQUITY

a) Paid up equity

Consolidated	2012 Securities m	2011 Securities m	2012 $m	2011 $m
Mirvac Limited – ordinary shares issued	**3,412.0**	3,409.3	**1,249.8**	1,248.1
Mirvac Property Trust – ordinary units issued	**3,412.0**	3,409.3	**5,084.9**	5,079.3
Total contributed equity			**6,334.7**	6,327.4

b) Movements in paid up equity

Movements in paid up equity of Mirvac for the year ended 30 June 2012 were as follows:

	Issue date	Issue price $	Note	m	Securities $m
Balance 1 July 2011				3,409.3	6,327.4
EEP securities issued	22 March 2012	1.22	24(c)	1.3	1.5
LTIP, LTI and EIS securities converted, sold or forfeited				1.4	5.8
Balance 30 June 2012				**3,412.0**	**6,334.7**
Balance 1 July 2010				3,254.8	6,098.8
Acquisition of WOP	4 August 2010	1.37	24(d)	149.0	204.1
EEP securities issued	24 March 2011	1.22	24(c)	1.1	6.8
LTI and EIS securities converted, sold or forfeited			24(c)	4.4	17.8
Less: Transaction costs arising on issues of securities				–	(0.1)
Balance 30 June 2011				3,409.3	6,327.4

Ordinary securities

All ordinary securities were fully paid at 30 June 2012. Ordinary securities entitle the holder to participate in dividends/distributions and the proceeds on winding up of Mirvac in proportion to the number of and amount paid on the securities held. On a show of hands, every holder of ordinary securities present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each security is entitled to one vote.

24 CONTRIBUTED EQUITY / CONTINUED

c) LTI, EIS and EEP issues

i) Current LTI plan
At 30 June 2012, 33.4m (2011: 29.1m) performance rights and 0.3m (2011: 5.6m) options were issued to participants under the plan. The number of issued rights and options are net of adjustments due to forfeiture of rights and options as a result of termination of employment. During the year, 0.1m performance rights (2011: 0.5m) and no options (2011: 0.7m) vested.

ii) EEP
At 30 June 2012, 5.0m (2011: 3.7m) stapled securities have been issued to employees under the EEP.

iii) Superseded LTI and EIS plans
During the year, no securities were issued to employees of Mirvac Limited and its controlled entities under the superseded LTI plan and EIS (2011: nil). The total number of stapled securities issued to employees under the superseded LTI and EIS at 30 June 2012 was 6.2m (2011: 7.6m). The market price per ordinary stapled security at 30 June 2012 was $1.28 (2011: $1.25). Securities issued as part of the superseded LTI plan and EIS are not classified as ordinary securities, until such time as the vesting conditions are satisfied, employee loans are fully repaid or the employee leaves Mirvac.

d) Acquisition of WOP
In the previous year, as part of the acquisition of WOP the Group issued 149.0m securities at $1.37 per security, to the unitholders of WOP who opted to receive a scrip component.

e) Reconciliation of securities issued on the ASX
Under AAS, securities issued under the Mirvac employee LTI plans are required to be accounted for as an option and are excluded from total issued equity, until such time as the relevant employee loans are fully repaid or the employee leaves +the Group. Total ordinary securities issued as detailed above is reconciled to securities issued on the ASX as follows:

	2012 Securities m	2011 Securities m
Total ordinary securities disclosed	**3,412.0**	3,409.3
Securities issued under LTI plan and EIS	**6.2**	7.6
Total securities issued on the ASX	**3,418.2**	3,416.9

f) Employee share scheme
Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 35.

g) Capital risk management
Refer to note 37 for details of Mirvac's capital risk management.

25 RESERVES

a) Reserves

	2012 $m	2011 $m
Asset revaluation reserve	**51.0**	121.6
Capital reserve	**(0.2)**	(0.2)
Foreign currency translation reserve	**(11.0)**	(14.8)
Security based payment reserve	**16.8**	11.7
NCI reserve	**7.6**	7.6
	64.2	125.9

b) Movement in reserves

	Note	**2012 $m**	2011 $m
Asset revaluation reserve			
Balance 1 July		**121.6**	86.2
Increment on revaluation of owner-occupied properties		**20.1**	11.2
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	25(d)	**8.3**	24.1
Deferred tax	6	**–**	0.1
Transfers due to deconsolidation of disposal group		**(99.0)**	–
Balance 30 June		**51.0**	121.6
Capital reserve			
Balance 1 July		**(0.2)**	(0.2)
Balance 30 June		**(0.2)**	(0.2)

25 RESERVES / CONTINUED

	Note	2012 $m	2011 $m
Foreign currency translation reserve			
Balance 1 July		**(14.8)**	(0.7)
Increase/(decrease) in reserve due to translation of foreign operations		**4.0**	(14.3)
Deferred tax	6	**(1.0)**	0.2
Transfers due to deconsolidation of disposal group		**0.8**	–
Balance 30 June		**(11.0)**	(14.8)
Security based payment reserve			
Balance 1 July		**11.7**	21.4
Expense relating to security based payments		**4.4**	(9.7)
Deferred tax	6	**0.7**	–
Balance 30 June		**16.8**	11.7
NCI reserve			
Balance 1 July		**7.6**	7.6
Balance 30 June		**7.6**	7.6

c) Nature and purpose of reserves

i) Asset revaluation reserve
The asset revaluation reserve is used to record increments and decrements on the revaluation of owner-occupied assets. However, any decrement in excess of previous increments is expensed to profit or loss.

ii) Capital reserve
The capital reserve was prior to the introduction of IFRS, used to record the net revaluation increment or decrement on disposal of investment properties. The balance of the reserve may be transferred to retained earnings and used to satisfy distributions to securityholders.

iii) Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entities of Mirvac Limited are taken to the foreign currency translation reserve, as described in note 1(e).

iv) Security based payment reserve
The security based payment reserve is used to recognise the fair value of securities issued under LTI plans, securities issued under the EEP and any deficit resulting from the sale of securities under LTI plans.

v) NCI reserve
Transactions with NCI that do not result in a loss of control are accounted through equity. The NCI reserve is used to record the difference between the fair value of the NCI acquired or disposed and any consideration paid/received.

d) Reconciliation of movements between property, plant and equipment to asset revaluation reserve

	Note	2012 $m	2011 $m
Revaluation increment within property, plant and equipment	17	**(28.6)**	(11.5)
Items adjusted to consolidated statement of comprehensive income			
Items relating to owner-occupied buildings including fitout and lease amortisation		**8.5**	0.3
Balance transferred to asset revaluation reserve		**(20.1)**	(11.2)
Items adjusted directly to reserves			
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	30(c)	**(8.3)**	(24.1)
Transfers out to retained earnings		**99.0**	–
Tax adjustments		**–**	(0.1)
Movement in asset revaluation reserve	25(b)	**70.6**	(35.4)

26 RETAINED EARNINGS

	Note	2012 $m	2011 $m
Balance 1 July		**(870.1)**	(768.7)
Profit for the year attributable to the stapled securityholders of Mirvac		**416.1**	182.3
Items in other comprehensive income recognised directly in retained earnings			
– Movement in security based compensation		**(1.3)**	(3.6)
– Deconsolidation of entity		**(0.1)**	–
– Transfers in from asset revaluation reserve		**99.0**	–
– Transfers out to foreign currency translation reserve		**(0.8)**	–
Dividends/distributions provided for or paid	28	**(287.0)**	(280.1)
Balance 30 June		**(644.2)**	(870.1)

27 NCI

Interest in:	2012 $m	2011 $m
Contributed equity	–	10.0
Retained earnings	–	2.5
	–	12.5

28 DIVIDENDS/DISTRIBUTIONS

Ordinary stapled securities	2012 $m	2011 $m
Quarterly ordinary distributions paid as follows:		
2.00 cents per stapled security paid on 28 October 2011 (unfranked distribution)	**68.3**	
2.00 cents per stapled security paid on 29 October 2010 (unfranked distribution)		68.3
2.00 cents per stapled security paid on 27 January 2012 (unfranked distribution)	**68.3**	
2.00 cents per stapled security paid on 28 January 2011 (unfranked distribution)		68.3
2.00 cents per stapled security paid on 27 April 2012 (unfranked distribution)	**68.4**	
2.00 cents per stapled security paid on 29 April 2011 (unfranked distribution)		68.3
2.40 cents per stapled security paid on 27 July 2012 (unfranked distribution)	**82.0**	
2.20 cents per stapled security paid on 29 July 2011 (unfranked distribution)		75.2
Total dividend/distribution 8.40 cents (2011: 8.20 cents) per stapled security	**287.0**	280.1

There was no dividend/distribution reinvestment plan in place for either year; all dividends/distributions were satisfied in cash. Franking credits available for subsequent years based on a tax rate of 30 per cent total $9.3m (2011: $7.4m on a tax rate of 30 per cent).

29 CONTROLLED ENTITIES AND DEED OF CROSS GUARANTEE

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note 1(c):

a) Interests in controlled entities of Mirvac

	Country of establishment/ incorporation	Class of units/shares	Equity holding 2012 %	Equity holding 2011 %
Name of entity				
107 Mount Street Head Trust	Australia	Units	**100**	100
107 Mount Street Sub Trust	Australia	Units	**100**	100
197 Salmon Street Pty Limited[1]	Australia	Ordinary	**100**	100
A.C.N. 087 773 859 Pty Limited[1]	Australia	Ordinary	**100**	100
A.C.N. 110 698 603 Pty Limited[1]	Australia	Ordinary	**100**	100
A.C.N. 150 521 583 Pty Limited[1]	Australia	Ordinary	**100**	100
A.C.N. 151 466 241 Pty Limited	Australia	Ordinary	**100**	100
Australian Sustainable Forestry Investors 1[2]	Australia	Units	**–**	35
Australian Sustainable Forestry Investors 2[2]	Australia	Units	**–**	35
Banksia Unit Trust	Australia	Units	**100**	100
CN Collins Pty Limited[1]	Australia	Ordinary	**100**	100
Domaine Investments Management Pty Limited	Australia	Ordinary	**50**	50
Fast Track Bromelton Pty Limited[1]	Australia	Ordinary	**100**	100
Ford Mirvac Unit Trust	Australia	Units	**100**	100
Fyfe Road Pty Limited[1]	Australia	Ordinary	**100**	100
Gainsborough Greens Pty Limited[1]	Australia	Ordinary	**100**	100
Hexham Project Pty Limited[1]	Australia	Ordinary	**100**	100
HIR Boardwalk Tavern Pty Limited[1]	Australia	Ordinary	**100**	100
HIR Golf Club Pty Limited[1]	Australia	Ordinary	**100**	100
HIR Golf Course Pty Limited[1]	Australia	Ordinary	**100**	100
HIR Property Management Holdings Pty Limited[1]	Australia	Ordinary	**100**	100
HIR Tavern Freehold Pty Limited[1]	Australia	Ordinary	**100**	100
Hoxton Park Airport Limited[3]	Australia	Ordinary	**100**	100
HPAL Holdings Pty Limited[3]	Australia	Ordinary	**100**	100
Industrial Commercial Property Solutions (Constructions) Pty Limited[1]	Australia	Ordinary	**100**	100
Industrial Commercial Property Solutions (Finance) Pty Limited[1]	Australia	Ordinary	**100**	100
Industrial Commercial Property Solutions (Holdings) Pty Limited[1]	Australia	Ordinary	**100**	100
Industrial Commercial Property Solutions (Queensland) Pty Limited[1]	Australia	Ordinary	**100**	100
Industrial Commercial Property Solutions Pty Limited[1]	Australia	Ordinary	**100**	100
JF ASIF Pty Limited[1]	Australia	Ordinary	**100**	100
Magenta Shores Finance Pty Limited[1]	Australia	Ordinary	**100**	100

29 CONTROLLED ENTITIES AND DEED OF CROSS GUARANTEE / CONTINUED

	Country of establishment/ incorporation	Class of units/shares	Equity holding 2012 %	2011 %
Magenta Shores Unit Trust	Australia	Units	**100**	100
Magenta Unit Trust	Australia	Units	**100**	100
MFM US Real Estate Inc	United States	Ordinary	**100**	100
MGR US Real Estate Inc	United States	Ordinary	**100**	100
Mirvac (Beacon Cove) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac (Docklands) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac (Old Treasury) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac (Old Treasury Development Manager) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac (Old Treasury Hotel) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac (Old Treasury) Trust [4]	Australia	Units	**100**	–
Mirvac (WA) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac (Walsh Bay) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac 8 Chifley Pty Limited [1,6]	Australia	Ordinary	**50**	100
Mirvac Advisory Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Aero Company Pty Ltd [1]	Australia	Ordinary	**100**	100
Mirvac Capital Investments Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Capital Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Commercial Funding Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Commercial Sub SPV Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Constructions (Homes) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Constructions (QLD) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Constructions (SA) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Constructions (VIC) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Constructions (WA) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Constructions Pty Ltd [1]	Australia	Ordinary	**100**	100
Mirvac Design Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Developments NZ Limited	New Zealand	Ordinary	**100**	100
Mirvac Developments Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Doncaster Pty Ltd [1]	Australia	Ordinary	**100**	100
Mirvac Elderslie Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac ESAT Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Finance Limited [1]	Australia	Ordinary	**100**	100
Mirvac Funds Limited [3]	Australia	Ordinary	**100**	100
Mirvac Funds Management Limited [3]	Australia	Ordinary	**100**	100
Mirvac George Street Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Group Finance Limited [1]	Australia	Ordinary	**100**	100
Mirvac Group Funding Limited [1]	Australia	Ordinary	**100**	100
Mirvac Group Funding No.2 Ltd [1]	Australia	Ordinary	**100**	100
Mirvac Group Funding No.3 Pty Ltd [1]	Australia	Ordinary	**100**	100
Mirvac Harbourtown Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Harold Park Pty Ltd [1]	Australia	Ordinary	**100**	100
Mirvac Harold Park Trust	Australia	Units	**100**	100
Mirvac Holdings (WA) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Holdings Limited [1]	Australia	Ordinary	**100**	100
Mirvac Home Builders (VIC) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Homes (NSW) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Homes (QLD) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Homes (SA) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Homes (VIC) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Homes (WA) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Hotel Services Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Hotels Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac ID (Bromelton) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac ID (Bromelton) Sponsor Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Industrial Developments Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac International (Middle East) No. 2 Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac International (Middle East) No. 3 Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac International (Middle East) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac International Investments Limited [1]	Australia	Ordinary	**100**	100
Mirvac International No. 3 Pty Limited [1]	Australia	Ordinary	**100**	100

29 CONTROLLED ENTITIES AND DEED OF CROSS GUARANTEE / CONTINUED

	Country of establishment/ incorporation	Class of units/shares	Equity holding 2012 %	2011 %
Mirvac International Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac JV's Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Management Limited [5]	Australia	Ordinary	**–**	100
Mirvac Mandurah Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac National Developments Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Newcastle Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Pacific Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Parking Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Parklea Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Precinct 2 Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Projects No. 2 Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Projects Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Properties Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Property Advisory Services Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Property Services Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Queensland Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Real Estate Debt Funds Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Real Estate Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac REIT Management Limited [3]	Australia	Ordinary	**100**	100
Mirvac Reserve Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Retail Head SPV Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Retail Sub SPV Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Rockbank Pty Ltd [1]	Australia	Ordinary	**100**	100
Mirvac Services Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac South Australia Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Spare Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Spring Farm Limited [1]	Australia	Ordinary	**100**	100
Mirvac Treasury Limited [1]	Australia	Ordinary	**100**	100
Mirvac Treasury No. 3 Limited [1]	Australia	Ordinary	**100**	100
Mirvac UK Limited	United Kingdom	Ordinary	**100**	100
Mirvac UK Services Limited	United Kingdom	Ordinary	**100**	100
Mirvac Victoria Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Wholesale Funds Management Limited [1]	Australia	Ordinary	**100**	100
Mirvac Wholesale Industrial Developments Limited [1]	Australia	Ordinary	**100**	100
Mirvac Woolloomooloo Pty Limited [1]	Australia	Ordinary	**100**	100
MRV Hillsdale Pty Limited [1]	Australia	Ordinary	**100**	100
MWID (Brendale) Pty Limited [1]	Australia	Ordinary	**100**	100
MWID (Brendale) Unit Trust	Australia	Units	**100**	100
MWID (Mackay) Pty Limited [1]	Australia	Ordinary	**100**	100
Newington Homes Pty Limited [1]	Australia	Ordinary	**100**	100
Oakstand No. 15 Hercules Street Pty Limited [1]	Australia	Ordinary	**100**	100
Pigface Unit Trust	Australia	Units	**100**	100
Planned Retirement Living Pty Limited [1]	Australia	Ordinary	**100**	100
Spring Farm Finance Pty Limited [1]	Australia	Ordinary	**100**	100
Springfield Development Company Pty Limited [1]	Australia	Ordinary	**100**	100
SPV Magenta Pty Limited [1]	Australia	Ordinary	**100**	100
Taree Shopping Centre Pty Ltd	Australia	Ordinary	**100**	100
TMT Finance Pty Ltd [1]	Australia	Ordinary	**100**	100
b) Interests in controlled entities of MPT				
10-20 Bond Street Trust	Australia	Units	**100**	100
1900-2000 Pratt Inc.	USA	Ordinary	**100**	100
197 Salmon Street Trust	Australia	Units	**100**	100
380 St Kilda Road Trust	Australia	Units	**100**	100
Australian Sustainable Forestry Investors 1 [2]	Australia	Units	**–**	25
Australian Sustainable Forestry Investors 2 [2]	Australia	Units	**–**	25
Bedford Park Office Trust	Australia	Units	**100**	100
Cannon Hill Office Trust	Australia	Units	**100**	100
Davey Financial Management Birkdale Fair Trust	Australia	Units	**100**	100
Davey Financial Management Pender Place Shopping Centre Trust	Australia	Units	**100**	100
James Fielding Retail Property Sub Trust	Australia	Units	**100**	100

29 CONTROLLED ENTITIES AND DEED OF CROSS GUARANTEE / CONTINUED

	Country of establishment/ incorporation	Class of units/shares	Equity holding 2012 %	2011 %
James Fielding Trust	Australia	Units	**100**	100
JF Infrastructure – Sustainable Equity Fund	Australia	Units	**100**	100
JF Property Trust	Australia	Units	**100**	100
JFIF New South Wales Trust	Australia	Units	**100**	100
JFIF Victorian Trust	Australia	Units	**100**	100
JFM Hotel Trust	Australia	Units	**100**	100
Lanyon Marketplace Trust	Australia	Units	**100**	100
Meridian Investment Trust No. 1	Australia	Units	**100**	100
Meridian Investment Trust No. 2	Australia	Units	**100**	100
Meridian Investment Trust No. 3	Australia	Units	**100**	100
Meridian Investment Trust No. 4	Australia	Units	**100**	100
Meridian Investment Trust No. 5	Australia	Units	**100**	100
Meridian Investment Trust No. 6	Australia	Units	**100**	100
Mirvac 8 Chifley Trust [6]	Australia	Units	**50**	100
Mirvac Broadway Sub-Trust	Australia	Units	**100**	100
Mirvac Commercial Trust	Australia	Units	**100**	100
Mirvac Commercial No. 1 Sub-Trust	Australia	Units	**100**	100
Mirvac Funds Finance Pty Limited	Australia	Ordinary	**100**	100
Mirvac Funds Loan Note Pty Limited	Australia	Ordinary	**100**	100
Mirvac Glasshouse Sub-Trust	Australia	Units	**100**	100
Mirvac Group Funding No.2 Limited	Australia	Ordinary	**100**	100
Mirvac Group Funding No.3 Pty Limited	Australia	Ordinary	**100**	100
Mirvac Industrial Fund	Australia	Units	**100**	100
Mirvac Lake Haven Sub-Trust	Australia	Units	**100**	100
Mirvac Office Trust	Australia	Units	**100**	100
Mirvac Property Trust No. 2	Australia	Units	**100**	100
Mirvac Real Estate Investment Trust	Australia	Units	**100**	100
Mirvac Retail Fund	Australia	Units	**100**	100
Mirvac Retail Head Trust	Australia	Units	**100**	100
Mirvac Retail Sub-Trust No.1 [4]	Australia	Units	**100**	–
Mirvac Rhodes Sub-Trust	Australia	Units	**100**	100
Mt Sheridan Plaza Trust	Australia	Units	**100**	100
North Ryde Office Trust	Australia	Units	**100**	100
Old Wallgrove Road Trust	Australia	Units	**100**	100
Peninsula Homemaker Centre Trust	Australia	Units	**100**	100
Pennant Hills Office Trust	Australia	Units	**100**	100
Property Performance Fund No. 3	Australia	Units	**100**	100
Property Performance Fund No. 4	Australia	Units	**100**	100
Property Performance Fund No. 5	Australia	Units	**100**	100
Springfield Regional Shopping Centre Trust	Australia	Units	**100**	100
The George Street Trust	Australia	Units	**100**	100
The Mulgrave Trust	Australia	Units	**100**	100
Uni No. 1 Office Trust	Australia	Units	**100**	100
WOT CMBS Pty Ltd	Australia	Ordinary	**100**	100
WOT Holding Trust	Australia	Units	**100**	100
WOT Loan Note Pty Ltd	Australia	Ordinary	**100**	100
WOW Office Trust	Australia	Units	**100**	100

1) These subsidiaries have been granted relief as at 30 June 2012 from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by ASIC.
2) The addition of Mirvac Limited's and MPT's interest in these entities in FY11 is greater than 50 per cent. The Group now equity accounts this investment as an associate even though it owns more than 50 per cent of the voting power due to the fact that unanimous approval is required in respect of the operations of the entity.
3) These entities are included in the deed of cross guarantee; however, they are still required to lodge separate financial statements.
4) These entities were registered during the year ended 30 June 2012.
5) This entity was sold during the year ended 30 June 2012 as part of the sale of the Hotel Management business.
6) During the year ended 30 June 2012, 50 per cent of the entity was sold and it is currently equity accounted as a joint venture.

29 CONTROLLED ENTITIES AND DEED OF CROSS GUARANTEE / CONTINUED

c) Entities subject to class order

Certain wholly owned companies incorporated in Australia are permitted to be parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned companies can be relieved from the requirements among other things to prepare a financial report and directors' report under class order 98/1418 (as amended) issued by ASIC. The entities included at 30 June 2012 are listed in note 29(a). Companies identified in note 29(a) above as being included in the class order, are a "closed group" for the purpose of the class order, and as there are no other parties to the deed of cross guarantee that are controlled by the parent entity, they also represent the "extended closed group". As a condition of the class order, the companies have entered into a deed of cross guarantee. The effect of the deed is that Mirvac Limited has guaranteed to pay any deficiency in the event of winding up of a company in the closed group. The companies in the closed group also have given a similar guarantee in the event that Mirvac Limited is wound up. The consolidated statement of comprehensive income, a summary of movement in consolidated retained earnings and the consolidated statement of financial position for the year ended 30 June 2012 of the entities which are members of the closed group are as follows:

Consolidated statement of comprehensive income	2012 $m	2011 $m
Revenue from continuing operations		
Investment properties rental revenue	**10.5**	18.6
Hotel operating revenue	**0.2**	–
Investment management fee revenue	**33.6**	33.5
Development and construction revenue	**901.5**	989.4
Development management fee revenue	**20.1**	25.8
Interest revenue	**11.7**	19.0
Other revenue	**13.7**	18.3
Total revenue from continuing operations	**991.3**	1,104.6
Other income		
Net gain on fair value of investment properties and owner-occupied hotel management lots and freehold hotels	**0.7**	10.4
Share of net profit of associates and joint ventures accounted for using the equity method	**0.7**	7.8
Gain on financial instruments	**38.8**	10.0
Foreign exchange gain	**–**	121.5
Net gain on sale of investments	**–**	2.5
Total other income	**40.2**	152.2
Total revenue from continuing operations and other income	**1,031.5**	1,256.8
Net loss on sale of property, plant and equipment	**0.4**	0.3
Foreign exchange loss	**21.6**	–
Investment properties expenses	**3.3**	6.5
Hotel operating expenses	**1.7**	2.8
Cost of property development and construction	**789.7**	877.2
Employee benefits expenses	**93.3**	94.7
Depreciation and amortisation expenses	**4.2**	5.8
Impairment of loans	**11.7**	7.6
Finance costs	**103.1**	89.6
Loss on financial instruments	**61.8**	116.3
Selling and marketing expenses	**23.7**	26.2
Provision for loss on inventories	**25.0**	234.2
Business combination transaction costs	**–**	15.0
Other expenses	**54.2**	57.6
Loss from continuing operations before income tax	**(162.2)**	(277.0)
Income tax benefit	**68.0**	86.8
Loss from continuing operations	**(94.2)**	(190.2)
Profit from discontinued operations	**36.5**	9.3
Loss for the year	**(57.7)**	(180.9)
Other comprehensive income		
Increment on revaluation of property, plant and equipment, net of tax	**–**	11.3
Other comprehensive income for the year, net of tax	**–**	11.3
Total comprehensive income for the year	**(57.7)**	(169.6)

29 CONTROLLED ENTITIES AND DEED OF CROSS GUARANTEE / CONTINUED

Summary of movement in consolidated retained earnings	2012 $m	2011 $m
Movement in retained earnings		
Balance 1 July	**(899.7)**	(717.9)
Loss for the year	**(57.7)**	(180.9)
Transfer from asset revaluation reserve	**18.7**	–
Additions of controlled entities into closed group	**–**	(0.9)
Balance 30 June	**(938.7)**	(899.7)

Consolidated statement of financial position	Note	2012 $m	2011 $m
Current assets			
Cash and cash equivalents		**73.3**	135.5
Receivables		**476.8**	123.0
Current tax assets		**–**	0.7
Inventories		**685.1**	321.9
Other assets		**7.2**	9.8
Total current assets		**1,242.4**	590.9
Non-current assets			
Receivables		**186.0**	166.4
Inventories		**682.1**	1,129.9
Investments accounted for using the equity method		**209.9**	195.7
Derivative financial assets		**–**	–
Other financial assets		**39.8**	39.2
Investment properties		**91.8**	152.4
Property, plant and equipment		**12.7**	116.7
Intangible assets		**2.6**	11.6
Deferred tax assets		**326.9**	240.4
Total non-current assets		**1,551.8**	2,052.3
Total assets		**2,794.2**	2,643.2
Current liabilities			
Payables		**329.5**	569.2
Borrowings		**2.9**	50.1
Derivative financial liabilities		**15.0**	1.7
Provisions		**7.8**	7.5
Current tax liabilities		**0.2**	–
Other liabilities		**0.5**	3.1
Total current liabilities		**355.9**	631.6
Non-current liabilities			
Payables		**564.8**	2.1
Borrowings		**1,283.2**	1,389.5
Derivative financial liabilities		**141.8**	132.2
Deferred tax liabilities		**132.4**	114.4
Provisions		**3.6**	4.8
Total non-current liabilities		**2,125.8**	1,643.0
Total liabilities		**2,481.7**	2,274.6
Net assets		**312.5**	368.6
Equity			
Contributed equity	24(a)	**1,249.8**	1,248.1
Reserves		**1.4**	20.2
Retained earnings		**(938.7)**	(899.7)
Total equity		**312.5**	368.6

30 INVESTMENTS IN ASSOCIATES

a) Associates accounted for using the equity method

Investments in associates are accounted for using the equity method of accounting. Information relating to associates is set out below:

Name of entity	Principal activities	Interest 2012 %	Interest 2011 %	2012 $m	2011 $m
Archbold Road J.V.	Non-residential development	**20**	20	**–**	–
Australian Sustainable Forestry Investors 1&2[1]	Forestry and environmental asset manager	**60**	–	**10.4**	–
BAC Devco Pty Limited[2]	Non-residential development	**33**	33	**–**	–
FreeSpirit Resorts Pty Limited	Investment property	**25**	25	**–**	–
Mindarie Keys Joint Venture[3]	Residential development	**15**	15	**0.5**	0.5
Mirvac City Regeneration Limited Partnership[4]	Non-residential development	**–**	25	**–**	–
Mirvac Industrial Trust[5]	Listed property investment trust	**14**	14	**–**	–
Mirvac Wholesale Hotel Fund[4]	Hotel investment	**–**	49	**–**	128.1
				10.9	128.6

1) Mirvac equity accounts for this investment as an associate even though it owns more than 50 per cent of the voting or potential voting power due to the fact that unanimous approval is required in respect of the operations of the entity; previously this was a controlled entity. A controlled entity of the Group is the project manager of this investment.
2) This entity entered into voluntary administration as of 4 May 2010.
3) Mirvac equity accounts for this investment as an associate even though it owns less than 20 per cent of the voting or potential voting power due to the fact that it has significant influence over this entity, as a controlled entity of the Group is the project manager of this investment.
4) The Group has disposed of these investments during the year ended 30 June 2012.
5) Mirvac equity accounts for this investment as an associate even though it owned less than 20 per cent of the voting or potential voting power due to the fact that it has significant influence over these entities, as a controlled entity of the Group is the responsible entity for the fund.

All associates were established or incorporated in Australia with the exception of the Mirvac City Regeneration Partnership which was established in the United Kingdom.

b) Associates financial summary

Name of entity	(Loss)/ profit (100%) $m	Mirvac share of (loss)/ profit $m	Total assets (100%) $m	Total liabilities (100%) $m	Net assets/ (liabilities) (100%) $m	Mirvac carrying value of net assets $m
2012						
Archbold Road Trust	–	–	0.1	–	0.1	–
Australian Sustainable Forestry Investors 1&2	(0.8)	(0.5)	59.6	27.9	31.7	10.4
BAC Devco Pty Limited[1]	–	–	–	–	–	–
FreeSpirit Resorts Pty Limited	(0.9)	–	5.8	10.2	(4.4)	–
Mindarie Keys Joint Venture	0.5	0.1	7.1	1.0	6.1	0.5
Mirvac City Regeneration Limited Partnership[2]	–	–	–	–	–	–
Mirvac Industrial Trust[3]	(7.2)	–	227.9	159.6	68.3	–
Mirvac Wholesale Hotel Fund[4]	–	–	–	–	–	–
	(8.4)	**(0.4)**	**300.5**	**198.7**	**101.8**	**10.9**

1) This entity entered into voluntary administration as of 4 May 2010. The Group does not expect to recover any amounts and has no further obligation to the entity, therefore assets and liabilities of the investment are considered to be $nil.
2) The Group has disposed of this investment during the year ended 30 June 2012.
3) The investment was written down to $nil in 2009. The impairment on the loan to this investment was released during the year ended 30 June 2012. The Group did not recognise the share of loss in the investment since the net investment to this investment has been fully impaired to $nil.
4) The investment has been disposed of during the year ended 30 June 2012 and the Group's share of profit/(loss) was included in the results of the discontinued operations. Refer to note 13 for further information.

30 INVESTMENTS IN ASSOCIATES / CONTINUED

Name of entity	(Loss)/ profit (100%) $m	Mirvac share of (loss)/ profit $m	Total assets (100%) $m	Total liabilities (100%) $m	Net assets/ (liabilities) (100%) $m	Mirvac carrying value of net assets $m
2011						
Archbold Road J.V.	–	–	0.1	–	0.1	–
BAC Devco Pty Limited [1]	–	–	–	–	–	–
FreeSpirit Resorts Pty Limited	(1.3)	–	5.4	8.3	(2.9)	–
Mindarie Keys Joint Venture	0.5	0.1	7.3	1.0	6.3	0.5
Mirvac City Regeneration Limited Partnership [2]	1.8	–	64.6	33.7	30.9	–
Mirvac Industrial Trust [3]	29.9	–	432.0	360.3	71.7	–
Mirvac Wholesale Hotel Fund [4]	6.5	–	539.0	235.0	304.0	128.1
New Forests Pty Limited [5]	–	–	–	–	–	–
	37.4	0.1	1,048.4	638.3	410.1	128.6

1) This entity entered into voluntary administration as of 4 May 2010. The Group does not expect to recover any amounts and has no further obligation to the entity therefore assets and liabilities of the investment are considered to be $nil.
2) The Group impaired the carrying amount of this investment by $5.9m in 2010 and did not recognise a share of profit for 2011.
3) The investment was written down to $nil in 2009. The Group did not recognise the share of profit or loss in the investment since the net investment and loan to this investment have been fully impaired to $nil.
4) In prior years, the Group has not accounted for a revaluation surplus in its carrying amount of the business which has been accounted for within the Mirvac Wholesale Hotel Fund. The revaluation surplus not recognised by the Group is $21.5m. The Group's share of profit/(loss) was included in the results of the discontinued operations. Refer to note 13 for further information.
5) The Group disposed of this investment during the year ended 30 June 2011.

The carrying amounts reported by the Group have been adjusted for unrealised profit from transactions with the Group. The total amount adjusted is $nil (2011: $0.3m).

c) Movements in carrying amounts and aggregate share

	Note	**2012 $m**	2011 $m
Movements in carrying amounts			
Balance 1 July		**128.6**	110.3
Equity acquired		**2.1**	–
Distributions received		**(6.3)**	(9.1)
Share of (loss)/profit from ordinary operating activities		**(1.5)**	3.3
Deconsolidation of Australian Sustainable Forestry Investors 1 & 2 ("ASFI")		**10.1**	–
Equity sold		**(130.4)**	–
Share of increment on revaluation of freehold land and property, plant and equipment	25(b)	**8.3**	24.1
Balance 30 June	30(a)	**10.9**	128.6
Mirvac's aggregate share of associates' assets and liabilities			
Current assets		**46.6**	16.2
Non-current assets		**64.0**	328.1
Total assets		**110.6**	344.3
Current liabilities		**28.2**	53.0
Non-current liabilities		**53.0**	123.7
Total liabilities		**81.2**	176.7
Net assets		**29.4**	167.6
Mirvac's aggregate share of associates' revenues, expenses and results			
Revenues		**8.7**	81.8
Expenses		**(10.4)**	(74.1)
(Loss)/profit before income tax		**(1.7)**	7.7
Mirvac's aggregate share of associates' expenditure commitments			
Capital commitments		**–**	–
Fair value of listed investments in associates			
Mirvac Industrial Trust		**5.6**	1.9

30 INVESTMENTS IN ASSOCIATES / CONTINUED

d) Investment in associates accounted for at fair value

Name of entity	Principal activities	Interest **2012** **%**	Interest 2011 %	**2012** **$m**	2011 $m
JF Infrastructure Yield Fund	Infrastructure	**22**	22	**12.7**	15.5

e) Impairment of investments

During the year, there was no impairment of investments (2011: $nil).

31 INVESTMENTS IN JOINT VENTURES

a) Joint ventures accounted for using the equity method

Investments in joint ventures include those in corporations, partnerships and other entities and accounted for in the consolidated financial statements using the equity method of accounting. All joint ventures were incorporated in Australia with the exception of Quadrant Real Estate Advisors LLC which was incorporated in the United States. Information relating to joint ventures is set out below:

Name of entity	Principal activities	Interest **2012** **%**	Interest 2011 %	**2012** **$m**	2011 $m
Australian Centre for Life Long Learning	Non-residential development	**50**	50	**–**	–
Bankstown Airport Development Pty Ltd [1]	Non-residential development	**–**	50	**–**	–
BL Developments Pty Ltd	Residential development	**50**	50	**46.7**	48.2
City West Property Investments (No.1) Trust	Non-residential development	**50**	50	**9.4**	9.3
City West Property Investments (No.2) Trust	Non-residential development	**50**	50	**9.4**	9.3
City West Property Investments (No.3) Trust	Non-residential development	**50**	50	**9.4**	9.3
City West Property Investments (No.4) Trust	Non-residential development	**50**	50	**9.4**	9.3
City West Property Investments (No.5) Trust	Non-residential development	**50**	50	**9.4**	9.3
City West Property Investments (No.6) Trust	Non-residential development	**50**	50	**9.4**	9.3
Domaine Investment Trust	Non-residential development	**50**	50	**–**	–
Ephraim Island Joint Venture	Residential development	**50**	50	**4.8**	9.9
Fast Track Bromelton Pty Limited and Nakheel Spv Pty Limited	Non-residential development	**50**	50	**27.2**	27.1
Googong Township Unit Trust [2]	Residential development	**50**	–	**25.7**	–
Green Square Consortium Pty Limited [2]	Residential development	**50**	–	**–**	–
HPAL Freehold Pty Limited	Non-residential development	**50**	50	**–**	–
Infocus Infrastructure Management Pty Limited	Investment property	**50**	50	**1.3**	1.8
J F Infrastructure Pty Limited [1]	Infrastructure	**–**	50	**–**	–
Leakes Road Rockbank Unit Trust	Residential development	**50**	50	**14.3**	13.7
Mirvac 8 Chifley Trust [3]	Investment property	**50**	–	**21.0**	–
Mirvac Lend Lease Village Consortium/ Newington Olympic Village	Residential development	**50**	50	**0.7**	1.1
Mirvac Wholesale Residential Development Partnership Trust	Residential development	**20**	20	**23.0**	23.1
MVIC Finance 2 Pty Limited	Residential development	**50**	50	**–**	–
New Zealand Sustainable Forestry Investors 1 & 2 [1]	Forestry and environmental asset manager	**–**	33	**–**	2.5
Quadrant Real Estate Advisors LLC	Investment property	**50**	50	**2.1**	2.2
Swanbourne Joint Venture	Residential development	**50**	50	**–**	3.2
Travelodge Group	Hotel investment	**50**	50	**122.7**	122.6
Walsh Bay Partnership	Residential development	**50**	50	**0.6**	–
				346.5	311.2

1) These entities have been deregistered during the year ended 30 June 2012.
2) New investment during the year ended 30 June 2012.
3) This entity was previously held as an IPUC. During the year, 50 per cent of the entity was sold, and it is currently equity accounted as a joint venture.

31 INVESTMENTS IN JOINT VENTURES / CONTINUED

b) Joint ventures financial summary

Name of entity	Profit/ (loss) (100%) $m	Mirvac share of profit/ (loss) $m	Total assets (100%) $m	Total liabilities (100%) $m	Net assets/ (liabilities) (100%) $m	Mirvac carrying value of net assets $m
2012						
Australian Centre for Life Long Learning [1]	33.8	–	92.2	77.9	14.3	–
Bankstown Airport Development Pty Ltd	–	–	–	–	–	–
BL Developments Pty Ltd	0.1	–	102.8	2.4	100.4	46.7
City West Property Investments (No.1) Trust	0.2	0.1	18.9	–	18.9	9.4
City West Property Investments (No.2) Trust	0.2	0.1	18.9	–	18.9	9.4
City West Property Investments (No.3) Trust	0.2	0.1	18.9	–	18.9	9.4
City West Property Investments (No.4) Trust	0.2	0.1	18.9	–	18.9	9.4
City West Property Investments (No.5) Trust	0.2	0.1	18.9	–	18.9	9.4
City West Property Investments (No.6) Trust	0.2	0.1	18.9	–	18.9	9.4
Domaine Investment Trust	–	–	–	5.2	(5.2)	–
Ephraim Island Joint Venture [2]	(5.8)	–	41.1	21.2	19.9	4.8
Fast Track Bromelton Pty Limited and Nakheel SPV Pty Limited	0.2	0.1	64.7	–	64.7	27.2
Googong Township Unit Trust	(0.7)	(0.2)	62.5	11.2	51.3	25.7
Green Square Consortium Pty Limited	–	–	1.4	1.4	–	–
HPAL Freehold Pty Limited [3]	0.2	–	15.1	–	15.1	–
Infocus Infrastructure Management Pty Limited	1.1	0.6	3.0	0.3	2.7	1.3
J F Infrastructure Pty Limited [4]	(0.1)	–	–	–	–	–
Leakes Road Rockbank Unit Trust	(0.2)	(0.1)	29.2	0.7	28.5	14.3
Mirvac 8 Chifley Trust	0.1	–	148.2	104.0	44.2	21.0
Mirvac Lend Lease Village Consortium	3.0	1.1	7.5	5.3	2.2	0.7
Mirvac Wholesale Residential Development Partnership Trust [2]	(62.5)	(1.0)	352.0	208.3	143.7	23.0
MVIC Finance 2 Pty Limited	–	–	0.1	–	0.1	–
New Zealand Sustainable Forestry Investors 1 & 2 [5]	0.1	(0.4)	–	–	–	–
Quadrant Real Estate Advisors LLC [6]	4.4	2.8	11.4	11.1	0.3	2.1
Swanbourne Joint Venture [2]	2.3	–	8.1	0.4	7.7	–
Travelodge Group	20.4	10.2	414.2	167.8	246.4	122.7
Walsh Bay Partnership	0.3	0.1	–	0.9	(0.9)	0.6
	(2.1)	**13.8**	**1,466.9**	**618.1**	**848.8**	**346.5**

1) The Group did not take up further share of profit in the investment because the net investment has been impaired to $nil.
2) The Group did not take up further share of profit or loss in the investment as the carrying value of the investment is already below the 50 per cent ownership of the net assets of the joint venture.
3) The joint venture is in the process of being wound up during the year ended 30 June 2012 and cash proceeds were received from the joint venture during the year ended 30 June 2011.
4) The Group has written off the loan to the joint venture which has since been deregistered.
5) The entity has disposed of its forestry assets during the year ended 30 June 2011, and has been deregistered in the year ended 30 June 2012.
6) The carrying amount reflects the Group's entitlement to the net assets independent of the financial performance of the joint venture.

31 INVESTMENTS IN JOINT VENTURES / CONTINUED

Name of entity	Profit/ (loss) (100%) $m	Mirvac share of profit/ (loss) $m	Total assets (100%) $m	Total liabilities (100%) $m	Net assets/ (liabilities) (100%) $m	Mirvac carrying value of net assets $m
2011						
Australian Centre for Life Long Learning	0.6	–	84.3	103.8	(19.5)	–
Bankstown Airport Development Pty Ltd	–	–	–	–	–	–
BL Developments Pty Ltd [1]	(5.7)	0.3	110.9	3.5	107.4	48.2
City West Property Investments (No.1) Trust	0.2	0.1	18.7	–	18.7	9.3
City West Property Investments (No.2) Trust	0.2	0.1	18.7	–	18.7	9.3
City West Property Investments (No.3) Trust	0.2	0.1	18.7	–	18.7	9.3
City West Property Investments (No.4) Trust	0.2	0.1	18.7	–	18.7	9.3
City West Property Investments (No.5) Trust	0.2	0.1	18.7	–	18.7	9.3
City West Property Investments (No.6) Trust	0.2	0.1	18.7	–	18.7	9.3
CN Collins Pty Limited [2]	–	1.1	–	–	–	–
Domaine Investment Trust	–	–	–	5.2	(5.2)	–
Ephraim Island Joint Venture	(2.7)	(1.3)	54.7	29.0	25.7	9.9
Fast Track Bromelton Pty Limited and Nakheel SPV Pty Limited	0.2	0.1	64.6	0.1	64.5	27.1
HPAL Freehold Pty Limited	0.3	–	19.7	4.5	15.2	–
Infocus Infrastructure Management Pty Limited	1.1	0.6	3.7	0.1	3.6	1.8
JF Infrastructure Pty Limited [3]	(2.6)	(1.3)	1.6	215.5	(213.9)	–
Leakes Road Rockbank Unit Trust	(0.1)	(0.1)	28.3	0.7	27.6	13.7
Mirvac Lend Lease Village Consortium	0.1	0.1	6.4	4.3	2.1	1.1
Mirvac Wholesale Residential Development Partnership Trust	10.2	2.1	501.5	295.1	206.4	23.1
MVIC Finance 2 Pty Limited	–	–	0.1	–	0.1	–
New Zealand Sustainable Forestry Investors1&2 [4]	7.3	2.7	9.7	2.1	7.6	2.5
Quadrant Real Estate Advisors LLC [5]	4.2	1.8	27.5	31.0	(3.5)	2.2
Swanbourne Joint Venture	0.2	0.1	15.5	0.1	15.4	3.2
Travelodge Group	62.4	31.2	414.4	168.1	246.3	122.6
Walsh Bay Partnership	–	–	–	2.2	(2.2)	–
	76.7	38.0	1,455.1	865.3	589.8	311.2

1) The Group did not take up the impairment loss in the Group's share of profit of the joint venture, as the carrying value of the investment is already below the 50 per cent ownership of the net assets of the joint venture.
2) The Group acquired the remaining equity in the entity and it is now a 100 per cent owned controlled entity.
3) The Group has written down the loan to the joint venture to cover the Group's share of loss of $1.3m (2010: $9.5m).
4) The entity has disposed of its forestry assets during 2011.
5) The carrying amount reflects the Group's entitlement to the net assets independent of the financial performance of the joint venture.

The carrying amounts reported by the Group have been adjusted for unrealised profit from transactions with the Group. The total amount adjusted is $34.1m (2011: $35.9m).

c) Movements in carrying amounts and aggregate share

	2012 $m	2011 $m
Movement in carrying amounts		
Balance 1 July	**311.2**	300.3
Equity acquired	**20.6**	4.8
Repayment of capital	**(5.0)**	(23.6)
Excess loss over equity invested written off against loans	**(5.7)**	–
Distributions received	**(18.9)**	(12.0)
Deferred revenue realised	**1.7**	5.6
Share of profit from ordinary operating activities	**13.8**	38.0
Transfers from/(to) investment in controlled entities	**7.4**	(5.9)
Increase in equity as a result of acquisitions	**–**	4.5
Increase in equity as a result of deconsolidation	**14.7**	–
Other	**6.7**	(0.5)
Balance 30 June	**346.5**	311.2

31 INVESTMENTS IN JOINT VENTURES / CONTINUED

	2012 $m	2011 $m
Mirvac's aggregate share of joint ventures' assets and liabilities		
Current assets	**128.0**	136.6
Non-current assets	**499.9**	438.9
Total assets	**627.9**	575.5
Current liabilities	**77.4**	250.0
Non-current liabilities	**169.2**	93.8
Total liabilities	**246.6**	343.8
Net assets	**381.3**	231.7
Mirvac's aggregate share of joint ventures' revenues, expenses and results		
Revenues	**130.0**	105.7
Expenses	**(112.3)**	(71.6)
Profit before income tax	**17.7**	34.1
Mirvac's aggregate share of joint ventures' expenditure commitments		
Capital commitments	**–**	–

d) Impairment of investments

In the year ended 30 June 2012, no impairment provision (2011: $nil) was taken against the carrying value of the investments in joint ventures. Investments in joint ventures are reviewed at the end of each reporting period for any impairment and written off to the extent that the future benefits are no longer probable and do not support the carrying value of the investment.

32 CONTINGENT LIABILITIES

a) Contingent liabilities

The Group had contingent liabilities at 30 June 2012 in respect of the following:

	2012 $m	2011 $m
Bank guarantees and performance bonds issued by external parties in respect of certain performance obligations granted in the normal course of business.	**103.6**	79.3
Asset performance guarantees. The Group has provided guarantees to owners of some managed assets as to the future performance of these assets.	**–**	3.4
Performance guarantees. The Group has provided guarantees to third parties in respect of the performance of entities within the Group. No material losses are anticipated in respect of these contractual obligations.	**2.5**	–
Claims for damages in respect of injury sustained due to health and safety issues have been made during the year. The potential effect of these claims indicated by legal advice is that if the claims were to be successful against the Group, they would result in a liability.	**6.6**	1.5

As part of the ordinary course of business of the Group, disputes can arise with suppliers, customers and other third parties. Where there is a present obligation, a liability is recognised. Where there is a possible obligation, which will only be determined by a future event and it is not considered probable that a liability will arise, they are disclosed as a contingent liability. Where the possible obligation is remote, no disclosure is given. The Group does not provide details of these as to do so may prejudice the Group's position.

b) Guarantees

For information about guarantees given by entities within the Group, including the parent entity, refer to notes 29 and 41.

c) Associates and joint ventures

There are no contingent liabilities relating to associates and joint ventures.

33 COMMITMENTS

a) Capital commitments

	2012 $m	2011 $m
Investment properties		
Not later than one year	**69.1**	24.8
Later than one year but not later than five years	**15.4**	5.9
Later than five years	**–**	–
	84.5	30.7
Property, plant and equipment		
Not later than one year	**–**	2.1
Later than one year but not later than five years	**–**	–
Later than five years	**–**	–
	–	2.1

33 COMMITMENTS / CONTINUED

b) Lease commitments

	Note	2012 $m	2011 $m
Operating leases			
Commitments in relation to non-cancellable operating leases contracted for at the end of the year but not recognised as liabilities, are payable as follows:			
Not later than one year		**8.7**	8.9
Later than one year but not later than five years		**22.1**	24.8
Later than five years		**0.8**	–
		31.6	33.7
Finance leases			
Commitments in relation to finance leases are payable as follows:			
Not later than one year		**3.5**	3.4
Later than one year but not later than five years		**6.7**	10.1
Later than five years		**–**	–
Residual		**–**	–
Minimum lease payments		**10.2**	13.5
Less: Future finance charges		**(1.1)**	(1.8)
Lease liabilities	20	**9.1**	11.7

Mirvac leases various plant and equipment with a carrying value of $nil (2011: $nil) under finance leases expiring in less than five years.

34 KMP

a) Determination of KMP

KMP are those people with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. For Mirvac, the KMP are defined to be members of the ELT and Non-Executive Directors. For the year ended 30 June 2012, the ELT comprised the Managing Director — Nicholas Collishaw; Chief Executive Officer — Investment — Andrew Butler; Chief Executive Officer — Development — Brett Draffen; Chief Operating Officer — Gary Flowers; and Chief Financial Officer — Justin Mitchell.

b) KMP compensation excluding Non-Executive Directors' compensation

	2012 $m	2011 $m
Short-term employment benefits	**10.2**	11.7
Post-employment benefits	**0.1**	0.1
Security based payments	**1.7**	2.1
Termination benefits	**–**	–
Other long term benefits	**0.1**	0.1
	12.1	14.0

Detailed remuneration disclosures are provided in the remuneration report on pages 08 to 26.

c) Equity instrument disclosures relating to KMP

i) Security holdings

The number of ordinary securities in Mirvac held during the year by each Director and other KMP, including their personally-related parties, is set out below. There were no securities granted during the year as compensation.

	Balance 1 July	Securities issued under EEP	Other changes[1]	Balance 30 June
2012				
Directors				
James MacKenzie	129,914	–	–	**129,914**
Nicholas Collishaw	2,036,512	–	–	**2,036,512**
Marina Darling	–	–	–	**–**
Peter Hawkins	596,117	–	–	**596,117**
James Millar AM	40,714	–	–	**40,714**
Penny Morris	241,136	–	(241,136)	**–**
John Mulcahy	25,000	–	–	**25,000**
John Peters	–	–	–	**–**
Elana Rubin	10,000	–	–	**10,000**
Executives				
Andrew Butler	139,796	–	–	**139,796**
Brett Draffen	272,781	–	–	**272,781**
Gary Flowers	–	–	–	**–**
Justin Mitchell	153,929	–	–	**153,929**

34 KMP / CONTINUED

	Balance 1 July	Securities issued under EEP	Other changes[1]	**Balance 30 June**
2011				
Directors				
James MacKenzie	129,914	–	–	129,914
Nicholas Collishaw	2,056,004	–	(19,492)	2,036,512
Peter Hawkins	596,117	–	–	596,117
James Millar AM	40,714	–	–	40,714
Penny Morris	241,136	–	–	241,136
John Mulcahy	25,000	–	–	25,000
Elana Rubin	–	–	10,000	10,000
Executives				
Andrew Butler	147,554	–	(7,758)	139,796
John Carfi	128,913	–	(11,401)	117,512
Brett Draffen	280,272	–	(7,491)	272,781
Gary Flowers	–	–	–	–
Justin Mitchell	164,637	–	(10,708)	153,929
Matthew Wallace	153,976	–	(8,393)	145,583

1) Other changes include additions/disposals resulting from first or final disclosure of a KMP and other changes to options and performance rights.

ii) Options

Details of options granted as remuneration and stapled securities issued on the exercise of such options, together with terms and conditions of the options, are provided on pages 08 to 26 in the remuneration report. The number of options over ordinary securities in Mirvac held during the year by each Director and other KMP, including their personally-related parties, is set out below:

	Balance 1 July	Options issued under LTP	Other changes	**Balance 30 June**	Unvested
2012					
Director					
Nicholas Collishaw	2,026,410	–	(1,923,100)	**103,310**	–
Executives					
Andrew Butler	–	–	–	**–**	–
Brett Draffen	603,070	–	(538,500)	**64,570**	–
Gary Flowers	192,300	–	(192,300)	**–**	–
Justin Mitchell	367,737	–	(333,300)	**34,437**	–
2011					
Director					
Nicholas Collishaw	2,336,340	–	(309,930)	2,026,410	1,923,100
Executives					
Andrew Butler	–	–	–	–	–
John Carfi	368,600	–	–	368,600	368,600
Brett Draffen	796,780	–	(193,710)	603,070	538,500
Gary Flowers	192,300	–	–	192,300	192,300
Justin Mitchell	471,050	–	(103,313)	367,737	333,300
Matthew Wallace	336,500	–	–	336,500	336,500

iii) Performance rights

Details of performance rights granted as remuneration and stapled securities issued on the exercise of such rights, together with terms and conditions of the rights, are provided on pages 08 to 26 of the remuneration report. The number of performance rights in Mirvac held during the year by each Director and other KMP, including their personally-related parties, is set out below:

34 KMP / CONTINUED

	Balance 1 July	Rights issued under LTP	Other changes	**Balance 30 June**
2012				
Director				
Nicholas Collishaw	5,272,800	1,403,900	(869,600)	**5,807,100**
Executives				
Andrew Butler	160,700	10,334	(72,200)	**98,834**
Brett Draffen	1,194,700	596,347	(243,500)	**1,547,547**
Gary Flowers	732,200	362,990	(87,000)	**1,008,190**
Justin Mitchell	514,300	88,429	(150,700)	**452,029**
2011				
Director				
Nicholas Collishaw	3,199,560	2,189,600	(116,360)	5,272,800
Executives				
Andrew Butler	99,470	88,500	(27,270)	160,700
John Carfi	489,670	174,900	(118,170)	546,400
Brett Draffen	906,130	452,200	(163,630)	1,194,700
Gary Flowers	351,800	380,400	–	732,200
Justin Mitchell	464,490	179,500	(129,690)	514,300
Matthew Wallace	467,050	147,600	(116,350)	498,300

d) Loans to Directors and other KMP

Details of loans made to Directors and other KMP (including loans granted under the LTIP and EIS), including their personally-related parties, are set out below:

i) Aggregates for Directors and other KMP

	Balance 1 July $	Interest not charged (iv) $	Balance 30 June $	Directors and other KMP at 30 June Number
2012	**10,845,858**	**568,384**	**9,699,639**	**5**
2011	16,985,658	839,064	14,885,336	7

ii) Individuals with loans above $100,000 during the year:

2012	Note	Balance 1 July $	Interest not charged (iv) $	**Balance 30 June $**	Highest indebtedness during the Year $
Director					
	(i)	645,496	–	**636,739**	645,496
	(iii)	1,004,500	–	**1,004,500**	1,004,500
Nicholas Collishaw	(iv)	1,700,000	113,702	**1,400,000**	1,700,000
Executives					
	(i)	333,910	–	**328,236**	333,910
Andrew Butler	(v)	1,750,000	123,286	**1,550,000**	1,750,000
	(i)	298,915	–	**294,531**	298,915
	(ii)	350,000	17,431	**200,000**	350,000
Brett Draffen	(v)	1,750,000	123,286	**1,550,000**	1,750,000
Gary Flowers	(v)	950,000	67,393	**875,000**	950,000
	(i)	155,187	–	**152,783**	155,187
	(iii)	157,850	–	**157,850**	157,850
Justin Mitchell	(v)	1,750,000	123,286	**1,550,000**	1,750,000

34 KMP / CONTINUED

2011	Note	Balance 1 July $	Interest not charged (iv) $	Balance 30 June $	Highest indebtedness during the Year $
Director					
	(i)	963,959	–	645,496	963,959
	(iii)	1,004,500	–	1,004,500	1,004,500
Nicholas Collishaw	(v)	1,900,000	121,276	1,700,000	1,900,000
Executives					
	(i)	432,630	–	333,910	432,630
Andrew Butler	(v)	1,900,000	123,907	1,750,000	1,900,000
	(i)	323,123	–	204,209	323,123
John Carfi	(v)	1,900,000	123,907	1,750,000	1,900,000
	(i)	534,609	–	298,915	534,609
	(ii)	450,000	25,408	350,000	450,000
Brett Draffen	(v)	1,900,000	123,907	1,750,000	1,900,000
Gary Flowers	(v)	1,000,000	65,908	950,000	1,000,000
	(i)	287,119	–	155,187	287,119
	(iii)	157,850	–	157,850	157,850
Justin Mitchell	(v)	1,900,000	123,907	1,750,000	1,900,000
	(i)	331,868	–	235,269	331,868
	(ii)	100,000	6,937	100,000	100,000
Matthew Wallace	(v)	1,900,000	123,907	1,750,000	1,900,000

i) Securities purchased under the LTIP, EIS and former James Fielding Group ("JFG") EIS are funded by interest-free employee loans. The loans are non-recourse to the employee in the event of a shortfall on disposal. The securities issued are held as security until the loans are repaid.
ii) Loans made under the employee loan scheme (the EIP) are interest free, repayable over periods from six to 10 years, and repayable in full upon cessation of employment. The loans are secured by mortgage over the property or securities purchased. Loans issued under the employee loan scheme are subject to a periodic forgiveness schedule and may also be subject to terms set out in service agreements.
iii) Securities issued under the former JFG EIS and converted to Mirvac securities are interest bearing employee loans. The loans are non-recourse in the event of disposal. The stapled securities issued are held as security until the loans are repaid.
iv) Interest not charged excludes loans issued under the LTIP and EIS.
v) During the year ended 30 June 2009, several employees were invited to participate in an interest-free loan program (the ERP) which has since been closed to further entry, consistent with Mirvac's intention to eliminate the use of loan plans as part of employee reward. The amounts of the loans range from $500,000 to $2,000,000 and must be secured against property or unconditional bank guarantee. A progressively increasing forgiveness schedule allows for no more than 50 per cent of the total loan balance to be forgiven after five years of continued service. The repayment date of the loan is the earlier of 12 months after the participant ceases to be employed by Mirvac, or 12 months after the fifth anniversary of the loan. Interest is payable for any period in which the loan remains unpaid after the repayment date.

Other than loans forgiven to specified executives as disclosed in the remuneration report, no write-downs or provision for impairment for receivables have been recognised in relation to any loans made to Directors or specified executives.

e) Other transactions with KMP

There are a number of transactions between KMP with the Group. The terms and conditions of these transactions are considered to be no more favourable than in similar transactions on an arm's length basis. On occasions, Directors and other KMP may purchase goods and services from Mirvac. These purchases are on terms and conditions available to Mirvac employees generally. As set out in the Directors' report, a number of the Directors of Mirvac are also Directors of other companies. On occasions, the Group may purchase goods and services from or supply goods and services to these entities. These transactions are undertaken on normal commercial terms and conditions and the Director or other KMP does not directly influence these transactions.

35 EMPLOYEE BENEFITS

a) Employee benefits and related on-cost liabilities

Provision for employee benefits	Note	**2012 $m**	2011 $m
Annual leave accrual		**10.2**	13.3
Current LSL	22	**7.8**	7.5
Non-current LSL	22	**3.0**	3.8
Aggregate employee benefits and related on-cost liabilities		**21.0**	24.6

The aggregate employee benefits and related on-cost liabilities include amounts for annual leave and LSL. The amount for LSL that is expected to be settled more than 12 months from the end of the year is measured at its present value.

35 EMPLOYEE BENEFITS / CONTINUED

b) Superannuation commitments

Mirvac offers employees based in Australia as part of their remuneration, the ability to participate in a staff superannuation plan managed by AustralianSuper. Employees are able to choose whether to participate in this plan or a qualifying plan of their choice. The plan provides lump sum benefits on retirement, disability or death for employees who are invited by their employer to join the plan. The plan is a defined contribution plan, which complies with relevant superannuation requirements.

c) Employee security issues

The total of all securities issued under all employee security schemes is limited to five per cent of the issued securities of the stapled group in any five year period.

d) LTI plans

i) EEP

The EEP is designed to encourage security ownership across the broader employee population. It provides eligible employees with $1,000 worth of Mirvac securities at $nil cost. The plan is open to Australian based employees with more than 12 months of continuous service, who do not participate in other Mirvac equity plans.

Securities acquired under this plan are subject to a restriction on disposal until the earlier of three years after acquisition, or cessation of employment with the Group. Otherwise, holders enjoy the same rights and benefits as other holders of Mirvac's stapled securities. On termination, employees retain any securities granted to them. At 30 June 2012, 4,977,254 stapled securities (2011: 3,737,414) had been issued to employees under the EEP.

ii) LTP — current plan

The LTP plan was originally introduced in the year ended 30 June 2008 following approval by securityholders at the 2007 AGM. Securityholders approved an update to the LTP plan at the 2010 AGM. The purpose of the LTP plan is to drive performance, retain executives and facilitate executive security ownership.

LTP grants are generally restricted to the senior executives who are most able to influence securityholder value. Executives are eligible, at the discretion of the HRC, to participate in the LTP plan. Non-Executive Directors are not eligible to participate in the LTP plan. Awards under this plan are made in the form of performance rights. Awards of options have also been made under this plan in previous years. A performance right is a right to acquire one fully paid stapled security in Mirvac provided a specified performance hurdle is met. No loans are made to participants under this plan.

The Board reviews the performance conditions annually to determine the appropriate hurdles based on Mirvac's strategy and prevailing market practice.

This year, the Board determined, on the recommendation of the HRC, that the sole performance condition to apply to the vesting of the grants made during the year ended 30 June 2011 would be Relative TSR. TSR was chosen given that it is an objective measure of securityholder value creation, and given its wide level of understanding and acceptance by the various key stakeholders. At 30 June 2012, 33,395,149 (2011: 29,071,796) performance rights and 299,169 (2010: 5,618,645) options had been issued to participants under the LTP plan. The number of issued rights and options are net of adjustments due to forfeiture of rights and options as a result of termination of employment. A total of 72,727 performance rights (2011: 504,534) and nil options (2011: 741,362) vested during the year ended 30 June 2011.

iii) Superseded plans

There are four old plans now closed for new grants with the introduction of the LTP:

— ERP

A small number of senior executives were invited to participate in the ERP. While the loans under this program were offered during the year ended 30 June 2009, some of the loan amounts were drawn down in the year ended 30 June 2010. The amounts of the loans range from $500,000 to $2,000,000 and must be secured against property or an unconditional bank guarantee. A progressively increasing forgiveness schedule allows for no more than 50 per cent of the total loan balance in total to be forgiven.

— EIS

Until 2006, Mirvac's long-term variable remuneration scheme for employees was the EIS. Open to all permanent employees, allocations were made annually, were unrestricted and fully vested on allotment. Existing arrangements remain in place until all current loans are repaid.

The loans were repayable via distributions received on the securities or upon their sale. If an employee resigns or is dismissed, the outstanding loan balance must be paid when employment ceases. In the event of redundancy, retirement, total and permanent disablement or death, the employee has 12 months after employment ceases in which to repay the loan. If the loan value is greater than the value of the securities when the loan balance is due, the remaining balance is written off and the securities are forfeited.

— LTIP

The LTIP was introduced in 2006 and approved by securityholders at the Group's 2006 AGM. At this time, loan-funded incentive plans were common for entities with stapled securities due to the prevailing tax rules. Participation in the plan was open to the Managing Director, other Executive Directors, other executives and eligible employees. Participants were offered an interest-free loan which was applied to fund the acquisition of Mirvac's stapled securities at market value. The term of the loan is eight years. Any loan balance outstanding at the end of the eighth year must be repaid at that time. The loan is reduced annually by applying the post-tax amounts of any distributions paid by Mirvac to the outstanding principal. The loans are interest free and non-recourse over their term.

Two performance conditions had to be met before the securities vested in full: Relative TSR and EPS growth. The satisfaction of each condition was given an equal weighting in terms of the total number of securities that may vest (that is, 50 per cent of the total securities held by a participant was subject to each performance condition). On vesting, 53.5 per cent of the original loan to fund the purchase of the vested securities was waived. The remaining balance of the loan will continue to be reduced by post-tax distributions until either the loan has been fully repaid or the eight-year term expires, whichever occurs first. If a participant terminates their employment, any outstanding loans must be repaid in full immediately or the underlying securities will be forfeited.

— EIP

The final loans under the EIP were offered during the year ended 30 June 2006. The amounts of the loans range from $50,000 to $800,000 with Mirvac holding security over the assets purchased with the loan proceeds. A progressively increasing forgiveness schedule applied which allowed the total loan balance to be forgiven if the employee remained employed on the final forgiveness date. At 30 June 2012, loans totalling $200,000 (2011: $350,000) had been offered to employees, $200,000 (2011: $350,000) of which were drawn down at 30 June 2012. These loans have a periodic forgiveness schedule.

35 EMPLOYEE BENEFITS / CONTINUED

e) Security based payment expense

Total expenses arising from security based payment transactions recognised during the year as part of employee benefits expenses were as follows:

	2012 $m	2011 $m
EEP	**1.5**	1.4
Current plan – LTP	**7.0**	4.8
	8.5	6.2

f) Fair value of security based payment expense

i) EEP

The nature of the securities allotted under this plan is in substance similar to an option. The assessed fair value is taken to profit or loss as the securities vest immediately.

– Security based payment inputs for the EEP issued during the year

	EEP
Grant date	22 March 2012
Security price at grant date	$1.22

ii) LTP

Fair value at grant date has been independently determined using an option pricing model that takes into account the exercise price, the term of the securities, the current price of the underlying securities, the expected volatility of the security price, the expected dividend yield and the risk-free interest rate for the term of the security. The fair value of the security based payment expense is calculated using a Monte-Carlo simulation. Assumptions used for the fair value of security based payment expense are as follows:

– Security based payment inputs for the current LTP plan

In valuing rights linked to the Relative TSR measure, the key inputs for the 2012 grant were as follows:

	Performance rights
Grant date	12 December 2011
Performance hurdle	Relative TSR and ROE
Performance period start	1 July 2011
Performance testing date	1 July 2014
Security price at grant date	$1.29
Exercise price	$nil
Expected life	2.6 years
Volatility	35%
Risk-free interest rate (per annum)	3.11%
Dividend/distribution yield (per annum)	6.4%

36 RELATED PARTIES

a) Controlled entities

Interests in controlled entities are set out in note 29.

b) KMP

Disclosures relating to KMP are set out in note 34.

c) Transactions with related parties

The following transactions occurred with related parties:

Transactions with associates and joint ventures	2012 $000	2011 $000
Interest income	**2,850**	8,051
Project development fees	**865**	660
Management and service fees	**46,945**	62,052
Construction billings	**118,584**	173,125
Responsible entity fees	**10,165**	11,478

36 RELATED PARTIES / CONTINUED

d) Outstanding balances in relation to transactions with related parties

The following balances are outstanding at the end of the year in relation to transactions with related parties:

	2012 $000	2011 $000
Current receivables		
Associates and joint ventures	**29,512**	47,358
Non-current receivables		
Associates and joint ventures	**46,802**	48,574

An impairment provision of $nil (2011: $497,000) in respect of receivables has been raised in relation to any outstanding balances, and no other expense has been recognised in respect of impaired receivables due from related parties.

e) Terms and conditions

Transactions relating to dividends/distributions are on the same terms and conditions that applied to other securityholders.

The terms of the tax funding agreement are set out note 6(d).

Other transactions were made on normal commercial terms and conditions with variable terms for the repayment and interest payable at market rates on the loans between the parties

37 FINANCIAL RISK MANAGEMENT

Mirvac's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Mirvac's overall risk management program seeks to minimise potential adverse effects on the financial performance of Mirvac. The Group uses various derivative financial instruments to manage certain risk exposures, specifically in relation to interest rate and foreign exchange risks on borrowings. Derivatives are exclusively used for hedging purposes and are not held for trading or speculative purposes. Financial risk management is carried out by a central treasury department ("Mirvac Group Treasury") under policies approved by the Board. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity. Mirvac Group Treasury identifies, evaluates, reports and manages financial risks in close cooperation with the Group's operating units in accordance with Board policy.

The Group holds the following financial instruments:

	Note	**2012 $m**	2011 $m
Financial assets			
Cash and cash equivalents	39(a)	**77.3**	673.1
Receivables	8	**249.5**	322.9
Derivative financial assets	9	**–**	3.5
Other financial assets at fair value through profit or loss	11	**12.7**	15.5
Other financial assets	15	**51.5**	–
		391.0	1,015.0
Financial liabilities			
Payables	19	**418.5**	475.1
Borrowings	20	**1,825.0**	2,736.3
Derivative financial liabilities	21	**185.6**	143.8
		2,429.1	3,355.2

The carrying values of trade receivables (less impairment provision) and payables are assumed to approximate their fair values due to their short-term nature. Derivative financial assets and liabilities are valued based upon valuation techniques.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial asset or financial liability will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and price risk.

i) Currency risk

Foreign exchange risk refers to the change in value between foreign currencies and the Australian dollar. This change affects the assets and liabilities of Mirvac which are denominated in currencies other than Australian dollars. Mirvac foreign exchange risks arise mainly from:

- borrowings denominated in currencies other than Australian dollars which are predominately US dollars;
- investments in offshore operations which are located in the United States and New Zealand;
- receipts and payments which are denominated in other currencies; and
- foreign exchange risk on derivatives.

37 FINANCIAL RISK MANAGEMENT / CONTINUED

Mirvac manages its foreign exchange risk for its assets and liabilities denominated in other currencies by borrowing in the same currency as that in which the offshore business operates to form a natural hedge against the movement in exchange rates. Mirvac manages its foreign currency note borrowings with cross currency swaps which swap the obligations to pay fixed or floating US dollar principal and interest payments to floating Australian dollar interest payments. Cross currency swaps in place cover 100 per cent of the US dollar denominated note principal outstanding. These swaps have the same maturity profiles as the underlying note obligations. This removes exposure to interest rates in the US market while creating floating exposures in the domestic market that have been managed to meet Mirvac's target interest rate profile. The foreign currency exchange rate has been fixed for all swaps to A$/US$ 0.7456.

At 30 June 2012, the notional amounts and periods of expiry of the cross currency swap contracts for the Group were:

	2012 $m	2011 $m
Greater than five years	**503.0**	503.0

All swaps require settlement on a quarterly basis. Translation gains or losses on the net investment in foreign operations are recorded through the foreign currency translation reserve.

Sensitivity analysis
Cross currency swaps are in place to manage the foreign exchange exposure on the US dollar debt. These swaps have the same notional principal and maturity profiles as those of the underlying note obligations. Based upon current exposures, there is no material foreign exchange sensitivity in Mirvac.

ii) Interest rate risk
Mirvac's interest rate risk arises from long-term borrowings, cash and cash equivalents, receivables and derivatives.

Borrowings
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. The Group's policy is to have a minimum of 50 per cent and a maximum of 90 per cent of borrowings subject to fixed or capped interest rates. This policy was complied with at the end of the year. Mirvac manages its cash flow interest rate risk by using interest rate derivatives. Such interest rate derivatives have the economic effect of converting borrowings from floating rates to fixed or capped rates. Under the interest rate derivatives, Mirvac agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The following table sets out Mirvac's net exposure to interest rate risk by maturity periods. Exposures arise predominately from liabilities bearing variable interest rates as the Group intends to hold fixed rate liabilities to maturity.

		Fixed interest maturing in						
	Floating interest rate $m	1 year or less $m	Over 1 to 2 year(s) $m	Over 2 to 3 years $m	Over 3 to 4 years $m	Over 4 to 5 years $m	Over 5 years $m	**Total $m**
2012								
Unsecured bank loans	1,012.9	–	–	–	–	–	–	**1,012.9**
Domestic MTN	–	–	–	200.0	–	225.0	–	**425.0**
Foreign MTN	368.0	–	–	–	–	10.0	–	**378.0**
Interest rate swaps	(1,113.8)	–	–	(47.9)	200.0	480.0	481.7	**–**
Lease liabilities	–	2.9	3.1	3.1	–	–	–	**9.1**
	267.1	**2.9**	**3.1**	**155.2**	**200.0**	**715.0**	**481.7**	**1,825.0**
2011								
Unsecured bank loans	1,407.4	–	–	–	–	–	–	1,407.4
Domestic MTN	–	–	–	–	200.0	–	225.0	425.0
Foreign MTN	349.2	–	–	–	–	–	10.0	359.2
CMBS	505.0	–	–	–	–	–	–	505.0
Secured bank loans	28.0	–	–	–	–	–	–	28.0
Interest rate swaps	(1,487.8)	354.0	–	100.0	102.1	(50.0)	981.7	–
Lease liabilities	–	2.6	2.9	3.1	3.1	–	–	11.7
	801.8	356.6	2.9	103.1	305.2	(50.0)	1,216.7	2,736.3

37 FINANCIAL RISK MANAGEMENT / CONTINUED

Derivative instruments used by Mirvac

Mirvac has at times entered into interest rate derivatives to convert fixed rates to floating interest rates to give Mirvac the flexibility to use existing derivative positions and maintain fixed rate exposures within the target range.

Mirvac enters into a variety of bought and/or sold option agreements which allow rates to float between certain ranges and agreements which allow the relevant bank to cancel options if certain conditions arise, the benefit of which is lower fixed rates. The rates will revert to no worse than the floating rate payable as if no derivative was entered into. These derivatives are recorded in the consolidated statement of financial position at fair value in accordance with AASB 139. Derivatives currently in place cover approximately 64.8 per cent (2011: 68.1 per cent) of the loan principal outstanding. The fixed interest rates range between 4.70 and 6.40 per cent (2011: 4.25 and 7.00 per cent) per annum. At 30 June 2012, the notional principal amounts, interest rates and periods of expiry of the interest rate swap contracts held by the Group were as follows:

	Floating to fixed				Fixed to floating			
	2012		2011		**2012**		2011	
	Interest rates % pa	**$m**	Interest rates % pa	$m	**Interest rates % pa**	**$m**	Interest rates % pa	$m
1 year or less	**–**	**–**	4.25-7.00	354.0	**–**	**–**	–	–
Over 1 to 2 year(s)	**–**	**–**	–	–	**–**	**–**	–	–
Over 2 to 3 years	**5.17**	**102.1**	5.50	100.0	**8.25**	**150.0**	–	–
Over 3 to 4 years	**4.75-5.50**	**200.0**	5.17	102.1	**–**	**–**	8.25	150.0
Over 4 to 5 years	**4.70-6.12**	**480.0**	5.07	100.0	**–**	**–**	–	–
Over 5 years	**5.17-6.40**	**481.7**	5.17-6.40	981.7	**–**	**–**	–	–
		1,263.8		1,637.8		**150.0**		150.0

The contracts require settlement of net interest receivable or payable each reset date (generally 90 days). The settlement dates generally coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

Cash and cash equivalents

Cash held exposes Mirvac to cash flow interest rate risk.

Receivables

The Group's exposure to interest rate risk for current and non-current receivables is set out in the following table:

			Fixed interest maturing in						
	Note	Floating interest rate $m	1 year or less $m	Over 1 to 2 year(s) $m	Over 2 to 3 years $m	Over 3 to 4 years $m	Over 4 to 5 years $m	Non-interest bearing $m	**Total $m**
2012									
Trade receivables	8	–	–	–	–	–	–	26.8	**26.8**
Related party receivables	8	4.7	7.2	–	16.1	2.0	–	51.6	**81.6**
Loans to Directors and employees	8	–	–	–	–	–	–	13.9	**13.9**
Other receivables	8	41.9	0.3	0.2	0.1	0.2	5.8	78.7	**127.2**
		46.6	**7.5**	**0.2**	**16.2**	**2.2**	**5.8**	**171.0**	**249.5**
2011									
Trade receivables	8	–	–	–	–	–	–	42.7	42.7
Related party receivables	8	–	23.1	14.0	9.1	–	0.6	60.4	107.2
Loans to Directors and employees	8	–	–	–	–	–	–	17.7	17.7
Other receivables	8	51.0	21.0	3.8	3.1	3.0	–	73.4	155.3
		51.0	44.1	17.8	12.2	3.0	0.6	194.2	322.9

Sensitivity analysis

Mirvac's interest rate risk exposure arises from long-term borrowings, cash held with financial institutions and receivables. Based upon a 50 (2011: 25) basis point increase or decrease in Australian interest rates, the impact on profit after tax has been calculated taking into account all underlying exposures and related derivatives. This sensitivity has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates.

The impact on the Group's result of a 50 (2011: 25) basis point increase in interest rates assuming no interest is capitalised would be an increase in profit of $10.2m (2011: increase of $17.0m). The impact on Mirvac's result of a 50 (2011: 25) basis point decrease in interest rates would be a decrease in profit of $9.5m (2011: decrease of $8.8m). The impact on the Group of a movement in US dollar interest rates would not be material to the profit of the Group.

The interest rate sensitivities of the Group vary on an increase/decrease of 50 basis point movement in interest rates due to the interest rate optionality of a small number of derivatives.

37 FINANCIAL RISK MANAGEMENT / CONTINUED

iii) Price risk

The Group is exposed to equity price risk arising from an equity investment (refer to note 11). The equity investment is held for the purpose of selling in the near term. As this investment is not listed, the fund manager provides a unit price each six months. At the end of the year, if the unit price had been five per cent higher or lower, the effect on profit for the year would have been $0.6m (2011: $0.7m). This investment represents less than one per cent of Mirvac's net assets and therefore represents minimal risk to the Group.

b) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and will cause a financial loss. Mirvac has exposures to credit risk on cash and cash equivalents, receivables and derivative financial assets; the maximum exposure to credit risk is based on the total value of the Group's financial assets, net of any provision for impairment, as shown in note 8. To help manage this risk, the Group has a policy for establishing credit limits for the entities dealt with which is based on the size or previous trading experience of the entity. Based upon the size or previous trading experience, Mirvac may require collateral, such as bank guarantees in relation to investment properties, leases or deposits taken on residential sales.

Mirvac may also be subject to credit risk for transactions which are not included in the consolidated statement of financial position, such as when Mirvac provides a guarantee for another party. Details of the Group's contingent liabilities are disclosed in note 32. The credit risk arising from derivatives transactions and cash held with financial institutions exposes the Group if the contracting entity is unable to complete its obligations under the contracts. Mirvac's policy is to spread the amount of net credit exposure among major financial institutions which are rated the equivalent of A or above from the major rating agencies. Mirvac's net exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties. With regard to mezzanine loans, Mirvac monitors all loans advanced on a continuous basis. Formal procedures are in place, which include the regular review of each loan's status, monitoring of compliance with loan terms and conditions, consideration of historical performance and future outlook of borrowers for realisation. These procedures include the process for the realisation of loans, review and determination of the appropriate carrying value of investments and regular dialogue with the borrowers to ensure material issues are identified as they arise. Refer to note 8 for the management of credit risk relating to receivables.

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, the ability to close out market positions and the ability to raise funds through the issue of new securities through various means including placements and/or Mirvac's dividend/distribution reinvestment plan ("DRP"). Mirvac prepares and updates regular forecasts of the Group's liquidity requirements to ensure that committed credit lines are kept available in order to take advantage of growth opportunities. Surplus funds are generally only invested in highly liquid instruments.

At 30 June 2012, Mirvac has minimal liquidity risk due to there being no current borrowings and undrawn facilities of $727.1m.

d) Capital risk

Mirvac'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 securityholders and meet its strategic objectives without increasing its overall risk profile.

In assessing the optimal capital structure, 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.

At 30 June 2012, the gearing ratio (net debt including cross currency swaps to total tangible assets less cash) was 22.7 per cent (2011: 26.3 per cent). The Group's target gearing ratio is 20 to 25 per cent. This may be exceeded in order to take advantage of appropriate opportunities, such as acquisitions as they arise. To manage the Group's gearing ratio, a number of mechanisms are available. These may include adjusting the amount of dividends/distributions paid to securityholders, adjusting the number of securities on issue (via buy-backs), or the disposal of assets.

Mirvac prepares quarterly consolidated statements of financial position, statements of comprehensive income and cash flow updates for the current year and five year forecasts. These forecasts are used to monitor the Group's capital structure and future capital requirements, taking into account future market conditions.

AFSL ratios and Queensland Building licences ratios were complied with at 30 June 2012. Mirvac also complied with all its borrowing covenant ratios at 30 June 2012. The gearing ratios were as follows:

	2012 $m	2011 $m
Net interest bearing debt less cash[1]	**1,873.5**	2,205.2
Total tangible assets less cash	**8,267.6**	8,390.5
Gearing ratio (%)	**22.7**	26.3

1) US dollar denominated borrowings translated at cross currency instrument rate and excluding leases.

37 FINANCIAL RISK MANAGEMENT / CONTINUED

e) Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level one);

ii) inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level two); and

iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level three).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011:

	Note	Level one $m	Level two $m	Level three $m	Total $m
2012					
Assets					
Other financial assets at fair value through profit or loss					
– unlisted securities	11	–	–	12.7	12.7
Other financial assets	15	–	–	51.5	51.5
		–	**–**	**64.2**	**64.2**
Liabilities					
Derivatives used for hedging	21	–	185.6	–	185.6
		–	**185.6**	**–**	**185.6**
2011					
Assets					
Derivatives used for hedging	9	–	3.5	–	3.5
Other financial assets at fair value through profit or loss					
– unlisted securities	11	–	–	15.5	15.5
		–	3.5	15.5	19.0
Liabilities					
Derivatives used for hedging	21	–	143.8	–	143.8
		–	143.8	–	143.8

The following table presents the changes in level three instruments for the year ended 30 June 2012 held by the Group:

	Note	**2012 $m**	2011 $m
Balance 1 July		**15.5**	15.3
Acquisition of convertible notes	15	**51.5**	–
(Loss)/gain on revaluation	11	**(1.1)**	0.2
Capital distribution	11	**(1.7)**	–
Balance 30 June		**64.2**	15.5
Total (loss)/gain for the year included in loss on financial instruments that relate to assets held at the end of the year		**(1.1)**	0.2

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the year. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level one. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. Mirvac uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long term debt for disclosure purposes. Other techniques, such as estimated DCF, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level two and comprise debt investments and derivative financial instruments.

37 FINANCIAL RISK MANAGEMENT / CONTINUED

In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level three. Mirvac's maturity of net and gross settled derivative and non-derivative financial instruments is provided in the following table. The amounts disclosed in the table are the contractual undiscounted cash flows:

		Maturing in						
	Note	1 year or less $m	Over 1 to 2 year(s) $m	Over 2 to 3 years $m	Over 3 to 4 years $m	Over 4 to 5 years $m	Over 5 years $m	**Total $m**
2012								
Non-interest bearing								
Payables	19	372.4	46.1	–	–	–	–	**418.5**
Interest bearing								
Unsecured bank loans		31.5	268.2	372.3	436.8	–	–	**1,108.8**
Domestic MTN		34.5	34.5	234.5	18.0	234.0	–	**555.5**
Foreign MTN		19.3	19.3	19.3	19.6	282.7	107.0	**467.2**
Derivatives								
Net settled (interest rate swaps)		32.2	34.1	30.1	24.2	15.1	6.0	**141.7**
Fixed to floating swaps		(6.5)	(7.5)	(7.2)	–	–	–	**(21.2)**
Gross settled (cross currency swaps)								
– Outflow		16.6	15.8	17.4	18.7	381.3	142.7	**592.5**
– (Inflow)		(19.3)	(19.3)	(19.3)	(19.6)	(282.7)	(107.0)	**(467.2)**
		480.7	391.2	647.1	497.7	630.4	148.7	**2,795.8**
2011								
Non-interest bearing								
Payables	19	469.2	5.9	–	–	–	–	475.1
Interest bearing								
Unsecured bank loans		113.2	356.0	512.4	342.5	313.3	–	1,637.4
Domestic MTN		32.3	34.5	34.5	34.5	234.5	234.0	604.3
Foreign MTN		18.2	18.4	18.9	19.4	19.8	370.3	465.0
CMBS		517.5	–	–	–	–	–	517.5
Secured bank loans		29.0	–	–	–	–	–	29.0
Derivatives								
Net settled (interest rate swaps)		3.8	8.7	5.3	3.5	1.3	(0.9)	21.7
Fixed to floating swaps		(3.4)	(4.9)	(4.7)	(4.4)	(3.9)	–	(21.3)
Gross settled (cross currency swaps)								
– Outflow		24.7	25.7	27.5	28.3	29.7	535.0	670.9
– (Inflow)		(18.2)	(18.4)	(18.9)	(19.4)	(19.8)	(370.3)	(465.0)
		1,186.3	425.9	575.0	404.4	574.9	768.1	3,934.6

38 REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

	2012 $000	2011 $000
a) Assurance services		
Audit services		
Audit and review of financial reports	**1,814.3**	1,851.0
Compliance services and regulatory returns	**258.1**	404.9
Other assurance services and advisory services		
Financial due diligence and transactions	**–**	270.0
Total remuneration for assurance services	**2,072.4**	2,525.9
b) Taxation services		
Tax advice and compliance services	**533.2**	312.5
Total remuneration for taxation services	**533.2**	312.5
c) Advisory services		
Advisory services	**–**	95.6

39 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2012 $m	2011 $m
a) Reconciliation of cash			
Cash at the end of the year as shown in the consolidated statement of cash flows is the same as the consolidated statement of financial position, the detail of which follows:			
Cash on hand		**–**	–
Cash at bank		**57.1**	80.7
Deposits at call		**20.2**	87.3
Unrestricted cash		**77.3**	168.0
Cash collateralisation		**–**	505.1
Cash and cash equivalents		**77.3**	673.1
b) Reconciliation of profit attributable to the stapled securityholders of Mirvac to net cash inflows from operating activities			
Profit attributable to the stapled securityholders of Mirvac		**416.1**	182.3
Share of net profit of associates and joint ventures not received as dividends/distributions		**(12.4)**	(41.3)
Net gain on sale of investments		**(37.0)**	(2.5)
Net gain on fair value of investment properties and owner-occupied hotel management lots and freehold hotels	16	**(148.7)**	(110.4)
Net loss on fair value of IPUC	16	**15.8**	58.6
Net (gain)/loss on sale of investment properties		**(3.4)**	1.2
Net (gain)/loss on sale of property, plant and equipment		**(3.0)**	1.0
Depreciation and amortisation expenses		**39.0**	31.2
Impairment of loans	5	**6.0**	7.8
Provision for loss on inventories	5	**25.0**	295.8
Business combination transaction costs		**–**	31.8
Security based payment expense		**8.5**	6.2
Unrealised loss on financial instruments		**59.8**	103.0
Unrealised loss/(gain) on foreign exchange		**22.2**	(111.0)
Distributions from associates and joint ventures		**26.2**	18.5
Change in operating assets and liabilities, net of effects from purchase of controlled entities:			
– Increase in income taxes payable		**1.6**	1.4
– Increase in tax effected balances		**(57.2)**	(112.7)
– Decrease in receivables		**51.7**	3.1
– Increase in inventories		**(183.2)**	(77.9)
– Increase in other assets/liabilities		**(0.8)**	(30.8)
– Increase/(decrease) in payables		**89.5**	(6.8)
– Increase in provisions for employee benefits		**1.3**	–
Net cash inflows from operating activities		**317.0**	248.5

40 EVENTS OCCURRING AFTER THE END OF THE YEAR
No other circumstances have arisen since the end of the year which have significantly affected or may significantly affect the operations of Mirvac, the results of those operations, or the state of affairs of Mirvac in future years.

41 PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information
The individual financial statements for the parent entity show the following aggregate amounts:

Statement of financial position	Note	2012 $m	2011 $m
Current assets		**3,363.9**	3,526.7
Total assets		**3,981.3**	4,064.1
Current liabilities		**1,879.7**	2,749.2
Total liabilities		**2,379.9**	2,749.4
Equity			
Contributed equity	24(a)	**1,249.8**	1,248.1
Reserves			
– Security based payments reserve		**16.8**	11.7
– Capital reserve		**(0.2)**	(0.2)
Retained earnings		**335.0**	55.1
		1,601.4	1,314.7
Profit/(loss) for the year		**281.1**	(0.7)
Total comprehensive income		**281.1**	(0.7)

b) Guarantees entered into by the parent entity
The parent entity is party to a deed of cross guarantee, with members of the closed group. Further details are disclosed in note 29(c).

The parent entity has provided a guarantee to a bank in respect of $3.0m of borrowings by a joint venture.

c) Contingent liabilities of the parent entity
The parent entity did not have any other contingent liabilities other than the item referred to in note 41(b) at 30 June 2012 or 30 June 2011.

d) Contractual commitments for the acquisition of property, plant and equipment
The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment at 30 June 2012 or 30 June 2011.

DIRECTORS' DECLARATION

In the Directors' opinion:

a) the financial statements and the notes set out on pages 39 to 105 are in accordance with the *Corporations Act 2001*, including:

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

   ii) giving a true and fair view of the consolidated entity's financial position at 30 June 2012 and of its performance for the financial year ended on that date;

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

c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 29 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 29.

Note 1(b) confirms that the financial statements also comply with IFRS as issued by the IASB.

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

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

Nicholas Collishaw
Director

Sydney
21 August 2012

Report on the financial report

We have audited the accompanying financial report of Mirvac Limited (the company), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Mirvac Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company 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 is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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pwc

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

Auditor's opinion

In our opinion:

a) the financial report of Mirvac Limited is in accordance with the *Corporations Act 2001*, including:
   i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
   ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report
We have audited the remuneration report included in pages 08 to 19 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion
In our opinion, the remuneration report of Mirvac Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
21 August 2012

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The information set out below was prepared at 26 July 2012 and applies to Mirvac's stapled securities (ASX code: MGR). As at 26 July 2012, there were 3,422,151,869 stapled securities on issue.

Substantial securityholders
As disclosed in substantial holding notices lodged with the ASX at 26 July 2012:

Name	Date of last notice received	Number of stapled securities	Percentage of issued capital[1]
Commonwealth Bank of Australia and its subsidiaries	05/12/2011	225,358,311	6.60%
Barclays Group	07/10/2009	137,805,294	4.91%
BlackRock Investment Management (Australia) Limited and associated BlackRock Group	31/12/2009	154,704,716	5.16%
The Vanguard Group	01/03/2010	186,167,992	6.21%

1) Percentage of issued capital held as at the date notice provided.

Range of securityholders

Range	Number of holders	Number of securities
100,001 and over	303	3,181,254,119
10,001 to 100,000	6,779	159,512,401
5,001 to 10,000	6,115	44,687,224
1,001 to 5,000	12,105	33,577,465
1 to 1,000	6,446	3,120,660
Total number of securityholders	**31,748**	**3,422,151,869**

Range of instalment receipt holders

Range	Number of instalment receipts holders	Number of instalment receipts
100,001 and over	91	53,603,689
10,001 to 100,000	785	22,856,686
5,001 to 10,000	271	1,922,417
1,001 to 5,000	244	676,730
1 to 1,000	49	29,593
Total number of instalment receipt holders	**1,440**	**79,089,115**

20 largest securityholders

Name	Number of stapled securities	Percentage of issued equity
HSBC Custody Nominees (Australia) Limited	1,057,635,826	30.90%
JP Morgan Nominees Australia Limited	688,456,531	20.11%
National Nominees Limited	533,227,553	15.58%
Citicorp Nominees Pty Limited	257,237,677	7.51%
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	102,708,234	3.00%
Westpac Custodian Nominees Limited	67,620,588	1.98%
Cogent Nominees Pty Ltd <DRP A/C>	66,274,607	1.94%
AMP Life Limited	53,314,883	1.56%
RBC Dexia Investor Services Australia Nominees Pty Limited <APN A/C>	33,522,060	0.98%
Cogent Nominees Pty Limited	32,795,140	0.96%
Cogent Nominees Pty Limited <SMP Accounts>	25,570,151	0.75%
Equity Trustees Limited <EQT SGH Property Inc Fund>	24,053,888	0.70%
JP Morgan Nominees Australia Limited <Cash Income A/C>	20,046,625	0.59%
Queensland Investment Corporation	19,195,397	0.56%
Bond Street Custodians Limited <ENH Property Securities A/C>	15,185,049	0.44%
RBC Dexia Investor Services Australia Nominees Pty Limited	14,906,139	0.44%
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	12,550,167	0.37%
UBS Wealth Management Australia Nominees Pty Ltd	10,520,635	0.31%
Share Direct Nominees Pty Ltd <10026 A/C>	6,025,000	0.18%
Bond Street Custodians Limited <Property Securities A/C>	5,865,782	0.17%
Total for 20 largest securityholders	3,046,711,932	89.03%
Total other securityholders	375,439,937	10.97%
Total stapled securities on issue	**3,422,151,869**	**100.00%**

Number of securityholders holding less than a marketable parcel: 2,669.

Voting rights
Subject to the Constitutions of Mirvac Limited and of MPT and to any rights or restrictions for the time being attached to any class or classes of shares, units or stapled securities:

- on a show of hands, each Member present in person or by proxy, attorney, or representative has one vote; and
- on a poll, each Member has:
  - in the case of a resolution of Mirvac Limited, one vote for each share in Mirvac Limited held; and
  - in the case of a resolution of MPT, one vote for each whole $1.00 of unit value in MPT held.

Instalment receipt voting rights
Instalment receipt holders have beneficial ownership of stapled securities and their rights as owners of the stapled securities are evidenced by the issue to instalment receipt holders of one instalment receipt for each stapled security. The only change to instalment receipt holders' normal rights as an owner of stapled securities is that registration of their stapled securities is recorded in the name of Westpac Custodian Nominees Limited, the security trustee, until the final instalment is paid.

The Security Trust Deed passes through to instalment receipt holders the rights as if the holders were a registered stapled securityholder. These rights include the entitlement to receive notices and attend meetings of Mirvac and exercise voting rights on securityholder resolutions put forward. In accordance with the Security Trust Deed, the security trustee has appointed each eligible instalment receipt holder (or their nominee) as its attorney to exercise the proportionate number of votes that attaches to the stapled securities in Mirvac reflecting their holding of instalment receipts.

GLOSSARY OF ACRONYMS

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AFL	Available for lease
AFS	Australian financial services
AGM	Annual General Meeting/General Meeting
ANZ	Australia and New Zealand Banking Group Limited
APES	Accounting Professional & Ethical Standards
ARCC	Audit, risk and compliance committee
A-REIT	Australian Real Estate Investment Trust
ARS	Assessment and Reporting Schedule
ASIC	Australian Securities and Investmens Commission
ASX	Australian Securities Exchange
CCI	Consumer Confidence Index
CGU	Cash generating unit
CMBS	Commercial mortgage backed securities
CPI	Consumer Price Index
CR	Capitalisation rate
DCF	Discounted cash flow
DRP	Dividend/distribution reinvestment plan
EEO	Energy Efficiency Opportunities Act 2006
EEP	Employee Exemption Plan
EIP	Executive Incentive Program
EIS	Employee Incentive Scheme
ELT	Executive Leadership Team
EPS	Earnings per security
ERP	Executive Retention Plan
FBT	Fringe benefits tax
FTE	Full time equivalent
GST	Goods and services tax
HRC	Human resources committee
HSE&S	Health, safety, environment and sustainability
FY08	Year ended 30 June 2008
FY09	Year ended 30 June 2009
FY10	Year ended 30 June 2010
FY11	Year ended 30 June 2011
FY12	Year ended 30 June 2012
FY13	Year ending 30 June 2013
FY14	Year ending 30 June 2014
FY15	Year ending 30 June 2015
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPUC	Investment properties under construction
ISO	International Organization for Standardization
JFG	James Fielding Group
KMP	Key management personnel
KPI	Key performance indicators
LLC	Limited Liability Company
LSL	Long service leave
LTI	Long term incentives
LTIP	Long Term Incentive Plan
LTP	Long Term Performance Plan
MAM	Mirvac Asset Management
MIM	Mirvac Investment Management
MGR	Mirvac Group
MPT	Mirvac Property Trust
MREIT	Mirvac Real Estate Investment Trust
MTN	Medium term note
NABERS	National Australian Built Environment Rating System
NCI	Non-controlling interest
NGER	National Greenhouse and Energy Reporting Act 2007
NPV	Net present value
NROT	North Ryde Office Trust
NRV	Net realisable value
NTA	Net tangible assets
PwC	PricewaterhouseCoopers
ROA	Return on assets
ROE	Return on equity
ROIC	Return on invested capital
SoCI	Statement of comprehensive income
SoFP	Statement of financial position
SPV	Special Purpose Vehicle
STI	Short term incentives
TAC	Transport Accident Commission
TSR	Total securityholder return
WOP	Westpac office portfolio
WOT	Westpac Office Trust

DIRECTORY

Registered office/Principal office
Mirvac Group (comprising Mirvac Limited
and Mirvac Funds Limited as responsible entity
of Mirvac Property Trust)

Level 26
60 Margaret Street
Sydney NSW 2000

Telephone +61 2 9080 8000
Facsimile +61 2 9080 8111

www.mirvac.com

Securities exchange listing
Mirvac Group is listed on the
Australian Securities Exchange (ASX code: MGR)

Directors
James MacKenzie (Chairman)
Nicholas Collishaw (Managing Director)
Marina Darling
Peter Hawkins
James Millar AM
John Mulcahy
John Peters
Elana Rubin

Company Secretary
Margaret Mezrani

Stapled security registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

Securityholder enquiries
Telephone 1800 356 444 (within Australia) or
outside Australia + 61 2 8280 7107 (outside Australia)

www.linkmarketservices.com.au

Correspondence should be sent to:
Mirvac Group
C/- Link Market Services Limited
Locked Bag 14
Sydney South NSW 1235

Further investor information can be located in the Investor Information tab on Mirvac's website at www.mirvac.com.

Auditor
PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000

AGM
Mirvac's 2012 AGM will be held at 10.00 am (Australian Eastern Daylight Time) on Thursday, 15 November 2012, in the Wentworth Ballroom, the Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW.

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Electronic version of Annual Report
An electronic version of this report is available on Mirvac's website at www.mirvac.com.

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