

by mirvac

annual report 2010



| | |
|-----|--|
| 01 | DIRECTORS' REPORT |
| 09 | REMUNERATION REPORT |
| 25 | AUDITOR'S INDEPENDENCE DECLARATION |
| 26 | CORPORATE GOVERNANCE STATEMENT |
| 39 | FINANCIAL STATEMENTS |
| 127 | DIRECTORS' DECLARATION |
| 128 | INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MIRVAC LIMITED |
| 130 | SECURITYHOLDER INFORMATION |
| 133 | DIRECTORY |

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010

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).

DIRECTORS' REPORT

The Directors of Mirvac Limited present their report, together with the consolidated report of Mirvac Group ("Mircac" or "Group") for the year ended 30 June 2010.

Mircac 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:

- James MacKenzie
- Nicholas Collishaw
- Paul Biancardi (was a Director from the beginning of the year until his retirement on 21 June 2010)
- Adrian Fini (was a Director from the beginning of the year until his retirement on 11 June 2010)
- Peter Hawkins
- James Millar (appointed as a Director on 19 November 2009)
- Penny Morris
- John Mulcahy (appointed as a Director on 19 November 2009)
- Richard Turner (was a Director from the beginning of the year until his retirement on 24 August 2009)

PRINCIPAL ACTIVITIES

The principal continuing activities of Mirvac consist of real estate investment, development, hotel management and investment management. Mirvac has two core divisions, Development (comprising residential and commercial development) and Investment (comprising MPT), with Hotel Management and Investment Management (including Mirvac Asset Management ("MAM")) facilitating capital interaction between the two core divisions and undertaking the management of hotels and external funds. In line with the Group's strategy, the rationalisation of non-aligned and unscalable funds within Investment Management continued during the year. Details are provided within the review of operations. There has been no other significant change in the principal activities of the Group during the year.

DIVIDENDS/DISTRIBUTIONS

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

| | 2010 \$m | 2009 \$m |
|--|--------------|--------------|
| June 2009 quarterly dividend/distribution paid on 31 July 2009 0.200 cents (2009: 8.225 cents) per stapled security | 3.4 | 90.5 |
| September 2009 quarterly dividend/distribution paid on 30 October 2009 2.000 cents (2009: 5.000 cents) per stapled security | 56.1 | 56.8 |
| December 2009 quarterly dividend/distribution paid on 29 January 2010 2.000 cents (2009: 2.800 cents) per stapled security | 59.9 | 47.5 |
| March 2010 quarterly dividend/distribution paid on 30 April 2010 2.000 cents (2009: nil cents) per stapled security | 60.0 | – |
| Total dividends/distributions paid | 179.4 | 194.8 |

The June 2010 quarterly dividend/distribution of 2.000 cents per stapled security totalling \$65.3m declared on 30 June 2010 was paid on 30 July 2010.

Dividends and distributions paid and payable by Mirvac for the year ended 30 June 2010 totalled \$241.3m, being 8.000 cents per stapled security (2009: \$107.7m – 8.000 cents per stapled security). The payments for the year ended 30 June 2010 and previous year were distributions made by the Trust.

DIRECTORS' REPORT

REVIEW OF OPERATIONS AND ACTIVITIES

The statutory profit after tax attributable to the stapled securityholders of Mirvac for the year ended 30 June 2010 was \$234.7m (2009: net loss \$1,078.1m). The operating profit (profit before specific non-cash and significant items) was \$275.3m which is above 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 following table summarises key reconciling items between statutory profit after tax attributable to the stapled securityholders of Mirvac and operating profit:

| | 2010 \$m | 2009 \$m |
|---|--------------|-------------|
| Net profit/(loss) attributable to the stapled securityholders of Mirvac | 234.7 | (1,078.1) |
| Specific non-cash items | | |
| Net losses from fair value of investment properties and owner-occupied hotel management lots and freehold hotels | 6.9 | 487.2 |
| Net losses from fair value of investment properties under construction ("IPUC") | 112.8 | - |
| Net (gains)/losses on fair value of derivative financial instruments and associated foreign exchange movements | (15.8) | 104.0 |
| Expensing of security based payments | 8.7 | 7.1 |
| Depreciation of owner-occupied investment properties, hotels and hotel management lots (including hotel property, plant and equipment) | 7.7 | 6.4 |
| Straight-lining of lease revenue | (2.5) | (1.2) |
| Amortisation of lease incentives | 10.1 | 8.3 |
| Net losses from fair value of investment properties, derivatives and other specific non-cash items included in share of associates' losses | 33.3 | 150.9 |
| Net losses/(gains) from fair value of investment properties, derivatives and other specific non-cash items included in non-controlling interest ("NCI") | 1.1 | (6.3) |
| Significant items | | |
| Impairment of investments and loans included in share of net loss of associates and joint ventures | - | 33.2 |
| Impairment of investments including associates and joint ventures | 6.2 | 41.7 |
| Impairment of loans | 5.4 | 42.7 |
| Provision for loss on inventories | - | 186.5 |
| Impairment of goodwill, management rights and other intangible assets | - | 273.6 |
| Net gains from sale of non-aligned assets | (9.0) | - |
| Discount on business combination | (119.8) | - |
| Net gain on remeasurement of equity interest | (30.9) | - |
| Business combination transaction costs | 19.4 | - |
| Net losses from other significant items included in NCI | - | (1.0) |
| Tax effect | | |
| Tax effect of non-cash and significant adjustments | 7.0 | (54.2) |
| Operating profit (profit before specific non-cash and significant items) | 275.3 | 200.8 |

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Key financial highlights for the year ended 30 June 2010 included:

- operating profit of \$275.3m, representing 9.3 cents per security¹;
- Net Tangible Assets (“NTA”) per security of \$1.66²;
- operating cash flow of \$340.0m;
- total assets of \$7,887.5m;
- net assets of \$5,455.4m; and
- distribution of \$241.3m, representing 8.0 cents per security.

Key operational highlights within the Investment Division for the year ended 30 June 2010 included:

- acquired the Mirvac Real Estate Investment Trust (“MREIT”) portfolio, realising a total gain for the Group of \$140m above the net fair value of assets acquired;
- acquired the Westpac Office Trust (“WOT”) portfolio, adding approximately \$1,137.1m of investment grade assets³;
- disposed of 13 non-aligned assets realising \$234.8m (before costs)⁴.

Key operational highlights within Hotel Management and Investment Management for the year ended 30 June 2010 included:

- commenced new hotel management contracts bringing the total number of hotel rooms across the portfolio to 5,812;
- joined the world’s largest alliance of independent hotel brands, the Global Hotel Alliance (“GHA”);
- received 14 major hotel industry awards including “Accommodation Chain of the Year”⁵; and
- completed the further rationalisation of non-aligned funds within the Investment Management business unit.

Key operational highlights within the Development Division for the year ended 30 June 2010 included:

- exchanged contracts of \$802.4m⁶ for new residential projects and achieved 1,805 residential lot settlements;
- commenced development of large-scale, masterplanned, generational residential projects; and
- commenced development of commercial projects including a 140,000 square metre industrial distribution facility at Hoxton Park, Sydney, NSW.

CAPITAL MANAGEMENT

During the year Mirvac undertook a number of capital management activities. Key capital management highlights for the year ended 30 June 2010 included:

- raised approximately \$375.8m through new equity raisings;
- issued and priced a new \$150.0m five year fixed domestic Medium Term Note (“MTN”) with a margin of 265 basis points;
- increased and extended an unsecured bank facility to \$150m, expiring in April 2013;
- repaid \$457m of MREIT’s debt upon acquisition, utilising capital raised in the year ended 30 June 2009;
- maintained a BBB/A-2, with a positive outlook credit rating from Standard & Poor’s; and
- maintained a low level of balance sheet gearing at 18.1 per cent⁷.

The Group continued to enjoy significant headroom within its debt covenants, maintaining its strong capital position.

Outlook

Mirvac’s capital management strategy is to continue to diversify its sources of debt capital and further extend its debt maturity profile. Mirvac remains focused on managing its strong capital structure to ensure it can continue to meet its strategic objectives without increasing its overall risk profile.

1) Diluted earnings excluding specific non-cash and significant items.

2) NTA based on issued securities, excluding Employee Incentive Scheme (“EIS”) securities.

3) WOT was acquired post 30 June 2010; name changed to Mirvac Office Trust on 4 August 2010.

4) Includes three disposals that occurred post 30 June 2010 including James Ruse Business Park, Northmead, NSW, Hawdon Industry Park, Dandenong, VIC and 253 Wellington Road, Mulgrave, VIC. Includes Morayfield Supacentre, Morayfield QLD, which is now unconditionally exchanged. Settlement is forecast for August 2010.

5) 2009 HM Awards, 14 August 2009.

6) Total exchanged contracts as at 20 August 2010, adjusted for Mirvac’s share of JV interests and Mirvac managed funds.

7) Net debt after cross currency interest rate (“CCIR”) swaps excluding leases/(total tangible assets – cash).

OPERATIONAL HIGHLIGHTS AND DIVISIONAL STRATEGY

Investment Division

The Investment Division had a total portfolio value of \$5,787.7m¹, with investments in 77¹ direct property assets, covering the office, retail, industrial and hotel sectors, as well as investments in other funds managed by Mirvac.

For the year ended 30 June 2010, the Investment Division's statutory net profit before tax was \$306.4m and operating profit before tax was \$325.1m.

Key highlights for the Trust for the year ended 30 June 2010 included:

- acquired the MREIT portfolio which was in line with the Group's strategy of securing Australian recurring rental earnings, with this transaction adding approximately \$915.0m² of investment grade assets to the Group;
- acquired the \$1,137.1m WOT portfolio post 30 June 2010;
- acquired 23 Furzer Street, Canberra, ACT for \$208.8m;
- disposed of 13 assets that no longer fit MPT's investment criteria (two office, seven industrial and four retail assets) for a total realisation of \$234.8m³ (before costs); and
- added value to the existing portfolio with the completion of four projects totalling \$295.3m, securing renewed long-term lease commitments.

The Trust maintained its high portfolio occupancy of 97.6 per cent⁴ and minimal lease expiries with a weighted average lease expiry of approximately 6.1 years⁴. The Trust's earnings continue to be secure with 96.0 per cent of FY11 rent reviews being fixed or linked to the Consumer Price Index ("CPI"), and 76.6 per cent of revenue derived from multinational, national, Australian Securities Exchange ("ASX") listed and government tenants.

Outlook

The Investment Division remains focused on active asset management, enhancing income security, and the quality of its portfolio. The strategy for the Division is to continue to increase exposure in Australian investment grade property focused on the east coast of Australia.

Hotel Management

Mirvac's Hotel Management business unit manages hotels and resorts across Australia and New Zealand. Hotel Management is a fee based business with three separate types of management agreements covering leasing, management lots and management agreements.

For the year ended 30 June 2010, Hotel Management achieved a statutory net loss before tax of \$10.8m and an operating profit before tax of \$11.6m.

The business unit continued to expand during the year with new hotel management contracts including Citigate Mount Panorama, Bathurst, NSW (111 rooms) and The Sebel Deep Blue Warrnambool, Warrnambool, VIC (80 rooms), bringing the total hotels managed to 46, covering 5,812 rooms.

Key highlights for Hotel Management during the year included:

- increased brand exposure through joining GHA which includes 280 international hotels and a loyalty program of approximately 1m members and affiliations with 14 frequent flyer programs;
- 70 per cent of Mirvac's hotels achieved a ranking that placed them in the top three of their respective market competitor sets;⁵ and
- awarded "Accommodation Chain of the Year" 2009, HM Awards, 14 August 2009.

Outlook

Hotel Management will continue to increase the number of hotels under its key brands in strategic and under-represented areas within Australia.

Investment Management

Mirvac's Investment Management ("MIM") business unit provides capital interaction between the Group's two core Divisions – Investment and Development – through the establishment of investment partnerships with major financial institutions and institutional investors.

For the year ended 30 June 2010, MIM recorded a statutory net loss before tax of \$0.1m and an operating loss before tax of \$7.8m.⁶

In line with the Group's stated strategy, the rationalisation of non-aligned and unscalable funds continued during the year. Key highlights included:

- transfer of management rights for Mirvac Mezzanine Capital Fund to Quadrant Real Estate Advisors ("Quadrant") in July 2009. Quadrant also assumed responsibility for managing Mirvac's investment in the RedZed mortgage warehouse in July 2009;
- transfer of management rights for Mirvac Tourist Park Fund in September 2009;
- sale of Mirvac PFA in April 2010;
- sale of the UK operating business in December 2009; and
- sale of Mirvac's 50 per cent interest in Mirvac AQUA to its joint venture partner, Balmain NB in April 2010.

Outlook

The focus for MIM is to continue to support and source capital for the Group's core divisions – Investment and Development – through the establishment of investment partnerships with wholesale institutional investors.

1) Post 30 June 2010, following the WOT acquisition.

2) Adjusted for fair value of assets on acquisition and the sale of Pender Place Shopping Centre, Maitland, NSW and 605-609 Doncaster Road, Doncaster, VIC prior to completion of the transaction.

3) Includes three disposals that occurred post 30 June 2010 including James Ruse Business Park, Northmead, NSW, Hawdon Industry Park, Dandenong, VIC and 253 Wellington Road, Mulgrave, VIC. Includes Morayfield Supacentre, Morayfield QLD, which is now unconditionally exchanged. Settlement is forecast for August 2010.

4) MPT at 30 June 2010 adjusted for the acquisition of WOT at 4 August 2010.

5) STR Global.

6) Includes MAM.

Development Division

The Group's Development Division conducts residential and commercial development across New South Wales, Victoria, Queensland and Western Australia. For the year ended 30 June 2010, the Division's statutory net profit before tax was \$19.6m and operating profit before tax was \$20.1m.

Residential

Mirvac's residential product offering includes house and land packages, masterplanned communities, small lot homes and apartments. The Division continued to deliver quality residential product resulting in the settlement of 1,805 lots at 30 June 2010 (including Mirvac share of joint venture interest and Mirvac managed funds). State based settlements for the year ended 30 June 2010:

| State | Lots |
|--------------|--------------|
| NSW | 917 |
| VIC | 167 |
| QLD | 276 |
| WA | 445 |
| Total | 1,805 |

State based settlements by product for the year ended 30 June 2010:

| | House/land (%) | Apartments (%) | Total (%) |
|--------------|----------------|----------------|------------|
| NSW | 33.9 | 17.0 | 50.8 |
| VIC | 9.2 | 0.1 | 9.3 |
| QLD | 5.8 | 9.5 | 15.3 |
| WA | 15.9 | 8.8 | 24.7 |
| Total | 64.8 | 35.2 | 100 |

The Division secured future income with \$802.4m¹ of exchanged contracts with key projects forecast to be delivered in the year ending 30 June 2011 being:

| Project | Type | Lots |
|---|------------|------|
| Parkbridge, Middleton Grange, NSW | House | 208 |
| Laureate, Melbourne, VIC | House | 28 |
| Yarra's Edge River Homes, Yarra's Edge, VIC | House | 18 |
| Waverley Park, Mulgrave, VIC | House | 73 |
| Waterfront, Newstead, QLD | Apartments | 55 |
| Beachside Leighton, Leighton Beach, WA | Apartments | 56 |

Commercial

Mirvac's commercial development pipeline covers the office, retail, industrial and hotel sectors. Completed projects may be incorporated into MPT's property portfolio or sold to third parties. Consistent with the recent improvement in market conditions in the commercial sector across Australia, Mirvac is in various stages of commencing ten strategic development projects. During the year Mirvac secured a major pre-commitment on a significant industrial development project, Hoxton Distribution Park at Hoxton Park, Sydney, NSW. Hoxton Distribution Park will be one of the largest industrial development projects undertaken in Australia. The new facility is 100 per cent pre-let to Woolworths Limited covering approximately 140,000 square metres of industrial space that will house major distribution centres for BIG W and Dick Smith, with terms agreed for a 25 year lease and 20 year lease respectively.

Outlook

The Division's strategy is to build on its extensive in-house experience and proven track record to continue to deliver Australia's pre-eminent residential developments and focus on large-scale, generational, masterplanned residential communities. The Division will continue to advance its commercial development projects in prime locations.

MARKET AND GROUP OUTLOOK

The Australian economy continues to perform well and has recovered from a relatively mild downturn. The labour market continues to improve and housing investment is set to accelerate over the remainder of the calendar year. Australia remains well placed to absorb any global downside impacts as a result of its relatively low public debt and sound banking system. Australia however is truly part of the global economy and is substantially impacted by overseas events in Europe and North America and the strength of our largest resource trading partner, China. As a result we remain cautious about predicting the level of future growth in markets in which we participate. A global tightening of credit and, or, a reduction in demand for Australia's resources will quickly lead to higher real interest rates and loss of consumer confidence. Whilst acknowledging housing affordability is a major issue for first homebuyers, Mirvac continues to provide appropriately priced homes and apartments for its target market. Overall, Mirvac believes the outlook for well positioned and priced residential property remains sound. In the commercial market, conditions have been less buoyant however, asset values appear to have stabilised and a shortage of new supply in all sectors may see a return to rental growth in the year ahead. In these uncertain times Mirvac will continue to focus on its major competitive strength of large-scale, pre-eminent residential developments and the proactive management of Australian investment grade assets.

1) Total exchanged contracts as at 20 August 2010, adjusted for Mirvac's share of JV interests and Mirvac managed funds.

ENVIRONMENTAL REGULATIONS

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 with all Round 1 assessments to be complete by 30 June 2011.

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 currently preparing for the *Building Energy Efficiency Disclosure Act 2010* which commenced July 2010. This involves the disclosure of energy efficiency-related information at the point of sale or lease of commercial 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 in the year ended 30 June 2010. Mirvac's development projects across Australia were issued a total of two environmental infringement notices throughout the year with a total value of \$4,500.

The notices related to minor incidents of environmental impact at development sites and were rectified immediately. These included:

- working outside hours determined by the development approval; and
- failing to prevent pollution from entering a stormwater system.

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

B Bus, FCA, FAICD – Chairman – Independent Non-Executive

- Chair of the Nomination Committee
- Member of 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 ANZ Banking Group Limited, 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

SA (Fin), 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, funds management and hotel management, having been appointed to the Mirvac Board on 19 January 2006.

Nicholas has been involved in property and 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 the 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.

Nicholas is a Director of the Property Industry Foundation.

Peter Hawkins

B CA (Hons), FAICD, SF Fin, FAIM, ACA (NZ) – Independent Non-Executive

- Chair of the Human Resources Committee
- Member of the Audit, Risk and Compliance Committee
- Member of Nomination Committee

Peter Hawkins was appointed a Non-Executive Director of Mirvac on 19 January 2006, following his retirement from the Australia and New Zealand Banking Group Limited (“ANZ”) 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

B.Com, FCA, FAICD – Independent Non-Executive

- Chair of the Audit, Risk and Compliance Committee
- Member of the Human Resources Committee

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

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.

Penny Morris

AM, B.Arch (Hons), M.EnvSci, DipCD, FRAIA, FAICD – Independent Non-Executive

- Chair of the Health, Safety, Environment and Sustainability Committee
- Member of the Human Resources Committee

Penny Morris was appointed a Non-Executive Director of Mirvac on 19 January 2006, and has extensive experience in property development and management, having formerly been Group Executive Lend Lease Property Services, General Manager and Director, Lend Lease Commercial and Director of Commonwealth Property within the Federal Department of Administrative Services.

An experienced Director for more than 18 years, Penny has also been a Director of Aristocrat Leisure Limited, Colonial State Bank, Australia Postal Corporation, Howard Smith Limited, Energy Australia, Indigenous Land Corporation, Country Road Limited, Jupiters Limited, Principal Real Estate Investors (Australia) Limited, Strathfield Group Limited, Landcom and the Sydney Harbour Foreshore Authority.

John Mulcahy

PhD (Civil Engineering), FIEAust – Independent Non-Executive

- Member of the Audit, Risk and Compliance Committee
- Member of the Health, Safety, Environment and Sustainability 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.

DIRECTORS' REPORT

GENERAL COUNSEL AND COMPANY SECRETARY

Sonya Harris

B.Econ, LLB (First Class Honours), MLM, MAICD

Sonya Harris was appointed General Counsel and Company Secretary in August 2009.

Sonya has had over 19 years experience in the legal industry and was appointed a partner at Minter Ellison in Sydney in 1999.

Sonya brings her breadth of knowledge in the property industry, and her broad property and commercial legal experience to her role at Mirvac. Immediately prior to joining Mirvac, Sonya was Deputy General Counsel at Brookfield Multiplex from 2005.

MEETINGS OF DIRECTORS

The number of meetings of the Board of Directors and of each Board Standing Committee held during the year ended 30 June 2010 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") | | Health, safety, environment and sustainability committee ("HSE&SC") | | Nomination committee | |
|--------------------|-----------------|----|------------------------------|---|---|----------------|-----------------------------------|---|---|----|----------------------|---|
| | A | B | A | B | A | B | A | B | A | B | A | B |
| James MacKenzie | 18 | 18 | 6 | 6 | 4 ² | 5 | 3 ² | 4 | - | - | 4 | 4 |
| Nicholas Collishaw | 18 | 18 | 7 | 7 | - | - | - | - | - | - | - | - |
| Paul Biancardi | 17 ² | 18 | 5 | 5 | 7 ² | 8 | 3 ² | 4 | - | - | 4 | 4 |
| Adrian Fini | 16 ² | 17 | - | - | - | - | - | - | - | - | - | - |
| Peter Hawkins | 18 | 18 | 2 | 2 | 7 ² | 8 | 4 | 4 | - | - | 4 | 4 |
| James Millar | 11 | 11 | 3 | 3 | 5 | 5 | 3 | 3 | - | - | - | - |
| Penny Morris | 18 | 18 | - | - | 4 | 4 | 4 | 4 | 10 | 10 | - | - |
| John Mulcahy | 11 | 11 | - | - | 5 | 5 | - | - | 4 | 4 | - | - |
| Richard Turner | 1 | 1 | - | - | 1 ³ | 1 ³ | 1 | 1 | - | - | - | - |

1) Committees of the Board established to deal with particular major transactions during the year.

2) Leave of absence granted.

3) Includes only attendance as a Director, the table on page 32 also includes attendance as an independent member.

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.

DIRECTORS' REPORT

REMUNERATION REPORT

This remuneration report is set out under the following sections:

- 1 Executive summary
- 2 Remuneration governance
- 3 Remuneration strategy and structure
- 4 Non-Executive Directors' remuneration
- 5 Relationship between remuneration and Mirvac performance
- 6 Details of remuneration
- 7 Service agreements
- 8 Additional information

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

1 EXECUTIVE SUMMARY

The purpose of remuneration at Mirvac is to support the execution of the business strategy. This requires programs that reward annual and long-term value creation and retain the individuals most capable of delivering successful outcomes for securityholders.

a) Key points on Mirvac's remuneration for the year ended 30 June 2010

- i) The HRC continues to review Mirvac's approach to remuneration in light of changes to both the economic and regulatory environments. A key focus of this work is on ensuring that Mirvac's remuneration strategy continues to support the business strategy and drive value for securityholders through all stages of the business cycle.
- ii) A salary freeze was in place during the year ended 30 June 2010 with adjustments only made in exceptional circumstances. In response to improved market conditions, the Board has approved a budget for increases in fixed remuneration for the year ending 30 June 2011.
- iii) Short-term incentive ("STI") amounts were paid for results achieved during the year ended 30 June 2010 reflecting improvements in business performance from 2009.
- iv) The 2010 long-term incentive ("LTI") grants were delayed until June 2010 due to uncertainty created by changes to the tax treatment of employee share schemes announced in the May 2009 Federal Budget.
- v) The performance period for the LTI grants made during 2007 finished on 30 June 2010. In total, 25 per cent of the performance rights and options granted in 2007 vested.
- vi) Consistent with what was presented to securityholders at the 2009 Annual General Meeting/General Meeting, the LTI grant for the year ended 30 June 2010 used two performance measures – Relative Total Securityholder Return ("TSR"), and Return on Equity ("ROE"). For the LTI grants that will be made in the year ending 30 June 2011, the intention is to use Relative TSR as the sole performance condition based on the view that relative TSR is the simplest, most objective measure of total value creation delivered to securityholders.
- vii) Any new contract or contract variation will impose a limitation on executive termination payments of no more than 12 months salary, consistent with new legislation.

DIRECTORS' REPORT

REMUNERATION REPORT

b) Summary of actual payments received by key management personnel ("KMP")

The value of the cash and other benefits actually received by the executives during the year ended 30 June 2010 will be different to the figures presented in the table on page 19. This is because the table on page 19 presents the accounting value for long-term incentives which will include amounts for grants that have not vested, and may not vest because of the presence of performance conditions. The following table presents the actual value of the remuneration receivable by the disclosed executives during the year:

| Executive | Fixed remuneration \$ | STI ¹ \$ | LTI ² \$ | Employee loans ³ \$ | Termination benefits \$ | Other \$ | Total \$ |
|--------------------|--------------------------|------------------------|------------------------|-----------------------------------|----------------------------|-------------|-------------|
| Nicholas Collishaw | 2,000,000 | 1,750,000 | 38,253 | 404,546 | – | 32,979 | 4,225,778 |
| John Carfi | 649,272 | 403,000 | 8,965 | 530,402 | – | 10,940 | 1,602,579 |
| Brett Draffen | 855,285 | 634,000 | 23,910 | 451,406 | – | 13,858 | 1,978,459 |
| Gary Flowers | 600,000 | 318,000 | – | 68,737 | – | 9,736 | 996,473 |
| Chris Freeman | 460,814 | – | – | 24,157 | 254,227 | 14,404 | 753,602 |
| Grant Hodgetts | 465,932 | – | 13,284 | 318,087 | 897,930 | 26,146 | 1,721,379 |
| Justin Mitchell | 650,000 | 345,000 | 12,752 | 317,519 | – | 10,394 | 1,335,665 |

1) STI values reflect payments to be made in September 2010 in recognition of performance during the year ended 30 June 2010.

2) LTI amounts represent the value to the participant during the year ended 30 June 2010 arising from performance rights whose performance period ended 30 June 2010, the exercising of options, or the net proceeds following the sale of securities granted under a loan based plan.

3) Amount reported includes amounts forgiven during the year, imputed interest and related Fringe Benefits Tax ("FBT").

c) Mirvac's response to regulatory changes

The global financial crisis has led to a significant increase in Federal Government and regulator action on remuneration issues. Following is a description of some of the more significant changes that were announced during 2009, accompanied by a summary of Mirvac's response in each case.

i) Tax on employee share schemes

During 2009, the Federal Government made significant changes to the taxation of employee share schemes. Mirvac's response to these changes can be summarised as follows:

- grants under the Long-term Performance Plan ("LTP") were delayed due to the uncertainty created by the tax changes;
- the HRC determined that grants under the LTP will be made in the form of performance rights; and
- previously, securities issued to participants under the LTP after rights had vested were subject to a seven year holding lock. The HRC exercised its discretion to waive the holding lock over any securities that vest from the 2010 grant.

ii) Termination payments cap

In November 2009, changes were made to the legislation dealing with termination payments. As a result of the amendments, in the future it will no longer be possible to make termination payments in excess of 12 months fixed remuneration to affected executives without receiving securityholder approval. The legislation provides that transitional arrangements will apply whereby contractual termination payments in place prior to the new legislation can still be honoured without the requirement for securityholder approval. This is provided that an executive's contract has not been substantially varied subsequent to 24 November 2009.

The HRC has reviewed Mirvac's approach to termination payments in light of the legislative changes. All new contracts with senior executives will impose a cap on termination payments equivalent to 12 months fixed remuneration. Mirvac will honour existing contractual entitlements on termination that would exceed the cap of 12 months fixed remuneration, provided there has been no substantial variation to the executive's contract. Given that an adjustment to fixed remuneration would likely be considered a variation under the regulations, at the next scheduled remuneration review affected executives will be given the option to either:

- forego any increase to their fixed remuneration and therefore retain their existing termination entitlements; or
- have their fixed remuneration reviewed and in so doing accept a cap on their termination entitlements equivalent to 12 months fixed remuneration.

iii) Productivity Commission

The Board has recognised the recommendations made by the Productivity Commission on director and executive remuneration and is already compliant with a number of these. For example:

- the HRC comprises of four Non-Executive Directors with each Committee member, including the Chairman, being independent;
- executives are prohibited from hedging unvested equity under Mirvac's security trading policy;
- when the HRC uses remuneration advisers in respect of KMP remuneration, these advisers are commissioned by the HRC, independent of management;
- an executive summary has been included in the remuneration report; and
- a table presenting 'actual' levels of remuneration received by each of the disclosed executives has been included in the remuneration report.

2 REMUNERATION GOVERNANCE

The Board places great importance on having strong remuneration governance processes. These processes are designed to ensure that Mirvac continues to derive maximum value from its remuneration spend, while also ensuring that remuneration decisions are made in a fair and transparent manner. The HRC, consisting of four independent, Non-Executive Directors, is responsible for reviewing the remuneration strategy annually. It advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages, incentives and other terms of employment for Non-Executive and Executive Directors, including the Managing Director, as well as KMP.

3 REMUNERATION STRATEGY AND STRUCTURE

a) Remuneration strategy

Mirvac's remuneration strategy creates the platform upon which all pay decisions are made. The strategy defines the framework for setting fixed remuneration and the design parameters of STI and LTI programs. The purpose of remuneration at Mirvac is to support the execution of the business strategy. This requires programs that reward annual and long-term value creation and retain the individuals most capable of delivering successful outcomes for securityholders.

The Group holds a significant portion of total remuneration for senior employees as variable and "at risk" if performance criteria are not met or exceeded each year. The proportion of variable at risk remuneration increases significantly in line with seniority. The following table provides the average remuneration mix at target for different levels of employees at 30 June 2010:

| Employee level | Fixed remuneration % | STI % | LTI % | At risk remuneration % |
|-------------------|----------------------|-------|-------|------------------------|
| Managing Director | 31 | 23 | 46 | 69 |
| Senior executives | 42 | 23 | 35 | 58 |
| Executives | 68 | 12 | 20 | 32 |
| Managers | 91 | 9 | – | 9 |
| Other employees | 100 | – | – | – |

When assessing remuneration for KMP and other senior executives, Mirvac looks primarily at its Australian Real Estate Investment Trust ("A-REIT") peer group and secondly at a general industry peer group with a similar (market capitalisation) size.

The HRC has appointed Ernst & Young as external remuneration adviser to provide both information on current market practice and independent input into key remuneration decisions. The HRC also has access to Mirvac's Group General Manager, Human Resources to support its decision making.

As part of its role, the HRC regularly reviews the STI and LTI schemes to ensure they continue to provide an appropriate return for securityholders, while also serving to attract, motivate and retain suitably qualified employees. The HRC also reviews and approves the performance targets set for Mirvac's STI and LTI schemes, as well as the assessment of Mirvac's performance against these targets that ultimately determines the size of the STI and LTI pools. The HRC performs this role to ensure that incentive outcomes are determined in an objective manner.

KMP remuneration, incentives and other terms of employment are reviewed annually by the HRC in conjunction with recommendations made by the Managing Director. The review considers individual results against key performance indicators, relevant business performance, as well as the Group's overall results and returns to its securityholders.

Recommendations for individuals below senior executive level are submitted by that person's direct-report manager, in turn to their manager for approval, ensuring that any fixed remuneration increases or incentive payments have two levels of approval, reducing subjectivity and maintaining relativities.

DIRECTORS' REPORT

REMUNERATION REPORT

The Board has approved the following approach to determining Mirvac remuneration levels compared to the market:

- the reference point for fixed remuneration is targeted at the median of peer groups. However, differences in the scope of role and individual performance will mean that fixed remuneration will vary from the median; and
- STI and LTI plans are positioned to deliver market median reward for "at target" performance and above market median reward for strong performance.

b) Structure of remuneration

The employee population at Mirvac is segmented into different groups to determine participation in various incentive and employee security programs as shown in the table below:

| Employee level | Fixed remuneration | STI | LTI | EEP |
|-------------------|--------------------|-----|-----|-----|
| Managing Director | ✓ | ✓ | ✓ | |
| Senior executives | ✓ | ✓ | ✓ | |
| Executives | ✓ | ✓ | ✓ | |
| Managers | ✓ | ✓ | | ✓ |
| Other employees | ✓ | | | ✓ |

Remuneration approaches vary between these levels in order to recognise their relative impact on Mirvac's performance and differences in market remuneration practices.

Further information on these three distinct components – fixed remuneration, STI and LTI – is outlined below.

i) Fixed remuneration

The key drivers of fixed remuneration are as follows:

- individual appraisal based on Mirvac's performance appraisal system; and
- the competitive market environment for the individual's skills and capabilities or the role the individual performs.

Fixed remuneration comprises base salary plus statutory superannuation contributions. Employees also have the opportunity to sacrifice some of their base salary for additional voluntary superannuation contributions and/or novated leases for motor vehicles. Executives also have the flexibility to allocate a portion of their base salary to certain other benefits. In such circumstances, the executive is also charged any resultant FBT in order that there is no additional cost to Mirvac in allowing the executive to take advantage of the particular benefit. A salary freeze was in place during the year ended 30 June 2010. In light of changing market conditions and improved business performance, and to ensure that Mirvac continues to be able to attract, motivate and retain talented employees, the Board has approved a budget for increases in fixed remuneration for the year ending 30 June 2011.

ii) STI

Short-term variable remuneration consists of an annual incentive paid as a cash bonus. Executives and managers at Mirvac are eligible to participate in the STI plan based on their responsibility for achieving annual objectives. Remaining staff are eligible for a discretionary bonus where management recognises that exceptional individual performance has been achieved. STI outcomes for individuals can range from zero to double their STI target depending upon results. The maximum STI opportunity as a percentage of fixed remuneration for KMP, together with details of the actual STI payments they each received for the year ended 30 June 2010 are shown in the following table:

| | Maximum STI percentage of fixed remuneration % | STI included in remuneration \$ | STI achieved percentage of potential maximum % | STI forfeited percentage of potential maximum % |
|---------------------------|--|---------------------------------|--|---|
| Executive Director | | | | |
| Nicholas Collishaw | 150 | 1,750,000 | 58 | 42 |
| KMP | | | | |
| John Carfi | 120 | 403,000 | 53 | 47 |
| Brett Draffen | 140 | 634,000 | 53 | 47 |
| Chris Freeman | 120 | – | – | 100 |
| Gary Flowers | 100 | 318,000 | 53 | 47 |
| Grant Hodgetts | 100 | – | – | 100 |
| Justin Mitchell | 100 | 345,000 | 53 | 47 |

STI payments are conditional upon:

- performance of the Group overall and the respective divisions, measured against pre-determined targets; and
- an individual's contribution to the Group or division's financial performance as well as their own performance in meeting or exceeding pre-determined objectives as measured during the performance appraisal process.

Group/divisional STI measures

The STI pool for the year ended 30 June 2010 was calculated based on operating profit at a Group and divisional level. Operating profit was chosen as it is an objective, readily understandable measure of Mirvac's performance during the year. Once the operating profit for the year has been determined, the HRC applied the following schedule to calculate the STI pool:

| Performance relative to plan | < 90% | 90% | 100% | 120% | > 120% |
|---------------------------------|-------|-----|------|------|--------|
| Group payout (% of target) | 0% | 75% | 100% | 150% | 150% |
| Divisional payout (% of target) | 0% | 75% | 100% | 150% | 150% |

Individual performance

The Group's appraisal system is a core component of its remuneration review. It is used to review past performance and set future objectives and development plans for employees at all levels. At the beginning of each year, clear objectives are set for all employees to provide clarity and focus to the individual and organisation as to what is expected in the ensuing period. The objectives used to evaluate KMP for the year ended 30 June 2010 were based on the following key responsibility areas: finance; strategy; customer/stakeholder; corporate responsibility; and people. Additional business or divisional specific objectives may also be set by the Managing Director each year, which are also reviewed by the HRC. The Committee also sets specific targets and key performance indicators annually for the Managing Director.

iii) LTI plans

KMP, other senior executives and executives are eligible, at the discretion of the HRC, to participate in Mirvac's LTI schemes. LTI scheme participation is limited to these employees because they have the largest strategic impact on the long-term success of Mirvac. The LTI schemes in tandem with driving performance and facilitating retention, are also an important means of facilitating executive security ownership.

LTP (current plan)

Mirvac's LTP plan was introduced in the year ended 30 June 2008 following approval by securityholders at the 2007 Annual General Meeting/General Meeting. This plan applies to the Managing Director, other Executive Directors, senior executives and other executive employees only for reasons stated above.

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. The rights offered under the scheme can only be exercised if and when these performance conditions are achieved over a three year period. If the performance rights vest and are exercised, entitlements will be satisfied by either an allotment of new securities or by purchase on market of existing securities, at the Board's discretion. Non-Executive Directors are not eligible to participate in this LTP. 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. The Board determined, on the recommendation of the HRC, that the performance conditions to apply to the vesting of the grants made during the year ended 30 June 2010 would be Relative TSR and ROE. TSR was chosen given that it is an objective measure of securityholder value creation and the wide level of understanding and acceptance of the measure among various key stakeholders. ROE was chosen because it measures how well management has used securityholder funds and reinvested earnings to generate additional earnings for securityholders.

For the anticipated 2011 grant, the Board is intending to use Relative TSR as the sole performance condition. This reflects the Board's desire for executives to focus on delivering value for securityholders. Furthermore, Mirvac has a well defined peer group of comparable organisations. By delivering superior returns to securityholders relative to these peer organisations, Mirvac will have both greater access to capital and a lower cost of capital.

DIRECTORS' REPORT

REMUNERATION REPORT

The grant for the year ended 30 June 2010 was delayed until June 2010 due to the uncertainty created by the changes to the tax treatment of employee share schemes. However, the Board resolved to make the grant in a manner that ensured participants were neither advantaged nor disadvantaged by the delay. To reflect this intent, the performance period for the grant will still commence from 1 July 2009 as originally intended. Similarly, participants also received the same number of performance rights as they would have, had the grant not been delayed. For the grant made during the year ended 30 June 2010, the grant entitlements under the Relative TSR measure will be based on the following vesting schedule:

| Performance level | Relative TSR (percentile) | Percentage of securities subject to this criterion 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 will comprise the S&P/ASX 200 A-REIT Index as well as Lend Lease Corporation Limited, Australand Property Group and FKP Property Group. This comparison group was chosen because it represents the organisations with which Mirvac competes most directly with for investor capital within the sectors Mirvac operates. The entities comprising the comparison group are shown in the table below:

| Number | Symbol | Entity |
|--------|--------|-----------------------------------|
| 1 | ABP | Abacus Property Group |
| 2 | AJA | Astro Japan Property Group |
| 3 | ALZ | Australand Property Group |
| 4 | BWP | Bunnings Warehouse Property Trust |
| 5 | CFX | CFS Retail Property Trust |
| 6 | CHC | Charter Hall Group |
| 7 | CQO | Charter Hall Office REIT |
| 8 | CQR | Charter Hall Retail REIT |
| 9 | CPA | Commonwealth Property Office Fund |
| 10 | DXS | Dexus Property Group |
| 11 | FKP | FKP Property Group |
| 12 | GMG | Goodman Group |
| 13 | GPTDA | GPT Group |
| 14 | IIF | ING Industrial Fund |
| 15 | IOF | ING Office Fund |
| 16 | LLC | Lend Lease Corporation Limited |
| 17 | MGR | Mirvac Group |
| 18 | SGP | Stockland |
| 19 | WDC | Westfield Group |

At the end of the three year performance period, the HRC receives data from an independent external consultant to determine Mirvac TSR performance relative to the comparison group. An independent consultant is used to ensure that performance is measured objectively. The HRC then determines the number of performance rights that will vest, if any, by applying the data to the TSR vesting schedule. In valuing rights linked to the Relative TSR measure, the key inputs for the 2010 grant were as follows:

| | Performance rights |
|------------------------------|--------------------|
| Grant date | 8 June 2010 |
| Performance hurdle | Relative TSR |
| Performance period start | 1 July 2009 |
| Performance testing date | 30 June 2012 |
| Security price at grant date | \$1.28 |
| Exercise price | \$nil |
| Expected life | 2.1 years |
| Volatility | 68% |
| Risk-free interest rate | 4.45% |
| Dividend/distribution yield | 6.1% |

For the year ended 30 June 2010 grant, entitlements under the ROE measure will be based on the following vesting schedule:

| Performance level | Return on equity | Percentage of securities subject to this criterion to vest |
|---------------------|--------------------------|--|
| <Threshold | < CPI + 3.0% | Nil |
| Threshold | CPI + 3.0% | 50 |
| Threshold – maximum | CPI + 3.0% to CPI + 5.5% | Pro-rata between 50 and 100 |
| Maximum | CPI + 5.5% and above | 100 |

The formula for calculating ROE is as follows:

$$\text{ROE} = \frac{\text{Adjusted statutory profit}}{\text{Adjusted securityholder equity}}$$

where: adjusted statutory profit =
reported statutory profit

+/- net losses/gains on fair value of derivative financial instruments and associated foreign exchange movements
+ depreciation of owner-occupied administration properties, owner-occupied hotel management lots and owner-occupied freehold hotels (including hotel property, plant and equipment)

adjusted securityholder equity =
securityholder equity

- excess in fair value over cost (investment properties)
- asset revaluation reserve

Each of the components used in calculating ROE can be found on pages 40 to 42 in the financial statements.

At the end of the three year performance period, the HRC receives a ROE calculation based on figures included in the financial statements. The HRC then determines the number of performance rights that will vest, if any, by applying the data to the ROE vesting schedule.

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. Participants are prohibited from hedging both their unvested performance rights and options. Directors have also indicated that there is no intention to re-test the performance conditions in the future.

In the event that an employee resigns, or is dismissed by Mirvac, all unvested rights are forfeited. In the event that an employee leaves Mirvac due to retirement, redundancy or death, the number of rights held is pro-rated based on completed years of service, and the remaining rights continue to be subject to the original performance period and hurdles.

At 30 June 2010, 22,238,221 (2009: 9,923,912) performance rights and 7,995,367 (2009: 10,464,491) options had been 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. A total of 1,304,300 performance rights (2009: nil) and no options (2009: nil) vested during the year to 30 June 2010. Performance rights and options granted under the LTP scheme in 2007 did not vest with individuals until after 30 June 2010.

Employee Exemption Plan ("EEP")

The Mirvac EEP is designed to encourage security ownership across the broader employee population. The EEP 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 must be held for a minimum of three years (or earlier at cessation of employment with the Group) during which time the securities are subject to a restriction on disposal. 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 2010, 2,634,713 stapled securities (2009: 1,614,783) had been issued to employees under the general EEP.

DIRECTORS' REPORT

REMUNERATION REPORT

Plans closed for new grants

ERP

During the year ended 30 June 2009, a small number of senior executives, including KMP, were invited to participate in an 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. 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. The loan was granted on a full recourse basis. 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 KMP is set out below:

| Anniversary number | Managing Director % | Percentage of loan forgiven KMP % |
|--------------------|------------------------|---|
| 1 | 5 | 5 |
| 2 | 10 | 7.5 |
| 3 | 15 | 10 |
| 4 | 20 | 12.5 |
| 5 | N/A | 15 |

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. The following table presents the amounts forgiven during the year ended 30 June 2010 for the Managing Director and KMP, together with the outstanding balance at the end of the year:

| Executive | Original loan amount \$ | Amount forgiven during year \$ | Loan balance 30 June 2010 \$ | Annual retention value \$ |
|--------------------|-------------------------------|--------------------------------------|------------------------------------|---------------------------------|
| Nicholas Collishaw | 2,000,000 | 100,000 | 1,900,000 | 404,546 |
| John Carfi | 2,000,000 | 100,000 | 1,900,000 | 379,381 |
| Brett Draffen | 2,000,000 | 100,000 | 1,900,000 | 306,134 |
| Gary Flowers | 1,000,000 | – | 1,000,000 | 68,737 |
| Chris Freeman | – | – | – | – |
| Grant Hodgetts | 2,000,000 | 100,000 | 1,900,000 | 318,087 |
| Justin Mitchell | 2,000,000 | 100,000 | 1,900,000 | 317,519 |

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 LTP grant in each year until the retention program is complete. This means that the individual's annual total maximum remuneration each year does not change. As such, any retention grant replaces a portion of the LTP award, consistent with participants having already been identified as crucial to long-term securityholder value. On termination, no further amounts are forgiven.

EIS

Until 2006, Mirvac's long-term variable remuneration scheme for employees was its EIS. The scheme, which was open to all permanent employees, was designed to share the benefits of the Group's performance through the provision of loans to purchase Mirvac stapled securities. Allocations were made annually, were unrestricted and fully vested on allotment. The loans were repayable via distributions received on the securities or upon their sale. Loans were provided on a recourse basis to Executive Directors but were provided on a non-recourse basis to other participants in the scheme. If the loan value is greater than the value of securities, the remaining balance is written off and the securities are forfeited. If an employee resigns or is dismissed, the outstanding loan balance is required to be paid when employment ceases. In the event of redundancy, retirement 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 securities when the loan balance is due, the remaining balance is written off and the securities are forfeited.

The EIS was closed to new participants in 2006 as it was no longer considered to be consistent with market practice. However, existing arrangements remain in place until all current loans are repaid.

Long-Term Incentive Plan ("LTIP")

A revised long-term variable remuneration scheme, the LTIP was introduced in 2006 and approved by securityholders at the Group's 2006 Annual General Meeting/General Meeting. Participation in the plan was open to the Managing Director, other Executive Directors, other executives and eligible employees. Under this plan, participants were offered a 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 after-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 were required to be met before the securities acquired under the plan vest in full with the participant: Relative TSR and Absolute earnings per security ("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).

Relative TSR performance condition

An entitlement to vesting of the securities was contingent on Mirvac's TSR ranking being at or above the 50th percentile of the comparison group (being the entities that comprise the S&P/ASX 200 A-REIT Index) over a three year period as detailed in the vesting schedule below:

| Performance level | Relative TSR (percentile) | Percentage of securities subject to this criterion to vest |
|---------------------|---------------------------|--|
| < Threshold | < 50th | Nil |
| Threshold | 50th | 50 |
| Threshold – stretch | 50th to 75th | Pro-rata between 50 and 100 |
| Stretch | 75th and above | 100 |

Absolute EPS growth performance condition

An entitlement to vesting under this condition was contingent on Mirvac's Absolute EPS growth reaching or exceeding four per cent compound over a three year period, as detailed in the table below:

| Performance level | Absolute EPS growth (compound) | Percentage of securities subject to this criterion to vest |
|---------------------|--------------------------------|--|
| < Threshold | < 4% | Nil |
| Threshold | 4% | 50 |
| Threshold – stretch | 4% to 9% | Pro-rata between 50 and 100 |
| Stretch | 9% and above | 100 |

Vesting outcome

| Performance condition | Weighting | Mirvac performance | Vesting outcome |
|-----------------------|-----------|--------------------|-----------------|
| Relative TSR | 50% | 62nd percentile | 74% |
| Absolute EPS growth | 50% | < 4 % growth | 0% |

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 after-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 after securities have vested, any outstanding loans have to be repaid in full immediately or the underlying securities will be forfeited. Any unvested securities at the time of termination are required to be sold with the proceeds payable to the Group. The EIS and its replacement, the LTIP introduced in 2006, are both closed to new participants and will remain in "run-off" mode until all loans made under each arrangement are extinguished. Trading windows and hedging rules apply to securities under both plans. At 30 June 2010, 562,908 (2009: 2,817,308) securities remain on issue under the 2006 plan.

DIRECTORS' REPORT

REMUNERATION REPORT

4 NON-EXECUTIVE DIRECTORS' REMUNERATION

Mirvac Limited's Constitution provides that Non-Executive Directors are entitled to such remuneration as they determine, but that the total amount provided to all Directors (excluding the Managing Director and any other Executive Directors) for their services as Directors must not exceed in the aggregate in any year the sum from time to time determined by securityholders at a general meeting. The maximum aggregate remuneration of \$1,950,000 was approved by securityholders at the 2009 Annual General Meeting/General Meeting.

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

| Board/Committee | Fee \$ |
|---|-----------|
| Mirvac Limited and Mirvac Funds Limited Board Chairman | 465,000 |
| Mirvac Limited and Mirvac Funds Limited Board Deputy Chairman | 270,000 |
| Mirvac Limited and Mirvac Funds Limited Board Member | 185,000 |
| ARCC Chair | 30,000 |
| ARCC member | 15,000 |
| HSE&S Chair | 30,000 |
| HSE&S member | 15,000 |
| HRC Chair | 15,000 |
| Due diligence committee (per diem fee) | 4,000 |

Non-Executive Directors have not received any fees in addition to those described above in respect of any other duties performed or services provided within the scope of the ordinary duties of a Director, do not receive bonuses or any other incentive payments or retirement benefits and are not eligible to participate in any of the executive or employee security acquisition plans established by the Group. However Non-Executive Directors are reimbursed for expenses properly incurred in performing their duties as a Director of Mirvac.

5 RELATIONSHIP BETWEEN REMUNERATION AND MIRVAC PERFORMANCE

No STI payments were made with respect to the year ended 30 June 2009 and a salary freeze was also in force during the year ended 30 June 2010. In light of the improvement in the Group's performance and the economic environment during the year ended 30 June 2010, the Board approved an STI pool and fixed salary review budget for the August 2010 remuneration review.

The LTI plans are tied directly to objective hurdles and will only vest when those performance criteria are met or exceeded. A summary of vesting under Mirvac's performance-hurdled equity grants is shown in the following table:

| Grant | Performance hurdle | Test date | Proportion vested | Proportion lapsed |
|-------------|--------------------|--------------|-------------------|-------------------|
| FY2007 LTIP | TSR and EPS | 30 June 2009 | 37% | 63% |
| FY2008 LTP | TSR and EPS | 30 June 2010 | 25% | 75% |

The table below provides summary information regarding the Group's earnings and securityholder's wealth for the five years to June 2010:

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---------------------------------|--------------|-----------|-------|-------|-------|
| Operating earnings (\$m) | 275.3 | 200.8 | 352.2 | 319.1 | 274.4 |
| Statutory net profit (\$m) | 234.7 | (1,078.1) | 171.8 | 556.1 | 441.1 |
| Distributions paid (\$m) | 179.4 | 194.8 | 339.2 | 300.7 | 274.3 |
| Security price at 30 June (\$) | 1.32 | 1.08 | 2.96 | 5.70 | 4.35 |
| Operating EPS – diluted (cents) | 9.3 | 13.4 | 33.4 | 33.0 | 31.6 |
| Statutory EPS – basic (cents) | 8.0 | (65.2) | 14.9 | 58.7 | 52.2 |

6 DETAILS OF REMUNERATION

Details of the remuneration of each Director and the KMP (as defined in AASB 124 *Related Party Disclosures*) of Mirvac are set out in the following section. The Executive Leadership Team ("ELT") was established during 2009 and was delegated the authority and responsibility for planning, directing and controlling the activities of Mirvac. For the year ended 30 June 2010, the ELT comprised the Managing Director, the Chief Financial Officer, the Chief Operating Officer and the Chief Executive Officer – Development. The charter was amended in July 2010 to include the Chief Executive Officer – Investment. The members of the ELT are considered to be the KMP of the parent entity and of the Group. The establishment of the ELT has resulted in a reduction in the number of KMP disclosed in this year's remuneration report compared to previous years. In addition to the ELT, remuneration details are disclosed in respect of Grant Hodgetts – Chief Executive Investment Management (left the Group on 15 April 2010), Chris Freeman – Chairman Mirvac UAE, UK and Queensland Development (left the Group on 15 January 2010) and John Carfi – Chief Executive Developments New South Wales and Victoria as they are among the five highest remuneration Group Executives and disclosure is required under the *Corporations Act 2001*.

| Year | Cash salary and fees ¹ \$ | Short-term benefits | | | Post-employment Super contributions \$ | Share-based payment | | | Other long-term benefits Long service leave ⁶ \$ | Termination benefits ⁷ \$ | Total \$ |
|--------------------------------|---|------------------------|--------------------------------------|----------------------------------|--|-------------------------------------|------------------------------------|---|---|---|------------------|
| | | STI ² \$ | Non-cash benefits ³ \$ | Employee loan ⁴ \$ | | Value of options ⁵ \$ | Value of rights ⁵ \$ | Value of issued securities ⁵ \$ | | | |
| Non-Executive Directors | | | | | | | | | | | |
| James MacKenzie | 2010 | 465,539 | - | - | - | 14,461 | - | - | - | - | 480,000 |
| | 2009 | 406,255 | - | - | - | 13,745 | - | - | - | - | 420,000 |
| Paul Biancardi | 2010 | 310,000 | - | - | - | 50,000 | - | - | - | - | 360,000 |
| | 2009 | 178,173 | - | - | - | 91,827 | - | - | - | - | 270,000 |
| Adrian Fini | 2010 | 194,751 | - | 148,002⁹ | - | 15,253 | - | - | - | - | 358,006 |
| | 2009 | 477,197 | - | 6,162 | 270,224 | 22,803 | 10,848 | 5,382 | 30,996 | - | 1,448,612 |
| Peter Hawkins | 2010 | 200,539 | - | - | - | 14,461 | - | - | - | - | 215,000 |
| | 2009 | 190,553 | - | - | - | 9,877 | - | - | - | - | 200,430 |
| James Millar | 2010 | 114,121 | - | - | - | 9,152 | - | - | - | - | 123,273 |
| | 2009 | - | - | - | - | - | - | - | - | - | - |
| Penny Morris | 2010 | 204,740 | - | - | - | 17,760 | - | - | - | - | 222,500 |
| | 2009 | 185,000 | - | - | - | - | - | - | - | - | 185,000 |
| John Mulcahy | 2010 | 114,121 | - | - | - | 9,152 | - | - | - | - | 123,273 |
| | 2009 | - | - | - | - | - | - | - | - | - | - |
| Richard Turner | 2010 | 37,232 | - | - | - | 6,585 | - | - | - | - | 43,817 |
| | 2009 | 226,248 | - | - | - | 18,752 | - | - | - | - | 245,000 |
| Executive Director | | | | | | | | | | | |
| Nicholas Collishaw | 2010 | 1,985,539 | 1,750,000 | 148,002 | 404,546 | 14,461 | 347,194 | 987,027 | - | 32,979 | 5,669,748 |
| | 2009 | 1,837,529 | - | - | 167,903 | 13,745 | 300,188 | 423,475 | 30,996 | 32,995 | 2,806,831 |
| KMP | | | | | | | | | | | |
| John Carfi | 2010 | 634,811 | 403,000 | 55,502 | 530,402 | 14,461 | 50,375 | 165,299 | - | 10,940 | 1,864,790 |
| | 2009 | 584,393 | - | - | 193,976 | 13,745 | 50,375 | 82,674 | 12,247 | 9,708 | 947,118 |
| Brett Draffen | 2010 | 840,824 | 634,000 | 111,001 | 451,406 | 14,461 | 126,327 | 306,982 | - | 13,858 | 2,498,859 |
| | 2009 | 841,255 | - | - | 76,773 | 13,745 | 96,948 | 130,673 | 23,497 | 13,973 | 1,196,864 |
| Gary Flowers | 2010 | 553,539 | 318,000 | - | 68,737 | 46,461 | 26,281 | 97,557 | - | 9,736 | 1,120,311 |
| | 2009 | 368,657 | - | - | - | 48,309 | 26,281 | 38,860 | 998 | 8,076 | 491,181 |
| Chris Freeman | 2010 | 400,635 | - | 143,906 | 24,157 | 60,179 | - | 855,621 | - | 254,227 | 1,738,725 |
| | 2009 | 667,672 | - | 48,598 | 73,702 | 98,473 | - | 213,905 | 27,246 | 12,480 | 1,142,076 |
| Grant Hodgetts ⁸ | 2010 | 421,855 | - | 118,647 | 318,087 | 44,077 | - | - | - | 897,930 | 1,800,596 |
| | 2009 | 474,857 | - | 10,047 | - | 100,000 | 70,273 | 93,343 | 19,747 | 8,290 | 776,557 |
| Justin Mitchell | 2010 | 635,539 | 345,000 | 62,161 | 317,519 | 14,461 | 73,675 | 164,249 | - | 10,394 | 1,622,998 |
| | 2009 | 636,255 | - | - | - | 13,745 | 58,006 | 78,998 | 13,597 | 10,568 | 811,169 |
| Total | 2010 | 7,113,785 | 3,450,000 | 787,221 | 2,114,854 | 345,385 | 623,852 | 2,576,735 | - | 77,907 | 1,152,157 |
| | 2009 | 7,074,044 | - | 64,807 | 782,578 | 458,766 | 612,919 | 1,067,310 | 159,324 | 96,090 | 625,000 |

1) Salary and wages includes accrued annual leave paid out as part of salary and salary sacrifice amounts.

2) Bonuses relate to amounts accrued for the relevant year.

3) Non-cash benefits include outplacement fees and debt waiver benefits and are inclusive of 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, rights and securities 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 34(f) for details.

6) Long service leave relates to amounts accrued during the financial period.

7) Termination benefits include annual leave and long service leave paid on termination.

8) Termination payment for Grant Hodgetts was based on contractual entitlements. These entitlements were in place prior to the introduction of the new termination payments legislation, and Mr Hodgetts' contract had not been varied subsequent to the legislation being introduced. As a result, consistent with the provisions of the new legislation, a payment in excess of one year's salary was contractually required.

9) This benefit relates to an LTIP grant made in 2006, prior to Adrian Fini becoming a Non-Executive Director.

DIRECTORS' REPORT

REMUNERATION REPORT

The table below presents the 2009 remuneration details of executives not included in the preceding table, but who were disclosed in the 2009 report.

| 2009 | Year | Cash salary and fees ¹ \$ | Short-term benefits | | | Post-employment Super contributions \$ | Share-based payment | | | Other long-term benefits Long service leave ⁶ \$ | Termination benefits ⁷ \$ | Total \$ |
|---------------------------|-------------------|---|------------------------|--------------------------------------|----------------------------------|--|-------------------------------------|------------------------------------|---|---|---|------------------|
| | | | STI ² \$ | Non-cash benefits ³ \$ | Employee loan ⁴ \$ | | Value of options ⁵ \$ | Value of rights ⁵ \$ | Value of issued securities ⁵ \$ | | | |
| Executive Director | | | | | | | | | | | | |
| | Gregory Paramor | 393,398 | - | 3,524 | - | 15,727 | 30,509 | 15,137 | 131,989 | - | 2,000,000 | 2,590,284 |
| KMP | | | | | | | | | | | | |
| | Evan Campbell | 600,000 | - | 6,162 | 151,783 | 50,000 | 77,383 | 103,323 | 12,997 | 10,569 | - | 1,012,217 |
| | Gregory Collins | 636,255 | - | 62,649 | 151,783 | 13,745 | 77,383 | 103,323 | 17,872 | 10,568 | - | 1,073,578 |
| | Adrian Harrington | 430,431 | - | 133,947 | - | 6,872 | (9,793) | (15,182) | - | - | 1,086,708 | 1,632,983 |
| | Timothy Regan | 137,986 | - | - | - | 3,436 | (57,126) | (73,077) | (44,997) | - | 718,057 | 684,279 |
| | Andrew Turner | 472,255 | - | - | 142,626 | 77,745 | 60,103 | 78,852 | 19,747 | 7,910 | - | 859,238 |
| | Matthew Wallace | 526,680 | - | 7,434 | 151,783 | 13,745 | 45,988 | 75,650 | 9,997 | 8,748 | - | 840,025 |
| | Total | 3,197,005 | - | 213,716 | 597,975 | 181,270 | 224,447 | 288,026 | 147,605 | 37,795 | 3,804,765 | 8,692,604 |

1) Salary and wages includes accrued annual leave paid out as part of salary and salary sacrifice amounts, where applicable.

2) Bonuses relate to amounts accrued for the relevant year.

3) Non-cash benefits include car parking and relocation costs and are inclusive of related FBT.

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, rights and securities 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 34(f) for details.

6) Long service leave relates to amounts accrued during the financial period.

7) Termination benefits include annual leave and long service leave paid on termination.

Remuneration related to performance

| 2010 | Total remuneration \$ | Remuneration related to performance | | | | | Performance related remuneration % of total | Value of options granted as % of total |
|--------------------------------|--------------------------|-------------------------------------|------------------------|-----------------------|----------------------------------|----------|--|---|
| | | STI \$ | Value of options \$ | Value of rights \$ | Value of issued securities \$ | | | |
| Non-Executive Directors | | | | | | | | |
| | James MacKenzie | 480,000 | - | - | - | - | - | - |
| | Paul Biancardi | 360,000 | - | - | - | - | - | - |
| | Adrian Fini | 358,006 | - | - | - | - | - | - |
| | Peter Hawkins | 215,000 | - | - | - | - | - | - |
| | James Millar | 123,273 | - | - | - | - | - | - |
| | Penny Morris | 222,500 | - | - | - | - | - | - |
| | John Mulcahy | 123,273 | - | - | - | - | - | - |
| | Richard Turner | 43,817 | - | - | - | - | - | - |
| Executive Director | | | | | | | | |
| | Nicholas Collishaw | 5,669,748 | 1,750,000 | 347,194 | 987,027 | - | 54 | 6 |
| KMP | | | | | | | | |
| | John Carfi | 1,864,790 | 403,000 | 50,375 | 165,299 | - | 33 | 3 |
| | Brett Draffen | 2,498,859 | 634,000 | 126,327 | 306,982 | - | 43 | 5 |
| | Gary Flowers | 1,120,311 | 318,000 | 26,281 | 97,557 | - | 39 | 2 |
| | Chris Freeman | 1,738,725 | - | - | 855,621 | - | 49 | - |
| | Grant Hodgetts | 1,800,596 | - | - | - | - | - | - |
| | Justin Mitchell | 1,622,998 | 345,000 | 73,675 | 164,249 | - | 36 | 5 |
| | Total | 18,241,896 | 3,450,000 | 623,852 | 2,576,735 | - | 36 | 3 |

Performance rights granted during the year

Details of the performance rights granted to KMP as the LTI component of their remuneration during the year ended 30 June 2010 are set out in the table below:

| Executive ¹ | Performance measure | Number of performance rights granted | Vesting date | Fair value per performance right | Minimum value of grant | Maximum value of grant |
|------------------------|---------------------|--------------------------------------|--------------|----------------------------------|------------------------|------------------------|
| Nicholas Collishaw | TSR | 1,106,800 | 1 July 2012 | 0.77 | – | 852,236 |
| | ROE | 1,106,800 | 1 July 2012 | 0.56 | – | 619,808 |
| Total | | 2,213,600 | | | – | 1,472,044 |
| John Carfi | TSR | 147,850 | 1 July 2012 | 0.77 | – | 113,845 |
| | ROE | 147,850 | 1 July 2012 | 0.56 | – | 82,796 |
| Total | | 295,700 | | | | 196,641 |
| Brett Draffen | TSR | 294,950 | 1 July 2012 | 0.77 | – | 227,112 |
| | ROE | 294,950 | 1 July 2012 | 0.56 | – | 165,172 |
| Total | | 589,900 | | | – | 392,284 |
| Gary Flowers | TSR | 132,400 | 1 July 2012 | 0.77 | – | 101,948 |
| | ROE | 132,400 | 1 July 2012 | 0.56 | – | 74,144 |
| Total | | 264,800 | | | – | 176,092 |
| Justin Mitchell | TSR | 137,500 | 1 July 2012 | 0.77 | – | 105,875 |
| | ROE | 137,500 | 1 July 2012 | 0.56 | – | 77,000 |
| Total | | 275,000 | | | – | 182,875 |

1) Grant Hodgetts and Chris Freeman did not receive a performance rights grant during the year ended 30 June 2010 and therefore have been excluded from this table.

7 SERVICE AGREEMENTS

KMP terms of employment are detailed in formal service agreements. Each agreement, with the exception of the agreement for the Managing Director, is of a continuing duration and has no set term of service (subject to the termination provisions within the agreement). Each agreement covers (in addition to other standard matters) for the relevant KMP:

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

Mirvac can generally terminate a KMP employment without notice or payment in lieu of notice in cases of serious and wilful misconduct by the KMP, or in certain other circumstances.

The following tables summarise the details of the service agreements that are in place for the Managing Director and KMP. As outlined previously, the existing contractual terms described below entitle KMP to payments in excess of 12 months fixed remuneration. However, the Board has resolved that the termination entitlements for these executives will be reduced to a maximum of 12 months salary, consistent with the maximum amount permissible without requiring securityholder approval under the revised legislation. This change will be made at the next point a variation is made to each affected executive's contracts (including when a change is made to their fixed remuneration).

DIRECTORS' REPORT

REMUNERATION REPORT

a) Key terms for Managing Director

| Condition | Contractual arrangement |
|--------------------------|---|
| Length of contract | Four years |
| Notice period | Not applicable |
| STI eligibility | Yes |
| LTI eligibility | Yes |
| Treatment on termination | In the event Mirvac terminates employment with notice, for reasons other than unsatisfactory performance, termination payment consists of the fixed pay that would otherwise have been paid for the remaining balance of the term of the contract. Outstanding balance for ERP loan is payable within 12 months of ceasing employment. |

b) Key terms for other KMP

| Condition | Contractual arrangement |
|--------------------------|---|
| Length of contract | No fixed term |
| Notice period | Three months |
| STI eligibility | Yes |
| LTI eligibility | Yes |
| Treatment on termination | In the event of redundancy, termination payment consists of nine months fixed remuneration and an STI payment equivalent to 75 per cent of target. In the event of a corporate amalgamation where there is a material change of status or responsibilities of the executive termination payment consists of 18 months fixed remuneration and an STI payment equivalent to 150 per cent of target. In the event of redundancy, a pro-rated portion of LTP grants is retained after termination based on completed years of service, subject to the original performance period and hurdles. Outstanding balance for ERP loan is payable within 12 months of ceasing employment. |

8 ADDITIONAL INFORMATION

a) Equity instruments held by KMP

The relevant interests held in stapled securities of Mirvac by the KMP are detailed in note 33 to the financial statements.

b) Other benefits

Fees paid by Mirvac for Directors' and Officers' liability insurance are not itemised for each Director and, as their disclosure would breach the terms of the policy, are not set out in this report. 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 apply to other employees within the Group.

c) Loans to KMP

Information on loans to Executive Directors and other KMP is disclosed in note 33 to the financial statements. Loans are not provided to Non-Executive Directors.

d) Directors' interests

Particulars of Directors' relevant interests in the stapled securities of Mirvac or a related body corporate, in debentures of (or interests in a registered scheme made available by) Mirvac or a related body corporate and their rights or options over any such securities, debentures or registered scheme interests as notified by the Directors to the ASX at 30 June 2010 are as follows:

| Directors | Interests in securities of related entities | Mirvac stapled securities |
|--|---|---------------------------|
| 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) | | 2,056,004 |
| Mirvac Development Fund – Seascapes – units (indirect) | 25,000 | |
| Options | | 2,336,340 |
| Performance rights | | 3,199,560 |
| Peter Hawkins (direct and indirect) | | 596,117 |
| James Millar (indirect) | | 40,714 |
| Penny Morris (direct and indirect) | | 241,136 |
| John Mulcahy (indirect) | | 25,000 |

During the year ended 30 June 2009, Mirvac introduced a security acquisition plan for Non-Executive Directors whereby a portion of their Directors' fees could be sacrificed on a monthly basis and applied to acquire additional Mirvac stapled securities. No Non-Executive Directors purchased securities through this plan during the preceding year due to changes to the tax treatment of securities acquired under the plan. However, securities purchased in prior years continue to be held in the plan.

e) Options over unissued securities

During the year ended 30 June 2010, no options over Mirvac stapled securities were issued to executives pursuant to Mirvac's LTIP. Options over 108,332 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 2010 as a result of the exercise of an option over unissued securities.

Other directorships

Details of all directorships of other listed companies held by each Director in the three years immediately before 30 June 2010 and the period for which each directorship was held are as follows:

| Director | Company | Date appointed | Date ceased |
|-----------------|--------------------------------------|----------------|------------------------|
| James MacKenzie | Bravura Solutions Limited | April 2006 | November 2008 |
| | Circadian Technologies Limited | July 2002 | July 2008 |
| | Gloucester Coal Limited | June 2009 | Current |
| | Melco Crown Entertainment Limited | April 2008 | Current |
| | Pacific Brands Limited | May 2008 | Current |
| | Strategic Pooled Development Limited | November 2005 | October 2007 |
| Peter Hawkins | St George Bank Limited | April 2007 | Delisted December 2008 |
| | Visa Inc | October 2007 | Current |
| | Westpac Banking Corporation | December 2008 | Current |
| Penny Morris | Aristocrat Leisure Limited | February 2004 | April 2010 |
| | Clarius Group Limited | August 2005 | Current |
| John Mulcahy | Suncorp-Metway Limited | January 2003 | March 2009 |
| | Coffey International Limited | September 2009 | Current |

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 (non-audit services). Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 37 to the financial statements.

The Board has considered the 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 37, 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 impact the impartiality and objectivity of the auditor; and
- none of the services undermines the general principles relating to auditor independence as set out in 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 company, acting as advocate for the company 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.

MATTERS SUBSEQUENT TO THE END OF THE YEAR

On 4 August 2010 the Group acquired 100 per cent of the issued securities in WOT, a ASX listed real estate investment trust, for consideration of approximately \$404.1m. The acquisition is expected to increase the Group's market share and reduce cost through economies of scale. The financial effects of this transaction have not been brought to account at 30 June 2010. The information provided in note 40 represents amounts disclosed in the 30 June 2010 financial statements of WOT, lodged with the Australian Securities and Investment Commission ("ASIC") on 3 August 2010. Due to the timing of this acquisition the exercise to identify any adjustments to the fair value of the assets and liabilities attained on acquisition date has not been finalised, and therefore the initial accounting for the business combination remains incomplete.

Except for the new acquisition discussed above, no other matter or circumstance has arisen since 30 June 2010 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 25.

ROUNDING OF AMOUNTS

Mirvac is of the kind referred to in Class Order 98/0100 issued by the 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
24 August 2010

AUDITOR'S INDEPENDENCE DECLARATION



PricewaterhouseCoopers
ABN 52 780 433 757
Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
Sydney NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Auditor's Independence Declaration

As lead auditor for the audit of Mirvac Limited for the year ended 30 June 2010, 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.

A handwritten signature in black ink, appearing to read 'R L Gavin'.

R L Gavin
Partner

Sydney
24 August 2010

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 stakeholders' interests at all times.

During the year ended 30 June 2010, 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").

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 in relation to strategy and planning, personnel, remuneration, capital management and financial reporting, performance monitoring, risk management, audit and compliance and Board processes and policies.

Non-Executive Directors would spend approximately 25-30 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 2010, the Board visited Mirvac offices and sites in Brisbane, Melbourne, Perth and Sydney.

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 senior executive team. 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 2010 comprised the Managing Director, the Chief Financial Officer, the Chief Operating Officer and the Chief Executive Officer – Development.

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 KPIs which are set against Mirvac's strategic objectives. Performance is measured against the agreed KPIs and against consistency of senior executives' behaviour against the agreed Mirvac corporate values.

On an annual basis, the Chairman of the Board formally reviews the performance of the Managing Director. 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 KPIs.

A performance evaluation of all senior executives and the Managing Director took place during the year ended 30 June 2010 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.

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 five 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 6 to 7 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.

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

| Director | Appointed | Last elected at an Annual General Meeting |
|--|---------------|--|
| James MacKenzie (Chairman) | January 2005 | 16 November 2007 <i>Will stand for re-election at the 2010 Annual General Meeting</i> |
| Nicholas Collishaw (Managing Director) | January 2006 | N/A |
| Peter Hawkins | January 2006 | 14 November 2008 |
| James Millar | November 2009 | <i>Will stand for election at the 2010 Annual General Meeting</i> |
| Penny Morris | January 2006 | 14 November 2008 |
| John Mulcahy | November 2009 | <i>Will stand for election at the 2010 Annual General Meeting</i> |

CORPORATE GOVERNANCE STATEMENT

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 charter contains guidelines for assessing the independence of its Directors which are consistent with the Recommendations. The guidelines for assessing the independence of Mirvac's Directors and Mirvac's materiality thresholds are contained in the Board charter, which is published on Mirvac's website: www.mirvac.com/corporate-governance.

The ARCC is responsible for reviewing the independence of Directors each year. It is Mirvac's view and that of Mirvac's ARCC and its Board, that the status of its Directors at the date of this report is as follows:

| Independent Non-Executive Directors | Executive Director |
|---|--|
| James MacKenzie (Chairman) Peter Hawkins James Millar Penny Morris John Mulcahy | Nicholas Collishaw (Managing Director) |

It is Mirvac's view that all of its Directors have exercised judgment 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:

- a ARCC (see section 5(a) of this statement);
- a Nomination committee (see section 3(e) of this statement);
- a HRC (see section 9(a) of this statement); and
- a HSE&SC (see section 3(j) of this statement).

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 consists of three 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 and John Mulcahy. John Mulcahy was appointed as a member of the Nomination Committee effective at 21 June 2010, following the resignation of Paul Biancardi on that date.

Details of attendance of the members of the Nomination Committee are contained in the following table:

| Director | Meetings held during the year as a member | Meetings attended during the year as a member |
|--|---|---|
| James MacKenzie (Chair) | 4 | 4 |
| Paul Biancardi (retired as a Director 21 June 2010) | 4 | 4 |
| Peter Hawkins | 4 | 4 |
| John Mulcahy (appointed to Nomination committee on 21 June 2010) | – | – |

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) Board and Director performance evaluation

The performance of the Board, the Board Committees and each individual Director is reviewed annually.

The Board performance review is conducted by way of initial questionnaires completed by each Director to review:

- the performance of the Board and each Board Committee against the requirements of their respective charters;
- the individual performance of the Chairman and each other Director; and
- the processes and procedures of the Board, to identify areas for improvement.

The Chairman provides open and transparent performance feedback to the Board, the Board Committees and each individual Director, based on the information in the questionnaire. The Chairman also seeks feedback on the performance of the Board and Directors from the Managing Director and other members of the ELT.

The Board performance review process conducted during the year ended 30 June 2010 indicated no major issues or concerns in relation to Board, Board Committee or individual Director performance which required further attention.

g) 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.

h) Access to information, indemnification and independent advice

The General Counsel and 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 will not be unreasonably withheld or delayed.

CORPORATE GOVERNANCE STATEMENT

i) 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.

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

j) HSE&SC charter

The HSE&SC was formed by resolution of the Board, in accordance with the Board charter. The HSE&SC is governed by the HSE&SC charter, which is available on Mirvac's website: www.mirvac.com/corporate-governance.

i) HSE&SC role

The objectives of this committee are to assist the Board lead the Group's commitment to HSE&S matters by reporting on:

- compliance with applicable statutory requirements, codes, standards and guidelines;
- the establishment of measurable objectives and targets aimed at the elimination of work related incidents or impacts from the Group's activities, products and services;
- the establishment and implementation of measures to progress towards achieving HSE&SC objectives and targets; and
- the assessment of performance against HSE&S objectives and targets.

ii) HSE&SC composition

The membership of the HSE&SC is determined by the HSE&SC charter. The HSE&SC currently consists of Penny Morris (Chair), John Mulcahy and a number of senior executives.

Each member of this Committee has the technical expertise to enable the Committee to effectively discharge its mandate. The Chair of the committee, Penny Morris, has extensive experience in HSE&S matters particularly in the property development and construction industries.

Details of attendance of the Non-Executive Director members of the HSE&SC are contained in the following table:

| Director | Meetings held during the year as a member | Meetings attended during the year as a member |
|--|---|---|
| Penny Morris (Chair) | 10 | 10 |
| John Mulcahy (appointed to HSE&SC on 17 December 2009) | 4 | 4 |

iii) HSE&SC responsibilities

The accountabilities and responsibilities of the HSE&SC are set out in the HSE&SC charter. These include:

- compliance with the Group's standards and practices and legal compliance with health, safety and environmental legislation;
- performance against set objectives and targets; and
- development and integration of leading HSE&S initiatives to minimise risk to employees, service providers, employees, visitors, customers and the environment arising from the Group's activities.

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. In the Group's 38 year history, it 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. All senior executives certify to the ARCC their adherence to the requirements of the code on a quarterly basis. 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).

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 may only deal in Mirvac securities, or in securities of other public, listed entities that are related to Mirvac, in 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 security holding requirements by its Directors.

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. The Security Trading Policy prohibits senior executives and other employees from hedging any unvested awards relating to Mirvac securities. Employees may only hedge vested Mirvac securities if all vesting conditions in relation to the award have been satisfied and only if the fact and nature of the hedging arrangement have been fully disclosed in writing to the Company Secretary within five business days after the hedging arrangement is entered into.

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

iii) Political donations

As a result of recent New South Wales Government legislation, Mirvac and certain Directors and officers of Mirvac are prohibited from making political donations of any kind. In response to this legislation, the Board established a Political Donations Policy, which prohibits any Mirvac employee from making any political donation on behalf of the Group. During the year ended 30 June 2010, 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 staff make donations to the Foundation and donate their time to support these charities' activities.

CORPORATE GOVERNANCE STATEMENT

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 and processes for monitoring compliance with law and the Group code of conduct. It is the ARCC role, in conjunction with the external auditors, 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.

iii) ARCC composition

The ARCC consists of four members. Members are appointed by the Board from the Non-Executive Directors, all of whom are also independent. The current members of the ARCC are James Millar (Chair), James MacKenzie, Peter Hawkins and John Mulcahy.

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, is the former Chief Executive Officer of Ernst & Young. Further details of the members qualifications can be found at pages 6 to 7 in the Director's report.

The Managing Director and Chief Financial Officer, as well as representatives of the external and internal auditors attend all meetings by invitation. The ARCC regularly meets with the external auditors without management present.

Details of attendance of the members of the ARCC are contained in the following table:

| Director/independent member | Meetings held during the year as a member | Meetings attended during the year as a member |
|---|---|---|
| Paul Biancardi (retired as a Director on 21 June 2010) | 8 | 7 ¹ |
| Peter Hawkins | 8 | 7 ¹ |
| James MacKenzie (appointed to ARCC on 17 December 2009) | 5 | 4 ¹ |
| James Millar (Chair) (appointed to ARCC on 17 December 2009 and appointed Chair on 21 June 2010) | 5 | 5 |
| Penny Morris (retired from ARCC on 17 December 2009) | 4 | 4 |
| John Mulcahy (appointed to ARCC on 17 December 2009) | 5 | 5 |
| Richard Turner (independent member from 24 August 2009) | 8 | 6 ¹ |

1) Leave of absence granted.

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, special investigations and managed investment schemes.

v) Scheme compliance committee

Also reporting to the ARCC is the scheme compliance committee which has direct responsibility for monitoring and reviewing the Compliance Plans of Mirvac's registered managed investment schemes and wholly-owned subsidiaries holding Australian Financial Services ("AFS") licences, as well as overseeing their adherence to all applicable laws and regulations. The scheme compliance committee meets on a quarterly basis and comprises four members, three of whom are independent.

6 PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

a) Commitment to disclosure

Mirvac is committed to ensuring:

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

b) Continuous disclosure policy

The Group's Continuous Disclosure Policy 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 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.

The Company Secretary is responsible for the Group's compliance with its continuous disclosure obligations and for overseeing and coordinating disclosures to the ASX and other interested parties.

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) Communication 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 Annual General Meeting/General Meeting, to allow securityholders in locations other than Sydney to participate in person. The 2009 meetings were held in Sydney and the 2010 meetings will be held in Brisbane. Mirvac encourages securityholders to attend the Annual General/General Meeting. At those meetings, securityholders are entitled to ask questions about the management of Mirvac and questions of Mirvac's external auditor.

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 Annual General/General Meeting. Full copies of notices of meetings and explanatory notes are posted on Mirvac's website. Securityholders who are unable to attend the Annual General/General 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 Annual General/General Meeting so that Mirvac can ensure those issues are addressed at the Annual General/General Meeting.

A partner of Mirvac's external auditor, PricewaterhouseCoopers, attends both Annual General/General Meeting of Mirvac and is available to answer questions from securityholders on the conduct of the audit of the Group. Securityholders are also 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. No questions were directed to the auditors in regard to the conduct of the audit of the Group's 2009 financial statements and no questions were directed to the auditors at the Group's 2009 meetings.

The Annual General/General Meeting are also webcast each year, with access details posted to Mirvac's website in advance of the date of the meetings.

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, hotel management 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, where practical and economically viable, measures implemented to mitigate or otherwise manage the impact those risks may have on the Group's activities.

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: 2009). 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 "Risk Management Roadmap and 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.

A copy of the approach to Risk Management Internal Compliance Control 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 a standing agenda item for all ARCC meetings.

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 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.

v) Role of internal audit

Internal audit's role is to assess risks and controls, enhance processes and monitor controls to provide assurance to the ARCC and the Board that the material risks and compliance obligations are being effectively managed. The Head of Internal Audit has open access to the ARCC and its Chairman at all times.

Mirvac's approach to risk management is to establish an effective control environment to manage material risks to its business. A material risk is defined as the probability that an action, inaction or natural event may hinder or prevent the achievement of key business objectives.

The Group's risk management and internal control systems are designed to provide reasonable assurance that:

- risk exposures are identified and adequately monitored and managed through appropriate risk mitigation measures;
- financial, management and operational information is accurate, relevant, timely and reliable; and
- there is compliance with the spirit of, as well as the letter of, policies, standards, procedures and applicable laws, regulations and licences.

vi) Operational risks

The Managing Director supported by senior executives is responsible for implementing and maintaining effective risk management and internal control systems for the operational risks that arise from the Group's activities.

To ensure consistent and effective practices are employed, each business unit has established a risk management function and developed risk registers detailing the key risks facing the particular business unit. These registers also detail the controls implemented to manage or mitigate the identified risks, as well as the persons responsible for implementing the controls and managing the risks.

vii) Financial risks

The Board has also approved principles and policies to manage the 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. Executive assurance is also provided 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. The ARCC is assisted in this process by the scheme compliance committee, comprising four members (three of whom are independent), which reviews the compliance performance of these licensed entities and their various schemes and funds on a quarterly basis.

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.

ii) Auditor independence

The Board has adopted a policy and practice protocol for auditor independence which forms part of the ARCC's charter published on Mirvac's website.

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.

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 2010 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 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 a conflict, 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.

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, to the best of their knowledge and belief:

- the financial records of the Group for the year ended 30 June 2010 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 2010 comply with the relevant accounting standards;
- the Group's financial statements, and the notes to those statements, for the year ended 30 June 2010 give a true and fair view of the financial position, operational results and the performance of the Group;
- the statements referred to in the points above are founded on a system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- Mirvac's risk management and internal compliance and 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 declaration given under section 295A of the Corporations Act 2001. Further, these declarations provide a reasonable but not absolute level of assurance about risk management, internal compliance and control systems, and do not imply a guarantee against adverse events or more volatile conditions and outcomes in the future.

CORPORATE GOVERNANCE STATEMENT

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 Directors and executives and other employees 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; and
- integrates human capital and organisational issues to the overall business strategy.

iii) HRC composition

The HRC consists of four members. Members are appointed by the Board from the Non-Executive Directors, all of whom are also independent. The current members of the HRC are Peter Hawkins (Chair), James MacKenzie, James Millar and Penny Morris.

Details of attendance of the members of the HRC are contained in the following table:

| Director | Meetings held during the year as a member | Meetings attended during the year as a member |
|--|---|---|
| Peter Hawkins (Chair) | 4 | 4 |
| Paul Biancardi (retired as a Director on 21 June 2010) | 4 | 3 ¹ |
| James MacKenzie | 4 | 3 ¹ |
| James Millar (appointed to HRC on 17 December 2009) | 3 | 3 |
| Penny Morris | 4 | 4 |
| Richard Turner (retired as a Director on 24 August 2009) | 1 | 1 |

1) Leave of absence granted.

iv) HRC responsibilities

The accountabilities and responsibilities of the HRC are set out in the HRC charter. The HRC's responsibilities include review and recommendation of compensation programs and performance targets for the Managing Director, Executive Directors and senior executives, review of the Group's recruitment, retention and termination policies and procedures for executives and senior management and review and approval of the strategy and principles for people management including compensation programs, performance management processes and career and skills development initiatives.

v) Remuneration policy

Information on the Group's remuneration policies and practices is set out in the remuneration report starting on page 9 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 of variable remuneration.

Information relating to the remuneration of Non-Executive Directors is disclosed in the remuneration report on pages 9 to 23.

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 remain under review, to ensure that it remains effective and compliant with changing requirements. In particular, the Board notes:

- the amendments to the Recommendations in relation to diversity, nomination committee composition and security trading policies;
- the recommendations and Federal Government response to the Productivity Commission Inquiry Report "Executive Remuneration in Australia"; and
- the amendments to the ASX Listing Rules relating to security trading policies which come into effect on 1 January 2011.

Mirvac is reviewing those recommendations and amendments in order to determine any changes to processes and policies which may be required to ensure Mirvac's compliance with the *Corporations Act 2001*, and the Recommendations.

ASX Corporate Governance Council's Principles and Recommendations Mirvac's corporate governance statement 2010

| Principles and recommendations | Page | Mirvac compliance |
|---|---------|-------------------|
| Principle 1: Lay solid foundations for management and oversight | | |
| <i>Recommendation 1.1:</i> Establish the functions reserved to the board and those delegated to senior executives and disclose those functions. | 26 | ✓ |
| <i>Recommendation 1.2:</i> Companies should disclose the process for evaluating the performance of senior executives. | 27 | ✓ |
| <i>Recommendation 1.3:</i> Companies should provide the information indicated in the Guide to reporting on Principle 1. | 26 – 27 | ✓ |
| Principle 2: Structure the board to add value | | |
| <i>Recommendation 2.1:</i> A majority of the board should be independent directors. | 27 | ✓ |
| <i>Recommendation 2.2:</i> The chair should be an independent director. | 28 | ✓ |
| <i>Recommendation 2.3:</i> The roles of the chair and the chief executive officer should not be exercised by the same individual. | 28 | ✓ |
| <i>Recommendation 2.4:</i> The board should establish a nomination committee. | 29 | ✓ |
| <i>Recommendation 2.5:</i> Companies should disclose the process for evaluating the performance of the board, its committees and individual directors. | 29 | ✓ |
| <i>Recommendation 2.6:</i> Companies should provide the information indicated in the Guide to reporting on Principle 2. | 27 – 29 | ✓ |
| Principle 3: Promote ethical and responsible decision making | | |
| <i>Recommendation 3.1:</i> Companies should establish a code of conduct and disclose the code or a summary of the code as to: | 31 | ✓ |
| – 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. | | |
| <i>Recommendation 3.2:</i> Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy. | 31 | ✓ |
| <i>Recommendation 3.3:</i> Companies should provide the information indicated in the Guide to reporting on Principle 3. | 31 | ✓ |

CORPORATE GOVERNANCE STATEMENT

| Principles and recommendations | Page | Mirvac compliance |
|--|---------|-------------------|
| Principle 4: Safeguard integrity in financial reporting | | |
| <i>Recommendation 4.1:</i> The board should establish an audit committee. | 32 | ✓ |
| <i>Recommendation 4.2:</i> The audit committee should be structured so that it: | 32 | ✓ |
| – 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. | | |
| <i>Recommendation 4.3:</i> The audit committee should have a formal charter. | 32 | ✓ |
| <i>Recommendation 4.4:</i> Provide the information indicated in Guide to reporting on Principle 4. | 32 | ✓ |
| Principle 5: Make timely and balanced disclosure | | |
| <i>Recommendation 5.1:</i> 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. | 32 | ✓ |
| <i>Recommendation 5.2:</i> Provide the information indicated in Guide to reporting on Principle 5. | 32 | ✓ |
| Principle 6: Respect the rights of shareholders | | |
| <i>Recommendation 6.1:</i> Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy of a summary of that policy. | 33 | ✓ |
| <i>Recommendation 6.2:</i> Provide the information indicated in Guide to reporting on Principle 6. | 33 | ✓ |
| Principle 7: Recognise and manage risk | | |
| <i>Recommendation 7.1:</i> Establish policies for the oversight and management of material business risks and disclose a summary of those policies. | 33 | ✓ |
| <i>Recommendation 7.2:</i> 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. | 33 | ✓ |
| <i>Recommendation 7.3:</i> 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 <i>Corporations Act 2001</i> 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. | 35 | ✓ |
| <i>Recommendation 7.4:</i> Provide the information indicated in Guide to reporting on Principle 7. | 33 – 35 | ✓ |
| Principle 8: Remunerate fairly and responsibly | | |
| <i>Recommendation 8.1:</i> The board should establish a remuneration committee. | 36 | ✓ |
| <i>Recommendation 8.2:</i> Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. | 36 | ✓ |
| <i>Recommendation 8.3:</i> Provide the information indicated in Guide to reporting on Principle 8. | 36 | ✓ |

FINANCIAL STATEMENTS

| Index | Page |
|--|------|
| Statement of comprehensive income | 40 |
| Statement of financial position | 42 |
| Statement of changes in equity | 43 |
| Statement of cash flows | 44 |
| Notes to the financial statements | 45 |
| Directors' declaration | 127 |
| Independent auditor's report to the shareholders of Mirvac Limited | 128 |

These financial statements cover the financial statements for the consolidated entity consisting of Mirvac Limited and its subsidiaries. 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 1 to 24, both of which are not part of these financial statements.

The financial statements were authorised for issue on 24 August 2010. 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.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

| | Note | 2010 \$m | Consolidated 2009 \$m |
|--|------|----------------|-----------------------------|
| Revenue from continuing operations | | | |
| Development and construction revenue | 4 | 862.2 | 1,090.8 |
| Development management fee revenue | | 31.1 | 24.2 |
| Investment properties rental revenue | | 403.2 | 329.9 |
| Hotel operating revenue | | 146.8 | 147.4 |
| Investment management fee revenue | | 30.8 | 46.6 |
| Interest revenue | 4 | 40.4 | 23.0 |
| Dividend and distribution revenue | | 0.5 | 1.1 |
| Other revenue | | 11.8 | 12.8 |
| Total revenue from continuing operations | | 1,526.8 | 1,675.8 |
| Other income | | | |
| Share of net profit of associates and joint ventures accounted for using the equity method | 13 | 1.9 | – |
| Gain on financial instruments | 4 | 3.7 | 113.3 |
| Foreign exchange gains | | 25.6 | – |
| Net gain on sale of investments | | 10.4 | 1.0 |
| Discount on business combination | 39 | 119.8 | – |
| Net gain on remeasurement of equity interest | 39 | 30.9 | – |
| Total other income | | 192.3 | 114.3 |
| Total revenue from continuing operations and other income | | 1,719.1 | 1,790.1 |
| Net loss from fair value of investment properties and owner-occupied hotel management lots and freehold hotels | 16 | (6.9) | (487.2) |
| Net loss from fair value on investment properties under construction | 16 | (112.8) | – |
| Foreign exchange losses | | – | (72.5) |
| Net loss on sale of investment properties | | (0.2) | – |
| Net loss on assets classified as held for sale | | – | (0.1) |
| Net loss on sale of property, plant and equipment | | (1.1) | – |
| Cost of property development and construction | | (789.7) | (971.2) |
| Investment properties expenses | | (102.2) | (81.4) |
| Hotel operating expenses | | (46.3) | (45.3) |
| Share of net loss of associates and joint ventures accounted for using the equity method | 13 | – | (158.0) |
| Employee benefits expenses | | (190.7) | (183.8) |
| Depreciation and amortisation expenses | 5 | (31.2) | (28.3) |
| Impairment of goodwill, management rights and other intangible assets | 18 | – | (273.6) |
| Impairment of investments including associates and joint ventures | | (6.2) | (41.6) |
| Impairment of loans | 5 | (5.6) | (59.4) |
| Finance costs | 5 | (58.8) | (87.9) |
| Loss on financial instruments | 5 | (13.6) | (144.5) |
| Selling and marketing expenses | | (23.9) | (25.4) |
| Provision for loss on inventories | | – | (186.5) |
| Business combination transaction costs | 39 | (19.4) | – |
| Other expenses | | (80.9) | (87.9) |
| Profit/(loss) before income tax | | 229.6 | (1,144.5) |
| Income tax benefit | 6 | 7.8 | 65.3 |
| Profit/(loss) for the year | | 237.4 | (1,079.2) |

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

| | Note | 2010 \$m | Consolidated 2009 \$m |
|--|------|--------------|-----------------------------|
| Profit/(loss) for the year | | 237.4 | (1,079.2) |
| Other comprehensive income for the year | | | |
| Decrement on revaluation of property, plant and equipment, net of tax | | (0.3) | (32.3) |
| Exchange differences on translation of foreign operations | | (0.9) | 3.2 |
| Other comprehensive income for the year, net of tax | | (1.2) | (29.1) |
| Total comprehensive income for the year | | 236.2 | (1,108.3) |
| Profit/(loss) is attributable to: | | | |
| – Stapled securityholders of Mirvac | | 234.7 | (1,078.1) |
| – NCI | | 2.7 | (1.1) |
| | | 237.4 | (1,079.2) |
| Total comprehensive income for the year is attributable to: | | | |
| – Stapled securityholders of Mirvac | | 233.5 | (1,107.2) |
| – NCI | | 2.7 | (1.1) |
| | | 236.2 | (1,108.3) |
| Earnings per stapled security for net profit/(loss) attributable to the stapled securityholders of Mirvac | | | |
| | | Cents | Cents |
| Basic earning per security | 7 | 7.95 | (65.21) |
| Diluted earnings per security | 7 | 7.90 | (64.53) |

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

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

| | Note | 2010 \$m | 2009 \$m | Consolidated 1 July 2008 ¹ \$m |
|---|------|----------------|-------------|---|
| Current assets | | | | |
| Cash and cash equivalents | 38 | 582.0 | 896.5 | 29.3 |
| Receivables | 8 | 203.8 | 248.4 | 310.5 |
| Derivative financial assets | 14 | 2.0 | 5.5 | – |
| Current tax assets | 6 | 2.1 | 6.4 | 63.3 |
| Inventories | 9 | 573.3 | 629.3 | 683.2 |
| Other financial assets at fair value through profit or loss | 10 | 15.3 | 18.5 | 19.3 |
| Assets classified as held for sale | 11 | 53.7 | – | 6.3 |
| Other assets | 12 | 26.0 | 41.1 | 49.4 |
| Total current assets | | 1,458.2 | 1,845.7 | 1,161.3 |
| Non-current assets | | | | |
| Receivables | 8 | 182.2 | 204.2 | 182.2 |
| Inventories | 9 | 1,060.9 | 1,095.6 | 1,016.8 |
| Investments accounted for using the equity method | 13 | 410.6 | 397.6 | 600.2 |
| Derivative financial assets | 14 | 14.0 | 7.5 | 95.1 |
| Investment properties | 16 | 4,226.5 | 3,210.1 | 3,436.8 |
| Property, plant and equipment | 17 | 355.2 | 549.0 | 633.5 |
| Intangible assets | 18 | 54.9 | 58.6 | 320.8 |
| Deferred tax assets | 6 | 125.0 | 56.6 | 64.1 |
| Total non-current assets | | 6,429.3 | 5,579.2 | 6,349.5 |
| Total assets | | 7,887.5 | 7,424.9 | 7,510.8 |
| Current liabilities | | | | |
| Payables | 19 | 340.0 | 278.4 | 325.4 |
| Borrowings | 20 | 327.7 | 422.6 | 138.0 |
| Derivative financial liabilities | 23 | 0.5 | – | – |
| Provisions | 21 | 71.9 | 10.1 | 95.6 |
| Other liabilities | 22 | 10.6 | 21.0 | 33.9 |
| Total current liabilities | | 750.7 | 732.1 | 592.9 |
| Non-current liabilities | | | | |
| Payables | 19 | 10.4 | 63.9 | 39.8 |
| Borrowings | 20 | 1,516.6 | 1,681.3 | 2,201.9 |
| Derivative financial liabilities | 23 | 52.4 | 43.1 | 110.6 |
| Deferred tax liabilities | 6 | 95.9 | 38.2 | 137.3 |
| Provisions | 21 | 6.1 | 5.8 | 23.3 |
| Total non-current liabilities | | 1,681.4 | 1,832.3 | 2,512.9 |
| Total liabilities | | 2,432.1 | 2,564.4 | 3,105.8 |
| Net assets | | 5,455.4 | 4,860.5 | 4,405.0 |
| Equity | | | | |
| Contributed equity | 24 | 6,098.8 | 5,447.4 | 3,771.5 |
| Reserves | 25 | 114.3 | 110.5 | 133.8 |
| Retained earnings | 26 | (768.7) | (762.2) | 430.1 |
| Equity and reserves attributable to stapled securityholders of Mirvac NCI | 27 | 5,444.4 | 4,795.7 | 4,335.4 |
| | | 11.0 | 64.8 | 69.6 |
| Total equity | | 5,455.4 | 4,860.5 | 4,405.0 |

1) A third statement of financial position is required due to the restatement of prior periods, as a result of the application of IFRIC 15. See note 1(n) for further details regarding the change in accounting policy.

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

| Consolidated | Note | Attributable to stapled securityholders of Mirvac | | | NCI \$m | Total \$m |
|---|------|---|--------------|-----------------------|---------------|----------------|
| | | Contributed equity \$m | Reserves \$m | Retained earnings \$m | | |
| Balance 1 July 2008 | | 3,771.5 | 133.8 | 435.3 | 69.6 | 4,410.2 |
| Adjustment on change of accounting policy (net of tax) | 1(n) | - | - | (5.2) | - | (5.2) |
| Total restated equity 1 July 2008 | | 3,771.5 | 133.8 | 430.1 | 69.6 | 4,405.0 |
| Total comprehensive income for the year | | - | (29.1) | (1,078.1) | (1.1) | (1,108.3) |
| Security based payment transactions | 25 | - | 5.8 | - | - | 5.8 |
| Security based compensation | 26 | - | - | 0.6 | - | 0.6 |
| LTI and EIS securities converted, sold or forfeited | 24 | 3.3 | - | - | - | 3.3 |
| Contributions of equity, net of transaction costs | 24 | 1,672.6 | - | - | - | 1,672.6 |
| Dividends/distributions provided for or paid | 26 | - | - | (107.7) | - | (107.7) |
| NCI | 27 | - | - | - | (3.7) | (3.7) |
| Total transactions with owners in their capacity as owners | | 1,675.9 | 5.8 | (107.1) | (3.7) | 1,570.9 |
| Balance 30 June 2009 | | 5,447.4 | 110.5 | (755.1) | 64.8 | 4,867.6 |
| Adjustment on change of accounting policy (net of tax) | 1(n) | - | - | (7.1) | - | (7.1) |
| Total restated equity 1 July 2009 | | 5,447.4 | 110.5 | (762.2) | 64.8 | 4,860.5 |
| Total comprehensive income for the year | | - | (1.2) | 234.7 | 2.7 | 236.2 |
| Security based payment transactions | 25 | - | (1.2) | - | - | (1.2) |
| Security based compensation | 26 | - | - | 0.1 | - | 0.1 |
| LTI and EIS securities converted, sold or forfeited | 24 | 20.7 | - | - | - | 20.7 |
| Contributions of equity, net of transaction costs | 24 | 630.7 | - | - | 0.2 | 630.9 |
| Dividends/distributions provided for or paid | 26 | - | - | (241.3) | (1.8) | (243.1) |
| Discount on acquisition of NCI | | - | 6.2 | - | - | 6.2 |
| NCI eliminated on acquisition | | - | - | - | (54.9) | (54.9) |
| Total transactions with owners in their capacity as owners | | 651.4 | 5.0 | (241.2) | (56.5) | 358.7 |
| Balance 30 June 2010 | | 6,098.8 | 114.3 | (768.7) | 11.0 | 5,455.4 |

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

| | Note | 2010 \$m | Consolidated 2009 \$m |
|---|-------|------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of goods and services tax) | | 1,623.8 | 1,859.4 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | (1,193.7) | (1,734.7) |
| | | 430.1 | 124.7 |
| Interest received | | 28.7 | 16.2 |
| Associates and joint ventures dividends/distributions received | | 19.7 | 39.3 |
| Dividends/distributions received | | 0.5 | 1.1 |
| Borrowing costs paid | | (148.1) | (174.4) |
| Income tax refund | | 9.1 | 41.2 |
| Net cash inflows from operating activities | 38(b) | 340.0 | 48.1 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment ¹ | | (7.2) | (74.5) |
| Proceeds from sale of property, plant and equipment | | 0.3 | 0.5 |
| Payments for investment properties ¹ | | (273.0) | (26.6) |
| Proceeds from sale of investment properties | | 146.7 | 6.0 |
| Proceeds from loans to related entities | | 4.0 | 3.3 |
| Payments for loans to unrelated entities | | (17.4) | (12.6) |
| Proceeds from loans to unrelated entities | | 34.2 | 1.1 |
| Contributions to associates and joint ventures | | (105.6) | (76.2) |
| Proceeds from associates and joint ventures | | 17.2 | 2.3 |
| Acquisition of subsidiaries, net of cash acquired | | (23.2) | (11.8) |
| Proceeds from sale of investments | | 8.8 | 1.0 |
| Net cash outflows from investing activities | | (215.2) | (187.5) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 368.9 | 1,273.0 |
| Repayments of borrowings | | (1,109.3) | (1,684.8) |
| Payment for NCI | | (13.7) | - |
| Proceeds from issue of stapled securities | | 513.3 | 1,600.5 |
| Contributed equity raising costs | | (12.8) | (40.8) |
| Dividends/distributions paid as part of business combination | | (6.3) | - |
| Dividends/distributions paid | 28 | (179.4) | (141.2) |
| Net cash (outflows)/inflows from financing activities | | (439.3) | 1,006.7 |
| Net (decrease)/increase in cash and cash equivalents | | (314.5) | 867.3 |
| Overdraft received on acquisition of subsidiaries | | - | (0.2) |
| Cash and cash equivalents at the beginning of the year | | 896.5 | 29.3 |
| Effects of exchange rate changes on cash and cash equivalents | | - | 0.1 |
| Cash and cash equivalents at the end of the year | 38(a) | 582.0 | 896.5 |

1) Payments in respect of investment properties under construction were included within payments for property, plant and equipment for the year ended 30 June 2009. As a result of changes to AASB 140: *Investment Property* these are now included as payments for investment properties, refer to note 1(t) for further details.

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

NOTES TO THE FINANCIAL STATEMENTS

| Note | Contents | Page |
|------|---|------|
| 1 | Summary of significant accounting policies | 46 |
| 2 | Critical accounting judgements and estimates | 61 |
| 3 | Segmental information | 63 |
| 4 | Revenue from continuing operations and other income | 68 |
| 5 | Expenses | 68 |
| 6 | Income tax | 69 |
| 7 | Earnings per security | 72 |
| 8 | Receivables | 72 |
| 9 | Inventories | 74 |
| 10 | Other financial assets at fair value through profit or loss | 75 |
| 11 | Assets classified as held for sale | 75 |
| 12 | Other assets | 75 |
| 13 | Investments accounted for using the equity method | 76 |
| 14 | Derivative financial assets | 76 |
| 15 | Other financial assets | 77 |
| 16 | Investment properties | 83 |
| 17 | Property, plant and equipment | 86 |
| 18 | Intangible assets | 87 |
| 19 | Payables | 88 |
| 20 | Borrowings | 89 |
| 21 | Provisions | 91 |
| 22 | Other liabilities | 91 |
| 23 | Derivative financial liabilities | 92 |
| 24 | Contributed equity | 92 |
| 25 | Reserves | 94 |
| 26 | Retained earnings | 95 |
| 27 | Non-controlling interests | 95 |
| 28 | Dividends/distributions | 96 |
| 29 | Investments in associates | 96 |
| 30 | Investments in joint ventures | 99 |
| 31 | Contingent liabilities | 103 |
| 32 | Commitments | 103 |
| 33 | Key management personnel | 104 |
| 34 | Employee benefits | 109 |
| 35 | Related parties | 112 |
| 36 | Financial risk management | 112 |
| 37 | Remuneration of auditors | 119 |
| 38 | Notes to the statement of cash flows | 120 |
| 39 | Acquisition of businesses | 121 |
| 40 | Events occurring after the end of the reporting period | 123 |
| 41 | Parent entity financial information | 125 |

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 common business objectives, and operate as Mirvac Group with two core divisions:

- Development; and
- Investment.

The entities forming the stapled group entered into a Deed of Cooperation which provided that the members consider the interests of Mirvac as a whole, when entering into any agreement or arrangement, or carrying out any act. This Deed of Cooperation means 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 Urgent Issues Group Interpretation 1013 *Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements*, 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.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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*.

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) Financial statements preparation

The Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

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 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

c) Principles of consolidation

i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Mirvac at 30 June 2010 and the results of all subsidiaries for the year then ended.

Subsidiaries 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. Subsidiaries are fully consolidated from the date on which control is transferred to Mirvac. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the business combinations undertaken by Mirvac (note 1(i) Business combinations). Intercompany transactions and balances between Mirvac entities are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NCI in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity.

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. Investments in associates are accounted for in the parent entity financial statements using the cost method. Mirvac's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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. Dividends/distributions receivable from associates are recognised in the parent entity profit or loss. 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. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by Mirvac. 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 statement of comprehensive income in the year in which the change occurred.

iii) Joint ventures

Interests in joint venture entities and partnerships are accounted for in the consolidated financial statements using the equity method and are carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the partnerships 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 the joint venture partnership and transactions with the joint venture are eliminated to the extent of Mirvac's ownership interest until such time as they are realised by the joint venture partnership 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 subsidiary. 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 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 jointly controlled entity 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

v) *Change in accounting policy*

Mirvac has changed its accounting policy for transactions with NCI and the accounting for loss of control, joint control or significant influence from 1 July 2009 when the revised AASB 127 *Consolidated and Separate Financial Statements* became operative. The revisions to AASB 127 contained consequential amendments to AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*.

Previously, transactions with NCI were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings. Previously when the Group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purpose of subsequently accounting for the retained interests as an associate, jointly venture or financial asset.

Transactions with NCI are now treated as transactions with owners.

Mirvac has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

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.

Change in accounting policy

Mirvac has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in no change in the number of reportable segments presented; however, one business unit (MAM) is now reported under MIM whereas previously it was included in Investment. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the ELT. The change in reportable segments has not required any reallocation of goodwill. There has been no further impact on the measurement of the Group's assets and liabilities. Comparatives for 2009 have been restated.

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 dollars, which is Mirvac'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 are attributable to part of the net investment in a foreign operation.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. 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 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 operation 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. 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. Refer to note 1(n) for details of changes to this accounting policy in the year.

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. Refer to note 1(n) for details of changes to this accounting policy in the year.

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.

Change in accounting policy

Mirvac has changed its accounting policy for dividends paid out of pre-acquisition profits from 1 July 2009 when the revised AASB 127 *Consolidated and Separate Financial Statements* became operative. Previously, dividends paid out of pre-acquisition profits were deducted from the cost of the investment. In accordance with the transitional provisions, the new accounting policy is applied prospectively. It was therefore not necessary to make any adjustments to any of the amounts previously recognised in the financial statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

g) Income tax

The income tax expense or revenue for the year is the tax payable 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 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 company's subsidiaries, associates and joint ventures and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. 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.

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.

i) Investment allowances

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). 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 long-term payables. Each lease payment is allocated between the liability and finance costs. The finance costs are charged to the 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

i) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary 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 subsidiary. 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 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 subsidiary 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.

Change in accounting policy

The revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes. All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under Mirvac's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition. Acquisition related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill. NCI in an acquiree are now recognised either at fair value or at the NCI proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the NCI was always recognised at its share of the acquiree's net identifiable assets. If the Group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed, there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's NPAT.

The changes were implemented prospectively from 1 July 2009 and affected the accounting for the acquisition of MREIT disclosed in note 39. Acquisition related costs of \$19.4m were recognised in profit or loss. Mirvac has chosen to recognise the NCI at the fair value of the net identifiable assets of MREIT for this acquisition.

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(s) ("CGUs")) carrying amount exceeds its recoverable amount.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

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 statement of cash flows presentation purposes, 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 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. 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.

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.

Change in accounting policy

The Group has applied AASB Interpretation 15 *Agreements for the Construction of Real Estate* ("AASB-I 15") (effective 1 January 2009). AASB-I 15 clarifies whether AASB 111 *Construction Contracts* should be applied to particular transactions.

Included in the results of the year ended 30 June 2009 and prior years was \$12.3m of profit after tax related to projects that had the following characteristics:

- construction was in progress but the sale had not settled at that time;
- revenue had been recognised on a percentage of completion basis; and
- they no longer met the requirements to qualify as construction contracts under the terms outlined in IFRIC 15.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

On that basis, at 1 July 2009, the applicable projects have been reclassified as development projects, and \$12.3m was written back to retained earnings at 1 July 2009. In the current and future periods, income relating to those projects will be recognised as development revenue as construction is completed and settlement has occurred, which is the point at which Mirvac has determined the significant risks and rewards of ownership have been transferred to the purchaser. The adjustment relates to profit recognised over three years, as detailed below:

| Statement of comprehensive income | 2007 \$m | 2008 \$m | 2009 \$m | Total \$m |
|-----------------------------------|-------------|-------------|-------------|--------------|
| Profit before income tax | 0.1 | 7.3 | 10.2 | 17.6 |
| Income tax expense | – | (2.2) | (3.1) | (5.3) |
| Profit for the year | 0.1 | 5.1 | 7.1 | 12.3 |

The following adjustments were made to the statement of financial position at 30 June 2009:

| Statement of financial position (extract) | 2009 \$m | Increase/ (decrease) \$m | 2009 (restated) \$m |
|---|-------------|--------------------------------|---------------------------|
| Current assets | | | |
| Inventories | 590.1 | 39.2 | 629.3 |
| Non-current assets | | | |
| Inventories | 1,080.3 | 15.3 | 1,095.6 |
| Current liabilities | | | |
| Payables | 226.5 | 51.9 | 278.4 |
| Non-current liabilities | | | |
| Payables | 43.7 | 20.2 | 63.9 |
| Deferred tax liabilities | 43.5 | (5.3) | 38.2 |
| Net assets | 1,419.7 | (12.3) | 1,407.4 |
| Retained earnings | (749.9) | (12.3) | (762.2) |
| Total equity | (685.1) | (12.3) | (697.4) |

The following adjustments were made to the statement of financial position at 1 July 2008:

| Statement of financial position (extract) | 30 June 2008 \$m | Increase/ (decrease) \$m | 1 July 2008 (restated) \$m |
|---|---------------------|--------------------------------|----------------------------------|
| Non-current assets | | | |
| Inventories | 1,000.8 | 16.0 | 1,016.8 |
| Non-current liabilities | | | |
| Payables | 16.4 | 23.4 | 39.8 |
| Deferred tax liabilities | 139.5 | (2.2) | 137.3 |
| Net assets | 1,469.6 | (5.2) | 1,464.4 |
| Retained earnings | 435.3 | (5.2) | 430.1 |
| Total equity | 504.9 | (5.2) | 499.7 |

iii) Hotel stock

Hotel stock is stated at lower of cost and NRV.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

o) Assets classified as held for sale

Assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Investment properties classified as held for sale are carried at fair value. An impairment loss is recognised for any initial or subsequent write down of the asset 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, 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 asset classified as held for sale is recognised at the date of de-recognition.

Non-current assets 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 are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

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.

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 statement of financial position.

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.

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 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) Recognition and de-recognition

Purchases and sales of investments are recognised on trade date being the date on which Mirvac commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are de-recognised 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.

iii) Subsequent measurement

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in profit or loss in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), Mirvac establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow ("DCF") analysis and option pricing models refined to reflect the issuer's specific circumstances.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

iv) Impairment of financial assets

Mirvac assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists 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 as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, 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. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

q) Derivatives

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.

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 equity in a hedging reserve. 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

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 ask 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 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 revalued 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. 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): Impairment of assets). 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. When revalued assets are sold, it is Mirvac's policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

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 statement of financial position includes components relating to lease incentives.

Change in accounting policy

Investment properties now also include properties that are under construction for future use as investment properties. These are also 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. This is different to previous years where properties under construction were accounted for at cost and presented under property, plant and equipment until construction was complete. The change in policy was necessary following changes made to AASB 140 *Investment Property* as a result of the IASB's 2008 Improvements standard. Mirvac elected to adopt the revised rules prospectively from 1 July 2009. The net loss from fair value of IPUC was \$112.8m (2009: \$nil). The carrying value of \$89.5m at the end of the reporting period is included in the investment properties (refer to note 16).

The fair value of IPUC is determined on the basis of either DCF or residual methods. 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 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 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 subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries 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. Each of those CGUs represents Mirvac's primary reporting segments (refer to note 3).

ii) Management rights

Management rights are carried at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of the intangible assets. Management rights held in relation to an unlisted property fund are amortised over the useful life of seven years. All other management rights have an indefinite useful life and are not amortised but tested annually for impairment.

iii) Carbon sequestration rights

Carbon sequestration rights are recorded as intangible assets and are stated at historic cost. Cost includes expenditure that is directly attributable to the acquisition of the items. Carbon sequestration rights are not amortised. Instead, carbon sequestration rights are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

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. Payables, whose settlement is deferred, are measured at amortised cost.

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 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.

ii) Long service leave ("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 binomial option pricing model 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 charge relating to the securities issued under the EEP are included in profit or loss in the year in which they 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. No expense relating to EIS has been recognised in the year ended 30 June 2010.

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 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

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, forward 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 reporting period.

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.

cc) 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 recoverable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the 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.

dd) 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 subsidiaries, associates and joint ventures

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

ii) Tax consolidation legislation

Mirvac Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. 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 are 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 subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

ee) New accounting standards and interpretations

In the current year, Mirvac has adopted all of the new and revised standards and interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below:

- i) *AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions* [AASB 2] (effective from 1 January 2010) The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share based payment arrangement must recognise an expense for those goods or services regardless of which entity in the Group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Group share based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. Mirvac will apply the amended standard from 1 July 2010; there will be no financial impact as the Group does not receive goods or services which are equity settled.
- ii) *AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues* [AASB 132] (effective from 1 February 2010) In October 2009, the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. Mirvac will apply the amended standard from 1 July 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the financial statements.
- iii) *AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013) AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. Mirvac is yet to assess its impact and decide when to adopt AASB 9.
- iv) *Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards* (effective from 1 January 2011) In December 2009, the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries, associates and joint ventures. Mirvac already has systems in place to capture the necessary information and does not believe there will be any financial impact of the amendment.
- v) *AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19* (effective from 1 July 2010) AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. Mirvac will apply the interpretation from 1 July 2010. It is not expected to have any impact on the Group's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the Group has not entered into any debt for equity swaps since that date.

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 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 inventory to a saleable state.

iii) Provision for inventory

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.

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 10 per cent or more 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

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) Share 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 34(f) the fair value is determined by an external valuer using the Monte-Carlo simulation pricing method, this method includes a number of judgments and assumptions. These judgments and assumptions relating to share-based payments would have no impact on the carrying amounts of assets and liabilities in the statement of financial position but may impact, the share based payment expense taken to profit or loss and equity.

b) Key sources of estimation uncertainty

In preparing the 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 cost 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 half-yearly. During the year Mirvac has expensed \$nil (2009: \$186.5m) 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 \$44.4m (2009: \$45.5m). There was no impairment loss recognised during the year (2009: \$224.1m). Details on the assumptions used are provided in note 18.

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES / CONTINUED

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

During the period, Mirvac impaired a number 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 this impairment and the assumptions used by management in assessing the impairment are provided in notes 29 and 30.

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 is \$15.3m (2009: \$18.5m) and is disclosed as financial assets at fair value through profit or loss (refer to note 10).

v) *Carrying value of management rights*

The carrying value of management rights is initially carried at fair value at the date of acquisition. Mirvac has used DCF analysis to assess the carrying value of the acquired management rights. During the period, Mirvac assessed an impairment of management rights of \$nil (2009: \$48.5m) which was expensed during the year. The carrying value of management rights at 30 June 2010 was \$10.5m (2009: \$13.1m) and is disclosed as part of intangible assets (refer to note 18).

vi) *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 carrying value at the end of the reporting period for investment properties is \$4,226.5m (2009: \$3,210.1m) and owner-occupied properties \$272.7m (2009: \$254.9m). Details on investment properties are provided in note 16 and owner-occupied properties in note 17.

vii) *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 from fair value of IPUC was \$112.8m (2009: \$nil). The carrying value of \$89.5m at the end of the reporting period is included in investment properties (refer to note 16).

viii) *Valuation of assets acquired in business combinations*

During the year, Mirvac completed the acquisition of MREIT (refer to note 39). On recognising this acquisition, management used estimations and assumptions on the fair value of the assets and liabilities assumed at the date of control.

ix) *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 binomial option pricing model. 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 comparison to the number of equity instruments that ultimately vested.

x) *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) Descriptions 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, Development and Investment. Applying the requirements of AASB 8, Mirvac has four reportable segments:

i) Investment

The division is made up solely of MPT which holds investments in properties covering the retail, commercial, industrial and hotel sectors throughout Australia, held for the purpose of producing rental income, predominately through the Trust, its subsidiary 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) Development

The division's primary operations are property development and construction of residential, commercial, 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.

iii) Hotel Management

Hotel Management is responsible for management of hotels across Australia and New Zealand.

iv) 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 and closure of the UK office during the year ended 30 June 2010, both in line with the Group's strategy to focus on wholesale investor partnerships, providing capital for the Group's two core divisions, Investment and Development. MIM also includes MAM. MAM manages assets on behalf of MPT and external property owners across the real estate spectrum.

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) Comparative information

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

d) 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 other significant items which management considers to reflect the core earnings of the Group.

e) Geographical and customer analysis

Mirvac operates predominately in Australia with investments in New Zealand, the United States of America and the United Kingdom. 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SEGMENTAL INFORMATION / CONTINUED

| 2010 | Development \$m | Investment MPT \$m | Hotel Management \$m | Investment Management \$m | Unallocated \$m | Elimination \$m | Total \$m |
|---|--------------------|--------------------------|----------------------------|---------------------------------|--------------------|--------------------|----------------|
| Revenue from continuing operations | | | | | | | |
| Development and construction revenue | 861.5 | – | – | – | – | 0.7 | 862.2 |
| Development management fee revenue | 32.2 | – | – | – | – | (1.1) | 31.1 |
| Investment properties rental revenue | 1.0 | 400.2 | – | 7.0 | – | (5.0) | 403.2 |
| Hotel operating revenue | – | – | 146.9 | – | – | (0.1) | 146.8 |
| Investment management fee revenue | – | – | – | 37.8 | – | (7.0) | 30.8 |
| Interest revenue | 7.1 | 19.9 | 0.2 | 5.8 | 8.6 | (1.2) | 40.4 |
| Dividend and distribution revenue | – | 1.0 | – | – | – | (0.5) | 0.5 |
| Other revenue | 4.0 | 2.2 | 0.8 | 3.7 | 2.8 | (1.7) | 11.8 |
| Inter-segment sales | 34.4 | 56.7 | 0.2 | 10.6 | (2.2) | (99.7) | – |
| Total revenue from continuing operations | 940.2 | 480.0 | 148.1 | 64.9 | 9.2 | (115.6) | 1,526.8 |
| Share of net profit/(loss) of associates and joint ventures accounted for using the equity method | 15.9 | 1.5 | – | (9.1) | 0.1 | (6.5) | 1.9 |
| Gain on financial instruments | – | – | – | – | 3.7 | – | 3.7 |
| Foreign exchange (losses)/gains | – | (0.7) | 0.1 | 3.4 | 22.8 | – | 25.6 |
| Net gain on sale of investments | 0.1 | 0.5 | – | 10.3 | – | (0.5) | 10.4 |
| Discount on business combination | – | 119.8 | – | – | – | – | 119.8 |
| Net gain on remeasurement of equity interest | – | 25.3 | – | (1.1) | – | 6.7 | 30.9 |
| Total other income | 16.0 | 146.4 | 0.1 | 3.5 | 26.6 | (0.3) | 192.3 |
| Total revenue from continuing operations and other income | 956.2 | 626.4 | 148.2 | 68.4 | 35.8 | (115.9) | 1,719.1 |
| Net loss/(gain) from fair value of investment properties and owner-occupied hotel management lots and freehold hotels | 0.1 | (8.0) | 21.0 | – | – | (6.2) | 6.9 |
| Net loss from fair value adjustments on investment properties under construction | – | 112.8 | – | – | – | – | 112.8 |
| Net loss on sale of investment properties | 0.1 | 0.1 | – | – | – | – | 0.2 |
| Net loss on sale of property, plant and equipment | 0.8 | – | – | 0.3 | – | – | 1.1 |
| Cost of property development and construction | 822.9 | – | – | – | – | (33.2) | 789.7 |
| Investment properties expenses | – | 112.1 | – | – | – | (9.9) | 102.2 |
| Hotel operating expenses | 0.8 | – | 47.5 | – | – | (2.0) | 46.3 |
| Employee benefits expenses | 30.7 | – | 70.6 | 33.3 | 55.5 | 0.6 | 190.7 |
| Depreciation and amortisation | 3.2 | 15.9 | 5.0 | 0.6 | 2.5 | 4.0 | 31.2 |
| Impairment of investments including associates and joint ventures | 0.2 | – | – | 6.0 | – | – | 6.2 |
| Impairment of loans | – | – | – | 0.2 | 5.4 | – | 5.6 |
| Finance costs | 32.3 | 48.2 | – | 17.4 | 14.9 | (54.0) | 58.8 |
| Loss/(profit) on financial instruments | – | 10.9 | – | (0.1) | 2.4 | 0.4 | 13.6 |
| Selling and marketing expenses | 13.9 | – | 8.6 | 0.8 | 0.6 | – | 23.9 |
| Business combination transaction costs | – | 19.4 | – | – | – | – | 19.4 |
| Other expenses | 31.6 | 8.6 | 6.3 | 10.0 | 36.1 | (11.7) | 80.9 |
| Profit/(loss) before income tax | 19.6 | 306.4 | (10.8) | (0.1) | (81.6) | (3.9) | 229.6 |
| Income tax benefit | – | – | – | – | – | – | 7.8 |
| Profit for the year | | | | | | | 237.4 |
| Profit attributable to NCI | | | | | | | (2.7) |
| Net profit attributable to the stapled securityholders of the Group | | | | | | | 234.7 |

3 SEGMENTAL INFORMATION / CONTINUED

| 2010 | Development \$m | Investment MPT \$m | Hotel Management \$m | Investment Management \$m | Unallocated \$m | Elimination \$m | Tax \$m | Total \$m |
|--|--------------------|--------------------------|----------------------------|---------------------------------|--------------------|--------------------|-------------|----------------|
| Net profit/(loss) after tax before NCI | 19.6 | 306.4 | (10.8) | (0.1) | (81.6) | (3.9) | 7.8 | 237.4 |
| Less: NCI | - | (1.4) | - | - | - | (1.3) | - | (2.7) |
| Net profit/(loss) attributable to the stapled securityholders | 19.6 | 305.0 | (10.8) | (0.1) | (81.6) | (5.2) | 7.8 | 234.7 |
| Specific non-cash items | | | | | | | | |
| Net losses/(gains) from fair value of investment properties and owner-occupied hotel management lots and freehold hotels | 0.1 | (8.0) | 21.0 | - | - | (6.2) | - | 6.9 |
| Net losses from fair value of investment properties under construction | - | 112.8 | - | - | - | - | - | 112.8 |
| Net losses/(gains) on fair value of derivative financial instruments and associated foreign exchange movements | - | 11.6 | - | (3.7) | (24.1) | 0.4 | - | (15.8) |
| Expensing of security based payments | - | - | - | - | 8.7 | - | - | 8.7 |
| Depreciation of owner-occupied investment properties, hotels and hotel management lots (including hotel property, plant and equipment) | 0.4 | - | 1.4 | - | - | 5.9 | - | 7.7 |
| Straight-lining of lease revenue | - | (2.5) | - | - | - | - | - | (2.5) |
| Amortisation of lease incentives | - | 12.0 | - | - | - | (1.9) | - | 10.1 |
| Net losses/(gains) from fair value of investment properties, derivatives and other specific non-cash items included in share of associates' losses | (0.1) | 20.4 | - | 9.5 | - | 3.5 | - | 33.3 |
| Net gains from fair value of investment properties, derivatives and other specific non-cash items included in NCI | - | - | - | - | - | 1.1 | - | 1.1 |
| Significant items | | | | | | | | |
| Impairment of investments including associates and joint ventures | 0.2 | - | - | 6.0 | - | - | - | 6.2 |
| Impairment of loans | - | - | - | (11.7) | 17.1 | - | - | 5.4 |
| Net (gains)/losses from sale of non-aligned assets | (0.1) | (0.5) | - | (8.9) | - | 0.5 | - | (9.0) |
| Discount on business combination | - | (119.8) | - | - | - | - | - | (119.8) |
| Net gain on remeasurement of equity interest | - | (25.3) | - | 1.1 | - | (6.7) | - | (30.9) |
| Business combination transaction costs | - | 19.4 | - | - | - | - | - | 19.4 |
| Tax effect | | | | | | | | |
| Tax effect of non-cash and significant adjustments | - | - | - | - | - | - | 7.0 | 7.0 |
| Operating profit/(loss) (profit before specific non-cash and significant items) | 20.1 | 325.1 | 11.6 | (7.8) | (79.9) | (8.6) | 14.8 | 275.3 |

NOTES TO THE FINANCIAL STATEMENTS

3 SEGMENTAL INFORMATION / CONTINUED

| 2009 | Development \$m | Investment MPT \$m | Hotel Management \$m | Investment Management \$m | Unallocated \$m | Elimination \$m | Total \$m |
|--|--------------------|--------------------------|----------------------------|---------------------------------|--------------------|--------------------|------------------|
| Revenue from continuing operations | | | | | | | |
| Development and construction revenue | 1,093.0 | - | - | - | - | (2.2) | 1,090.8 |
| Development management fee revenue | 31.6 | - | - | - | - | (7.4) | 24.2 |
| Investment properties rental revenue | 0.1 | 325.4 | - | 18.4 | - | (14.0) | 329.9 |
| Hotel operating revenue | - | - | 147.4 | - | - | - | 147.4 |
| Investment management fee revenue | 5.1 | - | - | 45.0 | - | (3.5) | 46.6 |
| Interest revenue | 9.4 | 0.8 | 0.5 | 8.3 | 4.7 | (0.7) | 23.0 |
| Dividend and distribution revenue | 0.2 | 1.1 | - | 0.1 | - | (0.3) | 1.1 |
| Other revenue | 5.6 | 0.7 | 0.5 | 4.0 | 2.1 | (0.1) | 12.8 |
| Inter-segment sales | 105.1 | 67.5 | - | 9.5 | 2.6 | (184.7) | - |
| Total revenue from continuing operations | 1,250.1 | 395.5 | 148.4 | 85.3 | 9.4 | (212.9) | 1,675.8 |
| Other income | | | | | | | |
| Gain on financial instruments | - | - | - | - | 113.3 | - | 113.3 |
| Net gain on sale of investments | - | - | - | 1.0 | - | - | 1.0 |
| Total other income | - | - | - | 1.0 | 113.3 | - | 114.3 |
| Total revenue from continuing operations and other income | 1,250.1 | 395.5 | 148.4 | 86.3 | 122.7 | (212.9) | 1,790.1 |
| Net loss from fair value of investment properties | - | 515.6 | - | - | - | (28.4) | 487.2 |
| Foreign exchange (gains)/losses | - | - | (0.1) | - | 72.6 | - | 72.5 |
| Net loss on assets classified as held for sale | 0.1 | - | - | - | - | - | 0.1 |
| Cost of property development and construction | 1,075.2 | - | - | - | - | (104.0) | 971.2 |
| Investment properties expenses | - | 89.3 | - | - | - | (7.9) | 81.4 |
| Hotel operating expenses | - | - | 48.1 | - | - | (2.8) | 45.3 |
| Share of net loss of associates and joint ventures accounted for using equity method | 9.7 | 120.3 | - | 20.8 | - | 7.2 | 158.0 |
| Employee benefits expenses | 47.4 | - | 69.9 | 38.0 | 28.6 | (0.1) | 183.8 |
| Depreciation and amortisation | 3.0 | 13.0 | 5.3 | 1.2 | 2.6 | 3.2 | 28.3 |
| Impairment of goodwill, management rights and other intangible assets | 125.9 | - | - | 146.7 | - | 1.0 | 273.6 |
| Impairment of investments including associates and joint ventures | 10.0 | 16.4 | - | 15.2 | - | - | 41.6 |
| Impairment of loans | 40.7 | - | - | 18.7 | - | - | 59.4 |
| Finance costs | 53.3 | 76.4 | 0.1 | 14.6 | 13.9 | (70.4) | 87.9 |
| Loss on financial instruments | - | 110.3 | - | 0.2 | 34.5 | (0.5) | 144.5 |
| Selling and marketing expenses | 16.3 | - | 8.0 | 0.9 | 0.2 | - | 25.4 |
| Provision for loss on inventories | 186.5 | - | - | - | - | - | 186.5 |
| Other expenses | 36.7 | 5.3 | 4.8 | 46.2 | 12.5 | (17.6) | 87.9 |
| (Loss)/profit before income tax | (354.7) | (551.1) | 12.3 | (216.2) | (42.2) | 7.4 | (1,144.5) |
| Income tax benefit | | | | | | | 65.3 |
| Loss for the year | | | | | | | (1,079.2) |
| Loss attributable to NCI | | | | | | | 1.1 |
| Net loss attributable to the stapled securityholders of the Group | | | | | | | (1,078.1) |

3 SEGMENTAL INFORMATION / CONTINUED

| 2009 | Development \$m | Investment MPT \$m | Hotel Management \$m | Investment Management \$m | Unallocated \$m | Elimination \$m | Tax \$m | Total \$m |
|--|--------------------|--------------------------|----------------------------|---------------------------------|--------------------|--------------------|------------|--------------|
| Net (loss)/profit after tax before NCI | (354.7) | (551.1) | 12.3 | (216.2) | (42.2) | 7.4 | 65.3 | (1,079.2) |
| Less: NCI | - | 0.1 | - | - | - | 1.0 | - | 1.1 |
| Net (loss)/profit attributable to the stapled securityholders | (354.7) | (551.0) | 12.3 | (216.2) | (42.2) | 8.4 | 65.3 | (1,078.1) |
| Specific non-cash items | | | | | | | | |
| Net losses/(gains) from fair value of investment properties (excluding owner-occupied) | - | 515.6 | - | - | - | (28.4) | - | 487.2 |
| Net losses/(gains) on fair value of derivative financial instruments and associated foreign exchange movements | - | 110.3 | - | - | (6.3) | - | - | 104.0 |
| Expensing of security based payments | - | - | - | - | 7.1 | - | - | 7.1 |
| Depreciation of owner-occupied investment properties, hotels and hotel management lots (including hotel property, plant and equipment) | - | - | 1.4 | - | - | 5.0 | - | 6.4 |
| Straight-lining of lease revenue | - | (1.2) | - | - | - | - | - | (1.2) |
| Amortisation of lease incentives | - | 10.1 | - | - | - | (1.8) | - | 8.3 |
| Net losses from fair value of investment properties, derivatives and other specific non-cash items included in share of associates' losses | 0.4 | 141.2 | - | 1.9 | - | 7.4 | - | 150.9 |
| Net gains from fair value of investment properties, derivatives and other specific non-cash items included in NCI | - | (3.4) | - | - | - | (2.9) | - | (6.3) |
| Significant items | | | | | | | | |
| Impairment of investments and loans included in share of net loss of associates and joint ventures | 20.3 | - | - | 12.9 | - | - | - | 33.2 |
| Impairment of investments including associates and joint ventures | 10.0 | 16.3 | - | 15.2 | 0.2 | - | - | 41.7 |
| Impairment of loans | 40.7 | - | - | 2.0 | - | - | - | 42.7 |
| Provision for loss on inventories | 186.5 | - | - | - | - | - | - | 186.5 |
| Impairment of goodwill, management rights and other intangible assets | 125.9 | - | - | 146.7 | - | 1.0 | - | 273.6 |
| Net losses from other significant items included in NCI | - | - | - | - | - | (1.0) | - | (1.0) |
| Tax effect | | | | | | | | |
| Tax effect of non-cash and significant adjustments | - | - | - | - | - | - | (54.2) | (54.2) |
| Operating profit/(loss) (profit before specific non-cash and significant items) | 29.1 | 237.9 | 13.7 | (37.5) | (41.2) | (12.3) | 11.1 | 200.8 |

| | Development \$m | Investment MPT \$m | Hotel Management \$m | Investment Management \$m | Unallocated \$m | Elimination \$m | Total \$m |
|---|--------------------|--------------------------|----------------------------|---------------------------------|--------------------|--------------------|----------------|
| 30 June 2010 | | | | | | | |
| Total assets | 6,111.4 | 5,812.4 | 419.4 | 553.2 | 6,308.6 | (11,317.5) | 7,887.5 |
| Total liabilities | 6,203.2 | 822.5 | 375.7 | 702.7 | 5,284.6 | (10,956.6) | 2,432.1 |
| Investments in associates and joint ventures | 230.6 | 207.0 | - | 16.9 | 2.0 | (45.9) | 410.6 |
| Acquisitions of investments and property, plant and equipment | 17.8 | 366.7 | 3.0 | 2.3 | 0.6 | - | 390.4 |
| Depreciation and amortisation expenses | 3.2 | 15.9 | 5.0 | 0.6 | 2.5 | 4.0 | 31.2 |

| | | | | | | | |
|---|---------|---------|-------|-------|---------|------------|---------|
| 30 June 2009 | | | | | | | |
| Total assets | 5,632.0 | 5,341.0 | 343.2 | 681.2 | 5,509.8 | (10,082.3) | 7,424.9 |
| Total liabilities | 5,733.1 | 947.9 | 287.4 | 844.3 | 4,492.4 | (9,740.7) | 2,564.4 |
| Investments in associates and joint ventures | 201.0 | 225.2 | - | 21.4 | - | (50.0) | 397.6 |
| Acquisitions of investments and property, plant and equipment | 99.6 | 9.6 | 2.0 | 4.5 | 1.9 | - | 117.6 |
| Depreciation and amortisation expenses | 3.0 | 13.0 | 5.3 | 1.2 | 2.6 | 3.2 | 28.3 |

NOTES TO THE FINANCIAL STATEMENTS

4 REVENUE FROM CONTINUING OPERATIONS AND OTHER INCOME

| | 2010 \$m | Consolidated 2009 \$m |
|--|--------------|-----------------------------|
| Development and construction revenue | | |
| Development revenue | 845.5 | 1,012.0 |
| Construction revenue | 16.7 | 78.8 |
| Total development and construction revenue | 862.2 | 1,090.8 |
| Interest revenue | | |
| Cash and cash equivalents | 29.0 | 13.6 |
| Associates, joint ventures and related party loans | 8.1 | 5.9 |
| Mezzanine loans | 3.3 | 3.5 |
| Total interest revenue | 40.4 | 23.0 |
| Gain on financial instruments | | |
| Gain on revaluation cross currency derivatives | 3.7 | 113.3 |
| Total gain on financial instruments | 3.7 | 113.3 |

5 EXPENSES

| | 2010 \$m | Consolidated 2009 \$m |
|---|-------------|-----------------------------|
| Profit/(loss) before income tax includes the following specific expenses: | | |
| Finance costs | | |
| Interest and finance charges paid/payable net of provision release | 110.8 | 158.0 |
| Amount capitalised | (80.6) | (104.1) |
| Interest capitalised in current and prior years expensed this year net of provision release | 25.9 | 31.6 |
| Borrowing costs amortised | 2.7 | 2.4 |
| Total finance costs | 58.8 | 87.9 |
| Depreciation | | |
| Plant and equipment | 9.2 | 10.2 |
| Owner-occupied hotel management lots | 1.4 | 1.5 |
| Owner-occupied freehold hotels | 1.3 | 0.7 |
| Owner-occupied administration properties | 5.2 | 4.3 |
| Total depreciation | 17.1 | 16.7 |
| Amortisation | | |
| Lease fit outs incentives | 10.1 | 8.3 |
| Intangible assets | - | 0.4 |
| Lease incentives | 4.0 | 2.9 |
| Total amortisation | 14.1 | 11.6 |
| Total depreciation and amortisation | 31.2 | 28.3 |
| Loss on financial instruments | | |
| Loss on interest rate derivatives | 10.4 | 143.4 |
| Loss on revaluation of other financial instruments | 3.2 | 1.1 |
| Total loss on financial instruments | 13.6 | 144.5 |
| Other charges against assets | | |
| Provision for loss on inventories | - | 186.5 |
| Impairment of trade receivables | 0.7 | 1.1 |
| Impairment of goodwill, management rights and other intangible assets | - | 273.6 |
| Impairment of investments including associates and joint ventures | 6.2 | 41.6 |
| Impairment of loans | 5.6 | 59.4 |
| Rental expense relating to operating leases | 9.3 | 5.9 |

6 INCOME TAX

| | 2010 \$m | Consolidated 2009 \$m |
|---|--------------|-----------------------------|
| a) Income tax benefit | | |
| Current tax | 2.2 | 7.5 |
| Deferred tax | (7.3) | (70.1) |
| Over provided in prior years | (2.7) | (2.7) |
| Income tax benefit | (7.8) | (65.3) |
| Deferred income tax benefit included in income tax benefit comprises: | | |
| (Increase)/decrease in deferred tax assets | (66.1) | 10.9 |
| Increase/(decrease) in deferred tax liabilities | 58.8 | (81.0) |
| Deferred income tax benefit | (7.3) | (70.1) |
| b) Numerical reconciliation of income tax benefit to prima facie tax payable | | |
| Profit/(loss) before income tax | 229.6 | (1,144.5) |
| Income tax calculated at 30 per cent | 68.9 | (343.4) |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income | | |
| Non-deductible impairment of goodwill, management rights and other intangible assets | 0.3 | 81.9 |
| Non-deductible impairment of investments including associates and joint ventures | 8.7 | 6.8 |
| Non-deductible impairment of loans | 1.7 | 12.8 |
| Other non-deductible/non-assessable items | 27.3 | 19.5 |
| Utilisation of prior year tax losses not previously recognised | 0.3 | (2.7) |
| Trust net (income)/loss | (112.3) | 162.5 |
| | (5.1) | (62.6) |
| Over provision in prior years | (2.7) | (2.7) |
| Income tax benefit | (7.8) | (65.3) |
| c) Tax losses | | |
| Unused tax losses incurred by Australian entities for which no deferred tax asset has been recognised | 58.5 | 57.6 |
| Potential tax benefit at 30 per cent | 17.6 | 17.3 |

d) Tax consolidation legislation

Mirvac Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in note 1(dd). 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 consolidated tax 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 intercompany receivables or payables.

NOTES TO THE FINANCIAL STATEMENTS

6 INCOME TAX / CONTINUED

| | 2010 \$m | Consolidated 2009 \$m |
|---|-------------|-----------------------------|
| e) Current tax assets | | |
| Tax receivable | 2.1 | 6.4 |
| f) Net deferred tax assets | | |
| Non-current assets – deferred tax assets | | |
| The balance comprises temporary differences attributable to: | | |
| Employee provisions | 7.8 | 8.4 |
| Accrued expenses | 20.3 | 9.6 |
| Unearned profits with associates | 14.1 | 15.2 |
| Derivative financial instruments | 8.9 | 8.9 |
| Impairment of loans | 6.4 | 5.1 |
| Tax losses | 65.8 | 7.4 |
| Receivables | – | 0.3 |
| Equity raising costs | 1.7 | 1.7 |
| Deferred tax assets | 125.0 | 56.6 |
| Non-current liabilities – deferred tax liabilities | | |
| The balance comprises temporary differences attributable to: | | |
| Inventories | 59.5 | 11.3 |
| Equity accounted investments | 7.1 | 7.0 |
| Foreign exchange translation gains | 22.0 | 13.0 |
| Property, plant and equipment | 3.7 | 3.2 |
| Other | 3.6 | 3.7 |
| Deferred tax liabilities | 95.9 | 38.2 |
| Net deferred tax assets | 29.1 | 18.4 |
| 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 | (2.3) | – |
| Net deferred tax – credited directly to equity | (2.3) | (1.8) |
| | (4.6) | (1.8) |
| h) Tax expense/(income) relating to items of other comprehensive income | | |
| Decrement on revaluation of property, plant and equipment | 0.7 | (1.5) |
| Exchange differences on translation of foreign operations | (0.1) | 0.1 |
| | 0.6 | (1.4) |

6 INCOME TAX / CONTINUED

Movements in deferred tax

| Consolidated | Equity accounted investments \$m | Foreign exchange translation gains/(losses) \$m | Unearned profits with associates \$m | Derivative financial instruments \$m | Impairment of loans \$m | Property, plant and equipment \$m | Receivables \$m |
|---|-------------------------------------|--|---|---|----------------------------|--------------------------------------|--------------------|
| Balance 1 July 2008 | (15.4) | (34.7) | 12.3 | 24.0 | – | (7.3) | (4.7) |
| (Credited)/charged to profit or loss | 8.4 | 21.7 | 2.9 | (15.1) | 5.1 | 2.7 | 5.0 |
| (Credited)/charged to other comprehensive income | – | – | – | – | – | 1.4 | – |
| Credited to equity | – | – | – | – | – | – | – |
| Transfer of prior year tax losses from current tax | – | – | – | – | – | – | – |
| Disposal of subsidiary | – | – | – | – | – | – | – |
| Acquisition of subsidiary | – | – | – | – | – | – | – |
| Change in accounting policy | – | – | – | – | – | – | – |
| Balance 30 June 2009 | (7.0) | (13.0) | 15.2 | 8.9 | 5.1 | (3.2) | 0.3 |
| (Credited)/charged to profit or loss | (0.1) | (9.1) | (1.1) | – | 1.3 | 0.2 | (0.3) |
| (Credited)/charged to other comprehensive income | – | 0.1 | – | – | – | (0.7) | – |
| Credited to equity | – | – | – | – | – | – | – |
| Acquisition of subsidiary | – | – | – | – | – | – | – |
| Balance 30 June 2010 | (7.1) | (22.0) | 14.1 | 8.9 | 6.4 | (3.7) | – |

| | Equity raising costs \$m | Inventories \$m | Accrued expenses \$m | Employee provisions \$m | Tax losses \$m | Other \$m | Total \$m |
|---|-----------------------------|--------------------|-------------------------|----------------------------|-------------------|--------------|----------------------|
| Balance 1 July 2008 | 0.4 | (77.4) | 17.3 | 10.2 | – | – | (75.3) |
| (Credited)/charged to profit or loss | (0.5) | 54.8 | (7.7) | (1.8) | (1.6) | (3.8) | 70.1 |
| (Credited)/charged to other comprehensive income | – | – | – | – | – | – | 1.4 |
| Credited to equity | 1.8 | – | – | – | – | – | 1.8 |
| Transfer of prior year tax losses from current tax | – | – | – | – | 7.4 | – | 7.4 |
| Disposal of subsidiary | – | – | – | – | – | (0.1) | (0.1) |
| Acquisition of subsidiary | – | 6.0 | – | – | 1.6 | 0.2 | 7.8 |
| Change in accounting policy | – | 5.3 | – | – | – | – | 5.3 |
| Balance 30 June 2009 | 1.7 | (11.3) | 9.6 | 8.4 | 7.4 | (3.7) | 18.4 |
| (Credited)/charged to profit or loss | (0.6) | (49.9) | 9.0 | (0.6) | 58.4 | 0.1 | 7.3 |
| (Credited)/charged to other comprehensive income | – | – | – | – | – | – | (0.6) |
| Credited to equity | 0.6 | – | 1.7 | – | – | – | 2.3 |
| Acquisition of subsidiary | – | 1.7 | – | – | – | – | 1.7 |
| Balance 30 June 2010 | 1.7 | (59.5) | 20.3 | 7.8 | 65.8 | (3.6) | 29.1 |

NOTES TO THE FINANCIAL STATEMENTS

7 EARNINGS PER SECURITY

| | 2010 Cents | Consolidated 2009 Cents |
|---|---------------------|-------------------------------|
| Earnings per security | | |
| Basic earnings per security | 7.95 | (65.21) |
| Diluted earnings per security ¹ | 7.90 | (64.53) |
| | \$m | \$m |
| Basic and diluted earnings per security | | |
| Net profit/(loss) used in calculating earnings per security | 234.7 | (1,078.1) |
| Weighted average number of securities after rights issue notional adjustment used as denominator¹ | | |
| | Number m | Number m |
| Weighted average number of securities used in calculating basic earnings per security | 2,954.7 | 1,653.4 |
| Adjustment for calculation of diluted earnings per security | | |
| Securities issued under EIS | 15.7 | 17.4 |
| Weighted average number of securities used in calculating diluted earnings per security | 2,970.4 | 1,670.8 |

1) Diluted securities do not include the options and rights issued under the previous LTI plans as the exercise of these equity instruments is contingent on conditions during the vesting period.

8 RECEIVABLES

| | 2010 \$m | Consolidated 2009 \$m |
|---|--------------|-----------------------------|
| Current receivables | | |
| Trade receivables | 52.8 | 87.0 |
| Provision for impairment of receivables | (2.3) | (1.9) |
| | 50.5 | 85.1 |
| Amounts due from related parties | 74.4 | 27.1 |
| Amounts due from unrelated parties | 21.0 | 7.3 |
| Mezzanine loans | 20.7 | 20.6 |
| Accrued income | 13.4 | 11.3 |
| Other receivables | 23.8 | 97.0 |
| | 203.8 | 248.4 |
| Non-current receivables | | |
| Loans to Directors and employees | 19.4 | 7.5 |
| Amounts due from related parties | 107.0 | 131.2 |
| Other receivables | 55.8 | 65.5 |
| | 182.2 | 204.2 |

Further information in relation to amounts due from related entities is set out in note 35 and loans to KMP is set out in note 33.

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) on discussions 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.

8 RECEIVABLES / CONTINUED

c) Provision for impairment of receivables

Movements in the provision for impairment of receivables are detailed below:

| | 2010 \$m | Consolidated 2009 \$m |
|-------------------------------------|--------------|-----------------------------|
| Balance 1 July | (1.9) | (1.3) |
| Amounts written off | 0.3 | 0.5 |
| Provision for impairment recognised | (0.7) | (1.1) |
| Balance 30 June | (2.3) | (1.9) |

Mirvac has written off \$0.3m (2009: \$0.5m) of impairment of trade receivables during the current year. This loss has been applied against the provision for impairment of receivables.

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. There is no concentration of credit risk with respect to receivables as Mirvac has a large number of customers, geographically dispersed.

The ageing of receivables is detailed below:

| | Total receivables \$m | 2010 Provision for impairment \$m | Total receivables \$m | Consolidated 2009 Provision for impairment \$m |
|----------------------|-----------------------------|--|-----------------------------|--|
| Not past due | 369.3 | (0.2) | 400.5 | (0.2) |
| Renegotiated | - | - | - | - |
| Past due 1-30 day(s) | 10.5 | (0.1) | 36.2 | - |
| Past due 31-60 days | 0.8 | (0.1) | 5.8 | - |
| Past due 61-90 days | 0.2 | - | 1.5 | - |
| Past due 91-120 days | 0.1 | - | 6.9 | (0.8) |
| Past 120 days | 7.4 | (1.9) | 3.6 | (0.9) |
| | 388.3 | (2.3) | 454.5 | (1.9) |

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 \$118.4m (2009: \$131.5m). 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 36 for Mirvac's exposure to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

9 INVENTORIES¹

| | 2010 \$m | Consolidated 2009 ² \$m |
|--|----------------|--|
| Current | | |
| Development projects | | |
| Cost of acquisition | 242.5 | 388.1 |
| Development costs | 368.6 | 419.2 |
| Borrowing costs capitalised during development | 70.4 | 75.7 |
| Provision for loss | (109.3) | (256.1) |
| | 572.2 | 626.9 |
| Construction work in progress (amount due from customers for contract work) | | |
| Contract costs incurred and recognised profits less recognised losses | 17.2 | 91.6 |
| Borrowing costs capitalised during construction | - | 4.6 |
| Progress billings | (17.2) | (95.0) |
| | - | 1.2 |
| Hotel inventories | 1.1 | 1.2 |
| Total current inventories | 573.3 | 629.3 |
| Non-current | | |
| Development projects | | |
| Cost of acquisition | 681.5 | 682.9 |
| Development costs | 344.5 | 424.2 |
| Borrowing costs capitalised during development | 142.9 | 131.2 |
| Provision for loss | (108.0) | (148.2) |
| | 1,060.9 | 1,090.1 |
| Construction work in progress (amount due from customers for contract work) | | |
| Contract costs incurred and recognised profits less recognised losses | - | 7.7 |
| Borrowing costs capitalised | - | - |
| Progress billings | - | (2.2) |
| | - | 5.5 |
| Total non-current inventories | 1,060.9 | 1,095.6 |
| Aggregate carrying amount of inventories | | |
| Current | 573.3 | 629.3 |
| Non-current | 1,060.9 | 1,095.6 |
| Total inventories | 1,634.2 | 1,724.9 |

1) Lower of cost and NRV.

2) Prior year numbers have been restated as a result of IFRIC 15; refer to note 1(n).

a) Inventories expense

Inventories recognised as an expense during the year ended 30 June 2010 amounted to \$789.7m (2009: \$971.2m). Write down of inventories to NRV recognised as an expense during the year ended 30 June 2010 amounted to \$nil (2009: \$186.5m). The expense has been included in 'Provision for loss on inventories' in the statement of comprehensive income.

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.

10 OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Note | 2010 \$m | Consolidated 2009 \$m |
|-------------------------------|-------|-------------|-----------------------------|
| Units in unlisted fund | | | |
| Balance 1 July | | 18.5 | 19.3 |
| Loss on revaluation | | (3.2) | (0.8) |
| Balance 30 June | 29(b) | 15.3 | 18.5 |

Changes in fair values of other financial assets at fair value through profit or loss are recorded as 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. Included in unlisted securities 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 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 36 for Mirvac's exposure to price risk on other financial assets at fair value through profit or loss.

11 ASSETS CLASSIFIED AS HELD FOR SALE

| | 2010 \$m | Consolidated 2009 \$m |
|-----------------------|-------------|-----------------------------|
| Investment properties | 53.7 | – |

12 OTHER ASSETS

| | 2010 \$m | Consolidated 2009 \$m |
|----------------------|-------------|-----------------------------|
| Prepayments | 16.2 | 20.9 |
| Monies held in trust | 9.8 | 20.2 |
| | 26.0 | 41.1 |

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

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | Note | 2010 \$m | Consolidated 2009 \$m |
|--|------|--------------|-----------------------------|
| Statement of financial position | | | |
| Investments accounted for using the equity method | | | |
| Investments in associates | 29 | 110.3 | 168.4 |
| Investments in joint ventures | 30 | 300.3 | 229.2 |
| | | 410.6 | 397.6 |
| Statement of comprehensive income | | | |
| Share of net profit/(loss) of associates and joint ventures accounted for using the equity method | | | |
| Investments in associates | 29 | (3.4) | (101.2) |
| Investments in joint ventures | 30 | 5.3 | (56.8) |
| | | 1.9 | (158.0) |

14 DERIVATIVE FINANCIAL ASSETS

| | 2010 \$m | Consolidated 2009 \$m |
|---|-------------|-----------------------------|
| Current | | |
| Interest rate swap contracts – fair value | 2.0 | 5.5 |
| Non-current | | |
| Interest rate swap contracts – fair value | 4.4 | 4.8 |
| Interest rate collar contracts – fair value | 0.1 | – |
| Cross currency swaps – fair value | 9.5 | 2.7 |
| | 14.0 | 7.5 |

a) Instruments used by Mirvac

Refer to note 36 for information on instruments used by Mirvac.

b) Interest rate risk exposures

Refer to note 36 for Mirvac's exposure to interest rate risk on interest rate swaps.

15 OTHER FINANCIAL ASSETS

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

a) Interests in controlled entities of Mirvac

| Name of entity | Country of establishment/ incorporation | Class of units/shares | Equity holding 2010 % | Equity holding 2009 % |
|--|--|-----------------------|-----------------------|-----------------------|
| 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 | Australia | Ordinary | 100 | 100 |
| A.C.N. 110 698 603 Pty Limited | Australia | Ordinary | 100 | 100 |
| Australian Sustainable Investments Fund ² | Australia | Units | 35 | 35 |
| Banksia Unit Trust | Australia | Units | 100 | 100 |
| Cambridge Management Services Pty Limited ¹ | Australia | Ordinary | 100 | 100 |
| CMS Holdings (Mircvac) Pty Limited ¹ | Australia | Ordinary | 100 | 100 |
| Domaine Investment Management Pty Limited | Australia | Ordinary | 100 | 100 |
| Fast Track Bromelton Pty Limited (formerly Mirvac ID (Bromelton) Pty Limited) ¹ | Australia | Ordinary | 100 | – |
| Ford Mirvac Unit Trust | Australia | Units | 100 | 100 |
| Fyfe Road Pty Limited | Australia | Ordinary | 100 | 100 |
| Gainsborough Greens Pty Limited | Australia | Ordinary | 100 | 100 |
| Hexham Project Pty Limited | 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 Property Management Pty Limited ¹ | Australia | Ordinary | 100 | 100 |
| HIR Tavern Freehold Pty Limited ¹ | Australia | Ordinary | 100 | 100 |
| Hope Island Resort Services Limited ³ | Australia | Ordinary | – | 100 |
| Hoxton Park Airport Limited ¹ | Australia | Ordinary | 100 | 100 |
| HPAL Holdings Pty Limited ¹ | 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 | 79 |
| 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 |
| 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 |
| Mircvac (Beacon Cove) Pty Limited ¹ | Australia | Ordinary | 100 | 100 |
| Mircvac (Docklands) Pty Limited ¹ | Australia | Ordinary | 100 | 100 |
| Mircvac (WA) Pty Limited ¹ | Australia | Ordinary | 100 | 100 |
| Mircvac (Walsh Bay) Pty Limited ¹ | Australia | Ordinary | 100 | 100 |
| Mircvac 8 Chifley Pty Limited (formerly Mircvac AustSuper Pty Limited) ¹ | Australia | Ordinary | 100 | 50 |
| Mircvac Advisory Pty Limited ¹ | Australia | Ordinary | 100 | 100 |
| Mircvac Aero Company Pty Limited ¹ | Australia | Ordinary | 100 | 100 |
| Mircvac Capital Investments Pty Limited ¹ | Australia | Ordinary | 100 | 100 |
| Mircvac Capital Pty Limited ¹ | Australia | Ordinary | 100 | 100 |

NOTES TO THE FINANCIAL STATEMENTS

15 OTHER FINANCIAL ASSETS / CONTINUED

a) Interests in controlled entities of Mirvac / continued

| Name of entity | Country of establishment/ incorporation | Class of units/shares | Equity holding 2010 % | Equity holding 2009 % |
|---|--|-----------------------|-----------------------------|-----------------------------|
| 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 Limited 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 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 | Australia | Ordinary | 100 | 100 |
| Mirvac Funds Management Limited | 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 Harbourtown Pty Limited ¹ | Australia | Ordinary | 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) 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 |
| Mirvac International Pty Limited ¹ | Australia | Ordinary | 100 | 100 |
| Mirvac JV's Pty Limited ¹ | Australia | Ordinary | 100 | 100 |
| Mirvac Management Limited ¹ | Australia | Ordinary | 100 | 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 |

15 OTHER FINANCIAL ASSETS / CONTINUED

a) Interests in controlled entities of Mirvac / continued

| Name of entity | Country of establishment/ incorporation | Class of units/shares | Equity holding 2010 % | Equity holding 2009 % |
|---|--|-----------------------|-----------------------------|-----------------------------|
| Mirvac Pacific Pty Limited ¹ | Australia | Ordinary | 100 | 100 |
| Mirvac Parking Pty Limited ¹ | Australia | Ordinary | 100 | 100 |
| Mirvac Parklea Pty Limited | Australia | Ordinary | 100 | 100 |
| Mirvac PFA Limited ⁴ | Australia | Ordinary | – | 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 | Australia | Ordinary | 100 | 100 |
| Mirvac REIT Management Limited | 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 Limited 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 Property Limited ⁵ | United Kingdom | Ordinary | – | 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 (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 Limited | Australia | Ordinary | 100 | 100 |
| TMT Finance Pty Limited | Australia | Ordinary | 100 | 100 |

NOTES TO THE FINANCIAL STATEMENTS

15 OTHER FINANCIAL ASSETS / CONTINUED

b) Interests in controlled entities of MPT

| Name of entity | Country of establishment/ incorporation | Class of units/shares | Equity holding 2010 % | Equity holding 2009 % |
|--|--|-----------------------|-----------------------------|-----------------------------|
| 10-20 Bond Street Trust ⁶ | Australia | Units | 100 | – |
| 1900-2000 Pratt Inc. | USA | Ordinary | 100 | 100 |
| 197 Salmon Street Trust ⁸ | Australia | Units | 100 | 50 |
| 380 St Kilda Road Trust | Australia | Units | 100 | 100 |
| Australian Sustainable Investments Fund ² | Australia | Units | 25 | 25 |
| Davey Financial Management Birkdale Fair Trust ⁶ | Australia | Units | 100 | – |
| Davey Financial Management Pender Place Shopping Centre Trust ⁶ | Australia | Units | 100 | – |
| James Fielding Infrastructure Sustainable Equity Fund | Australia | Units | 100 | 100 |
| James Fielding Retail Property Sub-Trust ⁶ | Australia | Units | 100 | – |
| James Fielding Trust | Australia | Units | 100 | 100 |
| JF Property Trust ⁶ | Australia | Units | 100 | – |
| JFIF New South Wales Trust ⁶ | Australia | Units | 100 | – |
| JFIF Victorian Trust ⁶ | Australia | Units | 100 | – |
| JFM Hotel Trust ⁶ | Australia | Units | 100 | – |
| Lanyon Marketplace Trust ⁶ | Australia | Units | 100 | – |
| Meridian Investment Trust No 1 ⁶ | Australia | Units | 100 | – |
| Meridian Investment Trust No 2 ⁶ | Australia | Units | 100 | – |
| Meridian Investment Trust No 3 ⁶ | Australia | Units | 100 | – |
| Meridian Investment Trust No 4 ⁶ | Australia | Units | 100 | – |
| Meridian Investment Trust No 5 ⁶ | Australia | Units | 100 | – |
| Meridian Investment Trust No 6 ⁶ | Australia | Units | 100 | – |
| Mirvac 8 Chifley Trust ⁷ | Australia | Units | 100 | 50 |
| Mirvac Broadway Sub-Trust | Australia | Units | 100 | 100 |
| Mirvac Commercial Trust | Australia | Units | 100 | 100 |
| Mirvac Funds Finance Pty Limited ⁶ | Australia | Ordinary | 100 | – |
| Mirvac Funds Loan Note Pty Limited ⁶ | Australia | Ordinary | 100 | – |
| Mirvac Glasshouse Sub-Trust | Australia | Units | 100 | 100 |
| Mirvac Industrial Fund ⁶ | Australia | Units | 100 | – |
| Mirvac Lakehaven Sub-Trust | Australia | Units | 100 | 100 |
| Mirvac Property Trust No. 2 | Australia | Units | 100 | 100 |
| MREIT ⁶ | Australia | Units | 100 | 25 |
| Mirvac Retail Fund ⁶ | Australia | Units | 100 | – |
| Mirvac Retail Head Trust | Australia | Units | 100 | 100 |
| Mirvac Rhodes Sub-Trust | Australia | Units | 100 | 100 |
| Mt Sheridan Plaza Trust ⁶ | Australia | Units | 100 | – |
| Old Wallgrove Road Trust ⁸ | Australia | Units | 100 | 50 |
| Peninsular Homemaker Centre Trust | Australia | Units | 100 | 100 |
| Property Performance Fund No. 3 ⁶ | Australia | Units | 100 | – |
| Property Performance Fund No. 4 ⁶ | Australia | Units | 100 | – |
| Property Performance Fund No. 5 ⁶ | Australia | Units | 100 | – |
| Springfield Regional Shopping Centre Trust ⁸ | Australia | Units | 100 | 67 |
| The George Street Trust | Australia | Units | 100 | 100 |
| The Mulgrave Trust | Australia | Units | 100 | 100 |

1) These subsidiaries have been granted relief at 30 June 2010 from the necessity to prepare financial reports in accordance with class order 98/1418 issued by ASIC.

2) The addition of Mirvac Limited and MPT interests in these entities are greater than 50 per cent.

3) Ownership in Hope Island Resort Services Limited was sold on 28 August 2009.

4) Ownership in Mirvac PFA Limited was sold on 12 April 2010.

5) Ownership in Mirvac UK Property Limited was sold on 15 December 2009.

6) These entities became controlled entities during the year as a result of MREIT acquisition and therefore consolidated as controlled entities from 7 December 2009.

7) Ownership in this entity increased to 100 per cent during the year and therefore the entity was consolidated as a controlled entity from 27 October 2009. This entity was previously known as Mirvac AustralianSuper Trust and changed its name on 27 October 2009.

8) Ownership in these entities increased to 100 per cent during the year as a result of the MREIT acquisition.

15 OTHER FINANCIAL ASSETS / 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 up to class order C009/626) issued by ASIC. The entities included at 30 June 2010 are listed in note 15(a). Companies identified in note 15(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 consolidated statement of financial position for the year ended 30 June 2010 of the entities which are members of the closed group are as follows:

| Consolidated statement of comprehensive income | 2010 \$m | 2009 \$m |
|--|---------------------|---------------------|
| Revenue from continuing operations | | |
| Development and construction revenue | 890.8 | 1,148.4 |
| Development management fee revenue | 31.1 | 21.4 |
| Investment properties rental revenue | 20.8 | 25.4 |
| Hotel operating revenue | 102.1 | 147.3 |
| Investment management fee revenue | 48.1 | 52.9 |
| Interest revenue | 21.4 | 19.3 |
| Dividend and distribution revenue | - | 0.3 |
| Other revenue | 11.3 | 12.1 |
| Total revenue from continuing operations | 1,125.6 | 1,427.1 |
| Other income | | |
| Share of net profit from associates and joint ventures accounted for using the equity method | 3.1 | - |
| Gain on financial instruments | 1.4 | 78.6 |
| Foreign exchange gains | 22.8 | - |
| Net gain on sale of investments | 9.9 | 1.0 |
| Investment properties income | - | 1.8 |
| Total other income | 37.2 | 81.4 |
| Total revenue from continuing operations and other income | 1,162.8 | 1,508.5 |
| Net losses from fair value of investment properties and owner-occupied hotel management lots and freehold hotels | (26.1) | (10.9) |
| Foreign exchange losses | - | (72.5) |
| Net loss on sale of investment properties | (0.1) | - |
| Net loss on sale of property, plant and equipment | (1.1) | - |
| Cost of property development and construction | (818.0) | (1,021.8) |
| Investment properties expenses | (2.9) | - |
| Hotel operating expenses | (29.5) | (48.1) |
| Share of net loss of associates and joint ventures accounted for using the equity method | - | (25.2) |
| Employee benefits expenses | (166.1) | (173.1) |
| Depreciation and amortisation expenses | (12.8) | (12.3) |
| Impairment of goodwill, management rights and other intangible assets | (1.1) | (221.2) |
| Impairment of investments including associates and joint ventures | (0.2) | (22.7) |
| Impairment of loans | (0.1) | (59.4) |
| Finance costs | (74.0) | (72.2) |
| Selling and marketing expenses | (21.4) | (25.8) |
| Provision for loss on inventories | - | (166.8) |
| Other expenses | (97.1) | (93.6) |
| Loss before income tax | (87.7) | (517.1) |
| Income tax benefit | 8.4 | 61.1 |
| Loss for the year | (79.3) | (456.0) |
| Other comprehensive income for the year | | |
| Decrement on revaluation of property, plant and equipment, net of tax | 0.7 | (4.1) |
| Other comprehensive income for the year, net of tax | 0.7 | (4.1) |
| Total comprehensive income for the year | (78.6) | (460.1) |

NOTES TO THE FINANCIAL STATEMENTS

15 OTHER FINANCIAL ASSETS / CONTINUED

| | 2010 \$m | 2009 \$m |
|---|----------------|----------------|
| Movement in retained earnings | | |
| Balance 1 July | (536.7) | (116.8) |
| Loss for the year | (79.3) | (456.0) |
| Additions of subsidiaries into closed group | (79.1) | 36.1 |
| Balance 30 June | (695.1) | (536.7) |
| Current assets | | |
| Cash and cash equivalents | 221.9 | 203.7 |
| Receivables | 106.5 | 73.9 |
| Current tax assets | 5.9 | 6.4 |
| Inventories | 632.2 | 641.6 |
| Other assets | 16.7 | 30.3 |
| Total current assets | 983.2 | 955.9 |
| Non-current assets | | |
| Receivables | 170.4 | 204.0 |
| Inventories | 1,125.6 | 1,127.4 |
| Investments accounted for using the equity method | 211.6 | 185.4 |
| Derivative financial assets | 9.2 | 2.7 |
| Other financial assets | 72.1 | 62.2 |
| Investment properties | 142.8 | 129.7 |
| Property, plant and equipment | 119.4 | 87.2 |
| Intangible assets | 0.3 | 4.0 |
| Deferred tax assets | 123.0 | 54.5 |
| Other non-current assets | - | 7.6 |
| Total non-current assets | 1,974.4 | 1,864.7 |
| Total assets | 2,957.6 | 2,820.6 |
| Current liabilities | | |
| Payables | 130.9 | 83.1 |
| Borrowings | 77.5 | 0.1 |
| Provisions | 6.1 | 9.5 |
| Other liabilities | 10.6 | 21.0 |
| Total current liabilities | 225.1 | 113.7 |
| Non-current liabilities | | |
| Payables | 667.0 | 666.3 |
| Borrowings | 1,366.6 | 1,306.7 |
| Derivative financial liabilities | 36.7 | 32.2 |
| Deferred tax liabilities | 99.3 | 53.8 |
| Provisions | 5.3 | - |
| Total non-current liabilities | 2,174.9 | 2,059.0 |
| Total liabilities | 2,400.0 | 2,172.7 |
| Net assets | 557.6 | 647.9 |
| Equity | | |
| Contributed equity | 1,223.7 | 1,153.7 |
| Reserves | 29.0 | 30.9 |
| Retained earnings | (695.1) | (536.7) |
| Total equity | 557.6 | 647.9 |

16 INVESTMENT PROPERTIES

| Date of acquisition | Cost and additions to 30 June 2010 \$m | 30 June 2010 \$m | Book value | Capitalisation rate | Discount rate | Date of last external valuation | Last external valuation \$m | | | |
|---|---|---------------------|---------------------|---------------------|-------------------|---------------------------------|--------------------------------|-------------------|----------------|-------|
| | | | 30 June 2009 \$m | 30 June 2010 % | 30 June 2009 % | | | 30 June 2010 % | | |
| MPT and its controlled entities | | | | | | | | | | |
| 1 Castlereagh Street, Sydney NSW | December 1998 | 64.3 | 68.0 | 64.3 | 7.65 | 8.00 | 9.50 | 9.50 | June 2010 | 68.0 |
| 1 Darling Island, Pyrmont, NSW | April 2004 | 153.7 | 163.0 | 161.0 | 7.25 | 7.00 | 9.25 | 9.25 | December 2008 | 172.5 |
| 10 Julius Avenue, North Ryde NSW ^{1.5} | December 2005 | 67.8 | 53.8 | - | 8.25 | - | 9.75 | - | - | - |
| 101-103 Miller Street, Greenwood Plaza, North Sydney NSW (50% interest) | June 1994 | 241.7 | 242.2 | 251.5 | 6.75-7.00 | 6.25-6.50 | 9.00-9.50 | 8.75-9.00 | December 2008 | 251.5 |
| 10-20 Bond Street, Sydney NSW ^{1.5} | July 2004 | 156.7 | 92.3 | - | 7.50 | - | 9.25 | - | December 2009 | 85.0 |
| 12 Cribb Street, Milton QLD ^{1.5} | April 1999 | 10.7 | 13.3 | - | 9.00 | - | 10.25 | - | December 2009 | 13.3 |
| 12 Julius Avenue, North Ryde NSW ^{1.5} | November 1999 | 24.5 | 24.2 | - | 8.50 | - | 9.75 | - | - | - |
| 1-47 Percival Road, Smithfield NSW | November 2002 | 27.7 | 27.5 | 20.0 | 8.25 | 8.50 | 9.75 | 9.25 | March 2010 | 27.5 |
| 189 Grey Street, Southbank QLD | April 2004 | 61.9 | 65.0 | 65.0 | 7.75 | 7.75 | 9.25 | 9.00 | June 2010 | 65.0 |
| 190 George Street, Sydney NSW | August 2003 | 36.9 | 36.7 | 39.0 | 8.50 | 8.00 | 9.25 | 9.25 | December 2009 | 36.7 |
| 1900-2060 Pratt Boulevard, Chicago, Illinois USA | December 2007 | 35.4 | 30.8 | 40.7 | 8.00 | 8.00 | 10.50 | 9.50 | December 2009 | 33.6 |
| 191-197 Salmon Street, Port Melbourne ^{1.5} | July 2003 | 91.6 | 100.0 | - | 8.00 | - | 9.50 | - | June 2010 | 100.0 |
| 200 George Street, Sydney NSW | October 2001 | 25.0 | 24.8 | 25.0 | 8.25 | 8.25 | 9.25 | 9.50 | December 2009 | 24.8 |
| 23 Furzer Street, Woden ACT ^{1.5} | July 2008 | 239.2 | 225.0 | - | 7.25 | - | 9.25 | - | June 2010 | 225.0 |
| 253 Wellington Road & 18-20 Compark Circuit, Mulgrave VIC ³ | August 2001 | - | - | 12.0 | - | 9.50 | - | 9.50 | - | - |
| 271 Lane Cove Road, North Ryde NSW | April 2000 | 30.0 | 33.0 | 40.0 | 8.00 | 8.00 | 9.50 | 9.25 | June 2010 | 33.0 |
| 3 Rider Boulevard, Rhodes NSW ^{1.5} | January 2007 | 75.9 | 73.0 | - | 8.00 | - | 9.25 | - | - | - |
| 30-32 Compark Circuit, Mulgrave VIC ² | February 2003 | - | - | 6.5 | - | 9.50 | - | 9.50 | - | - |
| 32 Sargents Road, Minchinbury NSW ^{1.5} | February 2004 | 26.6 | 24.1 | - | 8.75 | - | 9.25 | - | - | - |
| 333-343 Frankston-Dandenong Road & 4 Abbots Road, Dandenong South, VIC ³ | January 2004 | - | - | 13.2 | - | 9.00 | - | 9.50 | - | - |
| 340 Adelaide Street, Brisbane QLD ^{1.5} | September 1998 | 34.7 | 67.0 | - | 9.00 | - | 9.50 | - | - | - |
| 38 Sydney Avenue, Forrest ACT | June 1996 | 37.8 | 37.5 | 37.5 | 8.75 | 8.75 | 9.25 | 9.50 | December 2008 | 41.9 |
| 40 Miller Street, North Sydney NSW | March 1998 | 89.3 | 93.5 | 90.0 | 7.50 | 7.50 | 9.25 | 9.00 | June 2010 | 93.5 |
| 44 Biloela Street, Villawood NSW ² | September 2003 | - | - | 12.7 | - | 9.50 | - | 10.50 | - | - |
| 47-67 Westgate Drive, Altona North VIC ^{1.5} | September 2007 | 19.8 | 19.2 | - | 9.50 | - | 10.00 | - | December 2009 | 19.0 |
| 52 Huntingwood Drive, Huntingwood NSW ^{1.5} | November 2004 | 27.5 | 23.0 | - | 9.00 | - | 9.50 | - | - | - |
| 54 Marcus Clarke Street, Canberra, ACT | October 1987 | 17.1 | 16.0 | 17.0 | 9.50 | 9.50 | 9.75 | 9.75 | December 2008 | 19.0 |
| 64 Biloela Street, Villawood NSW | February 2004 | 21.5 | 21.5 | 21.5 | 9.50 | 9.00 | 10.50 | 10.25 | September 2009 | 21.5 |
| Aviation House, 16 Furzer Street, Phillip ACT | July 2007 | 64.5 | 67.0 | 67.0 | 7.75 | 7.50 | 9.50 | 9.25 | June 2010 | 67.0 |
| Ballina Central, Pacific Highway, Ballina NSW | December 2004 | 33.8 | 32.0 | 34.5 | 8.25 | 8.00 | 9.75 | 9.25 | June 2009 | 34.5 |
| Bay Centre, Pirrama Road, Pyrmont NSW | June 2001 | 96.2 | 97.0 | 98.0 | 7.50 | 7.50 | 9.25 | 9.00 | June 2010 | 97.0 |
| Blacktown MegaCentre, Blacktown Road, Blacktown NSW | June 2002 | 34.8 | 26.0 | 36.5 | 9.25 | 9.00 | 10.00 | 10.00 | December 2008 | 40.0 |
| Booz & Co Building, 10 Rudd Street, Canberra ACT ² | October 1987 | - | - | 18.7 | - | 8.50 | - | 9.00 | - | - |
| Broadway Shopping Centre, Broadway NSW (50% interest) | January 2007 | 197.9 | 221.5 | 202.5 | 6.25 | 6.13 | 9.00 | 8.75 | June 2010 | 221.5 |
| Building 1,2,3 & 7, Riverside Quay, Southbank VIC | April 2002 & July 2003 | 145.0 | 151.2 | 144.0 | 8.00-8.25 | 8.25-8.75 | 9.50-10.25 | 9.00-9.75 | June 2010 | 151.2 |
| Cherrybrook Village Shopping Centre, Cherrybrook NSW ^{1.5} | June 2005 | 71.1 | 73.8 | - | 7.50 | - | 9.50 | - | - | - |
| City Centre Plaza, Rockhampton QLD ^{1.5} | March 2004 | 43.4 | 44.0 | - | 8.25 | - | 9.75 | - | - | - |
| Como Centre, Corner Toorak Road & Chapel Street, South Yarra VIC | August 1998 | 137.0 | 117.5 | 111.4 | 8.25-9.00 | 8.25-9.25 | 9.25-11.25 | 9.25-10.75 | June 2009 | 136.8 |
| Coleman Court, Weston ACT ^{1.5} | July 2001 (50%) November 2004 (50%) | 53.6 | 44.0 | - | 7.75 | - | 9.50 | - | June 2010 | 44.0 |
| Gippsland Centre, Cunninghame Street, Sale VIC | January 1994 | 50.1 | 49.8 | 49.7 | 8.25 | 8.25 | 9.50 | 9.75 | June 2010 | 49.8 |
| 8 Chifley Square, Sydney NSW ^{1.5} | April 2006 | 76.1 | 30.0 | - | 8.25 | - | 10.00 | - | - | - |
| Hinkler Central, Maryborough Street, Bundaberg QLD | August 2003 | 83.0 | 88.0 | 84.0 | 7.75 | 7.50 | 9.50 | 9.25 | March 2009 | 84.0 |
| James Ruse Business Park, 6 Boundary Road, Northmead NSW ³ | July 1994 | - | - | 27.0 | - | 9.00 | - | 9.75 | - | - |
| John Oxley Centre, 339 Coronation Drive, Milton QLD | May 2002 | 53.7 | 59.0 | 54.0 | 9.00 | 9.00 | 9.25 | 9.25 | March 2009 | 54.0 |

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENT PROPERTIES / CONTINUED

| Date of acquisition | Cost and additions to 30 June 2010 \$m | 30 June 2010 \$m | Book value | Capitalisation rate | Discount rate | Date of last external valuation | Last external valuation \$m | | | |
|---|---|---------------------|---------------------|---------------------|-------------------|---------------------------------|--------------------------------|-------------------|----------------|-------|
| | | | 30 June 2009 \$m | 30 June 2010 % | 30 June 2009 % | | | 30 June 2010 % | | |
| MPT and its controlled entities / continued | | | | | | | | | | |
| Kawana Shoppingworld, Nicklin Way, Buddina QLD | December 1993 (50%) June 1998 (50%) | 186.4 | 200.6 | 188.0 | 6.75 | 6.50 | 9.25 | 9.00 | June 2010 | 200.6 |
| Kwinana Hub Shopping Centre, Gilmore Avenue, Kwinana WA ² | September 2005 | – | – | 25.0 | – | 8.25 | – | 9.75 | – | – |
| Lake Haven MegaCentre, Lake Haven NSW | January 2007 | 27.8 | 26.5 | 27.0 | 9.75 | 9.50 | 10.25 | 10.00 | December 2008 | 30.0 |
| Logan MegaCentre, Logan, QLD | October 2005 | 63.7 | 63.0 | 63.5 | 9.25 | 9.00 | 10.25 | 10.25 | December 2008 | 71.0 |
| Moonee Ponds Central (Stage II), Homer Street, Moonee Ponds VIC | February 2008 | 38.8 | 39.0 | 38.7 | 8.50 | 8.50 | 9.75 | 9.75 | June 2010 | 39.0 |
| Moonee Ponds Central, Homer Street, Moonee Ponds VIC | May 2003 | 22.2 | 22.8 | 22.8 | 7.75 | 8.00 | 9.50 | 9.50 | June 2010 | 22.8 |
| Morayfield SupaCentre, Morayfield QLD ^{1,5} | September 2007 | 46.0 | 37.5 | – | 9.75 | – | 10.50 | – | December 2009 | 38.5 |
| Nexus Industry Park (Atlas), Lyn Parade, Prestons NSW | August 2004 | 17.1 | 17.1 | 18.0 | 8.25 | 8.00 | 9.75 | 9.25 | September 2009 | 17.1 |
| Nexus Industry Park (Building 3), Lyn Parade, Prestons NSW | August 2004 | 21.4 | 21.5 | 22.0 | 8.75 | 8.25 | 9.50 | 9.25 | September 2009 | 21.5 |
| Nexus Industry Park (HPM), Lyn Parade, Prestons NSW | August 2004 | 14.7 | 14.8 | 15.5 | 8.75 | 8.25 | 9.50 | 9.25 | December 2008 | 16.6 |
| Nexus Industry Park (Natsteel), Lyn Parade, Prestons NSW | August 2004 | 12.0 | 12.0 | 12.5 | 8.75 | 8.25 | 9.50 | 9.25 | March 2009 | 12.5 |
| Orange City Centre, Summer Street, Orange NSW | April 1993 | 49.1 | 49.0 | 49.0 | 8.25 | 8.25 | 9.25 | 9.25 | June 2010 | 49.0 |
| Orion Springfield Town Centre, Springfield, QLD | August 2002 | 135.5 | 143.0 | 140.5 | 6.75 | 6.50 | 9.00 | 9.00 | December 2008 | 140.5 |
| Peninsula Lifestyle, Nepean Highway, Mornington VIC | December 2003 | 48.5 | 46.0 | 49.0 | 9.25 | 8.75 | 10.00 | 10.00 | December 2008 | 53.0 |
| Quay West Car Park, 109-111 Harrington Street, Sydney NSW | November 1989 | 28.5 | 28.5 | 37.0 | 8.50 | 8.50 | 10.25 | 10.75 | June 2009 | 37.0 |
| Rhodes Shopping Centre, Rhodes NSW (50% interest) | January 2007 | 86.9 | 99.0 | 90.5 | 7.00 | 6.63 | 9.25 | 9.00 | June 2010 | 99.0 |
| Royal Domain Centre, 380 St Kilda Road, Melbourne VIC | Oct 1995 (50%) Apr 2001 (50%) | 101.0 | 104.0 | 101.5 | 8.25 | 8.50 | 9.25 | 9.00 | June 2009 | 101.5 |
| St George Centre, 60 Marcus Clarke Street, Canberra ACT | September 1989 | 52.2 | 51.5 | 52.0 | 8.50 | 8.50 | 9.00 | 9.00 | June 2009 | 52.0 |
| St Marys Village Centre, Charles Hackett Drive, St Marys NSW | January 2003 | 40.3 | 42.3 | 40.2 | 7.75 | 8.00 | 9.25 | 9.25 | December 2008 | 44.5 |
| Stanhope Village, Sentry Drive, Stanhope Gardens NSW | November 2003 | 53.2 | 59.0 | 53.1 | 7.75 | 8.00 | 9.25 | 9.00 | June 2010 | 59.0 |
| Taree City Centre, Taree NSW ^{1,5} | Jul 2001 (50%) Nov 2004 (50%) | 52.9 | 55.5 | – | 8.00 | – | 9.50 | – | – | – |
| Waverley Gardens Shopping Centre, Corner Police & Jacksons Road, Mulgrave VIC | November 2002 | 128.7 | 127.0 | 132.6 | 7.75 | 7.50 | 9.25 | 9.50 | June 2010 | 127.0 |
| Mirvac Limited and its controlled entities | | | | | | | | | | |
| Forestry land | March 2004 | – | 59.5 | 57.8 | – | 2.50 | – | 11.20 | – | – |
| 5 Rider Boulevard, Rhodes NSW | January 2007 | 102.6 | 108.0 | 104.8 | 8.00 | 7.75 | 9.75 | 9.50 | February 2009 | 107.0 |
| Manning Mall, Taree, NSW | December 2006 | 33.5 | 34.7 | 23.8 | 8.50 | 8.25 | 9.50 | 9.75 | December 2009 | 32.8 |
| Blue Street, North Sydney | June 2001 | – | – | 1.1 | – | 10.00 | – | – | – | – |
| Total investment properties | | 4,137.0 | 3,210.1 | | | | | | | |
| Investment properties under construction | | | | | | | | | | |
| Nexus Industry Park (Stage 5), Lyn Parade, Prestons NSW ⁴ | August 2004 | 8.5 | 8.5 | – | 8.25 | – | 9.75 | – | – | – |
| Orion Springfield Land, Springfield QLD ⁴ | August 2002 | 138.9 | 75.0 | – | 6.25-9.00 | – | 9.00 | – | – | – |
| Network, Old Wallgrove Road, Eastern Creek NSW ^{1,4,5} | December 2002 | 14.9 | 6.0 | – | – | – | – | – | – | – |
| 4 Dalley Street & Laneway, Sydney NSW ⁴ | March 2004 | 26.8 | – | – | 6.75 | – | 9.25 | – | – | – |
| Total investment properties under construction | | 89.5 | – | | | | | | | |
| Total investment properties and investment properties under construction | | 4,226.5 | 3,210.1 | | | | | | | |

1) Investment properties acquired through business combination. These properties were recorded at their fair value on the date of acquisition (\$720.7m). However disclosure in the note above is the original date of acquisition and the original cost of, and addition to, these properties as recorded in the accounting records of the acquiree as this information is more relevant to users of the financial statements.

2) Investment properties disposed of during the year.

3) Investment properties reclassified as assets held for sale during the year.

4) Investment properties under construction transferred from property, plant and equipment.

5) Cost and additions and acquisition dates represent information based on disclosure of fund acquired through business combination.

16 INVESTMENT PROPERTIES / CONTINUED

a) Reconciliation of carrying amounts of investment properties

| At fair value | Consolidated | |
|---|--------------|-------------|
| | 2010 \$m | 2009 \$m |
| Balance 1 July | 3,210.1 | 3,436.8 |
| Additions | 309.3 | 41.6 |
| Additions resulting from business combination | 822.2 | – |
| Disposals | (146.9) | – |
| Net losses from fair value adjustments | (98.6) | (487.2) |
| Net (losses)/gains from foreign currency translation | (2.1) | 9.0 |
| Transfers to assets classified as held for sale | (53.7) | – |
| Transfers from inventories and property, plant and equipment | 205.4 | 224.8 |
| Amortisation of fit out costs, leasing costs and rent incentive | (19.2) | (14.9) |
| Balance 30 June | 4,226.5 | 3,210.1 |

b) Amounts recognised in profit or loss for investment properties

| | | |
|--------------------------------------|---------|--------|
| Investment properties rental revenue | 403.2 | 329.9 |
| Investment properties expenses | (102.2) | (81.4) |
| | 301.0 | 248.5 |

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 ("cap rate"). 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 cap rate. Mirvac's terminal cap rates are in the range of an additional 25 to 100 basis points above the respective property's cap rate.

Cap rate: 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 cap rate. The cap rate 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 of 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.

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENT PROPERTIES / CONTINUED

e) Property portfolio

Mirvac's property portfolio is made up as follows:

| | 2010 \$m | Consolidated 2009 \$m |
|--|----------------|-----------------------------|
| Investment properties per statement of financial position | 4,226.5 | 3,210.1 |
| Properties classified as assets held for sale | 53.7 | – |
| Owner-occupied hotel management lots classified as property, plant and equipment | 59.3 | 60.1 |
| Owner-occupied freehold hotels classified as property, plant and equipment | 61.5 | 26.1 |
| Owner-occupied administration properties classified as property, plant and equipment | 211.2 | 228.8 |
| Investment properties under construction classified as property, plant and equipment | – | 207.5 |
| | 4,612.2 | 3,732.6 |

17 PROPERTY, PLANT AND EQUIPMENT

| Consolidated | Office leasehold improvements \$m | Plant and equipment \$m | Owner- occupied hotel management lots \$m | Owner- occupied freehold hotels \$m | Owner- occupied administration properties \$m | Investment properties under construction \$m | Total \$m |
|--|--|-------------------------------|---|---|---|--|----------------|
| Year ended 30 June 2010 | | | | | | | |
| Opening net book amount | 0.1 | 26.4 | 60.1 | 26.1 | 228.8 | 207.5 | 549.0 |
| Revaluation (decrement)/increment | – | – | 0.1 | (19.0) | 1.6 | – | (17.3) |
| Additions | – | 5.3 | 0.5 | 1.5 | – | – | 7.3 |
| Transfers (to)/from other assets | (0.1) | 2.0 | (0.1) | 54.2 | (14.0) | (207.5) | (165.5) |
| Assets classified as held for sale and other disposals | – | (1.3) | – | – | – | – | (1.3) |
| Exchange differences | – | – | 0.1 | – | – | – | 0.1 |
| Depreciation expenses | – | (9.2) | (1.4) | (1.3) | (5.2) | – | (17.1) |
| Closing net book amount | – | 23.2 | 59.3 | 61.5 | 211.2 | – | 355.2 |
| At 30 June 2010 | | | | | | | |
| Cost or fair value | – | 77.2 | 67.1 | 70.5 | 226.2 | – | 441.0 |
| Accumulated depreciation | – | (54.0) | (7.8) | (9.0) | (15.0) | – | (85.8) |
| Net book amount | – | 23.2 | 59.3 | 61.5 | 211.2 | – | 355.2 |
| Year ended 30 June 2009 | | | | | | | |
| Opening net book amount | 0.6 | 31.5 | 65.7 | 33.5 | 252.3 | 250.0 | 633.6 |
| Revaluation decrement | – | – | (4.6) | (7.0) | (19.2) | (3.6) | (34.4) |
| Additions | 0.1 | 5.2 | 0.4 | 0.3 | – | 69.1 | 75.1 |
| Transfers (from)/to from other assets | (0.6) | 0.4 | – | – | – | 10.0 | 9.8 |
| Assets classified as held for sale and other disposals | – | (0.5) | – | – | – | – | (0.5) |
| Transfers to investment properties | – | – | – | – | – | (118.0) | (118.0) |
| Exchange differences | – | – | 0.1 | – | – | – | 0.1 |
| Depreciation expenses | – | (10.2) | (1.5) | (0.7) | (4.3) | – | (16.7) |
| Closing net book amount | 0.1 | 26.4 | 60.1 | 26.1 | 228.8 | 207.5 | 549.0 |
| At 30 June 2009 | | | | | | | |
| Cost or fair value | 0.1 | 77.6 | 66.5 | 33.0 | 240.3 | 207.5 | 625.0 |
| Accumulated depreciation | – | (51.2) | (6.4) | (6.9) | (11.5) | – | (76.0) |
| Net book amount | 0.1 | 26.4 | 60.1 | 26.1 | 228.8 | 207.5 | 549.0 |

A reconciliation of the revaluation 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. Owner-occupied properties not externally valued during the reporting period are carried at management's internal valuation. The revaluation decrement net of applicable deferred income taxes was debited to the asset revaluation reserve in equity (refer to note 25(b)).

18 INTANGIBLE ASSETS

| | Management rights \$m | Goodwill \$m | Carbon sequestration rights \$m | Total \$m |
|--|--------------------------|-----------------|------------------------------------|--------------|
| 2010 | | | | |
| Balance 1 July 2009 | 13.1 | 45.5 | – | 58.6 |
| Disposal of subsidiary | (1.5) | (1.1) | – | (2.6) |
| Extinguished as part of business combination | (1.1) | – | – | (1.1) |
| Balance 30 June 2010 | 10.5 | 44.4 | – | 54.9 |
| 2009 | | | | |
| Balance 1 July 2008 | 60.3 | 259.5 | 1.0 | 320.8 |
| Disposal of subsidiary | 1.7 | 10.1 | – | 11.8 |
| Impairment ¹ | (48.5) | (224.1) | (1.0) | (273.6) |
| Amortisation | (0.4) | – | – | (0.4) |
| Balance 30 June 2009 | 13.1 | 45.5 | – | 58.6 |

1) The impairment of intangible assets has been recognised as a separate line item in the statement of comprehensive income.

a) Allocation of intangible assets by business segment

A segment level summary of the intangible asset allocations is presented below:

| | Development \$m | Investment \$m | Hotel Management \$m | Investment Management \$m | Total \$m |
|--|--------------------|-------------------|-------------------------|------------------------------|--------------|
| 2010 | | | | | |
| Management rights – indefinite life ¹ | – | – | – | 10.5 | 10.5 |
| Goodwill | – | 38.1 | 6.3 | – | 44.4 |
| Balance 30 June 2010 | – | 38.1 | 6.3 | 10.5 | 54.9 |
| 2009 | | | | | |
| Management rights – indefinite life ¹ | – | – | – | 13.1 | 13.1 |
| Goodwill | – | 38.1 | 6.3 | 1.1 | 45.5 |
| Balance 30 June 2009 | – | 38.1 | 6.3 | 14.2 | 58.6 |

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 intangible assets

The recoverable amount of CGUs is determined using the higher of fair value less cost to sell, and its 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 and Development CGUs, 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 (except in relation to the Development and Investment CGUs which use a pre-tax discount rate) and reflect specific risks relating to the relevant segments and the countries in which they operate.

NOTES TO THE FINANCIAL STATEMENTS

18 INTANGIBLE ASSETS / CONTINUED

A terminal growth rate of three per cent has also been applied.

| | Growth rate ¹ 2010 | Discount rate 2010 | Growth rate ¹ 2009 | Discount rate 2009 |
|-----------------------|----------------------------------|-----------------------|----------------------------------|-----------------------|
| CGU | | | | |
| Development | - ² | 18 | - ² | 18 |
| Investment | - ³ | 10 | - ³ | 10 |
| Hotel management | 3 | 13 | 3 | 13 |
| Investment management | 1 | 13 | 1 | 13 |

1) Weighted average growth rate used to extrapolate cash flows beyond the budget period.

2) No forecast growth rate as value in use calculations based on forecast cash flows of existing projects.

3) 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 2010. 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

i) Investment Management

During the year, the carrying value of goodwill attributable to the Investment Management CGU was not impaired (2009: \$100.7m).

ii) Development

During the year, the carrying value of goodwill attributable to the Development CGU was not impaired (2009: \$123.4m).

d) Impairment of intangible assets

i) Management rights

During the period, the carrying value of management rights attributable to the Investment Management CGU was not impaired (2009: \$46.0m). However, \$1.1m was transferred to profit or loss as part of a business combination. The carrying value of management rights attributable to the Development CGU were not impaired (2009: \$2.5m).

ii) Indefinite useful life of management rights

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

| | 2010 \$m | Consolidated 2009 \$m |
|----------------------------------|--------------|-----------------------------|
| Current | | |
| Trade creditors | 42.2 | 71.6 |
| Employee benefits – annual leave | 13.9 | 17.3 |
| Deferred revenue | 36.1 | 58.1 |
| Accruals | 101.2 | 88.8 |
| Other creditors | 146.6 | 42.6 |
| | 340.0 | 278.4 |
| Non-current | | |
| Deferred revenue | - | 20.2 |
| Other creditors | 10.4 | 43.7 |
| | 10.4 | 63.9 |

20 BORROWINGS

| | Note | 2010 \$m | Consolidated 2009 \$m |
|--------------------|------------|----------------|-----------------------------|
| Current | | | |
| Unsecured | | | |
| Bank loans | 20(a)(i) | 92.9 | – |
| Domestic MTN | 20(a)(ii) | 200.0 | 300.0 |
| Secured | | | |
| Bank loans | 20(a)(iii) | 32.5 | 122.5 |
| Lease liabilities | 20(a)(iv) | 2.3 | 0.1 |
| | | 327.7 | 422.6 |
| Non-current | | | |
| Unsecured | | | |
| Bank loans | 20(a)(i) | 905.0 | 1,009.1 |
| Domestic MTN | 20(a)(ii) | 150.0 | 200.0 |
| Foreign MTN | 20(a)(v) | 450.0 | 472.2 |
| Secured | | | |
| Lease liabilities | 20(a)(iv) | 11.6 | – |
| | | 1,516.6 | 1,681.3 |

a) Borrowings

i) Unsecured bank loans

Mirvac has an unsecured syndicated loan facility of \$1,917.5m (2009: \$1,917.5m) with a \$1,112.5m (2009: \$1,112.5m) revolving tranche maturing in June 2011 and \$805.0m (2009: \$805.0m) term tranche maturing in January 2012. Mirvac has \$200.0m (2009: \$150.0m) of unsecured bilateral facilities, of which \$150.0m expires in April 2013 and \$50.0m in June 2011. Subject to compliance with the terms, each of these bank loan facilities may be drawn at any time.

ii) Domestic MTN

Mirvac has a domestic bond issue of \$200.0m maturing in September 2010. In addition, a new domestic bond issue was completed in March 2010 for \$150.0m maturing in March 2015. Interest is payable either quarterly or semi-annually in arrears in accordance with the terms of the notes.

iii) Secured bank loans

A controlled entity has secured bank facilities totalling \$32.5m (2009: \$122.5m) which mature February 2011.

iv) Lease liabilities

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

v) Foreign MTN

Mirvac has a US Private Placement issue made up of US dollar 275.0m maturing in November 2016 and US dollar 100.0m maturing in November 2018. An additional Australian dollar 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 dollars 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 | 2010 \$m | Consolidated 2009 \$m |
|---|------|-------------|-----------------------------|
| First ranking real property mortgage | | | |
| Investment properties | 16 | 59.5 | 57.8 |
| Development inventories | | – | 167.3 |
| Total assets pledged as security | | 59.5 | 225.1 |

NOTES TO THE FINANCIAL STATEMENTS

20 BORROWINGS / CONTINUED

c) Financing arrangements

| | Consolidated | |
|--|----------------|----------------|
| | 2010 \$m | 2009 \$m |
| Total facilities | | |
| Unsecured bank loans | 2,117.5 | 2,067.5 |
| Domestic MTN | 350.0 | 500.0 |
| Secured bank loans | 32.5 | 122.5 |
| Foreign MTN | 450.0 | 472.2 |
| | 2,950.0 | 3,162.2 |
| Used at end of the reporting period | | |
| Unsecured bank loans | 997.9 | 1,009.1 |
| Domestic MTN | 350.0 | 500.0 |
| Secured bank loans | 32.5 | 122.5 |
| Foreign MTN | 450.0 | 472.2 |
| | 1,830.4 | 2,103.8 |
| Unused at end of the reporting period | | |
| Unsecured bank loans | 1,119.6 | 1,058.4 |
| Domestic MTN | - | - |
| Secured bank loans | - | - |
| Foreign MTN | - | - |
| | 1,119.6 | 1,058.4 |

d) Fair value

| | | Carrying amount | | Fair value | |
|--|------|-----------------|----------------|----------------|----------------|
| | Note | 2010 \$m | 2009 \$m | 2010 \$m | 2009 \$m |
| Included in statement of financial position | | | | | |
| <i>Non-traded financial liabilities</i> | | | | | |
| Unsecured bank loans | | 997.9 | 1,009.1 | 997.9 | 1,009.1 |
| Domestic MTN | | 350.0 | 500.0 | 350.0 | 500.0 |
| Secured bank loans | | 32.5 | 122.5 | 32.5 | 122.5 |
| Foreign MTN | | 450.0 | 472.2 | 450.0 | 472.2 |
| Lease liabilities | | 13.9 | 0.1 | 13.9 | 0.1 |
| Not included in statement of financial position | | | | | |
| Contingent liabilities | 31 | 62.1 | 88.8 | 62.1 | 88.8 |
| | | 1,906.4 | 2,192.7 | 1,906.4 | 2,192.7 |

The classes above are readily traded on organised markets in standardised form. 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.

i) Included in statement of financial position

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) Excluded from statement of financial position

The Group has potential financial liabilities which may arise from certain contingencies disclosed in note 31. As explained in note 31, no material losses are anticipated in respect of those contingencies and the fair value disclosed is the estimated amount which would be payable by Mirvac as consideration for the assumption of those contingencies by another party.

21 PROVISIONS

| | 2010 \$m | Consolidated 2009 \$m |
|---------------------------------|-------------|-----------------------------|
| Current | | |
| Employee benefits – LSL | 6.3 | 6.4 |
| Dividends/distributions payable | 65.6 | 3.7 |
| | 71.9 | 10.1 |
| Non-current | | |
| Asset retirement obligations | 2.0 | 1.4 |
| Employee benefits – LSL | 4.1 | 4.4 |
| | 6.1 | 5.8 |

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

| | Consolidated 2010 \$m |
|---|-----------------------------|
| Dividends/distributions payable¹ | |
| Balance 1 July | 3.7 |
| Interim and final dividends/distributions | 241.9 |
| Payments made (including issue of securities under dividends/distributions reinvestment plan (“DRP”)) | (180.0) |
| Balance 30 June | 65.6 |

1) The amounts reported in the provision include dividends/distributions paid/payable to securityholders of the group and NCI.

Asset retirement obligations

| | |
|-----------------------------|------------|
| Balance 1 July | 1.4 |
| Recognition during the year | 0.6 |
| Balance 30 June | 2.0 |

The asset retirement obligations relate to obligations under lease agreements for office space, to return the space to its condition at the commencement of the lease.

22 OTHER LIABILITIES

| | 2010 \$m | Consolidated 2009 \$m |
|----------------------|-------------|-----------------------------|
| Monies held in trust | 10.6 | 21.0 |

NOTES TO THE FINANCIAL STATEMENTS

23 DERIVATIVE FINANCIAL LIABILITIES

| | 2010 \$m | Consolidated 2009 \$m |
|---|-------------|-----------------------------|
| Current | | |
| Interest rate swap contracts – fair value | 0.5 | – |
| Non-current | | |
| Interest rate collar contracts – fair value | 1.7 | 4.4 |
| Cross currency derivatives – fair value | 2.8 | – |
| Interest rate swap contracts – fair value | 47.9 | 38.7 |
| | 52.4 | 43.1 |

a) Instruments used by Mirvac

Refer to note 36 for information on instruments used by Mirvac.

b) Interest rate and foreign currency risk exposures

Refer to note 36 for Mirvac's exposure to interest rate and foreign currency risk on cross currency swaps.

24 CONTRIBUTED EQUITY

a) Paid up equity

| Consolidated | 2010 Securities m | 2009 Securities m | 2010 \$m | 2009 \$m |
|---|----------------------|----------------------|----------------|----------------|
| Mirvac Limited – ordinary shares issued | 3,254.8 | 2,789.7 | 1,223.7 | 1,153.7 |
| MPT – ordinary units issued | 3,254.8 | 2,789.7 | 4,875.1 | 4,293.7 |
| Total contributed equity | | | 6,098.8 | 5,447.4 |

b) Movements in paid up equity

Movements in paid up equity of Mirvac for the year ended 30 June 2010 were as follows:

| Consolidated | Issue date | Issue price \$ | Note | Consolidated securities m | Consolidated securities \$m |
|---|------------|-------------------|------|------------------------------|--------------------------------|
| Balance 1 July 2009 | | | | 2,789.7 | 5,447.4 |
| EEP issues at no cost | 22/12/2009 | 1.55 | (c) | 1.0 | – |
| Acquisition of MREIT | 07/12/2009 | 1.41 | (e) | 190.1 | 267.1 |
| Equity raising | 13/04/2010 | 1.40 | (f) | 250.0 | 350.0 |
| Equity raising | 14/05/2010 | 1.40 | (f) | 18.4 | 25.8 |
| Less: Transaction costs arising on issues of securities | | | | – | (12.2) |
| LTI and EIS securities converted, sold or forfeited | | | (c) | 5.6 | 20.7 |
| Balance 30 June 2010 | | | | 3,254.8 | 6,098.8 |
| Balance 1 July 2008 | | | | 1,084.3 | 3,771.5 |
| DRP issues | 25/07/2008 | 2.62 | (d) | 34.4 | 90.0 |
| EEP issues at no cost | 17/10/2008 | 1.98 | (c) | 0.9 | – |
| DRP issues | 24/10/2008 | 2.56 | (d) | 4.7 | 11.9 |
| DRP issues | 30/01/2009 | 1.29 | (d) | 8.7 | 11.3 |
| Equity raising | 20/11/2008 | 0.90 | (f) | 471.2 | 424.1 |
| Equity raising | 05/11/2008 | 0.90 | (f) | 84.6 | 76.1 |
| Equity raising | 24/06/2009 | 1.00 | (f) | 943.7 | 925.4 |
| Equity raising | 30/06/2009 | 1.00 | (f) | 156.3 | 174.6 |
| Less: Transaction costs arising on issues of securities | | | | – | (40.8) |
| LTI and EIS securities converted, sold or forfeited | | | (c) | 0.9 | 3.3 |
| Balance 30 June 2009 | | | | 2,789.7 | 5,447.4 |

24 CONTRIBUTED EQUITY / CONTINUED

Ordinary securities

All ordinary securities were fully paid at 30 June 2010. 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.

c. LTI and EIS issues

i). Current LTI plan

At 30 June 2010, 22.2m (2009: 9.9m) performance rights and 8.0m (2009: 10.5m) 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. 1.3m performance rights vested during the year to 30 June 2010 (2009: \$nil).

ii) EEP

At 30 June 2010, 2.6m (2009: 1.6m) stapled securities have been issued to employees under the EEP.

iii) Superseded LTI and EIS plans

No securities were issued to employees of Mirvac Limited and its controlled entities under the superseded LTI plan and EIS (2009: nil ordinary stapled securities). The total of stapled securities issued to employees under the superseded LTI and EIS at 30 June 2010 was 11.5m (2009: 15.7m). The market price per ordinary stapled security at 30 June 2010 was \$1.32 (2009: \$1.08). 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) DRP

Under the DRP, holders of ordinary securities may elect to have all or part of their distribution entitlements satisfied by the issue of new ordinary securities rather than being paid in cash. Securities issued under the plan were issued at a two per cent discount to the prevailing market price, calculated on a VWAP basis over the first five business days post record date.

e) Acquisition of MREIT

As part of the acquisition of MREIT, the Group issued 190.1m securities at \$1.41 per security, to the unitholders of MREIT who opted to receive a scrip component.

f) Equity raising

In the second half of the year, the Group completed an equity placement, comprising of 250.0m securities under a fully underwritten institutional placement and 18.4m securities under a retail placement, at an offer price of \$1.40 per stapled security.

g) 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:

| | 2010 Securities m | 2009 Securities m |
|---|-------------------------|-------------------------|
| Total ordinary securities disclosed | 3,254.8 | 2,789.7 |
| Securities issued under LTI plan and EIS | 11.5 | 15.7 |
| Subscribed for but not issued at 30 June ¹ | - | (156.3) |
| Total securities issued on the ASX | 3,266.3 | 2,649.1 |

1) Stapled securities subscribed for at 30 June 2009, as part of the equity raising announced to the ASX on 4 June 2009, that were not issued until 9 July 2009.

h) Capital risk management

Refer to note 36 for details of Mirvac's capital risk management.

NOTES TO THE FINANCIAL STATEMENTS

25 RESERVES

| | 2010 \$m | Consolidated 2009 \$m |
|---|--------------|-----------------------------|
| a) Reserves | | |
| Asset revaluation reserve | 93.8 | 86.5 |
| Capital reserve | (0.2) | 1.2 |
| Foreign currency translation reserve | (0.7) | 0.2 |
| Security based payments reserve | 21.4 | 22.6 |
| | 114.3 | 110.5 |
| b) Movements in reserves | | |
| Asset revaluation reserve | | |
| Balance 1 July | 86.5 | 118.8 |
| Increment/(decrement) on revaluation of owner-occupied properties | 0.6 | (32.8) |
| Deferred tax (refer to note 6) | - | 0.5 |
| Discount on acquisition of MREIT attributable to NCI | 7.6 | - |
| Transfers out | (0.9) | - |
| Balance 30 June | 93.8 | 86.5 |
| Capital reserve | | |
| Balance 1 July | 1.2 | 1.2 |
| Movement in reserve as a result of acquisition of MREIT | (1.4) | - |
| Balance 30 June | (0.2) | 1.2 |
| Foreign currency translation reserve | | |
| Balance 1 July | 0.2 | (3.0) |
| (Decrease)/increase in reserve due to translation of foreign subsidiary | (0.9) | 3.2 |
| Balance 30 June | (0.7) | 0.2 |
| Security based payments reserve | | |
| Balance 1 July | 22.6 | 16.8 |
| Expense relating to security based payments | (1.2) | 5.8 |
| Balance 30 June | 21.4 | 22.6 |

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.

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 fluctuation reserve, as described in note 1(e).

iv) Security based payments reserve

The security based payments 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.

25 RESERVES / CONTINUED

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

| | Note | 2010 \$m | Consolidated 2009 \$m |
|---|-------|-------------|-----------------------------|
| Revaluation decrement within property, plant and equipment | 17 | 17.3 | 34.4 |
| Items adjusted to statement of comprehensive income | | | |
| Items relating to owner-occupied buildings including fit out and lease amortisation | | (18.2) | 1.9 |
| Impairment of construction work in progress | | - | (3.5) |
| Balance transferred to asset revaluation reserve | | (0.9) | 32.8 |
| Items adjusted directly to reserves | | | |
| NCI in the carrying value on acquisition of MREIT | 39(e) | (6.8) | - |
| Tax adjustments | | 0.4 | (0.5) |
| Movement in asset revaluation reserve | 25(b) | (7.3) | 32.3 |

26 RETAINED EARNINGS

| | 2010 \$m | Consolidated 2009 \$m | |
|---|-------------|-----------------------------|--|
| Balance 1 July | 762.2 | 435.3 | |
| Adjustment on change of accounting policy (net of tax) ¹ | - | (5.2) | |
| Restated balance 1 July | (762.2) | 430.1 | |
| Net profit/(loss) | 234.7 | (1,078.1) | |
| Adjustment on change of accounting policy (net of tax) ¹ | - | (7.1) | |
| Items in other comprehensive income recognised directly in retained earnings | | | |
| Movement in equity based compensation | 0.1 | 0.6 | |
| Dividends/distributions provided for or paid | (241.3) | (107.7) | |
| Balance 30 June | (768.7) | (762.2) | |

1) Refer to note 1(n) for more details.

27 NON-CONTROLLING INTERESTS

| | 2010 \$m | Consolidated 2009 \$m |
|--------------------|-------------|-----------------------------|
| Interest in: | | |
| Contributed equity | 8.2 | 62.9 |
| Retained earnings | 2.8 | 1.9 |
| | 11.0 | 64.8 |

NOTES TO THE FINANCIAL STATEMENTS

28 DIVIDENDS/DISTRIBUTIONS

| | 2010 \$m | Consolidated 2009 \$m |
|--|--------------|-----------------------------|
| Ordinary stapled securities | | |
| Quarterly ordinary distributions paid as follows: | | |
| 2,000 cents per stapled security paid on 30 October 2009 (unfranked distribution) | 56.1 | |
| 5,000 cents per stapled security paid on 24 October 2008 (unfranked distribution) | | 56.8 |
| 2,000 cents per stapled security paid on 29 January 2010 (unfranked distribution) | 59.9 | |
| 2,800 cents per stapled security paid on 30 January 2009 (unfranked distribution) | | 47.5 |
| 2,000 cents per stapled security paid on 30 April 2010 (unfranked distribution) | 60.0 | |
| 2,000 cents per stapled security paid on 30 July 2010 (unfranked distribution) | 65.3 | |
| 0.200 cents per stapled security paid on 31 July 2009 (unfranked distribution) | | 3.4 |
| Total dividend/distribution 8,000 cents per stapled security (2009: 8,000 cents per stapled security) | 241.3 | 107.7 |

DRP

Dividends/distributions actually paid or satisfied by issue of securities under the DRP were as follows:

| | 2010 \$m | 2009 \$m |
|--------------------------------------|--------------|-------------|
| Paid in cash | 179.4 | 137.4 |
| Satisfied by the issue of securities | - | 57.4 |
| | 179.4 | 194.8 |

Franking credits available for subsequent years based on a tax rate of 30 per cent total \$9.0m (2009: \$16.8m on a tax rate of 30 per cent).

29 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 | | Consolidated | |
|---|----------------------------------|-----------|-----------|--------------|-------------|
| | | 2010 % | 2009 % | 2010 \$m | 2009 \$m |
| 177 Salmon Street Trust | Non-residential development | - | 20 | - | - |
| Archbold Road Trust | Non-residential development | 20 | 20 | - | - |
| BAC Devco Pty Limited | Non-residential development | 33 | 33 | - | 0.2 |
| Mirvac City Regeneration Partnership | Non-residential development | 25 | 20 | - | 4.1 |
| Diggers Rest Pty Limited | Non-residential development | - | 25 | - | 0.1 |
| Mindarie Keys Joint Venture ¹ | Residential development | 15 | 15 | 0.7 | 1.5 |
| Mirvac Industrial Trust ² | Listed property investment trust | 14 | 14 | - | - |
| Mirvac Wholesale Hotel Fund MREIT ³ | Hotel investment | 49 | 42 | 109.6 | 100.3 |
| | Listed property investment trust | - | 25 | - | 60.6 |
| New Forests Pty Limited ⁴ | Forestry and environmental asset | 13 | 18 | - | 0.2 |
| Panorama Joint Venture | Residential development | - | 17 | - | - |
| Tuckerbox Holdings Pty Limited ⁵ | Hotel investment | - | 1 | - | 1.4 |
| Universal Portfolio Services Pty Limited | Non-residential development | - | 10 | - | - |
| | | | | 110.3 | 168.4 |

1) Mirvac equity accounts for these 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 these entities, as a controlled entity of the Group is the project manager.

2) Mirvac equity accounts for these 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 these entities, as a controlled entity of the Group is the responsible entity for the fund.

3) The Group acquired the remaining units of MREIT during the year and it is now a subsidiary of the Group. Refer to note 39.

4) Mirvac equity accounts for these 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 these entities, as the company is manager for funds, which a controlled entity of the Group is the responsible entity and the Group also has a seat on the Board.

5) As part of the MREIT acquisition, the Group acquired a further 49 per cent of this investment and is now accounted for as an investment in joint venture.

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

29 INVESTMENTS IN ASSOCIATES / CONTINUED

Associates financial summary

| 2010 Name | (Loss)/profit (100%) \$m | Mirvac share of net (loss)/ profit \$m | Total assets (100%) \$m | Total liabilities (100%) \$m | Net assets (100%) \$m | Mirvac carrying value of net assets \$m |
|---|--------------------------------|---|-------------------------------|---------------------------------------|-----------------------------|---|
| 177 Salmon Street Trust | - | - | - | - | - | - |
| Archbold Road Trust | - | - | 0.1 | - | 0.1 | - |
| BAC Devco Pty Limited | (0.1) | - | 122.5 | 119.5 | 3.0 | - |
| Diggers Rest Pty Limited | - | - | - | - | - | - |
| Mindarie Keys Joint Venture | 3.6 | 0.6 | 13.1 | 7.8 | 5.3 | 0.7 |
| Mirvac City Regeneration Partnership ¹ | 1.8 | 0.4 | 73.8 | 40.6 | 33.2 | - |
| Mirvac Industrial Trust ² | (30.6) | (3.2) | 490.8 | 439.2 | 51.6 | - |
| Mirvac Wholesale Hotel Fund ³ | (10.1) | (5.6) | 500.6 | 234.1 | 266.5 | 109.6 |
| MREIT | - | 4.6 | - | - | - | - |
| New Forests Pty Limited | (2.5) | (0.2) | 3.0 | 0.5 | 2.5 | - |
| Panorama Joint Venture | - | - | - | - | - | - |
| Tuckerbox Holdings Pty Limited | - | - | - | - | - | - |
| Universal Portfolio Services Pty Limited | - | - | - | - | - | - |
| | (37.9) | (3.4) | 1,203.9 | 841.7 | 362.2 | 110.3 |

1) The Group has impaired the carrying amount of this investment by \$5.9m. Refer to note 29(c) for further details.

2) The investment was written down to \$nil in 2009 with further write down of \$3.2m in the loan to its investment. The Group did not take up the full amount of the share of loss in the investment because the net investment and loan to this investment have been fully impaired to \$nil.

3) The Group did not account for a revaluation surplus in its carrying amount of the business which has been accounted for within the Mirvac Wholesale Hotel Fund. The current revaluation surplus is \$36.0m.

The carrying amounts reported by the Group have been adjusted for unrealised profit from transactions with the Group. The total amount adjusted is \$0.3m (2009: \$5.5m).

| 2009 | (Loss)/profit (100%) \$m | Mirvac share of net (loss)/ profit \$m | Total assets (100%) \$m | Total liabilities (100%) \$m | Net assets (100%) \$m | Mirvac carrying value of net assets \$m |
|---|--------------------------------|---|-------------------------------|---------------------------------------|-----------------------------|---|
| 177 Salmon Street Trust | - | - | 0.5 | 0.4 | 0.1 | - |
| Archbold Road Trust | - | - | 0.1 | - | 0.1 | - |
| BAC Devco Pty Ltd | (0.9) | - | 132.5 | 129.4 | 3.1 | 0.2 |
| Diggers Rest Pty Ltd | - | - | 0.5 | - | 0.5 | 0.1 |
| Mindarie Keys Joint Venture | 10.3 | - | 12.6 | 3.6 | 9.0 | 1.5 |
| Mirvac City Regeneration Partnership ¹ | (0.6) | (0.1) | 80.3 | 45.9 | 34.4 | 4.1 |
| Mirvac Industrial Trust ² | (209.1) | (29.3) | 578.5 | 467.5 | 111.0 | - |
| Mirvac Wholesale Hotel Fund ³ | (27.6) | (12.5) | 526.1 | 246.3 | 279.8 | 100.3 |
| MREIT ⁴ | (251.7) | (59.5) | 1,028.5 | 497.3 | 531.2 | 60.6 |
| New Forests Pty Limited | (2.0) | (0.3) | 2.0 | 0.8 | 1.2 | 0.2 |
| Panorama Joint Venture | - | - | - | - | - | - |
| Tuckerbox Holdings Pty Limited | 6.5 | 0.1 | 378.1 | 187.0 | 191.1 | 1.4 |
| Universal Portfolio Services Pty Limited | 0.2 | 0.4 | 0.4 | 0.1 | 0.3 | - |
| | (474.9) | (101.2) | 2,740.1 | 1,578.3 | 1,161.8 | 168.4 |

1) The Group impaired the carrying amount of the investment by \$2.4m.

2) The investment was written down to zero in 2009 with a further write down of \$7.4m in the loan to its investment.

3) The Group did not account for a revaluation surplus in its carrying amount of the business which has been accounted for within the Mirvac Wholesale Hotel Fund. The current revaluation surplus is \$36.0m.

4) The Group impaired the carrying amount of its investment by \$9.2m in 2009.

NOTES TO THE FINANCIAL STATEMENTS

29 INVESTMENTS IN ASSOCIATES / CONTINUED

| | 2010 \$m | Consolidated 2009 \$m |
|---|-------------|-----------------------------|
| Movements in carrying amounts | | |
| Balance 1 July | 168.4 | 284.2 |
| Transfers from joint ventures | (1.4) | – |
| Unrealised losses adjustments | (0.3) | (0.5) |
| New investment | 2.0 | 3.6 |
| Excess loss over equity invested written off against loans | 3.2 | 8.5 |
| Distributions received | (8.4) | (17.1) |
| Share of loss from ordinary operating activities | (3.4) | (101.2) |
| Impairment of investment | (5.9) | (11.6) |
| Increase in equity as a result of MREIT acquisition | 21.1 | – |
| Consolidation of MREIT | (63.4) | – |
| Other | (1.6) | 2.5 |
| Balance 30 June | 110.3 | 168.4 |
| Mirvac's aggregate share of associates' assets and liabilities | | |
| Current assets | 11.2 | 34.3 |
| Non-current assets | 359.5 | 587.1 |
| Total assets | 370.7 | 621.4 |
| Current liabilities | 88.8 | 39.6 |
| Non-current liabilities | 139.4 | 306.6 |
| Total liabilities | 228.2 | 346.2 |
| Net assets | 142.5 | 275.2 |
| Mirvac's aggregate share of associates' revenues, expenses and results | | |
| Revenues | 77.6 | 60.7 |
| Expenses | (86.2) | (159.6) |
| Loss before income tax | (8.6) | (98.9) |
| Mirvac's aggregate share of associates' expenditure commitments | | |
| Capital commitments | – | 52.3 |
| Fair value of listed investments in associates | | |
| MREIT | – | 47.1 |
| Mirvac Industrial Trust | 1.9 | 4.0 |

b) Investment in associates accounted for at fair value

| Name of entity | Principal activities | 2010 % | Interest 2009 % | Consolidated | |
|--|----------------------|-----------|-----------------------|--------------|-------------|
| | | | | 2010 \$m | 2009 \$m |
| James Fielding Infrastructure Yield Fund | Infrastructure | 22 | 22 | 15.3 | 18.5 |

c) Impairment of investments

During the year, the carrying value of the investment in Mirvac City Regeneration Fund was impaired by \$5.9m (2009: \$2.4m). The impairment loss was recognised within the 'Impairment of investments including associates and joint ventures' line within profit or loss. Mirvac considers the booking of the impairment provision as prudent based on a number of external factors currently being faced by Mirvac City Regeneration Fund and its two development projects. The Group's position has been made independently of the positions taken by the other investors within the fund. There were no indicators of impairment in respect of other associates.

30 INVESTMENTS IN JOINT VENTURES

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 | | Consolidated | |
|--|----------------------------------|-----------|-----------|--------------|--------------|
| | | 2010 % | 2009 % | 2010 \$m | 2009 \$m |
| 197 Salmon Street Trust ¹ | Investment property | – | 50 | – | 45.0 |
| Australian Centre for Life Long Learning | Non-residential development | 50 | 50 | – | – |
| Bankstown Airport Development Pty Ltd | Non-residential development | 50 | 50 | – | – |
| Bargara Lifestyle Development Pty Ltd ² | Residential development | – | 50 | – | – |
| BL Developments Pty Ltd | Residential development | 50 | 50 | 47.1 | 44.0 |
| City West Property Investments (No.1) Trust | Non-residential development | 50 | 50 | 9.2 | 9.0 |
| City West Property Investments (No.2) Trust | Non-residential development | 50 | 50 | 9.2 | 9.0 |
| City West Property Investments (No.3) Trust | Non-residential development | 50 | 50 | 9.2 | 9.0 |
| City West Property Investments (No.4) Trust | Non-residential development | 50 | 50 | 9.2 | 9.0 |
| City West Property Investments (No.5) Trust | Non-residential development | 50 | 50 | 9.2 | 9.0 |
| City West Property Investments (No.6) Trust | Non-residential development | 50 | 50 | 9.2 | 9.0 |
| CN Collins Pty Limited | Non-residential development | 50 | 50 | 0.2 | 0.3 |
| Domaine Investment Trust | Non-residential development | 50 | 50 | – | – |
| Ephraim Island Joint Venture | Residential development | 50 | 50 | 14.3 | 11.8 |
| Fast Track Bromelton Pty Ltd and Nakheel SPV Pty Ltd | Non-residential development | 50 | 50 | 27.1 | 12.8 |
| High Sky Pty Ltd | Non-residential development | – | 33 | – | – |
| HPAL Freehold Pty Ltd | Non-residential development | 50 | 50 | 7.4 | 4.1 |
| Infocus Infrastructure Management Pty Ltd | Investment property | 50 | 50 | 1.2 | 2.3 |
| J F Infrastructure Pty Ltd | Infrastructure | 50 | 50 | – | – |
| Leakes Rd Rockbank Unit Trust | Residential development | 50 | 50 | 13.8 | 14.0 |
| Lifestyle Villages Management Pty Ltd ² | Residential development | – | 50 | – | – |
| Lifestyle Villages Trust ² | Residential development | – | 50 | – | – |
| Mirvac AQUA Pty Ltd ² | Debt management | – | 50 | – | – |
| Mirvac 8 Chifley Pty Limited (formerly Mirvac Aust Super Pty Ltd) ³ | Investment property | – | 50 | – | 9.6 |
| Mirvac Lend Lease Village Consortium/ Newington Olympic Village | Residential development | 50 | 50 | 1.0 | 0.3 |
| Mirvac Wholesale Residential Development Partnership Trust | Residential development | 20 | 20 | 16.3 | 11.6 |
| MVIC Finance 2 Pty Limited | Residential development | 50 | 50 | – | – |
| New Zealand Sustainable Forestry Investors 1 & 2 | Forestry and environmental asset | 33 | 33 | 8.4 | 8.4 |
| Old Wallgrove Road Trust ¹ | Investment property | – | 50 | – | 1.9 |
| Prosaine Management Pty Ltd | Investment property | – | 50 | – | – |
| Quadrant Real Estate Advisors LLC | Investment property | 50 | 50 | 2.7 | 2.3 |
| Swanbourne Joint Venture | Residential development | 50 | 50 | 7.0 | 6.8 |
| Tucker Box Holdings Pty Limited | Hotel investment | 50 | – | 98.6 | – |
| Walsh Bay Partnership | Residential development | 50 | 50 | – | – |
| | | | | 300.3 | 229.2 |

1) As a result to the MREIT acquisition, these entities have become 100 per cent owned controlled entities by the Group.

2) The Group has disposed of these investments during the year ended 30 June 2010.

3) The Group has acquired the remaining units in the investment and it is now a 100 per cent owned controlled entity.

NOTES TO THE FINANCIAL STATEMENTS

30 INVESTMENTS IN JOINT VENTURES / CONTINUED

| 2010 Name | Profit/(loss) (100%) \$m | Mirvac share of net profit/(loss) \$m | Total assets (100%) \$m | Total liabilities (100%) \$m | Net assets (100%) \$m | Mirvac carrying value of net assets \$m |
|--|--------------------------------|--|-------------------------------|---------------------------------------|-----------------------------|---|
| 197 Salmon Street Trust | - | 1.6 | - | - | - | - |
| Australian Centre for Life Long Learning | (0.1) | - | 85.0 | 105.1 | (20.1) | - |
| Bankstown Airport Development Pty Ltd | - | - | - | - | - | - |
| Bargara Lifestyle Development Pty Ltd | - | - | - | - | - | - |
| BL Developments Pty Ltd | 8.7 | 4.4 | 148.9 | 35.8 | 113.1 | 47.1 |
| City West Property Investments (No.1) Trust | 0.2 | 0.2 | 18.5 | - | 18.5 | 9.2 |
| City West Property Investments (No.2) Trust | 0.2 | 0.2 | 18.5 | - | 18.5 | 9.2 |
| City West Property Investments (No.3) Trust | 0.2 | 0.2 | 18.5 | - | 18.5 | 9.2 |
| City West Property Investments (No.4) Trust | 0.2 | 0.2 | 18.5 | - | 18.5 | 9.2 |
| City West Property Investments (No.5) Trust | 0.2 | 0.2 | 18.5 | - | 18.5 | 9.2 |
| City West Property Investments (No.6) Trust | 0.2 | 0.2 | 18.5 | - | 18.5 | 9.2 |
| CN Collins Pty Limited | (0.1) | - | 36.1 | 41.9 | (5.8) | 0.2 |
| Domaine Investment Trust ¹ | (1.8) | (0.8) | - | 5.2 | (5.2) | - |
| Ephraim Island Joint Venture | 5.2 | 2.6 | 60.3 | 31.6 | 28.7 | 14.3 |
| Fast Track Bromelton Pty Ltd and Nakheel SPV Pty Ltd | 0.1 | - | 64.8 | 0.4 | 64.4 | 27.1 |
| High Sky Pty Limited | - | - | - | - | - | - |
| HPAL Freehold Pty Limited | 6.2 | 0.9 | 65.2 | 50.4 | 14.8 | 7.4 |
| Infocus Infrastructure Management Pty Ltd | 1.1 | - | 3.6 | 1.3 | 2.3 | 1.2 |
| J F Infrastructure Pty Limited ² | (18.3) | (9.5) | 4.9 | 216.1 | (211.2) | - |
| Leakes Rd Rockbank Unit Trust | (0.3) | (0.2) | 28.3 | 0.7 | 27.6 | 13.8 |
| Lifestyle Villages Management Pty Limited | - | - | - | - | - | - |
| Lifestyle Villages Trust | - | - | - | - | - | - |
| Mirvac AQUA Pty Limited | (1.0) | (0.6) | - | - | - | - |
| Mirvac 8 Chifley Pty Limited (formerly Mirvac Aust Super Pty Ltd) | - | (5.5) | - | - | - | - |
| Mirvac Lend Lease Village Consortium/ Newington Olympic Village | - | 0.6 | 7.5 | 5.4 | 2.1 | 1.0 |
| Mirvac Wholesale Residential Development Partnership Trust ³ | (12.2) | 3.3 | 506.5 | 310.4 | 196.1 | 16.3 |
| MVIC Finance 2 Pty Limited | - | - | 0.1 | - | 0.1 | - |
| New Zealand Sustainable Forestry Investors 1&2 ⁴ | 0.7 | - | 79.7 | 33.3 | 46.4 | 8.4 |
| Old Wallgrove Road Trust | - | - | - | - | - | - |
| Prosaine Management Pty Limited | - | - | - | - | - | - |
| Quadrant Real Estate Advisors LLC ⁵ | 1.1 | 0.8 | 39.2 | 48.7 | (9.5) | 2.7 |
| Swanbourne Joint Venture | - | - | 14.6 | 0.3 | 14.3 | 7.0 |
| Tucker Box Holdings Pty Limited | 21.7 | 6.5 | 377.3 | 179.2 | 198.1 | 98.6 |
| Walsh Bay Partnership | - | - | 0.1 | 2.3 | (2.2) | - |
| | 12.2 | 5.3 | 1,633.1 | 1,068.1 | 565.0 | 300.3 |

1) The Group has written down the loan to the joint venture to cover the Group's share of loss of \$0.8m.

2) The Group has written down the loan to the joint venture to cover the Group's share of loss of \$9.5m (2009: \$11.8m).

3) 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 20 per cent ownership of the net assets of the joint venture.

4) The Group has impaired the carrying amount of investment by \$7.4m in 2009.

5) The carrying amount reflects the Group's entitlement to the net assets independent of its financial position.

The carrying amounts reported by the Group have been adjusted for unrealised profit from transactions with the Group. The total amount adjusted is \$40.3m (2009: \$39.8m).

30 INVESTMENTS IN JOINT VENTURES / CONTINUED

| 2009 | Profit/(loss) (100%) \$m | Mirvac share of net profit/(loss) \$m | Total assets (100%) \$m | Total liabilities (100%) \$m | Net assets (100%) \$m | Mirvac carrying value of net assets \$m |
|--|--------------------------------|--|-------------------------------|---------------------------------------|-----------------------------|---|
| 197 Salmon Street Trust | (13.6) | (6.8) | 94.9 | 2.8 | 92.1 | 45.0 |
| Australian Centre for Life Long Learning ¹ | (2.4) | (1.2) | 84.8 | 96.8 | (12.0) | – |
| Bankstown Airport Development Pty Limited | – | – | – | – | – | – |
| Bargara Lifestyle Development Pty Limited | 0.1 | (0.4) | 8.8 | 10.3 | (1.5) | – |
| BL Developments Pty Limited | 11.9 | 5.9 | 188.9 | 84.6 | 104.3 | 44.0 |
| City West Property Investments (No 1) Trust | 0.2 | – | 18.3 | – | 18.3 | 9.0 |
| City West Property Investments (No 2) Trust | 0.2 | – | 18.3 | – | 18.3 | 9.0 |
| City West Property Investments (No 3) Trust | 0.2 | – | 18.3 | – | 18.3 | 9.0 |
| City West Property Investments (No 4) Trust | 0.2 | – | 18.3 | – | 18.3 | 9.0 |
| City West Property Investments (No 5) Trust | 0.2 | – | 18.3 | – | 18.3 | 9.0 |
| City West Property Investments (No 6) Trust | 0.2 | – | 18.3 | – | 18.3 | 9.0 |
| CN Collins Pty Limited ² | (35.7) | (14.6) | 35.7 | 41.4 | (5.7) | 0.3 |
| Domaine Investment Trust | (3.4) | (1.7) | 3.4 | 6.8 | (3.4) | – |
| Ephraim Island Joint Venture ⁴ | (15.3) | (8.2) | 90.6 | 67.0 | 23.6 | 11.8 |
| Fast Track Bromelton Pty Limited and Nakheel SPV Pty Limited ³ | – | – | 36.1 | – | 36.1 | 12.8 |
| High Sky Pty Limited | – | – | – | – | – | – |
| HPAL Freehold Pty Limited | – | 3.9 | 50.2 | 41.5 | 8.7 | 4.1 |
| Infocus Infrastructure Management Pty Limited | 1.3 | 0.6 | 5.3 | 1.3 | 4.0 | 2.3 |
| JF Infrastructure Pty Limited ⁵ | (15.8) | (11.9) | 7.1 | 191.2 | (184.1) | – |
| Leakes Rd Rockbank Unit Trust | (0.3) | (0.1) | 28.4 | 0.5 | 27.9 | 14.0 |
| Lifestyle Villages Management Pty Limited | – | – | – | – | – | – |
| Lifestyle Villages Trust ⁶ | – | – | 8.1 | 6.0 | 2.1 | – |
| Mirvac AQUA Pty Limited ⁷ | (0.5) | (0.3) | 0.3 | 5.7 | (5.4) | – |
| Mirvac 8 Chifley Pty Limited (formerly Mirvac Aust Super Pty Ltd) | (40.2) | (20.1) | 40.8 | 22.2 | 18.6 | 9.6 |
| Mirvac Lend Lease Village Consortium/ Newington Olympic Village | 5.6 | 2.2 | 8.0 | 5.9 | 2.1 | 0.3 |
| Mirvac Wholesale Residential Development Partnership Trust | 2.3 | 0.5 | 461.2 | 252.9 | 208.3 | 11.6 |
| MVIC Finance 2 Pty Limited | – | – | 0.1 | – | 0.1 | – |
| New Zealand Sustainable Forestry Investors 1&2 ⁸ | 0.4 | (1.6) | 77.6 | 30.6 | 47.0 | 8.4 |
| Old Wallgrove Road Trust | 0.7 | – | 9.3 | 0.1 | 9.2 | 1.9 |
| Prosaine Management Pty Limited | – | 0.2 | – | – | – | – |
| Quadrant Real Estate Advisors LLC | (0.5) | (4.8) | 0.4 | 5.7 | (5.3) | 2.3 |
| Swanbourne Joint Venture ⁹ | 4.4 | 1.6 | 10.1 | 1.2 | 8.9 | 6.8 |
| Walsh Bay Partnership | – | – | 0.4 | 2.6 | (2.2) | – |
| | (99.8) | (56.8) | 1,360.3 | 877.1 | 483.2 | 229.2 |

1) The carrying amount of the investment has been impaired by \$7.6m to \$nil. The Group has further written down its loan to the joint venture by \$15.4m.

2) The Group's carrying value includes a future management fee of \$3.1m recoverable from the investment.

3) The Group's share of equity is lower than expected largely due to a \$7.0m procurement fee that is due to be returned to the joint venture partner. The remaining variance represents eliminated unearned income of (\$3.0m).

4) The Group has impaired the carrying amount of its investment by \$7.7m.

5) In 2009, the Group have further written down its loan to the joint venture to cover the loss of \$11.8m.

6) The Group impaired the carrying amount of its investment by \$2.1m.

7) The carrying amount of the investment has been impaired to \$nil.

8) The Group impaired the carrying amount of its investment by \$7.4m.

9) The variance is due to a timing difference of a distribution received from its investment.

NOTES TO THE FINANCIAL STATEMENTS

30 INVESTMENTS IN JOINT VENTURES / CONTINUED

| | 2010 \$m | Consolidated 2009 \$m |
|---|--------------|-----------------------------|
| Movement in carrying amounts | | |
| Balance 1 July | 229.2 | 316.0 |
| Transfers from associates | 1.4 | – |
| New investment | 15.6 | 29.4 |
| Excess loss over equity invested written off against loans | 10.7 | 10.1 |
| Distributions received | (10.5) | (14.5) |
| Joint venture partners' (contributions)/repayments | 2.7 | 1.7 |
| Unrealised loss | (0.1) | (6.8) |
| Share of profit/(loss) from ordinary operating activities | 5.3 | (56.8) |
| Transfers to investments in controlled entities | – | (28.6) |
| Acquisition of MREIT including the remeasurement of equity interest | (104.6) | – |
| Provision for deferred settlements recognised | – | 9.8 |
| Impairment of investment | – | (17.8) |
| Increase in equity as a result of the acquisition of MREIT | 148.0 | – |
| Transfers to inventories | – | (11.5) |
| Other | 2.6 | (1.8) |
| Balance 30 June | 300.3 | 229.2 |
| Mirvac's aggregate share of joint ventures' assets and liabilities | | |
| Current assets | 188.9 | 120.6 |
| Non-current assets | 462.4 | 408.0 |
| Total assets | 651.3 | 528.6 |
| Current liabilities | 293.6 | 176.3 |
| Non-current liabilities | 141.9 | 181.2 |
| Total liabilities | 435.5 | 357.5 |
| Net assets | 215.8 | 171.1 |
| Mirvac's aggregate share of joint ventures' revenues, expenses and results | | |
| Revenues | 199.2 | 98.6 |
| Expenses | (189.6) | (143.0) |
| Profit/(loss) before income tax | 9.6 | (44.4) |
| Mirvac's aggregate share of joint ventures' expenditure commitments | | |
| Capital commitments | – | – |

a) Impairment of investments

In the year ended 30 June 2010 no impairment provision (2009: \$7.4m) was taken against the carrying value of the investment in New Zealand Sustainable Forestry Investors ("NZSFI").

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 in the investment.

31 CONTINGENT LIABILITIES

The Group had contingent liabilities at 30 June 2010 in respect of the following:

| | 2010 \$m | Consolidated 2009 \$m |
|--|-------------|-----------------------------|
| Bank guarantees and performance bonds issued by external parties in respect of certain performance obligations granted in the normal course of business | 60.3 | 85.0 |
| Asset performance guarantees. The Group has provided guarantees to owners of some managed assets as to the future performance of these assets | 1.5 | 3.6 |
| 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 | 0.3 | 0.2 |

Mirvac Industrial Trust ("MIX")

The Group guarantees part of MIX foreign exchange hedging. MIX is required to pay any shortfall between the contracted rate and the spot rate on the termination of these foreign exchange hedges. In the event that MIX was unable to pay any shortfall then the Group, as guarantor, is required to pay the shortfall amount. The amount varies daily as the spot rate changes and can be either an asset or liability. No liability existed at 30 June 2010.

32 COMMITMENTS

a) Capital commitments

| | 2010 \$m | Consolidated 2009 \$m |
|---|-------------|-----------------------------|
| Investment properties | | |
| Not later than one year | 29.8 | 55.1 |
| Later than one year but not later than five years | - | 28.5 |
| Later than five years | - | - |
| | 29.8 | 83.6 |
| Property, plant and equipment | | |
| Not later than one year | 0.6 | 2.7 |
| Later than one year but not later than five years | - | - |
| Later than five years | - | - |
| | 0.6 | 2.7 |

NOTES TO THE FINANCIAL STATEMENTS

32 COMMITMENTS / CONTINUED

b) Lease commitments

| | 2010 \$m | Consolidated 2009 \$m |
|--|-------------|-----------------------------|
| Operating leases | | |
| Commitments in relation to non-cancellable operating leases contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows: | | |
| Not later than one year | 9.0 | 9.0 |
| Later than one year but not later than five years | 30.5 | 25.8 |
| Later than five years | 1.5 | 2.0 |
| | 41.0 | 36.8 |
| Finance leases | | |
| Commitments in relation to finance leases are payable as follows: | | |
| Not later than one year | 3.5 | 0.1 |
| Later than one year but not later than five years | 13.1 | – |
| Later than five years | – | – |
| Residual | – | – |
| Minimum lease payments | 16.6 | 0.1 |
| Less: Future finance charges | (2.7) | – |
| Representing lease liabilities (refer to note 20) | 13.9 | 0.1 |

Mirvac leases various plant and equipment with a carrying value of \$0.1m (2009: \$0.1m) under finance leases expiring in less than five years.

33 KEY MANAGEMENT PERSONNEL

a) Determination of KMP

In previous years, the KMP were determined as being members of the Executive Committee who were also business unit heads and had delegated authority from the Board. During 2009, the Board approved the creation of the ELT. For the year ended 30 June 2010 the ELT consisted of the Managing Director, the Chief Financial Officer, the Chief Operating Officer, the Chief Executive Officer – Development and the Chief Executive Officer – Investment (effective 1 July 2010). In addition, the Board also approved the transfer of the authority limits held by the Executive Committee to the ELT.

b) KMP compensation

| | 2010 \$m | Consolidated 2009 \$m |
|--------------------------------|-------------|-----------------------------|
| Short-term employment benefits | 11.7 | 10.7 |
| Post-employment benefits | 0.2 | 0.5 |
| Security based payments | 3.2 | 2.5 |
| Termination benefits | 1.2 | 4.4 |
| Other long-term benefits | 0.1 | 0.1 |
| Total | 16.4 | 18.2 |

Detailed remuneration disclosures are provided in the remuneration report on pages 9 to 23.

33 KEY MANAGEMENT PERSONNEL / CONTINUED

c) Equity instrument disclosures relating to Directors and 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, are set out below. There were no securities granted during the year as compensation.

| 2010 | Balance 1 July | Securities issued under EEP | Other changes | Balance 30 June |
|---------------------|-------------------|-----------------------------------|------------------|--------------------|
| Directors | | | | |
| James MacKenzie | 119,200 | – | 10,714 | 129,914 |
| Nicholas Collishaw | 2,027,436 | – | 28,568 | 2,056,004 |
| Peter Hawkins | 442,547 | – | 153,570 | 596,117 |
| James Millar | – | – | 40,714 | 40,714 |
| Penny Morris | 208,994 | – | 32,142 | 241,136 |
| John Mulcahy | – | – | 25,000 | 25,000 |
| KMP | | | | |
| John Carfi | 128,913 | – | – | 128,913 |
| Brett Draffen | 380,272 | – | (100,000) | 280,272 |
| Gary Flowers | – | – | – | – |
| Christopher Freeman | 320,724 | – | (320,724) | – |
| Grant Hodgetts | 139,440 | – | – | 139,440 |
| Justin Mitchell | 164,637 | – | – | 164,637 |
| <hr/> | | | | |
| 2009 | | | | |
| Directors | | | | |
| James MacKenzie | 55,978 | – | 63,222 | 119,200 |
| Nicholas Collishaw | 1,461,255 | 505 | 565,676 | 2,027,436 |
| Paul Biancardi | 8,041 | – | 95,238 | 103,279 |
| Adrian Fini | 8,816,781 | 505 | (125,110) | 8,692,176 |
| Peter Hawkins | 18,684 | – | 423,863 | 442,547 |
| Penny Morris | 42,841 | – | 166,153 | 208,994 |
| Richard Turner | 69,241 | – | 161,704 | 230,945 |
| KMP | | | | |
| Evan Campbell | 85,543 | 505 | 103,617 | 189,665 |
| John Carfi | 90,472 | 505 | 37,936 | 128,913 |
| Greg Collins | 164,764 | 505 | 76,290 | 241,559 |
| Brett Draffen | 136,730 | 505 | 243,037 | 380,272 |
| Gary Flowers | – | – | – | – |
| Christopher Freeman | 320,219 | 505 | – | 320,724 |
| Grant Hodgetts | 95,892 | 505 | 43,043 | 139,440 |
| Justin Mitchell | 115,684 | 505 | 48,448 | 164,637 |
| Andrew Turner | 390,301 | 505 | 162,964 | 553,770 |
| Matthew Wallace | 103,291 | 505 | 50,000 | 153,796 |

NOTES TO THE FINANCIAL STATEMENTS

33 KEY MANAGEMENT PERSONNEL / CONTINUED

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 9 to 23 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:

| 2010 | Balance 1 July | Options issued under LTP | Other changes | Balance 30 June | Unvested |
|---------------------|-------------------|--------------------------------|------------------|--------------------|-----------|
| Director | | | | | |
| Nicholas Collishaw | 2,336,340 | – | – | 2,336,340 | 2,336,340 |
| KMP | | | | | |
| John Carfi | 368,600 | – | – | 368,600 | 368,600 |
| Brett Draffen | 796,780 | – | – | 796,780 | 796,780 |
| Gary Flowers | 192,300 | – | – | 192,300 | 192,300 |
| Christopher Freeman | – | – | – | – | – |
| Grant Hodgetts | 587,030 | – | (319,610) | 267,420 | 267,420 |
| Justin Mitchell | 471,050 | – | – | 471,050 | 471,050 |
| 2009 | | | | | |
| Directors | | | | | |
| Nicholas Collishaw | 413,240 | 1,923,100 | – | 2,336,340 | 2,336,340 |
| Adrian Fini | 413,240 | – | (137,609) | 275,631 | 275,631 |
| KMP | | | | | |
| Evan Campbell | 225,990 | 416,700 | – | 642,690 | 642,690 |
| John Carfi | – | 368,600 | – | 368,600 | 368,600 |
| Gregory Collins | 225,990 | 416,700 | – | 642,690 | 642,690 |
| Brett Draffen | 258,280 | 538,500 | – | 796,780 | 796,780 |
| Gary Flowers | – | 192,300 | – | 192,300 | 192,300 |
| Grant Hodgetts | 215,230 | 371,800 | – | 587,030 | 587,030 |
| Justin Mitchell | 137,750 | 333,300 | – | 471,050 | 471,050 |
| Andrew Turner | 204,470 | 304,500 | – | 508,970 | 508,970 |
| 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 9 to 23 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, are set out below:

| 2010 | Balance 1 July | Rights issued under LTP | Other changes | Balance 30 June |
|---------------------|-------------------|-------------------------------|------------------|--------------------|
| Director | | | | |
| Nicholas Collishaw | 985,960 | 2,213,600 | – | 3,199,560 |
| KMP | | | | |
| John Carfi | 193,970 | 295,700 | – | 489,670 |
| Brett Draffen | 316,230 | 589,900 | – | 906,130 |
| Gary Flowers | 87,000 | 264,800 | – | 351,800 |
| Christopher Freeman | 1,304,300 | – | (1,304,300) | – |
| Grant Hodgetts | 228,710 | – | (132,270) | 96,440 |
| Justin Mitchell | 189,490 | 275,000 | – | 464,490 |

33 KEY MANAGEMENT PERSONNEL / CONTINUED

| 2009 | Balance 1 July | Rights issued under LTP | Other changes | Balance 30 June |
|---------------------|-------------------|-------------------------------|------------------|--------------------|
| Directors | | | | |
| Nicholas Collishaw | 116,360 | 869,600 | – | 985,960 |
| Adrian Fini | 116,360 | – | (38,748) | 77,612 |
| KMP | | | | |
| Evan Campbell | 63,640 | 188,400 | – | 252,040 |
| John Carfi | 27,270 | 166,700 | – | 193,970 |
| Gregory Collins | 63,640 | 188,400 | – | 252,040 |
| Brett Draffen | 72,730 | 243,500 | – | 316,230 |
| Gary Flowers | – | 87,000 | – | 87,000 |
| Christopher Freeman | – | 1,304,300 | – | 1,304,000 |
| Grant Hodgetts | 60,610 | 168,100 | – | 228,710 |
| Justin Mitchell | 38,790 | 150,700 | – | 189,490 |
| Andrew Turner | 57,580 | 137,700 | – | 195,280 |
| Matthew Wallace | 25,450 | 152,200 | – | 177,650 |

d) Loans to Directors and KMP

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

i) Aggregates for Directors and KMP

| | Balance 1 July \$ | Interest not charged ^(d) \$ | Balance 30 June \$ | Number of Directors and KMP at end of the reporting period Number |
|-------------|-------------------------|--|--------------------------|--|
| 2010 | 9,341,460 | 501,435 | 15,704,246 | 7 |
| 2009 | 10,262,732 | 294,112 | 12,526,390 | 11 |

ii) Individuals with loans above \$100,000 during the reporting period:

| | Note | Balance 1 July \$ | Interest not charged ^(d) \$ | Balance 30 June \$ | Highest indebtedness during the reporting period \$ |
|---------------------|------|-------------------------|--|--------------------------|--|
| Director | | | | | |
| Nicholas Collishaw | (a) | 974,470 | – | 963,959 | 974,470 |
| | (c) | 1,004,500 | – | 1,004,500 | 1,004,500 |
| | (e) | 2,000,000 | 116,430 | 1,900,000 | 2,000,000 |
| KMP | | | | | |
| John Carfi | (a) | 326,921 | – | 323,123 | 326,921 |
| | (b) | 80,000 | 795 | – | 80,000 |
| | (e) | 1,500,000 | 102,967 | 1,900,000 | 2,000,000 |
| Brett Draffen | (a) | 540,358 | – | 534,609 | 540,358 |
| | (b) | 500,000 | 27,719 | 450,000 | 500,000 |
| | (e) | – | 63,780 | 1,900,000 | 2,000,000 |
| Gary Flowers | (e) | – | 36,774 | 1,000,000 | 1,000,000 |
| Christopher Freeman | (a) | 1,083,596 | – | 1,083,596 | 1,083,596 |
| | (b) | 480,000 | 12,924 | – | 480,000 |
| Grant Hodgetts | (a) | 403,478 | – | 399,490 | 403,478 |
| | (e) | – | 70,175 | 1,900,000 | 2,000,000 |
| Justin Mitchell | (a) | 290,287 | – | 287,119 | 290,287 |
| | (c) | 157,850 | – | 157,850 | 157,850 |
| | (e) | – | 69,871 | 1,900,000 | 2,000,000 |

NOTES TO THE FINANCIAL STATEMENTS

33 KEY MANAGEMENT PERSONNEL / CONTINUED

| 2009 | Note | Balance 1 July \$ | Interest not charged ^(d) \$ | Balance 30 June \$ | Highest indebtedness during the year \$ |
|---------------------|------|-------------------------|--|--------------------------|---|
| Directors | | | | | |
| Nicholas Collishaw | (a) | 1,001,459 | – | 974,470 | 1,001,459 |
| | (c) | 1,004,500 | – | 1,004,500 | 1,004,500 |
| | (e) | – | 89,827 | 2,000,000 | 2,000,000 |
| Adrian Fini | (a) | 1,046,608 | – | 1,017,174 | 1,046,608 |
| | (b) | 680,000 | 45,922 | – | 680,000 |
| KMP | | | | | |
| Evan Campbell | (a) | 329,200 | – | 320,032 | 329,200 |
| | (b) | 80,000 | 1,203 | – | 80,000 |
| John Carfi | (a) | 336,743 | – | 326,921 | 336,743 |
| | (b) | 140,000 | 7,474 | 80,000 | 140,000 |
| | (e) | – | 36,302 | 1,500,000 | 1,500,000 |
| Gregory Collins | (a) | 463,042 | – | 447,420 | 463,042 |
| | (b) | 80,000 | 1,203 | – | 80,000 |
| Brett Draffen | (a) | 555,217 | – | 540,358 | 555,217 |
| | (b) | 500,000 | 41,073 | 500,000 | 500,000 |
| Christopher Freeman | (a) | 1,118,430 | – | 1,083,596 | 1,118,430 |
| | (b) | 480,000 | 39,430 | 480,000 | 480,000 |
| Grant Hodgetts | (a) | 413,784 | – | 403,478 | 413,784 |
| Justin Mitchell | (a) | 298,478 | – | 290,287 | 298,478 |
| | (c) | 157,850 | – | 157,850 | 157,850 |
| Andrew Turner | (a) | 730,092 | – | 704,123 | 730,092 |
| | (b) | 420,000 | 30,475 | 360,000 | 420,000 |
| Matthew Wallace | (a) | 347,329 | – | 336,181 | 347,329 |
| | (b) | 80,000 | 1,203 | – | 80,000 |

a) 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.

b) Loans made under the employee loan scheme 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.

c) 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.

d) Interest not charged excludes loans issued under the LTIP and EIS.

e) During the year ended 30 June 2009, several employees were invited to participate in an interest-free loan program 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. Each loan was granted on a full recourse basis. 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.

f) Loan repayments are made partly from distributions and from sales of underlying securities.

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 Directors and KMP

There are a number of transactions between Directors and 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 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 good and services to these entities. These transactions are undertaken on normal commercial terms and conditions and the Director or KMP does not directly influence these transactions.

34 EMPLOYEE BENEFITS

a) Employee benefits and related on-cost liabilities

| | 2010 | Consolidated 2009 |
|---|------|----------------------|
| | \$m | \$m |
| Provision for employee benefits | | |
| Annual leave accrual | 13.9 | 17.3 |
| Current LSL | 6.3 | 6.4 |
| Non-current LSL | 4.1 | 4.4 |
| Aggregate employee benefits and related on-cost liabilities | 24.3 | 28.1 |

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 reporting period is measured at its present value.

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/unit 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 Mirvac EEP is designed to encourage security ownership across the broader employee population. The EEP provides eligible employees with \$1,000 worth of Mirvac securities annually 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 must be held for a minimum of three years (or earlier at cessation of employment with the Group) during which time the securities are subject to a restriction on disposal. 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 2010, 2,634,713 stapled securities (2009: 1,614,783) had been issued to employees under the general EEP.

ii) LTP – current plan

Mirvac's LTP was introduced in the year ended 30 June 2008 following approval by securityholders at the 2007 Annual General Meeting/General Meeting. This plan applies to the Managing Director, other Executive Directors, senior executives and other executive employees.

Awards under this plan are made in the form of performance rights. A performance right is a right to acquire one fully paid stapled security in Mirvac provided a specified performance hurdle is met. The rights offered under the scheme can only be exercised if and when these performance conditions are achieved over a three year period. If the performance rights vest and are exercised, entitlements will be satisfied by either an allotment of new securities or by purchase on market of existing securities, at the Board's discretion. Non-Executive Directors are not eligible to participate in this LTP. 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. The Board determined, on the recommendation of the HRC, that the performance conditions to apply to the vesting of the grants made during the year ended 30 June 2010 would be Relative TSR and ROE. TSR was chosen given that it is an objective measure of securityholder value creation and has a wide level of understanding and acceptance of the measure among various key stakeholders. ROE was chosen because it measures how well management has used securityholder funds and reinvested earnings to generate additional earnings for securityholders.

At 30 June 2010, 22,238,221 (2009: 9,923,912) performance rights and 7,995,367 (2009: 10,464,491) options had been 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. A total of 1,304,300 performance rights (2009: nil) and no options (2009: nil) vested during the year to 30 June 2010 (2009: nil).

NOTES TO THE FINANCIAL STATEMENTS

34 EMPLOYEE BENEFITS / CONTINUED

iii) Superseded plans

Two previous LTIP were closed for new grants with the introduction of the LTP. Subject to the conditions for disposal of securities issued under the superseded LTI and EIS, loans are non-recourse in the event of disposal.

EIS

Until 2006, Mirvac's long-term variable remuneration scheme for employees was its EIS. The scheme, which was open to all permanent employees, was designed to share the benefits of the Group's performance through the provision of loans to purchase Mirvac stapled securities. Allocations were made annually, were unrestricted and fully vested on allotment. The loans were repayable via distributions received on the securities or upon their sale. Loans were provided on a recourse basis to Executive Directors but were provided on a non-recourse basis to other participants in the scheme. If the loan value is greater than the value of securities, the remaining balance is written off and the securities are forfeited. If an employee resigns or is dismissed, the outstanding loan balance is required to be paid when employment ceases. In the event of redundancy, retirement 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 securities when the loan balance is due, the remaining balance is written off and the securities are forfeited.

The EIS was closed to new participants in 2006 as it was no longer considered to be consistent with market practice. However, existing arrangements remain in place until all current loans are repaid.

LTIP

The LTIP was introduced in 2006 and approved by securityholders at the Group's 2006 Annual General Meeting/ General Meeting. Participation in the plan was open to the Managing Director, other Executive Directors, other executives and eligible employees. Under this plan, participants were offered a 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 after-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 were required to be met before the securities acquired under the plan vest in full with the participant: Relative TSR and Absolute 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).

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:

| | Consolidated | |
|--------------------|--------------|-------------|
| | 2010 \$m | 2009 \$m |
| EEP | 1.6 | 1.9 |
| Current plan – LTP | 7.1 | 4.8 |
| Superseded LTIP | – | 0.4 |
| Total | 8.7 | 7.1 |

f) Fair value of security based payment

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.

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 payments is calculated using the binomial option pricing model.

34 EMPLOYEE BENEFITS / CONTINUED

Assumptions used for the fair value of security based payments 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 2010 grant were as follows:

| | Performance rights |
|------------------------------|--------------------|
| Grant date | 8 June 2010 |
| Performance hurdle | Relative TSR |
| Performance period start | 1 July 2009 |
| Performance testing date | 30 June 2012 |
| Security price at grant date | \$1.28 |
| Exercise price | \$nil |
| Expected life | 2.1 years |
| Volatility | 68% |
| Risk-free interest rate | 4.45% |
| Dividend/distribution yield | 6.1% |

For the 2010 grant, entitlements under the ROE measure will be based on the following vesting schedule:

| Performance level | Return on equity | Percentage of securities subject to this criterion to vest |
|---------------------|------------------------|--|
| <Threshold | < CPI + 3.0 | Nil |
| Threshold | CPI + 3.0 | 50 |
| Threshold – maximum | CPI + 3.0 to CPI + 5.5 | Pro-rata between 50 and 100 |
| Maximum | CPI + 5.5 and above | 100 |

Security based payment inputs for the EEP issued during the year

| | EEP |
|--------------------------|------------------|
| Grant date | 23 December 2009 |
| Spot price at grant date | \$1.52 |

g) Mirvac executive share and option plan ("MESOP")

The plan was adopted by a special resolution at the Annual General Meeting of the members of Mirvac Limited on 6 November 1996. The MESOP is limited to executives of Mirvac Limited approved by the Board. Participating executives do not receive benefits unless targets are achieved. Funds for the acquisition of fully paid ordinary securities under the MESOP are limited to the lesser of:

- i) five per cent of Mirvac annual pre-tax aggregated net profit; or
- ii) \$2,000,000.

No securities were acquired during the year ended 30 June 2010 (2009: \$nil). At 30 June 2010, the number of acquired securities outstanding under the MESOP was \$nil (2009: 1,841).

h) Employee loan scheme

The employee loan scheme was approved by a special resolution of the members of Mirvac Limited in 2002. Under the terms of the loan scheme, loans are only made to eligible employees (including Executive Directors), under terms and conditions at the discretion of the Directors of Mirvac Limited. Eligibility under the loan scheme is at the discretion of the Directors of Mirvac Limited. The total of all loans issued under the loan scheme shall not exceed 2.5 per cent of the total contributed equity and reserves of Mirvac Limited and its controlled entities. Loans are immediately repayable upon the member ceasing to be an employee.

At 30 June 2010, loans totalling \$820,000 (2009: \$1,821,560) had been offered to employees, \$820,000 (2009: \$1,821,560) of which were drawn down at 30 June 2010. These loans have a periodic forgiveness schedule.

NOTES TO THE FINANCIAL STATEMENTS

35 RELATED PARTIES

a) Subsidiaries

Interests in subsidiaries are set out in note 15.

b) KMP

Disclosures relating to KMP are set out in note 33.

c) Transactions with related parties

The following transactions occurred with related parties:

| | 2010 \$m | Consolidated 2009 \$m |
|--|-------------|-----------------------------|
| Transactions with associates and joint ventures | | |
| Project development fees | 1.8 | 6.3 |
| Management and service fees | 41.3 | 49.0 |
| Construction billings | 227.6 | 130.2 |
| Commissions | - | 0.4 |
| Responsible entity fees | 17.7 | 24.5 |

d) Outstanding balances in relation to transactions with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

| | 2010 \$m | Consolidated 2009 \$m |
|--------------------------------|-------------|-----------------------------|
| Current receivables | | |
| Associates and joint ventures | 63.4 | 18.6 |
| Non-current receivables | | |
| Associates and joint ventures | 107.0 | 105.6 |

No impairment allowance (2009: \$42.7m) 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).

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties, and the loans are interest free.

36 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, liquidity risk and cash flow interest rate 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.

36 FINANCIAL RISK MANAGEMENT / CONTINUED

The Group hold the following financial instruments:

| | Note | 2010 \$m | Consolidated 2009 \$m |
|---|------|----------------|-----------------------------|
| Financial assets | | | |
| Cash and cash equivalents | 38 | 582.0 | 896.5 |
| Receivables | 8 | 386.0 | 452.6 |
| Other financial assets at fair value through profit or loss | 10 | 15.3 | 18.5 |
| Derivative financial assets | 14 | 16.0 | 13.0 |
| | | 999.3 | 1,380.6 |
| Financial liabilities | | | |
| Payables | 19 | 350.4 | 342.3 |
| Borrowings | 20 | 1,844.3 | 2,103.9 |
| Derivative financial liabilities | 23 | 52.9 | 43.1 |
| | | 2,247.6 | 2,489.3 |

The carrying values of trade receivables (less impairment allowance) 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.

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 AUD/USD 0.7456.

At 30 June 2010, the notional amounts and periods of expiry of the cross currency swap contracts for the Group were:

| | 2010 \$m | 2009 \$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.

NOTES TO THE FINANCIAL STATEMENTS

36 FINANCIAL RISK MANAGEMENT / CONTINUED

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 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 target of 65 per cent of borrowings subject to fixed or capped interest rates. This policy was complied with at the end of the reporting period.

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.

| | Floating interest rate \$m | Fixed interest maturing in | | | | | | Total \$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 | |
| 2010 | | | | | | | | |
| Unsecured bank loans | 997.9 | - | - | - | - | - | - | 997.9 |
| Domestic MTN | 100.0 | 100.0 | - | - | - | 150.0 | - | 350.0 |
| Foreign MTN | 440.0 | - | - | - | - | - | 10.0 | 450.0 |
| Secured bank loans | 32.5 | - | - | - | - | - | - | 32.5 |
| Interest rate swaps | (1,132.5) | (50.0) | 332.5 | - | 100.0 | (150.0) | 900.0 | - |
| Lease liabilities | - | 2.3 | 2.8 | 3.0 | 3.2 | 2.6 | - | 13.9 |
| Total | 437.9 | 52.3 | 335.3 | 3.0 | 103.2 | 2.6 | 910.0 | 1,844.3 |
| 2009 | | | | | | | | |
| Unsecured bank loans | 1,009.1 | - | - | - | - | - | - | 1,009.1 |
| Domestic MTN | 265.0 | 135.0 | 100.0 | - | - | - | - | 500.0 |
| Foreign MTN | 462.2 | - | - | - | - | - | 10.0 | 472.2 |
| Secured bank loans | 122.5 | - | - | - | - | - | - | 122.5 |
| Interest rate swaps | (1,047.5) | (135.0) | (50.0) | 332.5 | - | - | 900.0 | - |
| Lease liabilities | - | 0.1 | - | - | - | - | - | 0.1 |
| Total | 811.3 | 0.1 | 50.0 | 332.5 | - | - | 910.0 | 2,103.9 |

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 on the statement of financial position at fair value in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. Derivatives currently in place cover approximately 68.3 per cent (2009: 60.3 per cent) of the loan principal outstanding. The fixed interest rates range between 4.25 and 7.00 per cent (2009: 4.25 and 7.00 per cent) per annum. At 30 June 2010, the notional principal amounts, interest rates and periods of expiry of the interest rate swap contracts held by the Group were as follows:

36 FINANCIAL RISK MANAGEMENT / CONTINUED

| | Floating to fixed | | | | Fixed to floating | | | |
|----------------------|----------------------|----------------|----------------------|----------|----------------------|--------------|----------------------|----------|
| | Interest rates (%pa) | 2010 \$m | Interest rates (%pa) | 2009 \$m | Interest rates (%pa) | 2010 \$m | Interest rates (%pa) | 2009 \$m |
| Less than 1 year | 5.95 | 50.0 | - | - | 6.75 | 100.0 | 7.00 | 135.0 |
| 1-2 year(s) | 4.25-7.00 | 332.5 | 5.95 | 50.0 | - | - | 6.75 | 100.0 |
| 2-3 years | - | - | 4.25-7.00 | 332.5 | - | - | - | - |
| 3-4 years | 5.5 | 100.0 | - | - | - | - | - | - |
| 4-5 years | - | - | - | - | 8.25 | 150.0 | - | - |
| Greater than 5 years | 5.67-6.40 | 900.0 | 5.67-6.40 | 900.0 | - | - | - | - |
| | | 1,382.5 | | 1,282.5 | | 250.0 | | 235.0 |

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 tables:

| | Note | Floating interest rate \$m | Fixed interest maturing in | | | | | Total \$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 |
| 2010 | | | | | | | | | |
| Trade receivables | 8 | - | - | - | - | - | - | 50.5 | 50.5 |
| Related party receivables | 8 | 14.0 | 36.8 | 3.9 | 14.4 | 8.1 | - | 104.2 | 181.4 |
| Loans to Directors and employees | 8 | - | - | - | - | - | - | 19.4 | 19.4 |
| Other receivables | 8 | 34.3 | 41.4 | 2.7 | 3.0 | 2.5 | - | 50.8 | 134.7 |
| | | 48.3 | 78.2 | 6.6 | 17.4 | 10.6 | - | 224.9 | 386.0 |
| 2009 | | | | | | | | | |
| Trade receivables | 8 | - | - | - | - | - | - | 85.1 | 85.1 |
| Related party receivables | 8 | 25.0 | - | 24.3 | - | 9.0 | - | 100.0 | 158.3 |
| Loans to Directors and employees | 8 | - | - | - | - | - | - | 7.5 | 7.5 |
| Other receivables | 8 | - | 0.2 | 20.4 | 2.5 | - | - | 178.6 | 201.7 |
| | | 25.0 | 0.2 | 44.7 | 2.5 | 9.0 | - | 371.2 | 452.6 |

Sensitivity analysis

Mirvac's interest rate risk exposure arises from long-term borrowings, cash held with financial institutions and receivables. Based upon a 50 (2009: 100) 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 (2009: 100) basis point increase in interest rates would be an increase in profit of \$16.7m (2009: increase of \$29.4m). The impact on Mirvac's result of a 50 (2009: 100) basis point decrease in interest rates would be a decrease in profit of \$15.0m (2009: decrease of \$35.1m). The impact on the Group of a movement in US dollar interest rates would not be material to profit of the Group.

The interest rate sensitivities of the Group vary on an increase/decrease 50 basis point movement in interest rates due to the interest rate optionality of a small number of derivatives.

iii) Price risk

The Group is exposed to equity price risk arising from an equity investment (refer to note 10). 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 reporting period, if the unit price had been five per cent higher or lower, the effect on net profit for the year would have been \$0.7m (2009: \$0.9m). This investment represents less than one per cent of Mirvac's net assets and therefore represents minimal risk to the Group.

36 FINANCIAL RISK MANAGEMENT / CONTINUED

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 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 31. 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 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 and the ability to close-out market positions, the ability to raise funds through the issue of new securities through various means including placements and/or Mirvac's 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 2010, Mirvac has minimal liquidity risk due to there being only \$327.7m of current borrowings (which expire between September 2010 and February 2011) and undrawn facilities of \$1,119.6m. It is expected that these expiring facilities will be paid out of cash balances held. In addition in the second half of the year the Group completed an equity placement (refer to note 24).

36 FINANCIAL RISK MANAGEMENT / CONTINUED

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 continue to provide returns for securityholders and benefits for other stakeholders, and to maintain an optimal capital structure including maintaining an investment grade credit rating of BBB to reduce the cost of capital having regard to the real estate activities the Group invests in. The capital structure of the Group consists of debt and equity. The mix of debt and equity is measured by reference to the Group's target gearing ratio of 20 to 25 per cent. At 30 June 2010, the gearing ratio (net debt including cross currency swaps to total assets less cash) was 18.1 per cent (2009: 19.4 per cent). In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends/distributions paid to securityholders, return capital to securityholders or issue new stapled securities. Mirvac prepares quarterly 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.

Australian financial services license ratio and Queensland Building licences ratios were complied with at 30 June 2010. Mirvac also complied with all its borrowing covenant ratios at 30 June 2010. The gearing ratios were as follows:

| | 2010 \$m | Consolidated 2009 \$m |
|--|-------------|-----------------------------|
| Net interest bearing debt less cash ¹ | 1,311.4 | 1,248.1 |
| Total tangible assets less cash | 7,250.6 | 6,418.7 |
| Gearing ratio (per cent) | 18.1 | 19.4 |

1) US dollar denominated borrowings translated at cross currency instrument rate excluding leases.

e) Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. As of 1 July 2009, Mirvac adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level one);
- 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
- 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 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

| | Note | Level one \$m | Level two \$m | Level three \$m | Total \$m |
|---|------|------------------|------------------|--------------------|--------------|
| Assets | | | | | |
| Financial assets at fair value through profit or loss | | | | | |
| - unlisted securities | 10 | - | - | 15.3 | 15.3 |
| Derivatives used for hedging | 14 | - | 16.0 | - | 16.0 |
| | | - | 16.0 | 15.3 | 31.3 |
| Liabilities | | | | | |
| Derivatives used for hedging | 23 | - | 52.9 | - | 52.9 |
| | | - | 52.9 | - | 52.9 |

NOTES TO THE FINANCIAL STATEMENTS

36 FINANCIAL RISK MANAGEMENT / CONTINUED

The following table presents the changes in level three instruments for the year ended 30 June 2010 held by the Group:

| | Financial assets at fair value through profit or loss \$m |
|-------------------------------------|---|
| Balance 1 July | 18.5 |
| Losses recognised in profit or loss | (3.2) |
| Balance 30 June | 15.3 |

| | |
|---|--------------|
| Total losses for the year included in loss on financial instruments that relate to assets held at the end of the reporting period | (3.2) |
|---|--------------|

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 reporting period. 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. 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:

| 2010 | Maturing in: | | | | | | Total \$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 | |
| Non-interest bearing | | | | | | | |
| Payables | 340.0 | 10.4 | - | - | - | - | 350.4 |
| Interest bearing | | | | | | | |
| Unsecured bank loans | 137.1 | 829.8 | 103.7 | - | - | - | 1,070.6 |
| Domestic MTN | 215.3 | 12.4 | 12.4 | 12.4 | 162.4 | - | 414.9 |
| Foreign MTN | 23.1 | 23.3 | 23.8 | 24.3 | 24.7 | 491.5 | 610.7 |
| Secured bank loans | 32.5 | - | - | - | - | - | 32.5 |
| Derivatives | | | | | | | |
| Net settled (interest rate swaps) | 14.9 | 12.6 | 9.8 | 7.4 | 5.0 | 5.0 | 54.7 |
| Fixed to floating swaps | (4.9) | (4.9) | (4.7) | (4.3) | (3.9) | - | (22.7) |
| Gross settled (cross currency swaps) | | | | | | | |
| - Outflow | 24.2 | 24.7 | 25.1 | 26.6 | 28.0 | 563.5 | 692.1 |
| - (Inflow) | (23.1) | (23.3) | (23.8) | (24.3) | (24.7) | (491.5) | (610.7) |
| | 759.1 | 885.0 | 146.3 | 42.1 | 191.5 | 568.5 | 2,592.5 |

36 FINANCIAL RISK MANAGEMENT / CONTINUED

| 2009 | Maturing in: | | | | | | Total \$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 | |
| Non-interest bearing | | | | | | | |
| Payables | 278.4 | 63.9 | - | - | - | - | 342.3 |
| Interest bearing | | | | | | | |
| Unsecured bank loans | 31.9 | 149.9 | 932.0 | - | - | - | 1,113.8 |
| Domestic MTN | 323.7 | 204.4 | - | - | - | - | 528.1 |
| Foreign MTN | 25.2 | 25.6 | 26.4 | 26.9 | 27.1 | 546.7 | 677.9 |
| Secured bank loans | 126.1 | - | - | - | - | - | 126.1 |
| Derivatives | | | | | | | |
| Net settled (interest rate swaps) | 32.6 | 15.0 | (2.1) | (5.4) | (3.9) | (8.8) | 27.4 |
| Fixed to floating swaps | (9.4) | (2.3) | - | - | - | - | (11.7) |
| Gross settled (cross currency swaps) | | | | | | | |
| - Outflow | 22.1 | 28.7 | 35.7 | 38.6 | 38.0 | 616.4 | 779.5 |
| - (Inflow) | (25.2) | (25.6) | (26.4) | (26.9) | (27.1) | (546.7) | (677.9) |
| | 805.4 | 459.6 | 965.6 | 33.2 | 34.1 | 607.6 | 2,905.5 |

37 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:

| | Consolidated 2010 \$000 | 2009 \$000 |
|---|-------------------------------|---------------|
| a) Assurance services | | |
| Audit services | | |
| Audit and review of financial reports | | |
| Australian firm | 1,850.0 | 1,500.0 |
| Total remuneration for audit services | 1,850.0 | 1,500.0 |
| Other assurance and advisory services | | |
| Australian firm | | |
| Compliance services and regulatory returns | 316.1 | 404.0 |
| Financial due diligence and transactions | 993.3 | 411.3 |
| | 1,309.4 | 815.3 |
| Related practices of PricewaterhouseCoopers Australia | | |
| Financial due diligence and transactions | - | - |
| | - | - |
| Total remuneration for other assurance and advisory services | 1,309.4 | 815.3 |
| Total remuneration for audit, assurance and advisory services | 3,159.4 | 2,315.3 |
| b) Taxation services | | |
| Tax compliance services | | |
| Australian firm | 282.8 | 146.7 |
| Related practices of PricewaterhouseCoopers Australia | - | - |
| Total remuneration for taxation services | 282.8 | 146.7 |
| c) Advisory services | | |
| Advisory services | | |
| Australian firm | 64.0 | - |
| Related practices of PricewaterhouseCoopers Australia | - | - |
| Total remuneration for advisory services | 64.0 | - |

NOTES TO THE FINANCIAL STATEMENTS

38 NOTES TO THE STATEMENT OF CASH FLOWS

| | 2010 \$m | Consolidated 2009 \$m |
|--|--------------|-----------------------------|
| a) Reconciliation of cash | | |
| Cash at the end of the year as shown in the statement of cash flows is the same as the statement of financial position, the detail of which follows: | | |
| Cash on hand | 0.2 | 0.2 |
| Cash at bank | 216.2 | 150.1 |
| Deposits at call | 365.6 | 746.2 |
| Cash and cash equivalents | 582.0 | 896.5 |
| b) Reconciliation of profit/(loss) after tax to net cash inflows from operating activities | | |
| Profit/(loss) after tax | 234.7 | (1,078.1) |
| Net gain on sale of investments | (10.4) | – |
| Discount on business combination | (150.7) | – |
| Net loss from fair value adjustments on investment properties and owner-occupied hotel management lots and freehold hotels | 6.9 | 487.2 |
| Net loss from fair value adjustments on investment properties under construction | 112.8 | – |
| Net loss of sale of investment properties | 0.2 | – |
| Loss/(profit) on sale of non-current assets | 1.1 | (0.9) |
| Depreciation and amortisation | 31.2 | 28.3 |
| Impairment of goodwill, management rights and other intangible assets | – | 273.6 |
| Impairment of investments including associates and joint ventures | 6.2 | 41.6 |
| Impairment of loans | 5.9 | 59.4 |
| Provision for loss on inventories | – | 186.5 |
| Security based payments expense | 8.7 | 7.1 |
| Business combination transaction costs | 19.4 | – |
| Unrealised loss on financial instruments | 11.0 | 38.0 |
| Unrealised (gain)/loss on foreign exchange | (21.5) | 72.6 |
| Share of net (gain)/loss of associates and joint ventures not received as dividends/distributions | (1.9) | 158.0 |
| Distributions from joint venture partnerships | 19.7 | 39.3 |
| Change in operating assets and liabilities, net of effects from purchase of subsidiary: | | |
| – Increase in income taxes payable | 13.0 | 56.9 |
| – Decrease in tax effected balances | (14.5) | (83.8) |
| – Decrease in receivables | 103.0 | 61.2 |
| – Decrease/(increase) in inventories | 29.2 | (88.2) |
| – Decrease/(increase) in other assets/liabilities | 2.9 | (7.2) |
| – Increase in financial assets | (2.1) | (26.3) |
| – Decrease in creditors | (65.0) | (156.2) |
| – Increase/(decrease) in provisions for employee benefits | 0.2 | (20.9) |
| Net cash inflows from operating activities | 340.0 | 48.1 |

39 ACQUISITION OF BUSINESSES

Acquisition of MREIT

a) Summary of acquisition

On 7 December 2009, the Group acquired 75.4 per cent of the issued securities of MREIT. MREIT was a diversified real estate investment trust, listed on the ASX. At the date of acquisition, the Group already held 24.6 per cent of the issued securities of MREIT. As part of the acquisition of MREIT, the Group acquired the remaining additional 33.3 per cent of the issued securities of the Springfield Regional Shopping Centre Trust which is a transaction with NCI.

Details of the preliminary net assets acquired are as follows:

| Purchase consideration | Note | \$m |
|--|-------|--------------|
| Cash paid | 39(b) | 59.4 |
| Securities issued | 39(c) | 149.2 |
| Fair value of previously held interest | 39(d) | 91.9 |
| Total purchase consideration excluding consideration allocated to NCI | | 300.5 |

The fair value of assets and liabilities recognised as a result of the acquisition excluding assets and liabilities allocated to NCI is as follows:

| | Fair value \$m |
|---|-------------------|
| Cash | 55.2 |
| Trade receivables | 4.1 |
| Other financial assets | 30.4 |
| Investments accounted for using the equity method | 148.4 |
| Investment properties | 690.7 |
| Payables | (32.0) |
| Borrowings | (452.5) |
| Derivative financial liabilities | (17.7) |
| Provision for distribution | (6.3) |
| Net identifiable assets acquired | 420.3 |
| Less: Discount on acquisition | (119.8) |
| Net assets acquired¹ | 300.5 |

1) Net assets acquired of \$300.5m is the total purchase consideration for the net assets acquired excluding NCI.

The discount on acquisition of MREIT is attributable to MREIT's circumstances at acquisition, including short-term debt maturities, potential covenant breaches and capital constraints which would have been likely to adversely impact the value realisable by MREIT unitholders on a stand alone basis. The discount has been recognised in profit or loss, under the other income heading.

Revenue and profit contribution

The acquired business contributed revenues of \$61.1m and a net loss of \$53.7m to the Group for the period from 7 December to 30 June 2010. The loss was a result of acquisition transaction costs in MREIT of \$8.2m and expensing of prepaid borrowing costs of \$4.2m following the repayment of MREIT's syndicated borrowing facility.

If the acquisition had occurred on 1 July 2009, the consolidated revenue and consolidated profit for the Group (including MREIT) for the year ended 30 June 2010 would have been \$1,759.1m and of \$185.4m respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional amortisation of lease incentives in respect of investment properties that would have been charged assuming the fair value adjustments to investment properties.

NOTES TO THE FINANCIAL STATEMENTS

39 ACQUISITION OF BUSINESSES / CONTINUED

b) Purchase consideration – cash outflow on acquisition

| | 2010 \$m | Consolidated 2009 \$m |
|---|---------------|-----------------------------|
| Outflow of cash to acquire subsidiary, net of cash acquired | | |
| Cash consideration | (59.4) | – |
| Less: Balance acquired | 55.2 | – |
| | (4.2) | – |
| Direct costs relating to acquisition | (15.2) | – |
| Outflow of cash – investing activities | (19.4) | – |
| Acquisition of additional ownership interest in subsidiary | (13.7) | – |
| Outflow of cash – financing activities | (13.7) | – |
| Total outflow of cash to acquire subsidiary and NCI | (33.1) | – |

Acquisition related costs

The total business combination transaction costs for the year were \$19.4m. Costs relating to acquisition of MREIT of \$18.3m, (including the post acquisition write off of \$4.2m for prepaid borrowing costs on the extinguishing MREIT's debt) and other business acquisition costs of \$1.1m are included in other expenses in the consolidated statement of comprehensive income and in investing cash flows in the consolidated statement of cash flows.

c) Securities issued

As part of the acquisition, the Group issued 190.1m securities, the fair value of which was determined to be the market value of \$1.405 per security, being the market value of Mirvac securities at the acquisition date. The total fair value was \$267.1m. Of the total securities issued, \$83.5m were in relation to the previously held (24.6 per cent) interests and \$34.4m was attributed to the acquisition of the NCI, and accordingly the net amount of securities issued was \$149.2m.

d) Fair value of previously held interest

Prior to the acquisition, the Group held 24.6 per cent of the securities of MREIT. The table below sets out the fair value of these securities:

| | \$m |
|---|-------------|
| Carrying value of securities prior to the acquisition | 61.0 |
| Gain on revaluing securities held as part of the acquisition | 30.9 |
| Fair value of securities held at the time of acquisition | 91.9 |

39 ACQUISITION OF BUSINESSES / CONTINUED

e) Transactions with NCI

As part of the acquisition of MREIT, the Group acquired the remaining additional 33.3 per cent of the issued securities of Springfield Regional Shopping Centre Trust, for a purchase consideration of \$48.1m. The consideration consisted of \$13.7m in cash and \$34.4m in securities issued by the consolidated entity. The carrying amount of the NCI in Springfield Regional Shopping Centre Trust on the date of acquisition was \$54.9m. The Group recognised a decrease in NCI of \$54.9m and an increase in equity of \$6.8m.

The effect of changes in the ownership interest of Springfield Regional Shopping Centre Trust on the equity attributable to owners of the Group during the year is summarised as follows:

| | \$m |
|--|---------------|
| Carrying amount of NCI acquired | 54.9 |
| Consideration paid to NCI | (48.1) |
| Discount on acquisition and recognised in a separate reserve within equity | 6.8 |

The total amount recognised in a separate reserve in equity is \$7.6m, being \$6.8m relating to the discount on acquisition of the NCI and \$0.9m being the difference in the carrying value of the Springfield Regional Shopping Centre held by MREIT compared to the Group.

The consideration paid for the NCI is less than the fair value as a result of the discount attributed on the acquisition of MREIT (refer to note 39(a)).

40 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

a) Acquisition of WOT

i) Summary of acquisition

On 4 August 2010 the Group acquired 100 per cent of the issued securities in WOT, a ASX listed real estate investment trust, for consideration of approximately \$404.1m. The acquisition is expected to increase the Group's market share and reduce cost through economies of scale. The financial effects of this transaction have not been brought to account at 30 June 2010. The information provided below represents amounts disclosed in the 30 June 2010 financial statements of WOT, lodged with ASIC on 3 August 2010. Due to the timing of this acquisition the exercise to identify any adjustments to the fair value of the assets and liabilities attained on acquisition date has not been finalised, and therefore the initial accounting for the business combination remains incomplete.

Details of the purchase consideration to acquire WOT are as follows:

| | Note | \$m |
|---|------------|--------------|
| Purchase consideration | | |
| Cash paid | 40(a)(iii) | 200.0 |
| Securities issued | 40(a)(v) | 204.1 |
| Total purchase consideration excluding consideration allocated to NCI | | 404.1 |

NOTES TO THE FINANCIAL STATEMENTS

40 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD / CONTINUED

The fair value of assets and liabilities anticipated to be recognised as a result of the acquisition are as follows:

| | \$m |
|--------------------------------------|---------|
| Cash | 17.4 |
| Trade receivables | 2.6 |
| Other financial assets | 22.2 |
| Investment properties | 1,107.8 |
| Payables | (6.4) |
| Borrowings | (721.9) |
| Derivative financial liabilities | (20.1) |
| Provision for distribution | (8.0) |
| Net identifiable assets acquired | 393.6 |
| Goodwill on acquisition ¹ | 10.5 |
| Net assets acquired | 404.1 |

1) The goodwill on acquisition will not be finalised until the acquisition accounting has been completed. This amount is based on the fair values of assets disclosed in the WOT financial statements for the year ended 30 June 2010.

The goodwill is attributable to WOT's quality investment portfolio which comprises properties which are predominantly leased to high quality tenants on long term leases with structured rental increases. None of the goodwill is expected to be deductible for tax purposes.

As previously noted an exercise to ascertain the fair value of WOT assets, liabilities and contingent liabilities to calculate the resultant goodwill may result in an adjustment to goodwill on acquisition.

ii) Contingent consideration

There is no contingent consideration as part of this transaction.

iii) Purchase consideration – cash outflow acquisition

| | 2010 \$m | Consolidated 2009 \$m |
|---|-------------|-----------------------------|
| Outflow of cash to acquire subsidiary, net of cash acquired | | |
| Cash consideration | (200.0) | – |
| Less: Balance acquired ¹ | 17.4 | – |
| | (182.6) | – |
| Direct costs relating to acquisition | (40.1) | – |
| Outflow of cash – investing activities | (222.7) | – |
| Total outflow of cash to acquire subsidiary | (222.7) | – |

1) Cash balance acquired as per the WOT accounts as at 30 June 2010.

40 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD / CONTINUED

iv) Acquisition related costs

Acquisition related costs of \$40.1m are expected to be incurred (including \$25.1m of transaction costs relating directly to the acquisition and \$15.0m for Westpac giving up its opportunity to earn future management fees). These amounts are based on the information contained in the Explanatory Memorandum ("EM") lodged with ASIC on 16 June 2010, and may be materially different to what has been assumed.

v) Securities issued

As part of the acquisition, the Group issued 149.1m securities, the fair value of which was determined to be the market value of \$1.37 per security, being the market value of Mirvac securities at the acquisition date. The total fair value of securities issued as part of the acquisition was \$204.1m.

vi) Acquisition of remaining interest in North Ryde Office Trust ("NROT")

The Group acquired the remaining 50 per cent interest in NROT, for a purchase consideration of \$22.5m. NROT owns the Westpac Data Centre at 50-60 Talavera and Khartoum Roads at Macquarie Park, NSW. The Group acquired the other 50 per cent interest in NROT through its acquisition of WOT. As a result, Mirvac now holds all of the units in NROT.

vii) Information not disclosed as not yet available

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of WOT. In particular, the fair values of the assets and liabilities disclosed above are based on WOT's financial statements at 30 June 2010 and are subject to change. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

b) Other events

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:

| | 2010 \$m | 2009 \$m |
|-----------------------------------|----------------|-------------|
| Statement of financial position | | |
| Current assets | 3,299.3 | 3,107.9 |
| Total assets | 3,745.3 | 3,468.7 |
| Current liabilities | 1,779.0 | 1,570.8 |
| Total liabilities | 2,445.7 | 2,222.5 |
| Equity | | |
| Issued capital | 1,223.7 | 1,153.7 |
| Reserves | | |
| Security based payments reserve | 16.7 | 19.3 |
| Capital reserve | (0.2) | - |
| Retained earnings | 59.4 | 73.2 |
| | 1,299.6 | 1,246.2 |
| Loss for the year | (13.8) | (7.8) |
| Total comprehensive income | (13.8) | (7.8) |

NOTES TO THE FINANCIAL STATEMENTS

41 PARENT ENTITY FINANCIAL INFORMATION / CONTINUED

b) Guarantees entered into by the parent entity

The parent guarantees part of MIX foreign exchange hedging. MIX is required to pay any shortfall between the contracted rate and the spot rate on the termination of these foreign exchange hedges. In the event that MIX was unable to pay any shortfall then the parent, as guarantor, is required to pay the shortfall amount. The amount varies daily as the spot rate changes and can be either an asset or liability. The parent does not expect a material liability to arise as a result of this guarantee.

The parent is party to a deed of cross guarantee, with members of the closed group. Further details are disclosed in note 15(c).

The parent entity did not provide any other guarantees at 30 June 2010 or 30 June 2009.

c) Contingent liabilities of the parent entity

The parent entity did not have any other contingent liabilities other than the item referred to in 41(b) at 30 June 2010 or 30 June 2009.

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 2010 or 30 June 2009.

DIRECTORS' DECLARATION

In the Directors' opinion:

- a) the financial statements and the notes set out on pages 39 to 126 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 company's and consolidated entity's financial position at 30 June 2010 and of their performance for the 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 15 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 15.

Note 1(b) confirms that the financial statements also comply with International Financial Reporting Standards 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
24 August 2010

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Mirvac Limited



PricewaterhouseCoopers
ABN 52 780 433 757
Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
Sydney NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Independent auditor's report to the shareholders of Mirvac Limited

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 2010 and 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, including Mirvac Funds Limited as responsible entity for Mirvac Property Trust and the entities it controlled at 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. 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.

Independent auditor's report to the shareholders of Mirvac Limited (continued)

Our audit did not involve an analysis of the prudence of business decisions made by directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's opinion

In our opinion:

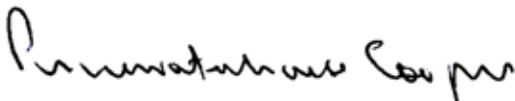
- (a) the financial report of Mirvac Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian 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

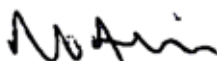
We have audited the remuneration report included in pages 9 to 23 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our 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 2010, complies with section 300A of the *Corporations Act 2001*.



PricewaterhouseCoopers



R L Gavin
Partner

Sydney
24 August 2010

SECURITYHOLDER INFORMATION

STAPLING OF SECURITIES

Mirvac was originally formed by the “stapling” of the securities of three listed entities being Mirvac Limited, Capital Property Trust and Mirvac Property Trust in June 1999, by way of a scheme of arrangement. In 2001/02 Mirvac was simplified by Mirvac Property Trust acquiring all the units in the Capital Property Trust (which by then had been renamed Mirvac Commercial Trust), such that the resulting stapled structure consisted of one Mirvac Limited share stapled to one Mirvac Property Trust unit. This stapled structure remains in place today. Further details may be found under History in the Investor Information section of Mirvac’s website: www.mirvac.com.

SECURITIES EXCHANGE LISTING

Mirvac’s stapled securities are quoted on the ASX, trading under the code: MGR. The stapled securities cannot be dealt with or traded separately.

There are currently 3,415,314,823 stapled securities on issue. The stapled security price is reported daily in the Industrial Share table in the Market trading data published in daily newspapers. The stapled security price may also be accessed on Mirvac’s website or at www.asx.com.au. For the purpose of ASX Listing Rule 4.10, unless otherwise stated, the information in this section is current at 11 August 2010.

SECURITYHOLDER ENQUIRES

Securityholders with queries concerning their holding, distribution payments or related matters should contact Mirvac’s registry:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Telephone +61 2 8280 7107
Facsimile +61 2 9287 0303
Securityholder enquiries 1800 356 444

Email registrars@linkmarketservices.com.au
Website www.linkmarketservices.com.au

When contacting the registry please quote your current address details together with your Security Reference Number (“SRN”) or Holder Identification Number (“HIN”) as shown on your Issuer Sponsored or CHESS statement. Mirvac’s website, in the Investor Information section, is also a useful reference point for securityholders. Securityholders who wish to advise the registry of a change of address or change of other details should do so in writing to Mirvac’s registry or online at www.mirvac.com.

DISTRIBUTION PAYMENTS

Directors propose to pay distributions to securityholders quarterly in January, April, July and October of each year.

Securityholders are encouraged to receive their distributions electronically, rather than by cheque, as a secure and efficient means of payment. Distributions can be paid directly into any bank, building society or credit union account in Australia.

Payments are electronically credited on the day the distribution is paid and confirmed by mailed payment advice. Securityholders wishing to use this facility should contact Mirvac’s registry. A distribution history is available in the Investor Information section of Mirvac’s website.

PROVISION OF INFORMATION TO SECURITYHOLDERS

Mirvac publishes, and posts to its website, its Annual Report each year. Full financial statements are lodged with ASX and ASIC (under dual lodgement) and are also available within the Investor Information section of Mirvac’s website. Other reports available within this section include Mirvac’s Preliminary Final Report (“Appendix 4E”) released in August of each year, Half Year Reports released in February of each year, Property Compendium and other relevant reports and presentations. Mirvac is very conscious of the environmental impact of printing and dispatching hard copies of its Annual Report and encourages all securityholders to receive communications from the Group by email if possible. The provision of information by Mirvac to its securityholders by email is immediate and secure, as well as providing significant cost savings particularly in printing and postage.

Securityholders can elect to receive the following communications electronically:

- Notices of Meetings and online proxy voting; and
- Major market announcements.

Securityholders who wish to register their email address should contact Mirvac’s registry. Following the changes to the *Corporations Act 2001 (Cth)* enacted by the Federal Government in 2007, and consistent with Mirvac’s commitment to the environment and sustainable practices, the Group now provides its Annual Report to all securityholders online, with a hard copy of the Report only provided to securityholders who specifically request to receive a copy in this form.

All securityholders receive Notices of Meetings, proxy forms and other communications either electronically or in hard copy form, as requested, regardless of whether or not they have elected to receive the Annual Report in hard copy.

SUBSTANTIAL SECURITYHOLDERS

As disclosed in substantial holding notices lodged with the ASX as at 11 August 2010:

| Name | Date of last notice received | Number of stapled securities | Percentage of issued capital ¹ |
|--|------------------------------|------------------------------|---|
| Commonwealth Bank of Australia and its subsidiaries | 4/9/2009 | 177,668,390 | 6.33 |
| Vanguard Group, Inc | 1/3/2010 | 186,167,992 | 6.21 |
| ING and its related Body Corporate | 19/4/2010 | 189,513,841 | 5.84 |
| AusBil Dexia Limited | 15/10/2009 | 144,991,690 | 5.17 |
| BlackRock Investment Management (Australia) Limited and associated BlackRock Group | 31/12/2009 | 154,704,716 | 5.16 |
| Barclays Group | 7/10/2009 | 137,805,294 | 4.91 |

1) Percentage of issued capital held as at the date notice provided.

STAPLED SECURITIES SUBJECT TO VOLUNTARY ESCROW

As part of the trust scheme under which Mirvac Funds Limited as responsible entity of MPT acquired all of the units in WOT, the following stapled securities held by a Westpac entity are subject to voluntary escrow:

| | |
|--|---|
| Number and class of securities the subject of voluntary escrow | 22,248,914 stapled securities (held directly or through instalment receipts) |
| Date escrow period ends | 4 August 2011 |

RANGE OF SECURITYHOLDERS

At 11 August 2010

| Range | Number of securityholders | Number of stapled securities |
|--|---------------------------|------------------------------|
| 100,001 and over | 376 | 3,129,742,274 |
| 10,001 to 100,000 | 8,026 | 188,059,257 |
| 5,001 to 10,000 | 7,548 | 54,937,641 |
| 1,001 to 5,000 | 14,257 | 39,347,363 |
| 1 to 1,000 | 6,690 | 3,228,288 |
| Total number of securityholders | 36,897 | 3,415,314,823 |

RANGE OF INSTALMENT RECEIPT HOLDERS

As at 11 August 2010

| Range | Number of instalment receipts holders | Number of instalment receipts |
|---|---------------------------------------|-------------------------------|
| 100,001 and over | 184 | 80,372,464 |
| 10,001 to 100,000 | 1,513 | 45,138,549 |
| 5,001 to 10,000 | 531 | 3,753,784 |
| 1,001 to 5,000 | 492 | 1,387,421 |
| 1 to 1,000 | 66 | 40,202 |
| Total number of instalment receipt holders | 2,786 | 130,692,420 |

SECURITYHOLDER INFORMATION

20 LARGEST SECURITYHOLDERS

The 20 largest securityholders on Mirvac's register at 11 August 2010 are:

| Name | Number of stapled securities | Percentage of issued equity |
|--|------------------------------|-----------------------------|
| HSBC Custody Nominees (Australia) Limited | 911,964,796 | 26.70 |
| National Nominees Limited | 675,429,653 | 19.78 |
| J P Morgan Nominees Australia Limited | 622,472,632 | 18.23 |
| Citicorp Nominees Pty Limited | 155,349,643 | 4.55 |
| Westpac Custodian Nominees Limited | 122,416,440 | 3.58 |
| Cogent Nominees Pty Limited | 89,473,743 | 2.62 |
| Citicorp Nominees Pty Limited | 48,679,945 | 1.43 |
| AMP Life Limited | 47,797,714 | 1.40 |
| ANZ Nominees Limited | 46,518,736 | 1.36 |
| Cogent Nominees Pty Limited | 29,883,026 | 0.87 |
| Citicorp Nominees Pty Limited | 21,867,478 | 0.64 |
| Bond Street Custodians Limited | 21,012,032 | 0.62 |
| Queensland Investment Corporation | 20,045,006 | 0.59 |
| RBC Dexia Investor Services Australia Nominees Pty Limited | 19,316,462 | 0.57 |
| RBC Dexia Investor Services Australia Nominees Pty Limited | 19,219,303 | 0.56 |
| Citicorp Nominees Pty Limited | 15,609,277 | 0.46 |
| UBS Wealth Management Australia Nominees Pty Limited | 15,502,518 | 0.45 |
| Bond Street Custodians Limited | 13,426,860 | 0.39 |
| Citicorp Nominees Pty Limited | 13,230,000 | 0.38 |
| Citicorp Nominees Pty Limited | 9,575,628 | 0.28 |
| Total for 20 largest securityholders | 2,918,790,892 | 85.46 |
| Total other investors | 496,523,931 | 14.54 |
| Total stapled securities on issue | 3,415,314,823 | 100 |

Number of securityholders holding less than a marketable parcel: 2,784.

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 of shares or stapled securities:

- on a show of hands, each Member present in person and each other person present as a proxy, Attorney or Representative of a Member has one vote; and
- on a poll, each Member present in person has one vote for each fully paid stapled security held by the Member, and each person present as proxy, Attorney or Representative of a Member has one vote for each fully paid stapled security held by the Member that the person represents.

INSTALMENT RECEIPT VOTING RIGHTS

Instalment receipt holders have full beneficial ownership of stapled securities and their rights as owners of the stapled securities is evidenced by the issue to instalment receipt holders on the basis of one instalment receipt for each stapled security. The only change to 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.

Instalment receipt holders are entitled to receive notices and attend meetings of Mirvac and exercise voting rights on securityholder resolutions put forward. Furthermore, on a show of hands, instalment receipt holders have one vote each. On a poll, instalment receipt holders have one vote per instalment receipt held.

DIRECTORY

Registered office/principal office

Level 26
60 Margaret Street
Sydney NSW 2000

Telephone +61 2 9080 8000
Facsimile +61 2 9080 8111

www.mirvac.com

Securities exchange listing

Australia (ASX Code: MGR)

Directors

James MacKenzie (Chairman)
Nicholas Collishaw (Managing Director)
Peter Hawkins
James Millar
Penny Morris
John Mulcahy

General Counsel and Company Secretary

Sonya Harris

Stapled security registry

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Telephone +61 2 8280 7107
Facsimile +61 2 9287 0303
Securityholder enquiries 1800 356 444

Auditor

PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000

Annual general meeting

Mirvac's 2010 Annual General Meeting/General Meeting will be held at 10.00 am (Eastern Standard Time) on Thursday 11 November 2010 in the Presidential Ballroom, The Sebel Tower, The Sebel & Citigate King George Square Brisbane, Crn Ann & Roma Streets, Brisbane 4000



Environmentally Responsible Paper
This report is printed on ecoStar, an environmentally responsible paper made carbon neutral ("CN") and manufactured from Forest Stewardship Council ("FSC") certified 100 per cent post consumer recycled paper, in a process chlorine free environment under the ISO 14001 environmental management system. The greenhouse gas emissions of the manufacturing process, including transportation of the finished product to the paper suppliers warehouse, have been measured by the Edinburgh Centre for Carbon Management ("ECCM") and offset by the CarbonNeutral Company.

Electronic version of Annual Report
An electronic version of this report is available on Mirvac's website www.mirvac.com.

Securityholders who do not require a printed Annual Report, or who receive more than one copy due to multiple holdings, can help reduce the number of copies printed by advising the registry in writing of changes to their report mailing preferences.

Securityholders who choose not to receive printed reports will continue to receive all other securityholder information, including Notices of Meetings.

