

# by mirvac

MIRVAC PROPERTY TRUST  
ANNUAL FINANCIAL REPORT 2012



# MIRVAC PROPERTY TRUST

AND ITS CONTROLLED ENTITIES

## **ANNUAL FINANCIAL REPORT**

For the year ended 30 June 2012

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

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# DIRECTORS' REPORT

The Directors of Mirvac Funds Limited (ABN 70 002 561 640), the Responsible Entity of Mirvac Property Trust ("MPT" or "Trust") present their report, together with the consolidated report of MPT and its controlled entities ("consolidated entity") for the year ended 30 June 2012.

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

## RESPONSIBLE ENTITY

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

## DIRECTORS

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

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

## PRINCIPAL ACTIVITIES

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

## DISTRIBUTIONS

Distributions paid to stapled unitholders during the year were as follows:

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

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

Distributions paid and payable by the Trust for the year ended 30 June 2012 totalled \$287.0m, being 8.40 cents per stapled unit (2011: \$280.1m – 8.20 cents per stapled unit).

## REVIEW OF OPERATIONS AND ACTIVITIES

The statutory profit after tax attributable to the stapled unitholders of the Trust for the year ended 30 June 2012 was \$507.7m (2011: \$498.2m). The operating profit (profit before specific non-cash and significant items) was \$402.1m (2011: \$388.3m).

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

The following table summarises key reconciling items between statutory profit after tax attributable to the stapled unitholders of MPT and operating profit. The operating profit information included in the table below has not been subject to any specific audit procedures by the consolidated entity's auditor but has been extracted from note 3 of the accompanying financial statements for the year ended 30 June 2012, which have been subject to audit; refer to pages 50 and 51 for the auditor's report on the financial statements.

# DIRECTORS' REPORT

## REVIEW OF OPERATIONS AND ACTIVITIES / CONTINUED

	2012 \$m	2011 \$m
<b>Profit attributable to the stapled unitholders of MPT</b>	<b>507.7</b>	498.2
<b>Specific non-cash items</b>		
Net gain on fair value of investment properties	<b>(164.2)</b>	(109.1)
Net loss/(gain) on fair value of investment properties under construction ("IPUC")	<b>2.3</b>	(4.9)
Loss/(gain) on financial instruments	<b>36.8</b>	(3.3)
Straight-lining of lease revenue	<b>(14.9)</b>	(16.3)
Amortisation of lease fitout incentives	<b>16.2</b>	10.6
Foreign exchange loss/(gain)	<b>0.7</b>	(3.6)
Net loss/(gain) on fair value of investment properties, derivatives and other specific non-cash items included in share of net profit of associates and joint ventures	<b>2.8</b>	(17.5)
Net loss on fair value of derivatives and other specific non-cash items included in discontinued operations	<b>9.2</b>	9.1
<b>Significant items</b>		
Impairment of goodwill	-	7.1
Net loss on sale of discontinued operations	<b>7.3</b>	-
Net (gain)/loss on sale of non-aligned assets	<b>(1.8)</b>	1.2
Business combination transaction costs	-	16.8
<b>Operating profit (profit before specific non-cash items and significant items)</b>	<b>402.1</b>	388.3

### FINANCIAL AND OPERATIONAL HIGHLIGHTS

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

- profit attributable to the stapled unitholders of MPT of \$507.7m;
- operating profit of \$402.1m<sup>1</sup>, representing 11.8 cents per stapled unit;
- increase in net tangible assets ("NTA") per unit to \$1.65<sup>2</sup> from \$1.58 at 30 June 2011;
- total assets of \$6,479.6m;
- net gain of \$164.2m in revaluations of the investment property portfolio;
- net loss of \$2.3m in revaluations of the IPUC portfolio; and
- distribution of \$287.0m, representing 8.40 cents per stapled unit.

The consolidated entity had a total portfolio value of \$5,870.1m<sup>3</sup>, with investments in 64 direct property assets, covering the office, retail, industrial and hotel sectors, as well as investments in other funds managed by Mirvac.

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

- achieved 3.4 per cent like-for-like net operating income growth within MPT;
- maintained a high portfolio occupancy rate of 98.3 per cent and a strong weighted average lease expiry of 5.8 years within MPT;
- leased 147,429.5 square metres (11.5 per cent of net lettable area) within MPT;
- disposed of four non-core retail assets, realising \$132.0m in gross sale proceeds; and
- established strategic relationships with K-REIT Asia via the sale of 50.0 per cent of 8 Chifley Square, Sydney NSW.

### CAPITAL MANAGEMENT AND FUNDING

The consolidated entity's capital structure is monitored at the Group level. Key capital management highlights relating to the Group for the year ended 30 June 2012 included:

- no debt maturities in the year ending 30 June 2013;
- \$530.0m of debt facilities maturing in January 2014, of which only \$237.9m is actually drawn;
- high levels of liquidity with \$727.1m in undrawn committed debt facilities on hand;
- weighted average debt maturity of 3.5 years;
- average borrowing costs increased slightly to 7.56 per cent per annum including margins and line fees;
- maintained the BBB credit rating from Standard & Poor's; and
- continued to comfortably meet all debt covenants.

#### Outlook

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

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

1) Excludes specific non-cash items, significant items and related taxation.

2) NTA per stapled unit is based on ordinary units including Employee Incentive Scheme ("EIS") units.

3) Total portfolio includes: investment properties, investments accounted for using the equity method, other financial assets at fair value through the profit or loss and other financial assets.

## CAPITAL MANAGEMENT AND FUNDING / CONTINUED

### Interests in the Trust

	2012 Units \$m	2011 Units \$m
Total ordinary units issued	3,412.0	3,409.3
Stapled units under long term incentive ("LTI") plan and EIS	6.2	7.6
<b>Total stapled units issued</b>	<b>3,418.2</b>	<b>3,416.9</b>

Refer to note 20(b) to the financial statements for a reconciliation of the interests in the consolidated entity issued during the financial year.

### ENVIRONMENTAL REGULATIONS

The consolidated entity is subject to significant environmental legislation and associated Acts and regulations. The consolidated entity is committed to the implementation of responsible and practical management procedures to minimise environmental impacts and provide compliance under the government regulations applicable to all areas of its operations.

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

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

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

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

### Equity instruments held by Directors

Particulars of Directors' interests in the stapled units of the Trust or a related entity, are as follows:

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

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

# DIRECTORS' REPORT

## OPTIONS OVER UNISSUED SECURITIES

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

## NON-AUDIT SERVICES

The consolidated entity may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the consolidated entity are relevant. 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 32 to the financial statements.

The Board has considered the position and, in accordance with the advice received from the audit, risk and compliance committee ("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 32 to the financial statements, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the ARCC to ensure they do not 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 the Accounting Professional and Ethics Standards 110 *Code of Ethics for Professional Accountants*, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the consolidated entity, acting as advocate for the consolidated entity or jointly sharing economic risk and rewards.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Changes in the state of affairs of the consolidated entity during the year are set out in the various reports included in the consolidated entity's financial statements. Refer to note 20 to the financial statements for stapled units issued, note 17 for debt movements and note 10 for assets classified as available-for-sale and discontinued operations.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the consolidated entity that occurred during the year under review.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

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

## INSURANCE OF OFFICERS

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

## FEES PAID TO THE RESPONSIBLE ENTITY OR ITS ASSOCIATES

Fees paid to the Responsible Entity out of Trust property during the year were \$5.8m (2011: \$6.2m). Fees charged by the Responsible Entity represent recovery of costs. No fees were paid out of Trust property to the Directors of the Responsible Entity during the year.

Fees paid to the Responsible Entity and its associates out of Trust property during the year are disclosed in note 29 to the financial statements.

## 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 05.

## AUDITOR

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

## ROUNDING OF AMOUNTS

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

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



**Nicholas Collishaw**  
Director

Sydney  
21 August 2012

# AUDITOR'S INDEPENDENCE DECLARATION



## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Mirvac Property Trust for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'Matthew Lunn', with a long horizontal flourish extending to the right.

**Matthew Lunn**  
Partner  
PricewaterhouseCoopers

Sydney  
21 August 2012

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# CONSOLIDATED FINANCIAL STATEMENTS

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

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

**Mirvac Funds Limited**

Level 26  
60 Margaret Street  
Sydney NSW 2000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on pages 01 to 04, both of which are not part of these financial statements.

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

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



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Note	2012 \$m	2011 \$m
<b>Revenue from continuing operations</b>			
Investment properties rental revenue		<b>552.0</b>	530.5
Interest revenue	4	<b>62.1</b>	79.5
Other revenue		<b>4.8</b>	3.3
<b>Total revenue from continuing operations</b>		<b>618.9</b>	613.3
<b>Other income</b>			
Net gain on fair value of investment properties	14	<b>164.2</b>	109.1
Net (loss)/gain on fair value of IPUC	14	<b>(2.3)</b>	4.9
Share of net profit of associates and joint ventures accounted for using the equity method	11	<b>9.8</b>	30.6
(Loss)/gain on financial instruments	4	<b>(36.8)</b>	3.3
Foreign exchange (loss)/gain		<b>(0.7)</b>	3.6
Net gain/(loss) on sale of non-aligned assets		<b>1.8</b>	(1.2)
<b>Total other income</b>		<b>136.0</b>	150.3
<b>Total revenue from continuing operations and other income</b>		<b>754.9</b>	763.6
Investment properties expenses		<b>135.8</b>	130.2
Amortisation expenses	5	<b>24.3</b>	15.6
Impairment of goodwill	5	<b>–</b>	7.1
Finance costs	5	<b>73.7</b>	86.4
Business combination transaction costs		<b>–</b>	16.8
Other expenses		<b>8.2</b>	11.9
<b>Profit from continuing operations before income tax</b>		<b>512.9</b>	495.6
Income tax expense	6	<b>0.3</b>	0.6
Profit from continuing operations		<b>512.6</b>	495.0
(Loss)/profit from discontinued operations	10	<b>(4.9)</b>	3.2
<b>Profit for the year</b>		<b>507.7</b>	498.2
<b>Other comprehensive income</b>			
Share of other comprehensive income of associate accounted for using the equity method	21	<b>8.3</b>	24.1
Gain/(loss) on translation of foreign operations	21	<b>0.5</b>	(1.3)
Other comprehensive income for the year		<b>8.8</b>	22.8
<b>Total comprehensive income for the year</b>		<b>516.5</b>	521.0
Profit for the year is attributable to:			
– Stapled unitholders of MPT		<b>507.7</b>	498.2
		<b>507.7</b>	498.2
Total comprehensive income for the year is attributable to:			
– Stapled unitholders of MPT		<b>516.5</b>	521.0
		<b>516.5</b>	521.0
<b>Earnings per stapled unit for profit from continuing operations attributable to the stapled unitholders of MPT</b>			
		<b>Cents</b>	Cents
Basic earnings per stapled unit	7	<b>15.03</b>	14.60
Diluted earnings per stapled unit	7	<b>15.00</b>	14.55
<b>Earnings per stapled unit for profit attributable to the stapled unitholders of MPT</b>			
		<b>Cents</b>	Cents
Basic earnings per stapled unit	7	<b>14.89</b>	14.69
Diluted earnings per stapled unit	7	<b>14.86</b>	14.64

The comparative figures have been adjusted to reflect the disposal of the Trust's investment in the Mirvac Wholesale Hotel Fund representing the discontinued operations of the Trust. Refer to note 10 for further information.

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Note	2012 \$m	2011 \$m
<b>Current assets</b>			
Cash and cash equivalents	33(a)	–	536.2
Receivables	8	21.6	626.8
Other financial assets at fair value through profit or loss	9	12.1	19.2
Assets classified as held for sale and discontinued operations	10(b)	–	3.4
Other assets		10.2	13.7
<b>Total current assets</b>		<b>43.9</b>	<b>1,199.3</b>
<b>Non-current assets</b>			
Receivables	8	508.2	10.7
Investments accounted for using the equity method	11	147.2	249.0
Derivative financial assets	12	–	3.3
Other financial assets	13	51.5	–
Investment properties	14	5,659.3	5,474.0
Intangible assets	15	69.5	69.5
<b>Total non-current assets</b>		<b>6,435.7</b>	<b>5,806.5</b>
<b>Total assets</b>		<b>6,479.6</b>	<b>7,005.8</b>
<b>Current liabilities</b>			
Payables	16	94.0	151.5
Borrowings	17	–	505.0
Provisions	18	82.0	75.2
<b>Total current liabilities</b>		<b>176.0</b>	<b>731.7</b>
<b>Non-current liabilities</b>			
Borrowings	17	559.7	783.9
Derivative financial liabilities	19	28.8	9.9
<b>Total non-current liabilities</b>		<b>588.5</b>	<b>793.8</b>
<b>Total liabilities</b>		<b>764.5</b>	<b>1,525.5</b>
<b>Net assets</b>		<b>5,715.1</b>	<b>5,480.3</b>
<b>Equity</b>			
Contributed equity	20	5,110.8	5,105.5
Reserves	21	6.4	30.0
Retained earnings	22	597.9	344.8
Equity, reserves and retained earnings attributable to the stapled unitholders of MPT		5,715.1	5,480.3
<b>Total equity</b>		<b>5,715.1</b>	<b>5,480.3</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Note	Attributable to the stapled unitholders of MPT			Total \$m
		Contributed equity \$m	Reserves \$m	Retained earnings \$m	
Balance 30 June 2010		4,905.9	7.2	126.7	5,039.8
Profit for the year		-	-	498.2	498.2
Other comprehensive income for the year		-	22.8	-	22.8
Total comprehensive income for the year		-	22.8	498.2	521.0
Employee exemption plan ("EEP") units issued	20(b)	1.2	-	-	1.2
LTI and EIS units converted, sold or forfeited	20(b)	13.2	-	-	13.2
Contributions of equity, net of transaction costs	20(b)	185.2	-	-	185.2
Distributions provided for or paid	23	-	-	(280.1)	(280.1)
Total transactions with owners in their capacity as owners		199.6	-	(280.1)	(80.5)
Balance 30 June 2011		5,105.5	30.0	344.8	5,480.3
Profit for the year		-	-	507.7	507.7
Other comprehensive income for the year		-	8.8	-	8.8
<b>Total comprehensive income for the year</b>		-	8.8	507.7	516.5
EEP units issued	20(b)	1.3	-	-	1.3
LTI and EIS units converted, sold or forfeited	20(b)	4.0	-	-	4.0
Distributions provided for or paid	23	-	-	(287.0)	(287.0)
Transfers (out)/in	21(b)	-	(32.4)	32.4	-
<b>Total transactions with owners in their capacity as owners</b>		5.3	(32.4)	(254.6)	(281.7)
<b>Balance 30 June 2012</b>		<b>5,110.8</b>	<b>6.4</b>	<b>597.9</b>	<b>5,715.1</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	Note	2012 \$m	2011 \$m
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		<b>589.8</b>	570.1
Payments to suppliers (inclusive of goods and services tax)		<b>(193.4)</b>	(211.2)
		<b>396.4</b>	358.9
Interest received		<b>64.4</b>	76.1
Associates and joint ventures distributions received		<b>21.6</b>	13.9
Borrowing costs paid		<b>(78.9)</b>	(91.2)
Income tax paid		<b>(0.3)</b>	(0.6)
<b>Net cash inflows from operating activities</b>	33(b)	<b>403.2</b>	357.1
<b>Cash flows from investing activities</b>			
Payments for investment properties		<b>(242.5)</b>	(72.8)
Proceeds from sale of investment properties and assets classified as held for sale		<b>128.3</b>	159.7
Proceeds from loans to entities related to Responsible Entity		<b>100.0</b>	81.8
Contributions to associates and joint ventures		<b>(15.7)</b>	-
Proceeds from sale of discontinued operations		<b>123.3</b>	-
Proceeds from sale of investments		<b>23.0</b>	-
Payments for purchase of other financial assets		<b>(34.3)</b>	-
Proceeds/(payments) for financial assets at fair value through profit or loss		<b>1.7</b>	(1.1)
Payments for the acquisition of controlled entities, net of cash acquired		<b>-</b>	(213.0)
<b>Net cash inflows/(outflows) from investing activities</b>		<b>83.8</b>	(45.4)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		<b>340.3</b>	1,640.0
Repayments of borrowings		<b>(1,084.8)</b>	(1,485.4)
Proceeds from issue of stapled units		<b>1.5</b>	2.3
Distributions paid as part of business combination		<b>-</b>	(8.0)
Distributions paid		<b>(280.2)</b>	(270.2)
<b>Net cash outflows from financing activities</b>		<b>(1,023.2)</b>	(121.3)
Net (decrease)/increase in cash and cash equivalents		<b>(536.2)</b>	190.4
Cash and cash equivalents at the beginning of the year		<b>536.2</b>	345.9
Effects of exchange rate changes on cash and cash equivalents		<b>-</b>	(0.1)
<b>Cash and cash equivalents at the end of the year</b>	33(a)	<b>-</b>	536.2

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements of the consolidated entity consist of the consolidated financial statements of 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 Australian Securities Exchange (“ASX”). The stapled securities cannot be traded or dealt with separately. 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 AAS, Mirvac Limited has been deemed the parent entity of MPT. The stapled security structure will cease to operate on the first to occur of:

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

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

### Net current asset deficiency

As at 30 June 2012, the Trust is in a net current liability position of \$132.1m. The Trust repays its borrowings with excess cash, but has access to the Group’s syndicated facility which at 30 June 2012 had unused and available facility of \$727.1m. Accordingly, the Directors of the Responsible Entity expect that the Trust will have sufficient cash flows to meet all financial obligations as and when they fall due.

### b) Basis of preparation

These general purpose financial statements have been prepared in accordance with AAS, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”), Urgent Issues Group Interpretations and the *Corporations Act 2001*.

#### i) Compliance with International Financial Reporting Standards (“IFRS”)

The consolidated financial statements of the consolidated entity 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 the consolidated entity’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

#### iv) Early adoption of standards

The consolidated entity has not elected to apply any pronouncements before their operative date in the year beginning 1 July 2011.

#### v) Comparative information

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

#### vi) Rounding of amounts

The Trust is an entity of the kind referred to in Class Order 98/100 issued by ASIC, relating to the “rounding off” of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest tenth of a million dollars in accordance with that class order.

#### vii) Goods and services tax (“GST”)

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

## c) Principles of consolidation

### i) Controlled entities

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of the consolidated entity at 30 June 2012 and the results of all controlled entities for the year then ended. Controlled entities are all those entities (including special purpose entities) over which the consolidated entity 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 the consolidated entity controls another entity. Controlled entities are fully consolidated from the date on which control is transferred to the consolidated entity. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for the business combinations undertaken by the consolidated entity (refer to note 1(h)). Intercompany transactions and balances between consolidated entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity. Non-controlling interest (“NCI”) in the results and equity of controlled entities are shown separately in the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### ii) Associates

Associates are all entities over which the consolidated entity 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.

The consolidated entity'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. Distributions receivable from associates reduce the carrying amount of the investments. When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

### iii) Joint ventures

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

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

### iv) Changes in ownership interests

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

When the consolidated entity 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 the consolidated entity had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate or joint venture is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer – Investment ("CEOI").

### e) Foreign currency translation

#### i) Functional and presentation currency

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

#### ii) Transactions and balances

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

#### iii) Foreign controlled entities

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

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

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

### f) Revenue recognition

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

Revenue is recognised for the major business activities as follows:

#### i) 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.

#### ii) 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.

#### iii) Interest

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

#### iv) 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.

#### v) Government grants

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

### g) Income tax

Under current legislation, the Trust is not liable for income tax, provided that the unitholders are presently entitled to the income of the Trust as determined in accordance with the Trust's Constitution. Tax allowances for building and plant and equipment depreciation are distributed to the stapled unitholders in the form of a tax deferred component of the distribution.

The Trust has a controlled entity based in the USA and is therefore subject to Federal and state taxes in the USA on earnings and profits. A deferred tax liability is recognised based on the temporary difference between the carrying amount of the assets and their associated tax cost base.

### h) Business combinations

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

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the consolidated entity's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the controlled entity acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a discount on business combination. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Trust'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.

### i) Impairment of assets

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



## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### j) Cash and cash equivalents

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

### k) 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 the consolidated entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the 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.

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

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

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

### m) Investments and other financial assets

#### i) Classification

The consolidated entity 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-evaluate this designation at the end of each year.

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

#### – *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the consolidated entity 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 year which are classified as non-current assets. Loans and receivables are included in receivables in the consolidated 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 the consolidated entity's management has the positive intention and ability to hold to maturity. If the consolidated entity were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those maturities less than 12 months from the end of the year, which are classified as current assets.

#### – *Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the year. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### ii) *Financial assets – reclassification*

The consolidated entity may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the consolidated entity may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the consolidated entity has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification. Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

### iii) *Recognition and derecognition*

Regular way purchases and sales of investments are recognised on trade date, being the date on which the consolidated entity commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When units 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 units.

### iv) *Measurement*

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

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

### v) *Impairment of financial assets*

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

#### – *Assets carried at amortised cost*

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

#### – *Assets classified as available-for-sale*

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

### n) *Derivatives and hedging activities*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. 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. The consolidated entity 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”). The consolidated entity 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.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

The consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

### *i) Fair value hedges*

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

### *ii) Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item will affect profit or loss (for instance, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventories) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability. When a hedging instrument either expires, is sold, terminated or 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.

### **o) 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 year. The quoted market price used for financial assets held by the consolidated entity 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. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of the year. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flow ("DCF"), are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity 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.

### **p) 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 50 per cent of the portfolio being valued annually. Investment properties which are not subject to an external valuation at the end of the reporting date are fair valued internally by management. The carrying amount of the investment properties recorded in the consolidated statement of financial position includes components relating to lease incentives.

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

#### *ii) Investment properties under redevelopment*

Existing investment properties being redeveloped for continued future use are carried at fair value.

#### *iii) Lease incentives*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### q) Intangible assets

#### i) Goodwill

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

#### r) Trade and other payables

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

#### s) 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 the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the end of the year. 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.

#### t) Provisions

Provisions for legal claims, contracts and make good obligations are recognised when the consolidated entity 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 year.

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.

#### u) Contributed equity

Ordinary units are classified as equity. Incremental costs directly attributable to the issue of new units or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new units 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*, units issued as part of the LTI plan and EIS are not classified as ordinary units, until such time as the employee loans are fully repaid or the employee leaves Mirvac. If the consolidated entity reacquires its own equity instruments, for example, as the result of a security buy-back, those instruments are deducted from equity and the associated units 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.

#### v) Distributions

Provision is made for the amount of any distribution declared on or before the end of the year but not paid at the end of the year.

#### w) Earnings per stapled unit

##### i) Basic earnings per stapled unit

Basic earnings per stapled unit are calculated by dividing the profit attributable to unitholders of the Trust by the weighted average number of ordinary units outstanding during the year. In calculating basic earnings per stapled unit, units issued under the EIS have been excluded from the weighted average number of units.

##### ii) Diluted earnings per stapled unit

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

#### x) Parent entity financial information

The financial information for the parent entity, Mirvac Property Trust, disclosed in note 35 has been prepared on the same basis as the consolidated financial statements, except as set out below:

##### i) Investments in controlled entities, associates and joint ventures

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

##### ii) Financial guarantees

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

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### y) New accounting standards and interpretations

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

- i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013<sup>1</sup>). *AASB 9 Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the consolidated entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. There will be no impact on the consolidated entity's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the consolidated entity does not have any such liabilities. The consolidated entity has not yet determined the impact of the change but does not believe the impact will be material. The derecognition rules have been transferred from *AASB 139 Financial Instruments: Recognition and Measurement* and have not been changed. The consolidated entity has not yet decided when to adopt AASB 9.
- ii) *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures, and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013). In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. AASB 10 replaces all of the guidance on control and consolidation in *AASB 127 Consolidated and Separate Financial Statements*, and Interpretation 112 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the consolidated entity does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investors that may or may not be controlled under the new rules. AASB 11 introduces a principles based approach to accounting for joint arrangements.
- iii) *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013). AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The consolidated entity has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The consolidated entity does not intend to adopt the new standard before its operative date, which means that it would be first applied in the year ending 30 June 2014.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The consolidated entity's investment in the joint venture partnership will be classified as a joint venture under the new rules. As the consolidated entity already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements. AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the consolidated entity will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the consolidated entity's investments. Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The consolidated entity is still assessing the impact of these amendments. The consolidated entity does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the year ending 30 June 2014.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

- iv) AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013). In July 2011, the AASB decided to remove the individual key management personnel ("KMP") disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act 2001* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.
- v) AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* (effective 1 July 2012). In September 2011, the AASB made an amendment to AASB 101 *Presentation of Financial Statements* which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the consolidated statement of comprehensive income or consolidated statement of financial position in the current or future periods. The consolidated entity intends to adopt the new standard from 1 July 2012.
- vi) *Offsetting Financial Assets and Financial Liabilities* (Amendments to IAS 32) and *Disclosures-Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7) (effective 1 January 2014 and 1 January 2013 respectively). In December 2011, the IASB made amendments to the application guidance in IAS 32 *Financial Instruments: Presentation*, to clarify some of the requirements for offsetting financial assets and financial liabilities in the consolidated statement of financial position. These amendments are effective from 1 January 2014. They are unlikely to affect the accounting for any of the entity's current offsetting arrangements. However, the IASB has also introduced more extensive disclosure requirements into IFRS 7 which will apply from 1 January 2013. The AASB is expected to make equivalent changes to AASB 132 *Financial Instruments: Presentation* and AASB 7 *Financial Instruments: Disclosures* shortly. When they become applicable, the consolidated entity will have to provide a number of additional disclosures in relation to its offsetting arrangements. The consolidated entity intends to apply the new rules for the first time from 1 July 2013.

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

## 2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

### a) Critical judgements in applying MPT's accounting policies

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

#### i) Fair value estimation

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

#### 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 year, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next year:

#### i) Impairment of goodwill

The consolidated entity annually tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(q). 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 year is \$69.5m (2011: \$69.5m). There was no impairment loss recognised during the year (2011: \$7.1m). Details on the assumptions used are provided in note 15(b).

#### ii) Estimated impairment of investments accounted for using the equity method

The investments are tested for impairment, by comparing recoverable amounts (higher of value in use and fair value less costs to sell) with the carrying amounts, whenever there is indication that the investment may be impaired. In determining the value in use of the investment, the consolidated entity 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.

## 2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES / CONTINUED

### iii) 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 the 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 \$12.1m (2011: \$19.2m) and is disclosed as other financial assets at fair value through profit or loss (refer to note 9).

### iv) Valuation of investment properties

The consolidated entity uses judgement in respect of the fair values of investment properties. Investment properties are revalued by external valuers on a rotation basis with approximately 50 per cent of the portfolio being valued annually. Investment properties which are not subject to an external valuation at the end of the reporting date are fair valued internally by management. The assumptions used in the estimations of fair values include expected future market rentals, discount rates, market prices and economic conditions. The reported fair values of investment properties reflect the market conditions at the end of the year. While this represents the best estimation of fair value at the reporting date, actual sale prices achieved (should the investment properties be sold) may be higher or lower than the most recent valuation. This is particularly relevant in periods of market illiquidity or uncertainty. The carrying value at the end of the year for investment properties was \$5,659.3m (2011: \$5,474.0m). Details on investment properties are provided in note 14.

### v) Valuation of IPUC

IPUC are valued at fair value. There are generally no active markets for IPUC and fair value is considered to be the estimated market price that would be paid for the partially completed property, reflecting the expectations of market participants of the value of the property when complete less deductions for the estimated costs to complete with appropriate adjustments for risk and profit. The fair value is determined on the basis of either DCF or residual methods. Both methods require consideration of the project risks which are relevant to the development process, including but not limited to construction and letting risks. The estimated value of future assets is based on the expected future income from the project, using current yields of similar completed properties. The net loss on fair value of IPUC was \$2.3m (2011: net gain of \$4.9m). The carrying value of \$34.2m (2011: \$108.0m) at the end of the year is included in investment properties (refer to note 14).

### vi) Valuation of derivatives and other financial instruments

The consolidated entity 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

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise financing and other borrowing costs, indirect investments, other income and expenses. The consolidated entity operates predominantly in one geographic segment, Australia.

Segment results are now reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM that makes strategic decisions for the consolidated entity has been identified as the CEOI. The CEOI allocates resources to and assesses the performance of the operating segments of the consolidated entity. Net operating income is considered a key indicator of analysis when evaluating the consolidated entity's ability to pay distributions to stapled unitholders.

### a) Descriptions of business segments

Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns.

The main business segments of the consolidated entity are the investment in properties which are leased to third parties for the following uses:

- office: office accommodation;
- retail: retail accommodation;
- industrial: factories and other industrial use accommodation;
- other: hotel and car park facilities accommodation; and
- unallocated: not attributed directly to one of the above segments.

### 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 significant items which management considers to reflect the core earnings of the consolidated entity.

### e) Segment liabilities

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

### f) Geographical analysis

The consolidated entity operates predominantly in Australia.

### g) Customer analysis

In total, 71.1 per cent of the consolidated entity's revenue is derived from Australian Government, ASX listed and multinational tenants (2011: 68.0 per cent). In the current period, Westpac/St George provides 14.4 per cent of the consolidated entity's revenue (2011: 14.1 per cent).

### h) Disposal group and discontinued operations

The segment note presents the results of the consolidated entity in a format consistent with that of both prior year and management reporting. An additional column has been presented which details the impact of the reallocation of the results of the disposal group to discontinued operation. Refer to note 10 for more information.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 SEGMENTAL INFORMATION / CONTINUED

2012	Office \$m	Retail \$m	Industrial \$m	Other \$m	Unallocated \$m	Total inc. discontinued operations \$m	Discontinued operations <sup>1</sup> \$m	Consolidated SoCI \$m
<b>Revenue from continuing operations</b>								
Investment properties rental revenue	322.1	180.8	37.8	11.3	–	552.0	–	<b>552.0</b>
Interest revenue	–	–	–	–	62.1	62.1	–	<b>62.1</b>
Other revenue	–	–	–	–	4.8	4.8	–	<b>4.8</b>
<b>Total revenue from continuing operations</b>	<b>322.1</b>	<b>180.8</b>	<b>37.8</b>	<b>11.3</b>	<b>66.9</b>	<b>618.9</b>	<b>–</b>	<b>618.9</b>
<b>Other income</b>								
Net gain on fair value of investment properties	129.3	30.6	0.6	3.7	–	164.2	–	<b>164.2</b>
Net loss on fair value of IPUC	(2.3)	–	–	–	–	(2.3)	–	<b>(2.3)</b>
Share of net profit of associates and joint ventures accounted for using the equity method	–	–	–	–	12.2	12.2	(2.4)	<b>9.8</b>
Loss on financial instruments	–	–	–	–	(36.8)	(36.8)	–	<b>(36.8)</b>
Foreign exchange loss	–	–	–	–	(0.7)	(0.7)	–	<b>(0.7)</b>
Net (loss)/gain on sale of non-aligned assets	–	–	–	–	(5.5)	(5.5)	7.3	<b>1.8</b>
<b>Total other income</b>	<b>127.0</b>	<b>30.6</b>	<b>0.6</b>	<b>3.7</b>	<b>(30.8)</b>	<b>131.1</b>	<b>4.9</b>	<b>136.0</b>
<b>Total revenue from continuing operations and other income</b>	<b>449.1</b>	<b>211.4</b>	<b>38.4</b>	<b>15.0</b>	<b>36.1</b>	<b>750.0</b>	<b>4.9</b>	<b>754.9</b>
Investment properties expenses	63.5	63.0	6.0	3.3	–	135.8	–	<b>135.8</b>
Amortisation expenses	17.4	6.2	0.7	–	–	24.3	–	<b>24.3</b>
Finance costs	–	–	–	–	73.7	73.7	–	<b>73.7</b>
Other expenses	–	–	–	–	8.2	8.2	–	<b>8.2</b>
<b>Profit/(loss) from continuing operations before income tax</b>	<b>368.2</b>	<b>142.2</b>	<b>31.7</b>	<b>11.7</b>	<b>(45.8)</b>	<b>508.0</b>	<b>4.9</b>	<b>512.9</b>
Income tax expense	–	–	–	–	0.3	0.3	–	<b>0.3</b>
Profit/(loss) from continuing operations	368.2	142.2	31.7	11.7	(46.1)	507.7	4.9	<b>512.6</b>
Loss from discontinued operations	–	–	–	–	–	–	(4.9)	<b>(4.9)</b>
<b>Profit/(loss) attributable to the stapled unitholders of MPT</b>	<b>368.2</b>	<b>142.2</b>	<b>31.7</b>	<b>11.7</b>	<b>(46.1)</b>	<b>507.7</b>	<b>–</b>	<b>507.7</b>

1) Reclassification of the results of the assets that form part of the disposal group. Refer to note 10 for further information.

2012	Office \$m	Retail \$m	Industrial \$m	Other \$m	Unallocated \$m	Total \$m
<b>Profit/(loss) attributable to the stapled unitholders of MPT</b>	<b>368.2</b>	<b>142.2</b>	<b>31.7</b>	<b>11.7</b>	<b>(46.1)</b>	<b>507.7</b>
<b>Specific non-cash items</b>						
Net gain on fair value of investment properties	(129.3)	(30.6)	(0.6)	(3.7)	–	<b>(164.2)</b>
Net loss on fair value of IPUC	2.3	–	–	–	–	<b>2.3</b>
Loss on financial instruments	–	–	–	–	36.8	<b>36.8</b>
Straight-lining of lease revenue <sup>1</sup>	(14.1)	–	(0.8)	–	–	<b>(14.9)</b>
Amortisation of lease fitout incentives <sup>2</sup>	14.0	1.8	0.4	–	–	<b>16.2</b>
Foreign exchange loss	–	–	–	–	0.7	<b>0.7</b>
Net loss on fair value of investment properties, derivatives and other specific non-cash items included in share of net profit of associates and joint ventures <sup>3</sup>	–	–	–	–	2.8	<b>2.8</b>
Net loss on fair value of derivatives and other specific non-cash items included in discontinued operations <sup>3</sup>	–	–	–	–	9.2	<b>9.2</b>
<b>Significant items</b>						
Net loss on sale of discontinued operations	–	–	–	–	7.3	<b>7.3</b>
Net gain on sale of non-aligned assets	–	–	–	–	(1.8)	<b>(1.8)</b>
<b>Operating profit (profit before specific non-cash items and significant items)</b>	<b>241.1</b>	<b>113.4</b>	<b>30.7</b>	<b>8.0</b>	<b>8.9</b>	<b>402.1</b>

1) Straight-lining of lease revenue is included in investment properties rental revenue in the consolidated statement of comprehensive income.

2) Amortisation of lease fitout incentives is included in amortisation expenses in the consolidated statement of comprehensive income.

3) Management's definition of operating profit excludes specific non-cash items which are included in the share of net profit/(loss) of associates, joint ventures and discontinued operations. Refer to note 11 for details of share of net profit/(loss) of associates and joint ventures accounted for using the equity method.



### 3 SEGMENTAL INFORMATION / CONTINUED

2012	Office \$m	Retail \$m	Industrial \$m	Other \$m	Unallocated \$m	Total inc. discontinued operations \$m	Discontinued operations \$m	Consolidated SoCI \$m
<b>Operating profit</b>								
Investment properties rental revenue <sup>1</sup>	308.0	180.8	37.0	11.3	–	537.1	–	<b>537.1</b>
Investment properties expenses	(66.9)	(67.4)	(6.3)	(3.3)	–	(143.9)	–	<b>(143.9)</b>
Net property income	241.1	113.4	30.7	8.0	–	393.2	–	<b>393.2</b>
Interest revenue	–	–	–	–	62.1	62.1	–	<b>62.1</b>
Other revenue	–	–	–	–	4.8	4.8	–	<b>4.8</b>
Share of net profit of associates and joint ventures accounted for using the equity method	–	–	–	–	12.6	12.6	11.6	<b>24.2</b>
Finance costs	–	–	–	–	(73.7)	(73.7)	–	<b>(73.7)</b>
Other expenses	–	–	–	–	(8.2)	(8.2)	–	<b>(8.2)</b>
Income tax expense	–	–	–	–	(0.3)	(0.3)	–	<b>(0.3)</b>
<b>Operating profit (profit before specific non-cash items and significant items)</b>	<b>241.1</b>	<b>113.4</b>	<b>30.7</b>	<b>8.0</b>	<b>(2.7)</b>	<b>390.5</b>	<b>11.6</b>	<b>402.1</b>

1) Investment properties rental revenue reconciles to that in the consolidated statement of comprehensive income after adjusting for straight-lining of lease revenue.

2011	Office \$m	Retail \$m	Industrial \$m	Other \$m	Unallocated \$m	Total inc. discontinued operations \$m	Discontinued operations <sup>1</sup> \$m	Consolidated SoCI \$m
Revenue from continuing operations								
Investment properties rental revenue	290.5	192.5	37.3	10.2	–	530.5	–	530.5
Interest revenue	–	–	–	–	79.5	79.5	–	79.5
Other revenue	–	–	–	–	3.3	3.3	–	3.3
Total revenue from continuing operations	290.5	192.5	37.3	10.2	82.8	613.3	–	613.3
Other income								
Net gain on fair value of investment properties	83.6	19.7	–	5.8	–	109.1	–	109.1
Net (loss)/gain on fair value of IPUC	(1.6)	6.0	0.5	–	–	4.9	–	4.9
Share of net profit of associates and joint ventures accounted for using the equity method	–	–	–	–	33.8	33.8	(3.2)	30.6
Gain on financial instruments	–	–	–	–	3.3	3.3	–	3.3
Foreign exchange gain	–	–	–	–	3.6	3.6	–	3.6
Net loss on sale of non-aligned assets	–	–	–	–	(1.2)	(1.2)	–	(1.2)
Total other income	82.0	25.7	0.5	5.8	39.5	153.5	(3.2)	150.3
Total revenue from continuing operations and other income	372.5	218.2	37.8	16.0	122.3	766.8	(3.2)	763.6
Investment properties expenses	55.7	66.3	5.6	2.6	–	130.2	–	130.2
Amortisation expenses	11.3	3.7	0.6	–	–	15.6	–	15.6
Impairment of goodwill	–	7.1	–	–	–	7.1	–	7.1
Finance costs	–	–	–	–	86.4	86.4	–	86.4
Business combination transaction costs	–	–	–	–	16.8	16.8	–	16.8
Other expenses	–	–	–	–	11.9	11.9	–	11.9
Profit/(loss) from continuing operations before income tax	305.5	141.1	31.6	13.4	7.2	498.8	(3.2)	495.6
Income tax expense	–	–	–	–	0.6	0.6	–	0.6
Profit/(loss) from continuing operations	305.5	141.1	31.6	13.4	6.6	498.2	(3.2)	495.0
Profit from discontinued operations	–	–	–	–	–	–	3.2	3.2
Profit attributable to the stapled unitholders of MPT	305.5	141.1	31.6	13.4	6.6	498.2	–	498.2

1) Reclassification of the results of the assets that form part of the disposal group. Refer to note 10 for further information.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 SEGMENTAL INFORMATION / CONTINUED

2011	Office \$m	Retail \$m	Industrial \$m	Other \$m	Unallocated \$m	Total \$m
Profit attributable to the stapled unitholders of MPT	305.5	141.1	31.6	13.4	6.6	498.2
Specific non-cash items						
Net gain on fair value of investment properties	(83.6)	(19.7)	–	(5.8)	–	(109.1)
Net loss/(gain) on fair value of IPUC	1.6	(6.0)	(0.5)	–	–	(4.9)
Gain on financial instruments	–	–	–	–	(3.3)	(3.3)
Straight-lining of lease revenue <sup>1</sup>	(15.3)	–	(1.0)	–	–	(16.3)
Amortisation of lease fitout incentives <sup>2</sup>	8.4	1.8	0.4	–	–	10.6
Foreign exchange gain	–	–	–	–	(3.6)	(3.6)
Net gain on fair value of investment properties, derivatives and other specific non-cash items included in share of net profit of associates and joint ventures <sup>3</sup>	–	–	–	–	(17.5)	(17.5)
Net loss on fair value of derivatives and other specific non-cash items included in discontinued operations <sup>3</sup>	–	–	–	–	9.1	9.1
Significant items						
Impairment of goodwill	–	7.1	–	–	–	7.1
Net loss on sale of non-aligned assets	–	–	–	–	1.2	1.2
Business combination transaction costs	–	–	–	–	16.8	16.8
Operating profit (profit before specific non-cash items and significant items)	216.6	124.3	30.5	7.6	9.3	388.3

1) Straight-lining of lease revenue is included in investment properties rental revenue in the consolidated statement of comprehensive income.

2) Amortisation of lease fitout incentives is included in amortisation expenses in the consolidated statement of comprehensive income.

3) Management's definition of operating profit excludes specific non-cash items which are included in the share of net profit/(loss) of associates, joint ventures and discontinued operations. Refer to note 11 for details of share of net profit/(loss) of associates and joint ventures accounted for using the equity method.

2011	Office \$m	Retail \$m	Industrial \$m	Other \$m	Unallocated \$m	Total inc. discontinued operations \$m	Discontinued operations \$m	Consolidated SoCI \$m
Operating profit								
Investment properties rental revenue <sup>1</sup>	275.2	192.5	36.3	10.2	–	514.2	–	514.2
Investment properties expenses	(58.6)	(68.2)	(5.8)	(2.6)	–	(135.2)	–	(135.2)
Net property income	216.6	124.3	30.5	7.6	–	379.0	–	379.0
Interest revenue	–	–	–	–	79.5	79.5	–	79.5
Other revenue	–	–	–	–	3.3	3.3	–	3.3
Share of net profit of associates and joint ventures accounted for using the equity method	–	–	–	–	13.1	13.1	12.3	25.4
Finance costs	–	–	–	–	(86.4)	(86.4)	–	(86.4)
Other expenses	–	–	–	–	(11.9)	(11.9)	–	(11.9)
Income tax expense	–	–	–	–	(0.6)	(0.6)	–	(0.6)
Operating profit (profit before specific non-cash items and significant items)	216.6	124.3	30.5	7.6	(3.0)	376.0	12.3	388.3

1) Investment properties rental revenue reconciles to that in the consolidated statement of comprehensive income after adjusting for straight-lining of lease revenue.

	Office \$m	Retail \$m	Industrial \$m	Other \$m	Unallocated \$m	Consolidated SoFP/SoCI \$m
<b>30 June 2012</b>						
Total assets	3,526.7	1,598.4	399.4	100.6	854.5	<b>6,479.6</b>
Total liabilities	3.9	4.7	–	–	755.9	<b>764.5</b>
Investments accounted for using the equity method	–	–	–	–	147.2	<b>147.2</b>
Acquisitions of investment properties including capital expenditures	151.4	63.6	11.4	2.0	–	<b>228.4</b>
Amortisation expenses	17.4	6.2	0.7	–	–	<b>24.3</b>
<b>30 June 2011</b>						
Total assets	3,285.1	1,709.9	387.4	95.0	1,528.4	7,005.8
Total liabilities	23.2	13.3	22.2	–	1,466.8	1,525.5
Investments in associates and joint ventures	–	–	–	–	249.0	249.0
Acquisitions of investment properties including capital expenditures	1,206.1	16.4	64.1	0.9	–	1,287.5
Amortisation expenses	11.3	3.7	0.6	–	–	15.6

**4 REVENUE FROM CONTINUING OPERATIONS AND OTHER INCOME**

	2012 \$m	2011 \$m
<b>Interest revenue</b>		
Cash and cash equivalents	14.3	27.7
Loans to entities related to Responsible Entity	47.8	51.8
<b>Total interest revenue</b>	<b>62.1</b>	<b>79.5</b>
<b>(Loss)/gain on financial instruments</b>		
(Loss)/gain on fair value of interest rate derivatives	(32.2)	3.2
Loss on interest rate derivatives	(3.5)	-
(Loss)/gain on fair value of other financial assets at fair value through profit or loss	(1.1)	0.1
<b>(Loss)/gain on financial instruments</b>	<b>(36.8)</b>	<b>3.3</b>

**5 EXPENSES**

	2012 \$m	2011 \$m
<b>Profit before income tax includes the following specific expenses:</b>	Note	
<b>Finance costs</b>		
Interest and finance charges paid/payable	69.3	84.6
Borrowing costs amortised	4.4	1.8
<b>Total finance costs</b>	<b>73.7</b>	<b>86.4</b>
<b>Amortisation expenses</b>		
Lease fitout incentives	16.2	10.6
Lease incentives	8.1	5.0
<b>Total amortisation expenses</b>	<b>24.3</b>	<b>15.6</b>
<b>Other charges against assets</b>		
Impairment of trade receivables	8(c)	0.1
Impairment of goodwill		-
		7.1

**6 INCOME TAX**

	2012 \$m	2011 \$m
<b>Income tax expense</b>		
Tax expense	0.3	0.6
<b>Income tax expense</b>	<b>0.3</b>	<b>0.6</b>
Income tax expense is attributable to:		
Foreign tax on US sourced income	0.3	0.6
	0.3	0.6

**7 EARNINGS PER STAPLED UNIT**

	2012 Cents	2011 Cents
<b>Basic earnings per stapled unit</b>		
From continuing operations	15.03	14.60
From discontinued operations <sup>1</sup>	(0.14)	0.09
<b>Total basic earnings per stapled unit attributable to the stapled unitholders of MPT</b>	<b>14.89</b>	<b>14.69</b>
<b>Diluted earnings per stapled unit<sup>2</sup></b>		
From continuing operations	15.00	14.55
From discontinued operations <sup>1</sup>	(0.14)	0.09
<b>Total diluted earnings per stapled unit attributable to the stapled unitholders of MPT</b>	<b>14.86</b>	<b>14.64</b>
<b>Reconciliation of earnings used in calculating earnings per stapled unit</b>	<b>\$m</b>	<b>\$m</b>
<b>Basic and diluted earnings per stapled unit</b>		
From continuing operations	512.6	495.0
From discontinued operations <sup>1</sup>	(4.9)	3.2
<b>Profit attributable to the stapled unitholders of MPT used in calculating earnings per stapled unit</b>	<b>507.7</b>	<b>498.2</b>

1) Refer to note 10 for further information.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7 EARNINGS PER STAPLED UNIT / CONTINUED

	Number m	Number m
<b>Weighted average number of stapled units used as denominator<sup>1</sup></b>		
Weighted average number of stapled units used in calculating basic earnings per unit	<b>3,409.9</b>	3,391.0
Units issued under EIS	<b>7.4</b>	11.2
<b>Weighted average number of units used in calculating diluted earnings per stapled unit</b>	<b>3,417.3</b>	3,402.2

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

## 8 RECEIVABLES

	Gross \$m	Provision for impairment \$m	Net \$m
<b>30 June 2012</b>			
<b>Current receivables</b>			
Trade receivables	<b>1.1</b>	<b>(0.2)</b>	<b>0.9</b>
Other receivables	<b>20.7</b>	<b>-</b>	<b>20.7</b>
	<b>21.8</b>	<b>(0.2)</b>	<b>21.6</b>
<b>Non-current receivables</b>			
Other receivables	<b>8.2</b>	<b>-</b>	<b>8.2</b>
Loans to entities related to Responsible Entity	<b>500.0</b>	<b>-</b>	<b>500.0</b>
	<b>508.2</b>	<b>-</b>	<b>508.2</b>
<b>Total receivables</b>	<b>530.0</b>	<b>(0.2)</b>	<b>529.8</b>
<b>30 June 2011</b>			
<b>Current receivables</b>			
Trade receivables	0.3	(0.1)	0.2
Loans to entities related to Responsible Entity	600.0	-	600.0
Other receivables	26.6	-	26.6
	626.9	(0.1)	626.8
<b>Non-current receivables</b>			
Other receivables	10.7	-	10.7
	10.7	-	10.7
<b>Total receivables</b>	<b>637.6</b>	<b>(0.1)</b>	<b>637.5</b>

### a) Trade receivables

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

### b) Other receivables

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

### c) Provision for impairment of trade receivables

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

	2012 \$m	2011 \$m
Balance 1 July	<b>(0.1)</b>	(0.1)
Provision for impairment recognised	<b>(0.1)</b>	-
Balance 30 June	<b>(0.2)</b>	(0.1)

The consolidated entity has not written off any impairment of trade receivables during the current year (2011: \$nil). There was no loss applied against the provision for impairment of receivables. The creation and release of the provision for impaired receivables have been included in other expenses in profit or loss where these relate to the impairment of trade receivables.

## 8 RECEIVABLES / CONTINUED

### d) Credit risk

Receivables consist of a large number of customers. The consolidated entity 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. The consolidated entity holds collateral in certain circumstances which takes the form of bank guarantees or security deposits. There is no concentration of credit risk with respect to receivables as the consolidated entity has a large number of customers, geographically dispersed.

The ageing of receivables is detailed below:

	2012		2011	
	Total receivables \$m	Provision for impairment \$m	Total receivables \$m	Provision for impairment \$m
Not past due	528.8	-	637.4	-
Renegotiated	-	-	-	-
Past due 1-30 day(s)	0.7	-	0.1	-
Past due 31-60 days	0.3	-	-	-
Past due 61-90 days	0.1	(0.1)	-	-
Past due 91-120 days	-	-	0.1	(0.1)
Past 120 days	0.1	(0.1)	-	-
<b>Total</b>	<b>530.0</b>	<b>(0.2)</b>	<b>637.6</b>	<b>(0.1)</b>

Under certain circumstances, the consolidated entity 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 year based upon the customer's payment history and analysis of the customer's financial accounts. The consolidated entity holds collateral over receivables of \$73.3m (2011: \$56.0m). 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, the consolidated entity is able to claim the collateral held.

### e) Interest rate risk exposures

Refer to note 30 for the consolidated entity's exposure to interest rate risk.

## 9 OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2012 \$m	2011 \$m
<b>Units in unlisted fund</b>			
Balance 1 July		19.2	18.0
Equity invested		-	1.1
Transfer to investment in associate accounted for using the equity method		(4.3)	-
Capital distribution received		(1.7)	-
(Loss)/gain on revaluation		(1.1)	0.1
<b>Balance 30 June</b>	24(c)	<b>12.1</b>	<b>19.2</b>

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

### a) Unlisted units

Unlisted units are traded in inactive markets. The fair value of investments that are not traded in an active market is determined by the unit price as advised by the trustee of the fund. Unlisted units in the trust are units in JF Infrastructure Yield Fund ("JFIYF") owned by James Fielding Trust of 12.9m units (21.8 per cent).

The fair value of the units in JFIYF 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 30 for the consolidated entity's exposure to price risk on other financial assets at fair value through profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10 ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

### a) Discontinued operations

On 16 December 2011, the Group announced that it had entered into contracts for the sale of its Hotel Management business and various associated investments following a strategic review of this business. The sale was completed on 22 May 2012. As part of this sale, the Trust disposed of its units in the Mirvac Wholesale Hotel Fund, previously accounted for as an associate using the equity method.

### b) Assets classified as held for sale

	2012 \$m	2011 \$m
<b>Non-current assets held for sale</b>		
Investment properties	–	3.4

As part of the consolidated entity's strategy, investment properties that no longer meet the investment criteria are classified as held for sale.

### c) Financial performance and cash flow information

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

	2012 \$m	2011 \$m
Revenue and other income	2.4	3.2
Net loss on sale of discontinued operations	(7.3)	–
<b>(Loss)/profit from discontinued operations</b>	<b>(4.9)</b>	<b>3.2</b>
<b>Profit attributable to the stapled unitholders of MPT from:</b>		
Continuing operations	512.6	495.0
Discontinued operations	(4.9)	3.2
	<b>507.7</b>	<b>498.2</b>
<b>Cash flows from discontinued operations</b>		
Net cash inflow from operating activities	9.9	6.8
Net increase in cash and cash equivalents from discontinued operations	9.9	6.8

### d) Details of the sale

	2012 \$m	2011 \$m
Consideration received:		
Cash	135.0	–
Total consideration	135.0	–
Carrying amount of assets sold (including selling costs)	(142.3)	–
Loss on disposal of discontinued operations	(7.3)	–

## 11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	2012 \$m	2011 \$m
<b>Consolidated statement of financial position</b>			
Investments accounted for using the equity method			
Investments in associates	24	125.1	249.0
Investments in joint ventures	25	22.1	–
		<b>147.2</b>	<b>249.0</b>
<b>Consolidated statement of comprehensive income</b>			
Share of net profit of associates and joint ventures accounted for using equity method			
Investments in associates	24	9.8	30.6
Investments in joint ventures	25	–	–
		<b>9.8</b>	<b>30.6</b>

## 12 DERIVATIVE FINANCIAL ASSETS

	2012 \$m	2011 \$m
<b>Non-current</b>		
Interest rate swap contracts – fair value	–	3.3

### a) Instruments used by the consolidated entity

Refer to note 30 for information on derivative financial instruments used by the consolidated entity.

### b) Risk exposures

Refer to note 30 for the consolidated entity's exposure to interest rate, credit and foreign exchange risk on interest rate swaps.

## 13 OTHER FINANCIAL ASSETS

	2012 \$m	2011 \$m
Convertible notes	51.5	–

## 14 INVESTMENT PROPERTIES

	Date of acquisition	2012 \$m	Book value 2011 \$m	Capitalisation rate 2012 %	2011 %	Discount rate 2012 %	2011 %	Date of last external valuation	Last external valuation \$m
<b>Mirvac Property Trust and its controlled entities</b>									
1 Castlereagh Street, Sydney NSW	Dec 1998	72.0	72.8	7.63	7.50	9.25	9.50	Jun 2012	72.0
1 Darling Island, Pyrmont NSW	Apr 2004	179.2	175.0	7.00	7.00	9.25	9.25	Dec 2010	175.0
1 Hugh Cairns Avenue, Bedford Park SA <sup>1</sup>	Aug 2010	16.5	17.8	9.50	9.50	10.00	10.00	Jun 2011	17.8
1 Woolworths Way NSO, Bella Vista NSW <sup>1</sup>	Aug 2010	246.6	250.0	7.75	7.75	9.25	9.25	Jun 2011	250.0
10 Julius Avenue, North Ryde NSW <sup>1</sup>	Dec 2009	53.9	53.1	8.50	8.50	9.25	9.25	Jun 2011	53.1
101-103 Miller Street & Greenwood Plaza, North Sydney NSW (50% interest)	Jun 1994	259.0	242.0	6.75-7.00	6.75-7.00	9.00-9.25	9.00-9.25	Dec 2010	238.5
10-20 Bond Street, Sydney NSW (50% interest) <sup>1</sup>	Dec 2009	175.5	125.0	6.88	7.50	9.00	9.50	Dec 2011	162.0
12 Julius Avenue, North Ryde NSW <sup>1</sup>	Dec 2009	23.4	23.4	8.50	8.50	9.25	9.25	Jun 2011	23.4
1-47 Percival Road, Smithfield NSW	Nov 2002	29.0	28.1	8.25	8.25	9.75	9.75	Dec 2011	28.3
189 Grey Street, Southbank QLD	Apr 2004	76.7	72.5	7.63	7.75	9.25	9.25	Dec 2011	73.0
19 Corporate Drive, Cannon Hill QLD <sup>1</sup>	Aug 2010	23.0	24.0	8.75	8.75	9.75	9.75	Jun 2011	24.0
190 George Street, Sydney NSW	Aug 2003	40.0	35.5	8.00	8.75	9.50	9.50	Dec 2011	40.0
1900-2060 Pratt Boulevard, Chicago Illinois USA	Dec 2007	29.1	28.9	7.50	8.00	9.25	9.75	Dec 2011	28.1
191-197 Salmon Street, Port Melbourne VIC	Jul 2003	102.5	102.3	8.00	7.75	9.25	9.25	Jun 2012	102.5
200 George Street, Sydney NSW	Oct 2001	29.1	26.2	8.00	8.25	9.50	9.50	Dec 2011	27.5
271 Lane Cove Road, North Ryde NSW	Apr 2000	31.3	32.5	8.25	8.00	9.50	9.50	Jun 2012	31.3
275 Kent Street, Sydney NSW <sup>1</sup>	Aug 2010	792.0	750.0	6.75	6.75	9.00	8.75	Jun 2012	792.0
3 Rider Boulevard, Rhodes NSW <sup>1</sup>	Dec 2009	80.9	76.4	8.00	8.00	9.25	9.25	Jun 2011	76.4
32 Sargents Road, Minchinbury NSW <sup>1,2</sup>	Dec 2009	23.5	23.5	8.75	8.75	9.50	9.50	Jun 2011	23.5
33 Corporate Drive, Cannon Hill QLD <sup>1</sup>	Aug 2010	16.0	16.5	9.00	9.00	9.75	9.75	Jun 2011	16.5
340 Adelaide Street, Brisbane QLD <sup>1</sup>	Dec 2009	65.4	57.0	9.00	9.00	10.00	10.00	Dec 2010	56.0
38 Sydney Avenue, Forrest ACT	Jun 1996	35.0	35.1	8.50	8.50	9.50	9.50	Dec 2010	35.0
40 Miller Street, North Sydney NSW	Mar 1998	103.6	98.0	7.25	7.25	9.25	9.25	Jun 2012	103.6
47-67 Westgate Drive, Altona North VIC <sup>1,2</sup>	Dec 2009	19.1	19.1	9.50	9.75	9.75	10.00	Dec 2011	19.1
5 Rider Boulevard, Rhodes NSW <sup>3</sup>	Sep 2011	123.3	–	7.63	–	9.13	–	Mar 2011	117.6
52 Huntingwood Drive, Huntingwood NSW <sup>1,2</sup>	Dec 2009	22.0	22.0	8.50	8.50	9.75	9.75	Jun 2011	22.0
54 Marcus Clarke Street, Canberra ACT	Oct 1987	15.9	16.1	9.50	9.50	9.75	9.75	Dec 2010	15.8
54-60 Talavera Road, North Ryde NSW <sup>1</sup>	Aug 2010	45.5	45.5	7.50	7.50	9.50	9.50	Dec 2010	45.0
55 Coonara Avenue, West Pennant Hills NSW <sup>1</sup>	Aug 2010	105.1	102.6	8.50	8.50	9.50	9.50	Dec 2010	99.0
60 Marcus Clarke Street, Canberra ACT	Sep 1989	49.6	49.0	8.75	8.75	9.50	9.50	Jun 2011	49.0
64 Biloela Street, Villawood NSW <sup>2</sup>	Feb 2004	19.1	19.1	10.50	10.50	10.75	10.75	Jun 2011	19.1
Aviation House, 16 Furzer Street, Phillip ACT	Jul 2007	68.3	69.8	7.75	7.50	9.50	9.25	Jun 2012	68.3
Ballina Central, Ballina NSW <sup>4</sup>	Dec 2004	–	28.0	–	8.75	–	9.50	Jun 2011	28.0
Bay Centre, Pirrama Road, Pyrmont NSW	Jun 2001	106.9	111.0	7.65	7.50	9.25	9.25	Dec 2011	103.5
Broadway Shopping Centre, Broadway NSW (50% interest)	Jan 2007	245.0	227.5	6.00	6.25	9.00	9.00	Jun 2012	245.0
Cherrybrook Village Shopping Centre, Cherrybrook NSW <sup>1</sup>	Dec 2009	80.0	78.5	7.50	7.50	9.50	9.50	Jun 2011	78.5
City Centre Plaza, Rockhampton QLD <sup>1</sup>	Dec 2009	48.7	48.0	8.00	8.00	9.75	9.75	Jun 2011	48.0
Como Centre, Cnr Toorak Road & Chapel Street, South Yarra VIC	Aug 1998	153.5	150.0	7.75-8.75	8.00-8.75	9.29-9.75	9.30-10.00	Jun 2011	150.0
Cooleman Court, Weston ACT <sup>1</sup>	Dec 2009	46.5	43.0	7.75	7.75	9.50	9.50	Dec 2011	46.0
Gippsland Centre, Sale VIC	Jan 1994	49.1	50.3	8.25	8.25	9.50	9.50	Dec 2011	49.1
Hinkler Central, Bundaberg QLD	Aug 2003	91.0	89.5	7.75	7.75	9.50	9.50	Mar 2011	89.5
John Oxley Centre, 339 Coronation Drive, Milton QLD	May 2002	56.0	52.5	9.00	9.00	10.00	10.00	Mar 2011	52.5
Kawana Shoppingworld, Buddina QLD	Dec 1993 (50%) & Jun 1998 (50%)	215.7	203.7	6.75	6.75	9.25	9.25	Dec 2011	209.7
Logan Megacentre, Logan QLD	Oct 2005	55.5	60.5	9.75	9.25	10.50	10.25	Dec 2010	61.5
Metcentre & 60 Margaret Street, Sydney NSW (50% interest)	Aug 1998	229.7	217.6	6.5-7.00	6.50-7.00	9.00-9.25	9.00-9.25	Dec 2010	217.5

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14 INVESTMENT PROPERTIES / CONTINUED

	Date of acquisition	2012 \$m	Book value 2011 \$m	Capitalisation rate 2012 %	2011 %	Discount rate 2012 %	2011 %	Date of last external valuation	Last external valuation \$m
Moonee Ponds Central (Stage II), Moonee Ponds VIC	Feb 2008	40.0	40.0	8.50	8.50	9.75	9.75	Jun 2012	40.0
Moonee Ponds Central, Moonee Ponds VIC	May 2003	25.5	24.0	7.75	7.75	9.50	9.50	Jun 2012	25.5
Nexus Industry Park (Building 1), Lyn Parade, Prestons NSW	Aug 2004	18.3	17.9	8.13	8.25	9.50	9.50	Jun 2011	17.9
Nexus Industry Park (Building 2), Lyn Parade, Prestons NSW	Aug 2004	12.5	12.3	8.25	8.50	9.50	9.75	Mar 2011	12.3
Nexus Industry Park (Building 3), Lyn Parade, Prestons NSW	Aug 2004	23.7	23.5	8.13	8.25	9.50	9.50	Jun 2011	23.5
Nexus Industry Park (Building 4), Lyn Parade, Prestons NSW <sup>5</sup>	Aug 2004	33.5	-	8.00	-	9.50	-	Jun 2012	33.5
Nexus Industry Park (Building 5), Lyn Parade, Prestons NSW	Aug 2004	15.5	14.8	8.13	8.50	9.50	9.75	Dec 2010	14.8
Orange City Centre, Orange NSW	Apr 1993	48.0	49.5	8.50	8.25	10.00	9.25	Dec 2011	49.0
Orion Springfield Town Centre, Springfield QLD	Aug 2002	124.0	130.0	6.75	6.75	9.25	9.25	Dec 2010	136.0
Peninsula Lifestyle, Mornington VIC <sup>4</sup>	Dec 2003	-	44.0	-	9.75	-	10.25	Dec 2010	45.0
Quay West Car Park, 109-111 Harrington Street, Sydney NSW	Nov 1989	29.5	29.2	8.50	8.50	10.00	10.00	Jun 2011	29.2
Rhodes Shopping Centre, Rhodes NSW (50% interest)	Jan 2007	115.0	110.0	7.00	7.00	9.25	9.25	Jun 2011	110.0
Riverside Quay, Southbank VIC	Apr 2002 & Jul 2003	192.1	170.0	7.75-8.00	7.75-8.25	9.25-10.00	9.25-10.25	Dec 2011	176.0
Royal Domain Centre, 380 St Kilda Road, Melbourne VIC	Oct 1995 (50%) & Apr 2001 (50%)	110.0	107.0	8.00	8.00	9.00	9.25	Jun 2011	107.0
Sirius Building, 23 Furzer Street, Phillip ACT	Feb 2010	240.0	234.9	7.50	7.25	9.50	9.25	Jun 2012	240.0
St Marys Village Centre, St Marys NSW	Jan 2003	43.0	43.0	7.75	7.75	9.50	9.50	Dec 2010	43.0
Stanhope Village, Stanhope Gardens NSW	Nov 2003	73.8	66.0	7.50	7.75	9.25	9.25	Dec 2011	70.5
Taree City Centre, Taree NSW <sup>1,4</sup>	Dec 2009	-	53.0	-	8.13	-	9.50	Jun 2011	53.0
Waverley Gardens Shopping Centre, Mulgrave VIC	Nov 2002	132.0	128.0	7.75	7.75	9.50	9.25	Dec 2011	131.5
<b>Total investment properties</b>		<b>5,625.1</b>	5,366.0						
<b>IPUC</b>									
4 Dalley Street & Laneway, Sydney NSW	Mar 2004	2.2	2.3	6.75	6.75	9.25	9.25	Dec 2011	-
8 Chifley Square, Sydney NSW <sup>1,6</sup>	Oct 2009	-	49.0	-	6.50	-	9.25	Dec 2010	36.5
Nexus Industry Park (Building 4), Lyn Parade, Prestons NSW <sup>5</sup>	Aug 2004	-	23.7	-	7.88	-	9.50	-	-
Orion Springfield land, Springfield QLD <sup>7</sup>	Aug 2002	32.0	33.0	6.50-9.25	6.50-9.25	9.25-10.75	9.25-10.75	Dec 2010	33.0
<b>Total IPUC</b>		<b>34.2</b>	108.0						
<b>Total investment properties and IPUC</b>		<b>5,659.3</b>	5,474.0						

1) Date of acquisition represents business combination acquisition date.

2) Investment property subject to conditional agreement for sale as at 30 June 2012.

3) Investment property acquired during the year.

4) Investment property disposed of during the year.

5) IPUC completed during the year and held as investment property.

6) 50 per cent of the entity holding IPUC sold during the year and remaining interest reclassified to joint ventures.

7) Movement during the year relates to partial land resumption by QLD Government.

### a) Reconciliation of carrying amounts of investment properties

At fair value	2012 \$m	2011 \$m
Balance 1 July	5,474.0	4,212.3
Additions	110.8	134.8
Acquisitions	117.6	-
Additions resulting from business combination	-	1,152.7
Net gain on fair value of investment properties	164.2	109.1
Net (loss)/gain of fair value of IPUC	(2.3)	4.9
Net gain/(loss) from foreign currency translation	1.6	(6.6)
Assets classified as held for sale or disposals during the year	(126.2)	(111.4)
Sale of asset and transfer to equity accounted investments	(49.0)	-
Amortisation of fitout incentives, leasing costs and rent incentive	(31.4)	(21.8)
<b>Balance 30 June</b>	<b>5,659.3</b>	5,474.0

### b) Amounts recognised in profit or loss for investment properties

Investment properties rental revenue	552.0	530.5
Investment properties expenses	(135.8)	(130.2)
	<b>416.2</b>	400.3



## 14 INVESTMENT PROPERTIES / CONTINUED

### c) Valuation basis

#### i) Investment properties

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

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

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

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

#### ii) IPUC

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

### d) Property portfolio

The consolidated entity's property portfolio is made up as follows:

	2012 \$m	2011 \$m
Investment properties per consolidated statement of financial position	5,659.3	5,474.0
Investment properties classified as assets held for sale	-	3.4
	<b>5,659.3</b>	<b>5,477.4</b>

## 15 INTANGIBLE ASSETS

	2012 \$m	2011 \$m
Balance 1 July	69.5	49.9
Acquisition of controlled entities <sup>1</sup>	-	26.7
Impairment	-	(7.1)
<b>Balance 30 June</b>	<b>69.5</b>	<b>69.5</b>

1) Acquisition of Westpac Office Portfolio ("WOP") \$25.5m and acquisition of remaining interest in North Ryde Office Trust \$1.2m.

### a) Allocation of goodwill by business segments

A segment level summary of the goodwill allocations is presented below:

	Office \$m	Retail \$m	Industrial \$m	Other \$m	Unallocated \$m	Total \$m
<b>2012</b>						
Goodwill	44.5	-	7.6	-	17.4	69.5
<b>Balance 30 June</b>	<b>44.5</b>	<b>-</b>	<b>7.6</b>	<b>-</b>	<b>17.4</b>	<b>69.5</b>
<b>2011</b>						
Goodwill	44.5	-	7.6	-	17.4	69.5
Balance 30 June	44.5	-	7.6	-	17.4	69.5

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15 INTANGIBLE ASSETS / CONTINUED

### b) Key assumptions used for value in use calculations for goodwill

Goodwill is allocated to the consolidated entity's CGUs identified according to business segments.

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 forecasts approved by management covering a 10 year period. For each business segment CGU, no forecast growth rate is assumed as the value in use calculations are based on forecast cash flows from existing investment properties and other investments. The discount rates used are post-tax and reflect specific risks relating to the relevant segments.

CGU	Growth rate <sup>1</sup>		Discount rate	
	2012 %	2011 %	2012 %	2011 %
Office	-	-	9.5	10.0
Retail	-	-	9.5	10.0
Industrial	-	-	9.5	10.0
Other	-	-	9.5	10.0

1) The value in use calculation is based on financial budgets and forecasts approved by management covering a 10 year period. No forecast growth rate is assumed as the value in use calculations are based on forecast cash flows from existing investment properties.

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

### c) Impairment of goodwill

There was no impairment of goodwill during the year (2011: \$7.1m). The impairment loss recognised in the prior year was in relation to the Retail segment. The carrying value of the Retail segment goodwill decreased due to the reduction of forecast income resulting from the sales of high yielding non-aligned retail investment properties which resulted in an impairment expense. In determining the carrying value of the Retail segment, a post-tax discount rate of 10 per cent per annum was applied to the future estimated cash flows.

## 16 PAYABLES

	2012 \$m	2011 \$m
Trade payables	15.6	12.9
Other creditors and accruals	24.9	34.3
Rent in advance	15.7	19.1
Security deposits received	1.0	1.2
Amounts due to entities related to Responsible Entity <sup>1</sup>	36.8	84.0
	<b>94.0</b>	<b>151.5</b>

1) Further information in relation to amounts due to related entities is set out in note 29.

## 17 BORROWINGS

	Note	2012 \$m	2011 \$m
<b>Current</b>			
<i>Secured</i>			
Commercial mortgage backed securities ("CMBS")	17(a)(iii)	-	505.0
		-	505.0
<b>Non-current</b>			
<i>Unsecured</i>			
Bank loans	17(a)(i)	338.9	563.7
Domestic medium term note ("MTN")	17(a)(ii)	200.0	200.0
Loan from related party	17(a)(iv)	20.8	20.2
		<b>559.7</b>	<b>783.9</b>

### a) Borrowings

#### i) Unsecured bank loans

The consolidated entity has access to unsecured bank facilities totalling \$1,590.0m (2011: \$1,590.0m). The consolidated entity has the ability to draw from this syndicated facility containing three tranches: a \$530.0m tranche maturing in January 2014, \$530.0m tranche maturing in January 2015 and a \$530.0m tranche maturing in January 2016.

#### ii) Domestic MTN

The consolidated entity has a total of \$200.0m (2011: \$200.0m) of domestic MTN outstanding maturing in March 2015. Interest is payable semi-annually in arrears in accordance with the terms of the notes.

## 17 BORROWINGS / CONTINUED

### iii) CMBS

All CMBS acquired as part of the acquisition of WOP have been repaid during the year from cash on hand (2011: \$505.0m).

### iv) Loan from related party

The consolidated entity has an unsecured loan from a related party of \$20.8m (2011: \$20.2m). The loan is held in US dollars and translated into Australian dollars monthly. The facility expires on 7 December 2017.

### b) Assets pledged as security

No debt facility is secured by real property mortgages or a fixed and floating charge.

### c) Financing arrangements

	2012 \$m	2011 \$m
<b>Total facilities</b>		
Unsecured bank loans <sup>1</sup>	1,590.0	1,590.0
Domestic MTN	200.0	200.0
CMBS	–	505.0
Loan from related party	25.0	24.6
	<b>1,815.0</b>	<b>2,319.6</b>
<b>Used at end of the year</b>		
Unsecured bank loans <sup>1</sup>	862.9	1,090.1
Domestic MTN	200.0	200.0
CMBS	–	505.0
Loan from related party	20.8	20.2
	<b>1,083.7</b>	<b>1,815.3</b>
<b>Unused at end of the year</b>		
Unsecured bank loans <sup>1</sup>	727.1	499.9
Loan from related party	4.2	4.4
	<b>731.3</b>	<b>504.3</b>

1) Total bank loan facility relates to Mirvac; this facility is available to the consolidated entity and Mirvac Limited. The consolidated entity has drawn down \$338.9m at 30 June 2012 (2011: \$563.7m).

### d) Fair value

	Carrying amount		Fair value	
	2012 \$m	2011 \$m	2012 \$m	2011 \$m
<b>Included in consolidated statement of financial position</b>				
<b>Non-traded financial liabilities</b>				
Bank loans	338.9	563.7	338.9	563.7
Domestic MTN	200.0	200.0	200.0	200.0
CMBS	–	505.0	–	505.0
Loan from related party	20.8	20.2	20.8	20.2
	<b>559.7</b>	<b>1,288.9</b>	<b>559.7</b>	<b>1,288.9</b>

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

#### i) Included in consolidated statement of financial position

The fair value of borrowings is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

#### ii) Not included in consolidated statement of financial position

The Trust and certain controlled entities have potential financial liabilities which may arise from certain contingent liabilities disclosed in note 26. No material losses are anticipated in respect of any of those contingent liabilities and the fair value disclosed is the estimated amount which would be payable by the consolidated entity as consideration for the assumption of those contingent liabilities by another party.

## 18 PROVISIONS

	2012 \$m	2011 \$m
Distributions payable <sup>1</sup>	82.0	75.2
Balance 1 July	75.2	65.3
Interim and final distributions	287.0	280.1
Payments made	(280.2)	(270.2)
<b>Balance 30 June</b>	<b>82.0</b>	<b>75.2</b>

1) The amounts reported in the provision include distributions paid/payable to unitholders of the consolidated entity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19 DERIVATIVE FINANCIAL LIABILITIES

	2012 \$m	2011 \$m
Interest rate swap contracts – fair value	<b>28.8</b>	9.9

### a) Instruments used by the consolidated entity

Refer to note 30 for information on instruments used by the consolidated entity.

### b) Interest rate risk exposures

Refer to note 30 for the consolidated entity's exposure to interest rate risk on interest rate swaps.

## 20 CONTRIBUTED EQUITY

### a) Paid up equity

	2012 Units m	2011 Units m	2012 \$m	2011 \$m
Mirvac Property Trust – ordinary units issued	<b>3,412.0</b>	3,409.3	<b>5,110.8</b>	5,105.5
<b>Total contributed equity</b>	<b>3,412.0</b>	3,409.3	<b>5,110.8</b>	5,105.5

### b) Movements in paid up equity

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

	Issue date	Issue price \$	Note	Number m	Units \$m
Balance 1 July 2011				3,409.3	5,105.5
EEP stapled units issued	22 March 2012	1.16	(c)	1.3	1.3
LTIP, LTI and EIS stapled units converted, sold or forfeited			(c)	1.4	4.0
<b>Balance 30 June 2012</b>				<b>3,412.0</b>	<b>5,110.8</b>
Balance 1 July 2010				3,254.8	4,905.9
Acquisition of WOP	4 August 2010	1.25	(d)	149.0	186.0
EEP unit issues vested	24 March 2011	1.11	(c)	1.1	1.2
LTIP, LTI and EIS stapled units converted, sold or forfeited			(c)	4.4	13.2
Less: Transaction costs arising on issues of stapled units				–	(0.8)
Balance 30 June 2011				3,409.3	5,105.5

### Ordinary units

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

### c) LTI, EIS and EEP issues

#### i) Current LTI plan

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

#### ii) EEP

During the year, 5.0m (2011: 3.7m) stapled units have been issued to employees under the EEP.

#### iii) Superseded LTI and EIS plans

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

### d) Acquisition of WOP

In the previous year, as part of the acquisition of WOP the Trust issued 149.0m stapled units at \$1.25 per unit, to the unitholders of WOP who opted to receive a scrip component.

## 20 CONTRIBUTED EQUITY / CONTINUED

### e) Reconciliation of units issued on the ASX

Under AAS, units 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 units issued as detailed above are reconciled to units issued on the ASX as follows:

	2012 Units m	2011 Units m
Total ordinary units disclosed	3,412.0	3,409.3
Stapled units issued under LTI plan and EIS	6.2	7.6
<b>Total units issued on the ASX</b>	<b>3,418.2</b>	<b>3,416.9</b>

### f) Capital risk management

Refer to note 30 for the consolidated entity's capital risk management.

## 21 RESERVES

	Note	2012 \$m	2011 \$m
<b>a) Reserves</b>			
Asset revaluation reserve		–	24.1
Capital reserve		(1.4)	(1.4)
Foreign currency translation reserve		1.0	0.5
NCI reserve		6.8	6.8
		<b>6.4</b>	<b>30.0</b>

### b) Movements in reserves

#### Asset revaluation reserve

Balance 1 July		24.1	–
Transfer out to retained earnings		(32.4)	–
Share of other comprehensive income of associate accounted for using the equity method	24(b)	8.3	24.1
<b>Balance 30 June</b>		<b>–</b>	<b>24.1</b>

#### Capital reserve

There were no movements in capital reserve during the year.

#### Foreign currency translation reserve

Balance 1 July		0.5	1.8
Increase/(decrease) in reserve due to translation of foreign operations		0.5	(1.3)
<b>Balance 30 June</b>		<b>1.0</b>	<b>0.5</b>

#### NCI reserve

There were no movements in the NCI reserve during the year.

### c) Nature and purpose of reserves

#### i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the share of revaluation of owner-occupied assets of associates and joint ventures accounted for using the equity method. However, any decrement in excess of previous increments is expensed to profit or loss. The asset revaluation reserve related entirely to discontinued operations which on settlement was transferred to retained earnings, as it represented other comprehensive income of the discontinued operations.

#### ii) Capital reserve

The capital reserve represents the cost of issuing the scrip for the purchase consideration of Mirvac Real Estate Investment Trust.

#### iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations of the Trust are taken to the foreign currency fluctuation reserve, as described in note 1(e).

#### iv) NCI reserve

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

## 22 RETAINED EARNINGS

	2012 \$m	2011 \$m
Balance 1 July	344.8	126.7
Profit for the year attributable to the stapled unitholders of MPT	507.7	498.2
Transfer in from asset revaluation reserve	32.4	–
Distributions provided for or paid	(287.0)	(280.1)
<b>Balance 30 June</b>	<b>597.9</b>	<b>344.8</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23 DISTRIBUTIONS

Ordinary stapled units	2012 \$m	2011 \$m
Quarterly ordinary distributions paid as follows:		
2.00 cents per stapled unit paid on 28 October 2011	68.3	
2.00 cents per stapled unit paid on 29 October 2010		68.3
2.00 cents per stapled unit paid on 27 January 2012	68.3	
2.00 cents per stapled unit paid on 28 January 2011		68.3
2.00 cents per stapled unit paid on 27 April 2012	68.4	
2.00 cents per stapled unit paid on 29 April 2011		68.3
2.40 cents per stapled unit paid on 27 July 2012	82.0	
2.20 cents per stapled unit paid on 29 July 2011		75.2
<b>Total distribution 8.40 cents per stapled unit (2011: 8.20)</b>	<b>287.0</b>	<b>280.1</b>

There was no distribution reinvestment plan ("DRP") in place for either year; all distributions were satisfied in cash.

## 24 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	2012 %	Interest <sup>3</sup> 2011 %	2012 \$m	2011 \$m
Mirvac Industrial Trust <sup>1</sup>	Listed property investment trust	14.1	14.1	-	-
Australian Sustainable Forestry Investors <sup>2</sup>	Forestry and environment asset manager	25.2	-	4.4	-
Tucker Box Hotel Group	Hotel investment	49.0	49.0	120.7	120.6
Mirvac Wholesale Hotel Fund	Hotel investment	-	49.2	-	128.4
				<b>125.1</b>	<b>249.0</b>

1) The consolidated entity equity accounts for this investment as an associate even though it owns less than 20 per cent of the voting or potential voting power due to the fact that the Responsible Entity is Mirvac Funds Management Limited, a related party of the Responsible Entity of the Trust.

2) This investment was previously held as fair value through profit or loss and was reclassified from 1 July 2011 to an associate, accounted for using the equity method.

3) Each of the above associates was established in Australia.

### b) Movements in carrying amounts and aggregate share

	Note	2012 \$m	2011 \$m
<b>Movements in carrying amounts</b>			
Balance 1 July		249.0	207.0
Transfers from other financial assets at fair value through profit or loss		4.3	-
Equity acquired		1.0	2.3
Discontinued operations sold		(130.7)	-
Distributions received		(15.5)	(18.2)
Share of profit from continuing operations	11	9.8	30.6
Share of (loss)/profit from discontinued operations		(1.1)	3.2
Share of other comprehensive income of associate accounted for using the equity method	21(b)	8.3	24.1
<b>Balance 30 June</b>		<b>125.1</b>	<b>249.0</b>
<b>MPT's aggregate share of associates' assets and liabilities</b>			
Current assets		9.3	19.5
Non-current assets		240.5	509.2
<b>Total assets</b>		<b>249.8</b>	<b>528.7</b>
Current liabilities		6.9	130.9
Non-current liabilities		104.7	117.6
<b>Total liabilities</b>		<b>111.6</b>	<b>248.5</b>
<b>Net assets</b>		<b>138.2</b>	<b>280.2</b>

## 24 INVESTMENTS IN ASSOCIATES / CONTINUED

	2012 \$m	2011 \$m
<b>MPT's aggregate share of associates' revenues, expenses and results</b>		
Revenues	25.3	96.0
Expenses	(16.6)	(58.0)
Profit before income tax	8.7	38.0
<b>MPT's aggregate share of associates' expenditure commitments</b>		
Capital commitments	-	-
<b>Fair value of listed investments in associates</b>		
Mirvac Industrial Trust	1.4	1.9

### c) Investment in associates accounted for at fair value

Name of entity	Principal activities	2012 %	Interest 2011 %	2012 \$m	2011 \$m
Australian Sustainable Forestry Investors <sup>1</sup>	Forestry and environment asset manager	-	25.2	-	4.2
JF Infrastructure Yield Fund	Infrastructure	21.8	21.8	12.1	15.0
				12.1	19.2

1) This investment was reclassified to an associate accounted for using the equity method of accounting on 1 July 2011.

## 25 INVESTMENTS IN JOINT VENTURES

### a) Joint ventures accounted for using the equity method

Investments in joint ventures include those in corporations, partnerships and other entities and accounted for in the consolidated financial statements using the equity method of accounting. All joint ventures were established in Australia. Information relating to joint ventures is set out below:

Name of entity	Principal activities	2012 %	Interest 2011 %	2012 \$m	2011 \$m
Mirvac 8 Chifley Trust <sup>1</sup>	Investment property	50.0	-	22.1	-

1) This investment was previously held as IPUC. During the year, 50 per cent of the entity was sold and subsequently it is equity accounted for as an investment joint venture.

### b) Movements in carrying amounts and aggregate share

	2012 \$m	2011 \$m
<b>Movements in carrying amounts</b>		
Balance 1 July	-	-
Transfer in from IPUC	7.4	-
Share of profit from ordinary operating activities	-	-
Equity acquired	14.7	-
<b>Balance 30 June</b>	<b>22.1</b>	<b>-</b>
<b>MPT's aggregate share of joint ventures' assets and liabilities</b>		
Current assets	2.3	-
Non-current assets	71.8	-
Total assets	74.1	-
Current liabilities	0.5	-
Non-current liabilities	51.5	-
Total liabilities	52.0	-
<b>Net assets</b>	<b>22.1</b>	<b>-</b>
<b>MPT's aggregate share of joint ventures' revenue , expenses and results</b>		
Revenue	-	-
Expenses	-	-
Profit before income tax	-	-
<b>MPT's aggregate share of joint ventures' expenditure commitments</b>		
Capital commitments	80.8	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 26 CONTINGENT LIABILITIES

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

	2012 \$m	2011 \$m
Bank guarantees and performance bonds issued by external parties in respect of certain performance obligations granted in the normal course of business	0.1	0.1
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 consolidated entity, they would result in a liability.	6.0	1.0

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

## 27 COMMITMENTS

### Capital commitments

	2012 \$m	2011 \$m
<b>Investment properties and other commitments</b>		
Not later than one year	69.1	30.7
Later than one year but not later than five years	15.4	-
Later than five years	-	-
	<b>84.5</b>	<b>30.7</b>

## 28 KEY MANAGEMENT PERSONNEL

### a) Determination of KMP

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

### b) KMP compensation excluding Non-Executive Directors' compensation

KMP are employed by Mirvac Projects Pty Limited. Payments made from the consolidated entity to Mirvac Funds Limited do not include any amounts directly attributable to the compensation of KMP.

### c) Equity instrument disclosures relating to KMP

#### i) Unitholdings

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

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



## 28 KEY MANAGEMENT PERSONNEL / CONTINUED

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

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

### ii) Options

The number of options over ordinary units in Mirvac held during the year by each Director and other KMP, including their personally-related parties, is set out below:

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

### iii) Performance rights

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:

	Balance 1 July	Rights issued under EEP	Other changes	Balance 30 June
<b>2012</b>				
<b>Director</b>				
Nicholas Collishaw	5,272,800	1,403,900	(869,600)	<b>5,807,100</b>
<b>Executives</b>				
Andrew Butler	160,700	10,334	(72,200)	<b>98,834</b>
Brett Draffen	1,194,700	596,347	(243,500)	<b>1,547,547</b>
Gary Flowers	732,200	362,990	(87,000)	<b>1,008,190</b>
Justin Mitchell	514,300	88,429	(150,700)	<b>452,029</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 28 KEY MANAGEMENT PERSONNEL / CONTINUED

	Balance 1 July	Rights issued under EEP	Other changes	Balance 30 June
2011				
<b>Director</b>				
Nicholas Collishaw	3,199,560	2,189,600	(116,360)	5,272,800
<b>Executives</b>				
Andrew Butler	99,470	88,500	(27,270)	160,700
John Carfi	489,670	174,900	(118,170)	546,400
Brett Draffen	906,130	452,200	(163,630)	1,194,700
Gary Flowers	351,800	380,400	–	732,200
Justin Mitchell	464,490	179,500	(129,690)	514,300
Matthew Wallace	467,050	147,600	(116,350)	498,300

### d) Loans to Directors and other KMP

The consolidated entity has not made, guaranteed or secured, directly or indirectly, any loans to KMP or their personally-related parties at any time during the year.

### e) Other transactions with KMP

There are a number of transactions between KMP and Mirvac. 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, KMP may purchase goods and services from Mirvac. These purchases are on terms and conditions available to Mirvac employees generally.

## 29 RELATED PARTIES

### a) Controlled entities

Interests in controlled entities are set out in note 31.

### b) The Responsible Entity

The Responsible Entity of the Trust is Mirvac Funds Limited, an entity incorporated in New South Wales. The immediate parent entity of the Responsible Entity is Mirvac Woolloomooloo Pty Limited, incorporated in New South Wales and its ultimate parent entity is Mirvac Limited, incorporated in New South Wales.

### c) KMP

Disclosures relating to KMP are set out in note 28.

### d) Responsible Entity's fees

As outlined in the Explanatory Memorandum dated 4 May 1999, as part of the merger of Mirvac, Mirvac Funds Limited reduced its Responsible Entity fees to a recovery of cost basis. Fees charged by Mirvac Funds Limited for the year to 30 June 2012 were \$5.8m (2011: \$6.2m) in accordance with the terms contained in the merger proposal in 1999.

### e) Transactions with related parties

The following transactions occurred with related parties:

	2012 \$000	2011 \$000
<b>Revenue from continuing operations and other income</b>		
Investment properties rental revenue from entities related to Responsible Entity	10,738	10,386
Interest received from entities related to Responsible Entity	47,835	51,796
<b>Expenses</b>		
Fees paid to Responsible Entity	5,799	6,245
Interest paid to entities related to Responsible Entity	425	1,534
Property management fee expense paid to entity related to Responsibility Entity	10,792	10,888
Other expenses paid to entities related to Responsible Entity	1,760	–
<b>Capital expenditure paid to entities related to Responsible Entity</b>	<b>2,734</b>	56,659

### f) Outstanding balances in relation to transactions with related parties

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

	2012 \$000	2011 \$000
<b>Current receivables</b>		
Loans to entities related to Responsible Entity	–	600,000
<b>Non-current receivables</b>		
Loans to entities related to Responsible Entity	500,000	–
<b>Current payables</b>		
Amounts due to entities related to Responsible Entity	36,811	83,995
<b>Non-current borrowings</b>		
Loan from related party	20,803	20,207

## 29 RELATED PARTIES / CONTINUED

### g) Terms and conditions

Transactions relating to distributions are on the same terms and conditions that applied to other unitholders.

Other transactions were made on normal commercial terms and conditions with variable terms for the repayment and interest payable and receivable at market rates on the loans between the parties.

## 30 FINANCIAL RISK MANAGEMENT

The consolidated entity's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The consolidated entity's overall risk management program seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity 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 consolidated entity's operating units in accordance with Board policy.

The consolidated entity holds the following financial instruments:

	Note	2012 \$m	2011 \$m
<b>Financial assets</b>			
Cash and cash equivalents	33(a)	–	536.2
Receivables	8	<b>529.8</b>	637.5
Other financial assets at fair value through profit or loss	9	<b>12.1</b>	19.2
Derivative financial assets	12	–	3.3
Other financial assets	13	<b>51.5</b>	–
		<b>593.4</b>	1,196.2
<b>Financial liabilities</b>			
Payables	16	<b>94.0</b>	151.5
Borrowings	17	<b>559.7</b>	1,288.9
Derivative financial liabilities	19	<b>28.8</b>	9.9
		<b>682.5</b>	1,450.3

The carrying values of trade receivables (less impairment provision) and payables are assumed to approximate their fair values due to their short term nature. Derivative financial assets and liabilities are valued based upon valuation techniques.

### a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial asset or financial liability will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and price risk.

#### i) Currency risk

Foreign exchange risk refers to the change in value between foreign currencies and the Australian dollar. This change affects the assets and liabilities of the consolidated entity which are denominated in currencies other than Australian dollars. The consolidated entity foreign exchange risks arise mainly from:

- borrowings denominated in currencies other than Australian dollars which are predominantly US dollars;
- investments in offshore operations which are located in the United States; and
- receipts and payments which are denominated in other currencies.

The consolidated entity 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. Translation gains or losses on the net investment in foreign operations are recorded through the foreign currency translation reserve.

### Sensitivity analysis

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

#### ii) Interest rate risk

The consolidated entity's interest rate risk arises from long term borrowings, cash and cash equivalents, receivables and derivatives.

### Borrowings

Borrowings issued at variable rates expose the consolidated entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value interest rate risk. The consolidated entity's policy is to have a minimum of 50 per cent and a target of 90 per cent of borrowings subject to fixed or capped interest rates. This policy was complied with at the end of the year. The consolidated entity 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, the consolidated entity 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30 FINANCIAL RISK MANAGEMENT / CONTINUED

The following table sets out the consolidated entity's net exposure to interest rate risk by maturity periods. Exposures arise predominantly from liabilities bearing variable interest rates as the consolidated entity 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	
<b>2012</b>								
Loan from related party	20.8	-	-	-	-	-	-	<b>20.8</b>
Unsecured bank loans	338.9	-	-	-	-	-	-	<b>338.9</b>
Domestic MTN	-	-	-	200.0	-	-	-	<b>200.0</b>
Interest rate swaps <sup>1</sup>	(313.8)	-	-	(47.9)	-	280.0	81.7	<b>-</b>
<b>Total</b>	<b>45.9</b>	<b>-</b>	<b>-</b>	<b>152.1</b>	<b>-</b>	<b>280.0</b>	<b>81.7</b>	<b>559.7</b>
<b>2011</b>								
Loan from related party	20.2	-	-	-	-	-	-	20.2
Unsecured bank loans	563.7	-	-	-	-	-	-	563.7
Domestic MTN	-	-	-	-	200.0	-	-	200.0
Interest rate swaps <sup>1</sup>	(455.3)	21.5	-	-	(150.0)	-	583.8	-
CMBS	505.0	-	-	-	-	-	-	505.0
<b>Total</b>	<b>633.6</b>	<b>21.5</b>	<b>-</b>	<b>-</b>	<b>50.0</b>	<b>-</b>	<b>583.8</b>	<b>1,288.9</b>

1) Notional principal amounts.

### Derivative instruments used by the consolidated entity

The consolidated entity has at times entered into interest rate derivatives to convert fixed rates to floating interest rates to give the consolidated entity the flexibility to use existing derivative positions and maintain fixed rate exposures within the target range.

The consolidated entity enters into a variety of bought and/or sold option agreements which allows 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 derivatives were entered into. These derivatives are recorded on the consolidated statement of financial position at fair value in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. Derivatives currently in place cover approximately 86 per cent (2011: 47 per cent) of the loan principal outstanding. The fixed interest rates range between 5.17 per cent and 6.12 per cent (2011: 4.8 per cent and 6.03 per cent) per annum. At 30 June 2012, the notional principal amounts, interest rates and periods of expiry of the interest rate swap contracts held by the consolidated entity were as follows:

	Floating to fixed				Fixed to floating			
	2012 Interest rates % pa	2012 \$m	2011 Interest rates % pa	2011 \$m	2012 Interest rates % pa	2012 \$m	2011 Interest rates % pa	2011 \$m
1 year or less	-	-	4.8	21.5	-	-	-	-
Over 1 to 2 year(s)	-	-	-	-	-	-	-	-
Over 2 to 3 years	<b>5.17</b>	<b>102.1</b>	-	-	<b>8.25</b>	<b>150.0</b>	-	-
Over 3 to 4 years	-	-	-	-	-	-	8.25	150.0
Over 4 to 5 years	<b>5.67-6.12</b>	<b>280.0</b>	-	-	-	-	-	-
Over 5 years	<b>5.17</b>	<b>81.7</b>	5.17-6.03	583.8	-	-	-	-
		<b>463.8</b>		605.3		<b>150.0</b>		150.0

The contracts require settlement of net interest receivable or payable each reset date (generally 90 days). The settlement dates generally coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

### Cash and cash equivalents

Cash held exposes the consolidated entity to cash flow interest rate risk.

### 30 FINANCIAL RISK MANAGEMENT / CONTINUED

#### Receivables

The consolidated entity'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					Non-interest bearing \$m	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
<b>2012</b>										
Trade receivables	8	-	-	-	-	-	-	-	0.9	<b>0.9</b>
Related party receivables	8	500.0	-	-	-	-	-	-	-	<b>500.0</b>
Other receivables	8	-	2.8	2.9	2.5	-	-	-	20.7	<b>28.9</b>
		500.0	2.8	2.9	2.5	-	-	-	21.6	<b>529.8</b>
<b>2011</b>										
Trade receivables	8	-	-	-	-	-	-	-	0.2	0.2
Related party receivables	8	600.0	-	-	-	-	-	-	-	600.0
Other receivables	8	-	2.5	2.7	2.9	2.5	-	-	26.7	37.3
		600.0	2.5	2.7	2.9	2.5	-	-	26.9	637.5

#### Sensitivity analysis

The consolidated entity's interest rate risk exposure arises from long term borrowings, cash held with financial institutions and receivables. Based upon a 50 (2011: 25) basis point increase or decrease in Australian interest rates, the impact on profit after tax has been calculated taking into account all underlying exposures and related derivatives. This sensitivity has been selected as this is considered reasonable given the current level of both short term and long term interest rates.

The impact on the consolidated entity's result of a 50 (2011: 50) basis point increase in interest rates would be an increase in profit of \$5.0m (2011: increase of \$6.5m). The impact on the consolidated entity's result of a 50 (2011: 25) basis point decrease in interest rates would be a decrease in profit of \$6.1m (2011: decrease of \$3.4m). The impact on the consolidated entity of a movement in US dollar interest rates would not be material to profit of the consolidated entity.

The interest rate sensitivities of the consolidated entity 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 consolidated entity is exposed to equity price risk arising from an equity investment (refer to note 9). 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 prices had been five (2011: five per cent) per cent higher or lower, the effect on net profit for the year would have been \$0.6m (2011: \$1.0m). This investment represents less than one per cent of the consolidated entity's net assets and therefore represents minimal risk to the consolidated entity.

#### 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. The consolidated entity 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 consolidated entity's financial assets, net of any provisions for impairment, as shown in note 8. To help manage this risk, the consolidated entity 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, the consolidated entity may require collateral, such as bank guarantees, lease or security deposits in relation to investment properties.

The consolidated entity may also be subject to credit risk for transactions which are not included in the consolidated statement of financial position, such as when the consolidated entity provides a guarantee for another party. Details of the consolidated entity's contingent liabilities are disclosed in note 26. The credit risk arising from derivatives transactions and cash held with financial institutions exposes the consolidated entity if the contracting entity is unable to complete its obligations under the contracts. The consolidated entity's policy is to spread the amount of net credit exposure among major financial institutions which are rated the equivalent of A or above from the major rating agencies. The consolidated entity'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. Refer to note 8 for the management of credit risk relating to receivables.

#### c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, the ability to close out market positions, and the ability to raise funds through the issue of new units through various means including placements and/or the consolidated entity's DRP. Mirvac prepares and updates regular forecasts of the consolidated entity'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. The Trust's financial liabilities are largely inter-trust loan balances with entities within the consolidated entity; as such, these balances do not pose any liquidity risk to Mirvac.

At 30 June 2012, the consolidated entity has minimal liquidity risk due to there being no current borrowings (2011: \$505.0m) and access to undrawn facilities of \$727.1m (2011: \$499.9m).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30 FINANCIAL RISK MANAGEMENT / CONTINUED

### d) Capital risk

The consolidated entity's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can provide returns to unitholders and meet its strategic objectives without increasing its overall risk profile.

In assessing the optimal capital structure, the Group seeks to maintain an investment grade credit rating of BBB to reduce the cost of capital and diversify its sources of debt capital.

The consolidated entity's capital structure is monitored at the Group level. At 30 June 2012, the Group's gearing ratio (net debt including cross currency swaps to total tangible assets less cash) was 22.7 per cent (2011: 26.3 per cent). The Group's target gearing ratio is 20 to 25 per cent. This may be exceeded in order to take advantage of appropriate opportunities, such as acquisitions as they arise. To manage the Group's gearing ratio, a number of mechanisms are available. These may include adjusting the amount of distributions paid to unitholders, adjusting the number of units on issue (via buybacks), or the disposal of assets.

Mirvac prepares quarterly consolidated statements of financial position, consolidated statements of comprehensive income and consolidated statements of cash flows 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.

Mirvac complied with all its borrowing covenant ratios at 30 June 2012. The Group's gearing ratios were as follows:

	2012 \$m	2011 \$m
Net interest bearing debt less cash <sup>1</sup>	1,873.5	2,205.2
Total tangible assets less cash	8,267.6	8,390.5
<b>Gearing ratio (%)</b>	<b>22.7</b>	<b>26.3</b>

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.

AASB 7 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 consolidated entity's assets and liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011:

	Note	Level one \$m	Level two \$m	Level three \$m	Total \$m
<b>2012</b>					
<b>Assets</b>					
Other financial assets at fair value through profit or loss					
- unlisted units	9	-	-	12.1	12.1
Other financial assets	13	-	-	51.5	51.5
Derivatives used for hedging	12	-	-	-	-
		-	-	<b>63.6</b>	<b>63.6</b>
<b>Liabilities</b>					
Derivatives used for hedging	19	-	28.8	-	28.8
		-	<b>28.8</b>	-	<b>28.8</b>
<b>2011</b>					
<b>Assets</b>					
Other financial assets at fair value through profit or loss					
- unlisted units	9	-	-	19.2	19.2
Derivatives used for hedging	12	-	3.3	-	3.3
		-	3.3	19.2	22.5
<b>Liabilities</b>					
Derivatives used for hedging	19	-	9.9	-	9.9
		-	9.9	-	9.9

### 30 FINANCIAL RISK MANAGEMENT / CONTINUED

The following table presents the changes in level three instruments held by the consolidated entity:

	Note	2012 \$m	2011 \$m
Balance 1 July		19.2	18.0
Equity invested		–	1.1
Transfer to investments in associate accounted for using the equity method		(4.3)	–
Acquisition of convertible notes	13	51.5	–
Capital distribution received		(1.7)	–
(Loss)/gain on revaluation		(1.1)	0.1
Balance 30 June	9	12.1	19.2

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading and available-for-sale securities) is based on quoted market prices at the end of the year. The quoted market price used for financial assets held by the consolidated entity is the current bid price. These instruments are included in level one. The fair value of financial instruments that are not traded in active markets (for example, over-the-counter derivatives) is determined using valuation techniques.

The consolidated entity 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. The consolidated entity's maturity of net and gross settled derivative financial instruments is provided in the following table. The amounts disclosed in the table are the contractual undiscounted cash flows:

	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	
<b>2012</b>							
<i>Non-interest bearing</i>							
Payables	94.0	–	–	–	–	–	94.0
<i>Interest bearing</i>							
Loan from related party	0.1	0.1	0.1	0.2	0.3	21.0	21.8
Unsecured bank loans	11.8	65.6	11.2	294.0	–	–	382.6
Domestic MTN	14.3	16.5	216.5	–	–	–	247.3
<i>Derivatives</i>							
Net settled (interest rate swaps)	11.2	11.8	10.2	8.9	3.5	(2.4)	43.2
Fixed to floating swaps	(4.8)	(7.5)	(7.2)	–	–	–	(19.5)
	<b>126.6</b>	<b>86.5</b>	<b>230.8</b>	<b>303.1</b>	<b>3.8</b>	<b>18.6</b>	<b>769.4</b>
<b>2011</b>							
<i>Non-interest bearing</i>							
Payables	151.5	–	–	–	–	–	151.5
<i>Interest bearing</i>							
Loan from related party	0.1	0.2	0.4	0.6	0.8	23.1	25.2
Unsecured bank loans	27.1	28.8	192.7	121.1	313.3	–	683.0
Domestic MTN	16.5	16.5	16.5	16.5	216.5	–	282.5
CMBS	517.5	–	–	–	–	–	517.5
<i>Derivatives</i>							
Net settled (interest rate swaps)	0.2	3.4	1.8	1.1	–	(1.2)	5.3
Fixed to floating swaps	(5.0)	(4.9)	(4.7)	(4.4)	(3.9)	–	(22.9)
	707.9	44.0	206.7	134.9	526.7	21.9	1,642.1

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 31 INTERESTS IN CONTROLLED ENTITIES OF MPT

Name of entity	Country of establishment/ incorporation	Class of units/shares	Equity holding <sup>1</sup>	
			2012 %	2011 %
10-20 Bond Street Trust	Australia	Units	100	100
1900-2000 Pratt Inc.	USA	Ordinary	100	100
197 Salmon Street Trust	Australia	Units	100	100
380 St Kilda Road Trust	Australia	Units	100	100
Bedford Park Office Trust	Australia	Units	100	100
Cannon Hill Office Trust	Australia	Units	100	100
Davey Financial Management Birkdale Fair Trust	Australia	Units	100	100
Davey Financial Management Pender Place Shopping Centre Trust	Australia	Units	100	100
James Fielding Retail Property Sub Trust	Australia	Units	100	100
James Fielding Trust	Australia	Units	100	100
JF Infrastructure – Sustainable Equity Fund	Australia	Units	100	100
JF Property Trust	Australia	Units	100	100
JFIF New South Wales Trust	Australia	Units	100	100
JFIF Victorian Trust	Australia	Units	100	100
JFM Hotel Trust	Australia	Units	100	100
Lanyon Marketplace Trust	Australia	Units	100	100
Meridian Investment Trust No. 1	Australia	Units	100	100
Meridian Investment Trust No. 2	Australia	Units	100	100
Meridian Investment Trust No. 3	Australia	Units	100	100
Meridian Investment Trust No. 4	Australia	Units	100	100
Meridian Investment Trust No. 5	Australia	Units	100	100
Meridian Investment Trust No. 6	Australia	Units	100	100
Mirvac 8 Chifley Trust <sup>2</sup>	Australia	Units	–	100
Mirvac Broadway Sub-Trust	Australia	Units	100	100
Mirvac Commercial No.1 Sub-Trust	Australia	Units	100	100
Mirvac Commercial Trust	Australia	Units	100	100
Mirvac Funds Finance Pty Limited	Australia	Ordinary	100	100
Mirvac Funds Loan Note Pty Limited	Australia	Ordinary	100	100
Mirvac Glasshouse Sub-Trust	Australia	Units	100	100
Mirvac Group Funding No.2 Limited	Australia	Ordinary	100	100
Mirvac Group Funding No.3 Pty Limited	Australia	Ordinary	100	100
Mirvac Industrial Fund	Australia	Units	100	100
Mirvac Lake Haven Sub-Trust	Australia	Units	100	100
Mirvac Office Trust	Australia	Units	100	100
Mirvac Property Trust No. 2	Australia	Units	100	100
Mirvac Real Estate Investment Trust	Australia	Units	100	100
Mirvac Retail Fund	Australia	Units	100	100
Mirvac Retail Head Trust	Australia	Units	100	100
Mirvac Retail Sub-Trust No. 1 <sup>3</sup>	Australia	Units	100	–
Mirvac Rhodes Sub-Trust	Australia	Units	100	100
Mt Sheridan Plaza Trust	Australia	Units	100	100
North Ryde Office Trust	Australia	Units	100	100
Old Wallgrove Road Trust	Australia	Units	100	100
Peninsula Homemaker Centre Trust	Australia	Units	100	100
Pennant Hills Office Trust	Australia	Units	100	100
Property Performance Fund No. 3	Australia	Units	100	100
Property Performance Fund No. 4	Australia	Units	100	100
Property Performance Fund No. 5	Australia	Units	100	100
Springfield Regional Shopping Centre Trust	Australia	Units	100	100
The George Street Trust	Australia	Units	100	100
The Mulgrave Trust	Australia	Units	100	100
Uni No.1 Office Trust	Australia	Units	100	100
WOT CMBS Pty Ltd	Australia	Ordinary	100	100
WOT Holding Trust	Australia	Units	100	100
WOT Loan Note Pty Ltd	Australia	Ordinary	100	100
WOW Office Trust	Australia	Units	100	100

1) The proportion of ownership is equal to the proportion of voting power held.

2) Following the disposal of 50 per cent of the units in this trust during the year, this entity is now a joint venture accounted for using the equity method.

3) This trust was established during the year.



### 32 REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by the auditor of the consolidated entity, its related practices and non-related audit firms:

	2012 \$000	2011 \$000
<b>a) Assurance services</b>		
<b>Audit services</b>		
Audit and review of financial reports	538.0	539.7
<b>Other assurance and advisory services</b>		
Audit of property outgoing statement	158.0	158.9
Financial due diligence and transactions	-	-
<b>Total remuneration for assurance services</b>	<b>696.0</b>	<b>698.6</b>
<b>b) Taxation services</b>		
<b>Tax compliance services</b>		
Tax advice and compliance services	208.9	88.5
<b>Total remuneration for taxation services</b>	<b>208.9</b>	<b>88.5</b>

### 33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2012 \$m	2011 \$m
<b>a) Reconciliation of cash</b>		
Cash at the end of the year as shown in the consolidated statement of cash flows is the same as the consolidated statement of financial position, the detail of which follows:		
Cash at bank and on hand	-	22.9
Deposits at call	-	8.2
Unrestricted cash	-	31.1
Cash collateralisation <sup>1</sup>	-	505.1
<b>Cash and cash equivalents</b>	<b>-</b>	<b>536.2</b>

1) Cash collateralisation amount represented cash held on term deposit for the purpose of meeting obligations in relation to CMBS, which was repaid on 16 November 2011.

#### **b) Reconciliation of profit attributable to the stapled unitholders of MPT to net cash inflows from operating activities**

	Note	2012 \$m	2011 \$m
Profit attributable to the stapled unitholders of MPT		507.7	498.2
Net gain on fair value of investment properties	14	(164.2)	(109.1)
Net loss/(gain) on fair value of IPUC	14	2.3	(4.9)
Amortisation expenses	5	24.3	15.6
Non-cash lease incentives		(18.7)	(18.0)
Impairment of goodwill	5	-	7.1
Loss/(gain) on financial instruments	4	36.8	(3.3)
Net (loss)/gain on interest rate derivatives		0.7	(3.6)
Business combination transaction costs		-	15.8
Net (gain)/loss on sale of investment properties		(1.8)	1.2
Net loss on sale of discontinued operations	10	7.3	-
Share of net gain of associates and joint ventures not received as distributions		(8.6)	(33.8)
Decrease/(increase) in receivables		22.2	(5.4)
Decrease in other assets		3.2	14.2
Decrease in creditors		(8.0)	(16.9)
<b>Net cash inflows from operating activities</b>		<b>403.2</b>	<b>357.1</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 34 EVENTS OCCURRING AFTER THE END OF THE YEAR

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

### 35 PARENT ENTITY FINANCIAL INFORMATION

#### a) Summary of financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Note	2012 \$m	2011 \$m
<b>Statement of financial position</b>			
Current assets		573.0	685.0
Total assets		6,686.0	6,375.3
Current liabilities		167.4	143.4
Total liabilities		1,131.1	917.0
<b>Equity</b>			
Contributed equity	20(a)	5,110.8	5,105.5
Reserves		7.6	7.6
Retained earnings		436.5	345.2
		5,554.9	5,458.3
<hr/>			
Profit for the year		449.4	429.0
<hr/>			
Total comprehensive income		449.4	429.0

#### b) Guarantees entered into by the parent entity

A controlled entity is a joint borrower under the unsecured borrowings facility agreement. MPT and a number of its controlled entities along with Mirvac Limited and a number of its subsidiaries are party to a guarantee deed poll in which all those companies agree to guarantee the joint borrowers under the facility.

The controlled entity did not provide any other guarantees at 30 June 2012 or 30 June 2011.

#### c) Contingent liabilities of the parent entity

The parent entity did not have any other contingent liabilities other than the item referred to in note 35(b) at 30 June 2012 or 30 June 2011.

#### d) Contractual commitments for the acquisition of property, plant and equipment

As at 30 June 2012, the parent entity had no contractual commitments for the acquisition of investment property (2011: \$19.0m).

## DIRECTORS' DECLARATION

In the Directors' opinion:

- a) the financial statements and notes set out on pages 06 to 48 are in accordance with the *Corporations Act 2001*, including:
  - i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
- b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

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  
21 August 2012

# INDEPENDENT AUDITOR'S REPORT

to the unitholders of Mirvac Property Trust



## Report on the financial report

We have audited the accompanying financial report of Mirvac Property Trust (the Trust), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Mirvac Property Trust Group (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

The directors of Mirvac Funds Limited as responsible entity for Mirvac Property Trust are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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***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 Property Trust is in accordance with the *Corporations Act 2001*, including:
  - i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b) the financial report and notes also comply with *International Financial Reporting Standards* as disclosed in note 1.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Matthew Lunn', written over a horizontal line.

**Matthew Lunn**  
Partner

Sydney  
21 August 2012

# DIRECTORY

## Registered office/principal office

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Sydney NSW 2000  
Telephone +61 2 9080 8000  
Facsimile +61 2 9080 8111  
www.mirvac.com

## Securities exchange listing

Mirvac Group is listed on the Australian Securities Exchange (ASX code: MGR)

## Directors

James MacKenzie (Chairman)  
Nicholas Collishaw (Managing Director)  
Marina Darling  
Peter Hawkins  
James Millar AM  
John Mulcahy  
John Peters  
Elana Rubin

## Company Secretary

Margaret Mezrani

## Stapled security registry

Link Market Services Limited  
Level 12  
680 George Street  
Sydney NSW 2000

## Securityholder enquiries

Telephone within Australia 1800 356 444  
or outside Australia + 61 2 8280 7107  
www.linkmarketservices.com.au

Correspondence should be sent to:

## Mirvac Group

C/- Link Market Services Limited  
Locked Bag 14  
Sydney South NSW 1235.

Further investor information can be located in the Investor Information tab on Mirvac's website at [www.mirvac.com](http://www.mirvac.com).

## Auditor

PricewaterhouseCoopers  
201 Sussex Street  
Sydney NSW 2000

## Annual General Meeting

Mirvac's 2012 AGM will be held at 10.00 am (Australian Eastern Daylight Time) on Thursday, 15 November 2012, in the Wentworth Ballroom, the Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW.



## Environmentally Responsible Paper

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