

REPORT 2015

Mirvac Property Trust Annual Financial Report

For the year ended 30 June 2015

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

Contents	Page
Directors' report	01
Auditor's independence declaration	05
Consolidated financial statements	06
Directors' declaration	51
Independent auditor's review report to the unitholders of Mirvac Property Trust	52

Directors' report

The Directors of Mirvac Funds Limited (ABN 70 002 561 640, AFSL 233121), the Responsible Entity of Mirvac Property Trust ("MPT" or "Trust") present their report, together with the consolidated report of MPT and its controlled entities ("consolidated entity") for the year ended 30 June 2015.

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:

- John Mulcahy
- Susan Lloyd-Hurwitz
- Christine Bartlett (appointed 1 December 2014)
- Peter Hawkins
- Samantha Mostyn (appointed 1 March 2015)
- James M. Millar AM
- John Peters
- 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 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:

	2015 \$m	2014 \$m
June 2014 half yearly distribution paid on 28 August 2014: 4.60 cents per stapled unit ("cpsu")	169.8	–
June 2013 half yearly distribution paid on 26 July 2013: 4.50 cpsu	–	164.9
December 2014 half yearly distribution paid on 26 February 2015: 4.50 cpsu	166.4	–
December 2013 half yearly distribution paid on 27 February 2014: 4.40 cpsu	–	161.3
Total distributions paid	336.2	326.2

The June 2015 half yearly distribution of 4.90 cpsu totalling \$181.2m will be paid on 26 August 2015.

Distributions paid and payable by the Trust for the year ended 30 June 2015 totalled \$347.6m, being 9.40 cpsu (2014: \$331.1m – 9.00 cpsu).

Directors' report

Operating and financial review

The statutory profit after tax attributable to the stapled unitholders of the Trust for the year ended 30 June 2015 was \$582.9m (2014: \$431.3m). The operating profit (profit before specific non-cash and significant items) was \$416.6m (2014: \$418.1m).

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 1 of the accompanying financial statements for the year ended 30 June 2015, which have been subject to audit; refer to pages 52 and 53 for the auditor's report on the financial statements.

	2015 \$m	2014 \$m
Profit attributable to the stapled unitholders of MPT	582.9	431.3
Specific non-cash items		
Net gain on fair value of investment properties and investment properties under construction ("IPUC")	(139.8)	(30.4)
Loss on financial instruments ¹	10.2	4.3
Straight-lining of lease revenue ²	(2.9)	(9.7)
Amortisation of lease fitout incentives ³	11.3	12.5
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 ⁴	(28.8)	(20.2)
Significant items		
Impairment of goodwill	–	24.5
Net (gain)/loss on sale of assets	(16.3)	5.8
Operating profit (profit before specific non-cash items and significant items)	416.6	418.1

Financial, capital management and operational highlights

Key financial highlights for the year ended 30 June 2015:

- profit attributable to the stapled unitholders of MPT to \$582.9m from \$431.3m (June 2014);
- operating profit after tax of \$416.6m⁵ (2014: \$418.1m), representing 11.3 cpsu;
- operating cash inflow of \$410.0m;
- distributions of \$347.6m, representing 9.40 cpsu; and
- net tangible assets ("NTA")⁶ per stapled unit of \$1.57, up from \$1.52 (June 2014).

Key capital management highlights for the year ended 30 June 2015:

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 2015 include:

- maintained strong liquidity with \$539.6m of cash and undrawn committed bank facilities held and with no debt maturities until September 2016;
- maintained the Group's weighted average debt maturity at 4.3 years;
- reduced average borrowing costs to 5.2 per cent per annum (including margins and line fees), while maintaining weighted average debt maturity;

- restructured the Group's revolving syndicated bank loan on more favourable terms. The facility now totals \$1,400m (June 2014: \$1,388), with \$200m maturing in FY17, \$350m maturing in FY18, \$300m maturing in FY19, \$300m maturing in FY20 and \$250m maturing in FY21. The new facility reduces the amount of debt maturing in any one year; and
- continued to comfortably meet all debt covenants.

Key operational highlights for the year ended 30 June 2015:

- acquired \$550.6m⁷ of key strategic assets, including Birkenhead Point Outlet Centre, Drummoyne NSW and a portfolio of industrial assets from Altis Real Estate Equity Partnership Fund No. 1;
- sold a 50.0 per cent interest in 275 Kent Street, Sydney NSW to an affiliate of Blackstone for \$435.0m, at a premium to book value⁸;
- disposed of seven assets, comprising five office assets and two retail assets for a combined total of \$406.7m. This follows the disposal of seven assets sold to an affiliate of Blackstone Real Estate Asia in July 2014;
- entered into an exclusive dealing period with Westpac to finalise documentation for a new lease agreement at 275 Kent Street, Sydney NSW;
- maintained strong portfolio occupancy of 96.0 per cent within the portfolio⁹;
- leased 144,456 square metres (11.9 per cent of total net lettable area); and
- achieved 5.10 Star National Australian Built Environment Rating System ("NABERS") average energy rating across the office portfolio.

1) Total of Loss on fair value of derivative financial instruments and Foreign exchange loss in the consolidated Statement of Comprehensive Income ("SoCI").

2) Included within Investment properties rental revenue in the consolidated SoCI.

3) Included within Amortisation expense in the consolidated SoCI.

4) Included within Share of net profit of associates and joint ventures accounted for using the equity method in the consolidated SoCI.

5) Excludes specific non-cash items and significant items.

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

7) Includes transaction costs.

8) As at 31 December 2013.

9) By area, excludes indirect property investments, and includes 8 Chifley Square, Sydney NSW.

Financial, capital management and operational highlights / continued

Outlook¹

Momentum in Australia's property markets continues to be divergent across sector and geography, as the economy continues to rebalance away from very strong levels of mining-led growth. Low interest rates are expected to remain supportive over FY16, and together with a projected low Australian dollar, economic growth is expected to gradually improve, remaining strongest in New South Wales and Victoria. The consolidated entity's deliberate weighting to these New South Wales and Victoria means that it is well-positioned to perform across business cycles.

Overall, the Trust remains focused on providing secure passive income to the Group, with key areas of focus including:

- improving the quality of the portfolio via non-aligned asset sales and creating new product to be held for the long term;
- extracting the benefit of the Group's demonstrated competitive advantage in the office sector by creating innovative, collaborative and flexible workplaces for the future;
- maintaining a focus on the key markets of Sydney and Melbourne in the office and industrial sectors; and
- focusing on quality retail assets located in key urban markets and unlocking value through the retail development pipeline.

Interests in the Trust

	2015 Units m	2014 Units m
Total ordinary stapled units issued	3,694.3	3,688.5
Stapled units issued under long term incentive plan ("LTI") and EIS	3.3	3.8
Total stapled units issued	3,697.6	3,692.3

Refer to note 17(b) to the financial statements for a reconciliation of the interests in the consolidated entity issued during the financial year.

Risks

As part of a property group involved in real estate investment, the consolidated entity faces a number of risks throughout the business cycle which have the potential to affect the consolidated entity's achievement of its targeted financial outcomes.

The consolidated entity's objective is to ensure those risks are identified and appropriate strategies are implemented to control or otherwise manage the impact of those risks. The consolidated entity's risk management framework is integrated with its day-to-day business processes and is supported by a dedicated Group Risk function.

For the year ended 30 June 2015, the consolidated entity continued to review both internal and external risks which have the potential to affect the consolidated entity's targeted financial outcomes and to implement strategies to minimise their impact. The Group has a robust capital allocation process that encourages decision making with a focus on Group outcomes rather than divisional outcomes. At a Group level, Mirvac faces certain risks to achieving of its financial outcomes; these risks are types of risks that are typical for a property group. These may include debt refinancing and compliance with debt covenants as well as compliance with health, safety and environment regulations.

Segment risks

At a segment level, the key risks which have the potential to affect the achievement of the financial prospects for the consolidated entity include:

Office: Demand for office space remains challenging across the markets in which the consolidated entity operates. This has the potential to impact on the consolidated entity's performance given that office assets represent 57.2 per cent of the portfolio. The office portfolio, comprising solid occupancy of 93.6 per cent², a weighted average lease expiry of 4.3 years³ and like-for-like rent growth of 2.6 per cent, demonstrates MPT's ability to maintain a strong and robust portfolio through the cycles of demand. The Trust seeks to manage uncertainty around commercial office demand in a number of ways including substantial pre-letting of commercial developments in advance of construction, and by partially selling down commercial developments in advance of completion.

Retail: Sales growth was divergent throughout Australia in FY15. Despite encouraging signs in some markets, the impact of recent below-trend retail sales growth has placed pressure on retailers. With 33.3 per cent of MPT's portfolio represented by retail assets, the Trust is focused on continually refreshing its retail assets (via refurbishment, redevelopment or tenant remixing) to adapt to changing market dynamics. Furthermore, the consolidated entity maintains a focus on key metropolitan markets, and a diversified tenancy mix, where no single specialty retailer contributes greater than 1.6 per cent of the total portfolio's gross rent.

Industrial: Continuing investor demand for prime-grade industrial assets in key locations is resulting in compressed capitalisation rates, weighting predominantly towards the stronger markets of Sydney and Melbourne. Mirvac continues to focus on properties with long lease terms and secure cash flow profiles that will benefit from the increase in investor demand and continue to provide steady returns.

Environmental regulations

The consolidated entity is subject to compliance with both Federal and state environment protection legislation, and is satisfied that adequate systems are in place for the consolidated entity's compliance with the applicable legislation.

Within the consolidated entity's health, safety and environment performance reporting systems, including internal and external audits and inspections, the consolidated entity has not experienced any incidents that have resulted in any significant harm to the environment. There has been no infringement notices issued for minor environmental incidents during the year.

A key initiative to reduce greenhouse gas emissions was a commitment to achieve an average 4.75 Star NABERS Energy rating on applicable office buildings by July 2014. The Investment division achieved this target in December 2013, with the office portfolio now achieving 5.1 Stars. This has resulted in reduced operating costs, improved environmental performance, demonstrating excellent energy operational and management practices, and high efficiency systems and equipment. The new sustainability strategy 'This Changes Everything' sets short term targets for the whole portfolio to reduce carbon emissions by 20 per cent and increase energy generation to 1MW by 2018. This plan also includes a long term mission to be Net Positive for energy and water by 2030, whilst achieving zero waste to landfill in the same period.

1) These future looking statements should be read in conjunction with future releases to the ASX.

2) By income, includes 8 Chifley Square, Sydney NSW and excludes IPUC, based on MPT's ownership.

3) By area, excludes IPUC, based on 100 per cent of building net lettable area.

Directors' report

Financial, capital management and operational highlights / continued

The consolidated entity is required under the *National Greenhouse and Energy Reporting Act 2007* to report annually on greenhouse gas emissions, reductions, removals and offsets, and energy consumption and production figures.

The Federal Government has introduced into Parliament legislation that terminates the Energy Efficiency Opportunities Program and so removes the mandatory requirement for large energy using businesses to assess opportunities to improve energy efficiency and to report publicly on the outcomes of those assessments. The Federal Government has recently repealed the carbon tax, the consolidated entity will approximately reduce its energy bill by 10 per cent. The carbon tax will be replaced by direct action details of which are still being finalised.

The consolidated entity 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.

Instruments held by Directors

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

Director	Mirvac stapled securities	Interests in securities of related entities or related body corporate
John Mulcahy (indirect)	25,000	–
Susan Lloyd-Hurwitz (direct)	54,456	–
– performance rights	4,298,989	–
Christine Bartlett (direct) ¹	25,000	–
Peter Hawkins (direct and indirect)	596,117	–
Samantha Mostyn (direct) ²	15,000	–
James M. Millar AM (indirect)	40,714	–
John Peters (indirect)	30,000	–
Elana Rubin (direct)	34,343	–

During the year ended 30 June 2009, Mirvac introduced a security acquisition plan for Non-Executive Directors whereby they could sacrifice a portion of their Directors' fees each month and use them to acquire additional Mirvac stapled securities. No Non-Executive Directors acquired securities under this plan during the year ended 30 June 2015 (2014: nil). However, securities purchased in previous years continue to be held in the plan.

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 25 to the financial statements.

The Board has considered the position and, in accordance with the recommendation 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 25 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 & 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

Details of the state of affairs of the consolidated entity are disclosed within the Operating and financial review section.

Matters subsequent to 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.

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 \$10.4m (2014: \$8.0m). 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 24 to the financial statements.

Auditor's independence declaration

A copy of the auditor independence declaration required under section 307C of the *Corporations Act 2001* is set out on page 5.

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 the Australian Securities Investments Commission, 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.



Susan Lloyd-Hurwitz
Director

Sydney
13 August 2015

1) Christine Bartlett was appointed as a Director on 1 December 2014.

2) Samantha Mostyn was appointed as a Director on 1 March 2015.

Auditor's independence declaration



As lead auditor of the audit of Mirvac Property Trust for the year ended 30 June 2015, 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 contravention of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Matthew Lunn'.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
13 August 2015

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation

Consolidated financial statements

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

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

Mirvac Funds Limited

Level 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 13 August 2015. 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 Relations section on the Group's website: www.mirvac.com.

Contents	Page
Consolidated statement of comprehensive income	07
Consolidated statement of financial position	08
Consolidated statement of changes in equity	09
Consolidated statement of cash flows	10
Notes to the consolidated financial statements	11
Note Index	
Basis of preparation	11
Results for the year	
1 Segmental information	11
2 Revenue from continuing operations and other income	14
3 Expenses	14
4 Income tax	15
5 EPS	15
Operating assets and liabilities	
6 Investment properties	15
7 Assets classified as held for sale	19
8 Financial assets	19
9 Other non-financial assets and liabilities	21
Capital structure	
10 Borrowings	22
11 Other financial assets and liabilities	23
12 Financial risk management	24
13 Fair value measurement of financial instruments	29
Group structure	
14 Investments in JVA entities	31
15 Interests in controlled entities of MPT	35
16 Parent entity financial information	36
Equity	
17 Contributed equity	37
18 Reserves	38
19 Retained earnings	38
20 Distributions	38
Other information	
21 Contingent liabilities	39
22 Commitments	39
23 Key Management Personnel	39
24 Related parties	42
25 Remuneration of auditors	42
26 Notes to the consolidated statement of cash flows	43
27 Events occurring after the end of the year	43
28 Summary of significant accounting policies	43
29 Critical accounting judgements and estimates	50
Directors' declaration	51
Independent auditor's report to the unitholders of Mirvac Property Trust	52

Consolidated statement of comprehensive income

For the year ended 30 June 2015

	Note	2015 \$m	2014 \$m
Revenue from continuing operations			
Investment properties rental revenue	6(b)	602.9	639.0
Interest revenue	2	22.0	23.4
Other revenue		2.4	9.2
Total revenue from continuing operations		627.3	671.6
Other income			
Net gain on fair value of investment properties and IPUC	6a)	139.8	30.4
Share of net profit of associates and joint ventures accounted for using the equity method	14	60.6	37.5
Net gain/(loss) on sale of assets	6(a)	16.3	(5.8)
Total other income		216.7	62.1
Total revenue from continuing operations and other income		844.0	733.7
Investment properties expenses	6(b)	152.1	167.7
Amortisation expense	3	21.6	21.4
Impairment of goodwill	3	–	24.5
Finance costs	3	64.8	71.3
Loss on fair value of derivative financial instruments	3	7.1	4.5
Foreign exchange loss/(gain)		3.1	(0.2)
Other expenses		11.8	12.8
Profit from continuing operations before income tax		583.5	431.7
Income tax expense	4	(0.6)	(0.4)
Profit for the year		582.9	431.3
Other comprehensive income for the year			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	18	3.5	(0.5)
Other comprehensive income for the year		3.5	(0.5)
Total comprehensive income for the year		586.4	430.8
Profit for the year attributable to the stapled unitholders of MPT		582.9	431.3
Total comprehensive income for the year attributable to the stapled unitholders of MPT		586.4	430.8
Earnings per stapled unit for profit attributable to the stapled unitholders of MPT		Cents	Cents
Basic earnings per stapled unit	5	15.78	11.75
Diluted earnings per stapled unit	5	15.77	11.74

The above consolidated SoCI should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2015

	Note	2015 \$m	2014 \$m
Current assets			
Cash and cash equivalents	26(a)	20.2	6.7
Receivables	8.1	17.0	21.2
Derivative financial assets	11.1	–	6.6
Other financial assets at fair value through profit or loss	11.2	11.3	11.8
Other assets		7.9	7.8
Assets classified as held for sale	7	–	821.0
Total current assets		56.4	875.1
Non-current assets			
Receivables	8.1	2.9	2.6
Investments accounted for using the equity method	14	415.1	370.1
Other financial assets	11.3	264.6	79.4
Investment properties	6	6,475.9	6,141.1
Intangible assets	9.1	42.8	42.8
Total non-current assets		7,201.3	6,636.0
Total assets		7,257.7	7,511.1
Current liabilities			
Payables	8.2	198.1	144.8
Borrowings	10	–	200.0
Provisions	9.2	181.2	169.8
Total current liabilities		379.3	514.6
Non-current liabilities			
Borrowings	10	1,026.9	1,390.3
Total non-current liabilities		1,026.9	1,390.3
Total liabilities		1,406.2	1,904.9
Net assets		5,851.5	5,606.2
Equity			
Contributed equity	17	4,758.6	4,752.1
Reserves	18	10.4	6.9
Retained earnings	19	1,082.5	847.2
Equity, reserves and retained earnings attributable to the stapled unitholders of MPT		5,851.5	5,606.2

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 2015

	Note	Attributable to the stapled unitholders of MPT			Total \$m
		Contributed equity \$m	Reserves \$m	Retained earnings \$m	
Balance 30 June 2013		5,006.0	7.4	747.0	5,760.4
Profit for the year		–	–	431.3	431.3
Other comprehensive income for the year		–	(0.5)	–	(0.5)
Total comprehensive income for the year		–	(0.5)	431.3	430.8
Employee Exemption Plan (“EEP”) stapled units issued	17(b)	0.7	–	–	0.7
Long term performance plan (“LTP”), long term incentive plan (“LTIP”), and EIS stapled units converted, sold, vested or forfeited	17(b)	3.8	–	–	3.8
Recapitalisation	17(b)	(300.0)	–	–	(300.0)
Distribution reinvestment plan	17(b)	41.6	–	–	41.6
Distributions provided for or paid	20	–	–	(331.1)	(331.1)
Total transactions with owners in their capacity as owners		(253.9)	–	(331.1)	(585.0)
Balance 30 June 2014		4,752.1	6.9	847.2	5,606.2
Profit for the year		–	–	582.9	582.9
Other comprehensive income for the year		–	3.5	–	3.5
Total comprehensive income for the year		–	3.5	582.9	586.4
EEP stapled units issued	17(b)	0.8	–	–	0.8
LTP, LTIP and EIS stapled units converted, sold, vested or forfeited	17(b)	5.7	–	–	5.7
Distributions provided for or paid	20	–	–	(347.6)	(347.6)
Total transactions with owners in their capacity as owners		6.5	–	(347.6)	(341.1)
Balance 30 June 2015		4,758.6	10.4	1,082.5	5,851.5

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

Consolidated statement of cash flows

For the year ended 30 June 2015

	Note	2015 \$m	2014 \$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		661.3	686.3
Payments to suppliers (inclusive of goods and services tax)		(216.7)	(230.4)
		444.6	455.9
Interest received		16.2	22.1
Associates and joint ventures distributions received		26.7	16.3
Borrowing costs paid		(76.9)	(71.3)
Income tax paid		(0.6)	(0.4)
Net cash inflows from operating activities	26(b)	410.0	422.6
Cash flows from investing activities			
Payments for investment properties		(792.4)	(822.4)
Proceeds from sale of assets		1,333.0	198.2
Proceeds from loans to entities related to Responsible Entity		–	350.0
Payments for loans to unrelated entities		(2.9)	
Contributions to associates and joint ventures		(11.8)	(50.9)
Payments for other financial assets		(16.3)	(31.6)
Proceeds for financial assets fair valued through profit or loss		0.5	0.7
Net cash inflow/(outflows) from investing activities		510.1	(356.0)
Cash flows from financing activities			
Proceeds from borrowings		–	705.0
Repayments of borrowings		(215.1)	(1,540.4)
Proceeds from loans from entities related to Responsible Entity		1,292.9	1,641.0
Repayments of loans to entities related to Responsible Entity		(1,649.0)	(286.5)
Payments for recapitalisation		–	(300.0)
Proceeds for issued units		0.8	
Distributions paid		(336.2)	(284.2)
Net cash outflows from financing activities		(906.6)	(65.1)
Net increase in cash and cash equivalents		13.5	1.5
Cash and cash equivalents at the beginning of the year		6.7	5.2
Cash and cash equivalents at the end of the year	26(a)	20.2	6.7

Notes to the consolidated financial statements

BASIS OF PREPARATION

a) Mirvac – stapled securities

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

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

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

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

b) Basis of preparation

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

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

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

ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- 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; and
- assets held for sale – measured at fair value less costs of disposal.

iii) Critical accounting estimates

The preparation of financial statements in conformity with AAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Mirvac’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 29.

iv) Comparative information

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

v) Rounding of amounts

Mirvac 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.

vi) 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 SoFP. 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.

vii) New and amended standards adopted by the consolidated entity

The consolidated entity has applied the following standards and amendments for first time for their annual reporting period commencing 1 July 2014:

- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*;
- Interpretation 21 *Accounting for Levies*;
- AASB 2014-1 *Amendments to Australian Accounting Standards*.

The adoption of AASB 2013-3 had a small impact on the impairment disclosures. Other than that, the adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

As these amendments merely clarify the existing requirements, they do not affect the consolidated entity’s accounting policies or any of the disclosures.

RESULTS FOR THE YEAR

1 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 Executive Leadership Team (“ELT”). The ELT 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) Description 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.

Notes to the consolidated financial statements

1 Segmental information / continued

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 assets and liabilities

The amounts provided to the ELT with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. These assets and 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 assets and liabilities but rather are managed by the Mirvac Group Treasury function and included in unallocated.

f) Geographical analysis

The consolidated entity operates predominantly in Australia.

	Office \$m	Retail \$m	Industrial \$m	Other \$m	Unallocated \$m	Consolidated SoCI \$m
2015						
Revenue from continuing operations						
Investment properties rental revenue	355.9	202.6	35.3	9.1	–	602.9
Interest revenue	–	–	–	–	22.0	22.0
Other revenue	–	–	–	–	2.4	2.4
Total revenue from continuing operations	355.9	202.6	35.3	9.1	24.4	627.3
Other income						
Net gain/(loss) on fair value of investment properties and IPUC	89.9	43.0	(1.4)	8.3	–	139.8
Share of net profit of associates and joint ventures accounted for using the equity method	–	–	–	–	60.6	60.6
Net gain/(loss) on sale of assets	0.3	6.1	(0.3)	–	10.2	16.3
Total other income	90.2	49.1	(1.7)	8.3	70.8	216.7
Total revenue from continuing operations and other income	446.1	251.7	33.6	17.4	95.2	844.0
Investment properties expenses	73.3	71.2	5.0	2.6	–	152.1
Amortisation expense	14.4	6.8	0.4	–	–	21.6
Finance costs	–	–	–	–	64.8	64.8
Loss on fair value of derivative financial instruments	–	–	–	–	7.1	7.1
Foreign exchange loss	–	–	–	–	3.1	3.1
Other expenses	–	0.3	–	–	11.5	11.8
Profit from continuing operations before income tax	358.4	173.4	28.2	14.8	8.7	583.5
Income tax expense	–	–	–	–	(0.6)	(0.6)
Profit for the year	358.4	173.4	28.2	14.8	8.1	582.9
2015						
Profit attributable to the stapled unitholders of MPT	358.4	173.4	28.2	14.8	8.1	582.9
Specific non-cash items						
Net (gain)/loss on fair value of investment properties and IPUC	(89.9)	(43.0)	1.4	(8.3)	–	(139.8)
Net loss on financial instruments ¹	–	–	–	–	10.2	10.2
Straight-lining of lease revenue ²	(2.3)	–	(0.6)	–	–	(2.9)
Amortisation of lease fitout incentives ³	10.9	0.4	–	–	–	11.3
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 ⁴	–	–	–	–	(28.8)	(28.8)
Significant items						
Net (gain)/loss on sale of assets	(0.3)	(6.1)	0.3	–	(10.2)	(16.3)
Operating profit/(loss) (profit before specific non-cash and significant items)	276.8	124.7	29.3	6.5	(20.7)	416.6

1) Total of Loss on fair value of derivative financial instruments and Foreign exchange gain in the consolidated SoCI.

2) Included within Investment properties rental revenue in the consolidated SoCI.

3) Included within Amortisation expense in the consolidated SoCI.

4) Included within Share of net profit of associates and joint ventures accounted for using the equity method in the consolidated SoCI.

1 Segmental information / continued

	Office \$m	Retail \$m	Industrial \$m	Other \$m	Unallocated \$m	Consolidated SoCI \$m
2014						
Revenue from continuing operations						
Investment properties rental revenue	404.0	188.0	35.2	11.8	–	639.0
Interest revenue	–	–	–	–	23.4	23.4
Other revenue	–	–	–	–	9.2	9.2
Total revenue from continuing operations	404.0	188.0	35.2	11.8	32.6	671.6
Other income						
Net gain on fair value of investment properties and IPUC	15.6	18.1	(3.6)	0.3	–	30.4
Share of net profit of associates and joint ventures accounted for using the equity method	–	–	–	–	37.5	37.5
Net loss on sale of assets	–	(2.8)	(3.0)	–	–	(5.8)
Total other income	15.6	15.3	(6.6)	0.3	37.5	77.6
Total revenue from continuing operations and other income	419.6	203.3	28.6	12.1	70.1	733.7
Investment properties expenses	83.8	74.8	5.1	4.0	–	167.7
Amortisation expense	14.6	5.9	0.9	–	–	21.4
Impairment of goodwill	24.5	–	–	–	–	24.5
Finance costs	–	–	–	–	71.3	71.3
Loss on fair value of derivative financial instruments	–	–	–	–	4.5	4.5
Foreign exchange gain	–	–	–	–	(0.2)	(0.2)
Other expenses	–	–	–	–	12.8	12.8
Profit/(loss) from continuing operations before income tax	296.7	122.6	22.6	8.1	(18.3)	431.7
Income tax expense	–	–	–	–	(0.4)	(0.4)
Profit/(loss) for the year	296.7	122.6	22.6	8.1	(18.7)	431.3
2014	Office \$m	Retail \$m	Industrial \$m	Other \$m	Unallocated \$m	Consolidated \$m
Profit/(loss) attributable to the stapled unitholders of MPT	296.7	122.6	22.6	8.1	(18.7)	431.3
Specific non-cash items						
Net (gain)/loss on fair value of investment properties and IPUC	(15.6)	(18.1)	3.6	(0.3)	–	(30.4)
Net loss on financial instruments ¹	–	–	–	–	4.3	4.3
Straight-lining of lease revenue ²	(8.2)	–	(1.5)	–	–	(9.7)
Amortisation of lease fitout incentives ³	11.1	0.9	0.5	–	–	12.5
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 ⁴	–	–	–	–	(20.2)	(20.2)
Significant items						
Impairment of goodwill	24.5	–	–	–	–	24.5
Net loss on sale of assets	–	2.8	3.0	–	–	5.8
Operating profit/(loss) (profit before specific non-cash and significant items)	308.5	108.2	28.2	7.8	(34.6)	418.1

1) Total of Loss on fair value of derivative financial instruments and Foreign exchange gain in the consolidated SoCI.

2) Included within Investment properties rental revenue in the consolidated SoCI.

3) Included within Amortisation expense in the consolidated SoCI.

4) Included within Share of net profit of associates and joint ventures accounted for using the equity method in the consolidated SoCI.

Notes to the consolidated financial statements

1 Segmental information / continued

	Office \$m	Retail \$m	Industrial \$m	Other \$m	Unallocated \$m	Consolidated SoFP/SoCI \$m
2015						
Total assets	3,704.0	2,154.9	529.30	87.70	781.8	7,257.7
Total liabilities	24.1	88.4	1.8	–	1,291.9	1,406.2
Investments in associates and joint ventures	–	–	–	–	415.1	415.1
Acquisitions of investment properties including capital expenditure	177.4	461.1	232.3	0.1	–	870.9
Amortisation expense	14.4	6.8	0.4	–	–	21.6
2014						
Total assets	3,940.2	1,806.6	405.6	102.8	1,255.9	7,511.1
Total liabilities	23.8	33.3	5.7	0.5	1,841.6	1,904.9
Investments in associates and joint ventures	–	–	–	–	370.1	370.1
Acquisitions of investment properties including capital expenditure	419.4	389.5	69.8	2.2	–	880.9
Amortisation expense	14.6	5.9	0.9	–	–	21.4

2 Revenue from continuing operations and other income

	2015 \$m	2014 \$m
Interest revenue		
Cash and cash equivalents	0.3	0.7
Loans to unrelated parties	12.9	–
Loans to joint ventures	8.8	14.9
Loans to entities related to Responsible Entity	–	7.8
Total interest revenue	22.0	23.4
Net gain on sale of assets		
Net gain on sale of investments	10.2	–
Net gain/(loss) on sale of investment properties	6.1	(5.8)
Total net gain/(loss) on sale of assets	16.3	(5.8)

3 Expenses

Profit before income tax includes the following specific expenses:	Note	2015 \$m	2014 \$m
Finance costs			
Interest and finance charges paid/payable		64.7	67.9
Borrowing costs amortised		0.1	3.4
Total finance costs		64.8	71.3
Amortisation expense			
Lease fitout incentives		11.3	12.5
Lease incentives		10.3	8.9
Total amortisation expense		21.6	21.4
Loss on fair value of derivative financial instruments			
Loss on fair value of interest rate derivatives		6.6	4.3
Loss on revaluation of other financial assets at fair value through profit or loss		0.5	0.2
Total loss on fair value of derivative financial instruments		7.1	4.5
Other charges against assets			
Impairment of goodwill	9.1	–	24.5
Total charges against assets		–	24.5

4 Income tax

	2015 \$m	2014 \$m
Income tax expense		
Current tax	0.6	0.4
Income tax expense	0.6	0.4
Income tax expense attributable to:		
Foreign tax on US sourced income	0.6	0.4
	0.6	0.4

5 Earnings per stapled unit

	2015 Cents	2014 Cents
Earnings per stapled unit ("EPU")		
Basic EPU	15.78	11.75
Diluted EPU ¹	15.77	11.74
Basic and diluted earnings¹	\$m	\$m
Profit attributable to the stapled unitholders of MPT used in calculating EPU	582.9	431.3
Weighted average number of units used as denominator	Number m	Number m
Weighted average number of units used in calculating basic EPU	3,693.1	3,669.5
Adjustment for calculation of diluted EPU		
Securities issued under EIS	3.5	4.7
Weighted average number of units used in calculating diluted EPU¹	3,696.6	3,674.2

1) Diluted units include units issued under the EIS, but does 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.

OPERATING ASSETS AND LIABILITIES

6 Investment properties

		Book value		Capitalisation rate		Discount rate			
	Date of acquisition	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 %	30 June 2014 %	30 June 2015 %	30 June 2014 %	Date of last external valuation	Last external valuation \$m
1 Darling Island, Pyrmont NSW	April 2004	195.8	188.9	6.75	7.00	8.25	8.75	December 2014	188.9
1-47 Percival Road, Smithfield NSW	November 2002	35.9	32.5	7.50	8.00	8.75	9.50	December 2013	31.0
1 Woolworths Way, Bella Vista ^{1,2}	August 2010	–	250.0	–	7.75	–	8.88	June 2013	248.0
10-20 Bond Street, Sydney NSW (50% interest) ¹	December 2009	200.0	192.8	6.38	6.63	8.00	8.50	June 2015	200.0
101-103 Miller Street & Greenwood Plaza, North Sydney NSW (50% interest)	June 1994	302.7	289.3	6.25-6.37	6.50-6.75	8.25-8.75	8.50-8.75	December 2014	300.0
16 Furzer Street, Phillip ACT	July 2007	68.0	69.0	7.75	7.75	8.75	9.00	December 2013	69.0
189 Grey Street, Southbank QLD	April 2004	83.1	82.2	7.63	7.63	8.50	9.00	December 2013	79.0
1900-2060 Pratt Boulevard, Chicago Illinois USA	December 2007	45.1	36.0	7.25	7.25	8.50	8.50	December 2013	36.0
191-197 Salmon Street, Port Melbourne VIC ²	July 2003	–	77.5	–	9.75	–	10.00	June 2014	77.5
210 George Street, Sydney NSW ²	May 2013	–	26.0	–	7.75	–	8.75	June 2014	26.0
220 George Street, Sydney NSW ²	May 2013	–	57.0	–	8.00	–	8.75	June 2014	57.0
23 Furzer Street, Phillip ACT	February 2010	252.1	247.0	7.25	7.35	8.50	8.75	December 2013	246.5
271 Lane Cove Road, North Ryde NSW	April 2000	32.3	31.4	8.25	8.25	9.00	9.25	June 2014	31.4
275 Kent Street, Sydney NSW (50% interest) ^{1,3}	August 2010	435.6	435.0	6.00	6.00	8.50	8.50	June 2012	792.0
3 Rider Boulevard, Rhodes NSW ¹	December 2009	89.0	89.1	8.00	8.00	8.75	8.75	December 2014	88.4
34-39 Anzac Avenue, Smeaton Grange NSW ⁴	January 2015	23.3	–	8.00	–	9.00	–	–	–
340 Adelaide Street, Brisbane QLD ¹	December 2009	55.5	55.3	8.75	8.75	8.75	9.25	December 2014	55.0
367 Collins Street, Melbourne VIC	November 2013	238.5	228.0	6.50	7.00	8.25	8.75	June 2015	238.5
37 Pitt Street, Sydney NSW	May 2013	68.0	68.0	8.00	8.00	8.75	8.75	June 2014	68.0
380 St Kilda Road, Melbourne VIC	October 1995 (50%) & April 2001 (50%)	140.2	127.7	7.25	8.00	8.25	9.00	June 2015	140.2
39 Britton Street, Smithfield NSW ⁴	January 2015	21.1	–	7.25	–	8.75	–	–	–
39 Herbert Street, St Leonards NSW ⁴	January 2015	153.5	–	6.75	–	8.75	–	–	–
40 Miller Street, North Sydney NSW	March 1998	114.1	106.4	6.75	7.25	8.50	8.75	June 2014	106.4
47-67 Westgate Drive, Altona North VIC ¹	December 2009	18.7	19.1	9.50	9.50	9.75	9.75	December 2013	19.1
477 Collins Street, Melbourne VIC	November 2013	72.0	72.0	7.00	7.50	8.25	8.75	June 2015	72.0
5 Rider Boulevard, Rhodes NSW	September 2011	133.6	130.4	7.75	7.75	8.75	8.75	December 2014	133.0
51 Pitt Street, Sydney NSW	May 2013	26.0	26.0	8.00	8.00	8.75	8.75	June 2014	26.0
54 Marcus Clarke Street, Canberra ACT ²	October 1987	–	14.1	–	9.75	–	10.50	December 2014	12.9
55 Coonara Avenue, West Pennant Hills NSW ¹	August 2010	70.0	70.0	9.50	9.50	9.75	10.00	June 2014	70.0
6-8 Underwood Street, Sydney NSW	May 2013	9.5	9.5	9.00	9.00	9.00	9.00	June 2014	9.5
60 Marcus Clarke Street, Canberra ACT ²	September 1989	–	48.5	–	8.75	–	9.50	June 2013	48.5

Notes to the consolidated financial statements

6 Investment properties / continued

	Date of acquisition	Book value		Capitalisation rate		Discount rate		Date of last external valuation	Last external valuation \$m
		30 June 2015 \$m	30 June 2014 \$m	30 June 2015 %	30 June 2014 %	30 June 2015 %	30 June 2014 %		
60 Wallgrove Road, Eastern Creek NSW	January 2014	55.7	55.1	6.00-9.00	6.50-9.50	9.00-10.50	9.00-10.50	June 2014	55.1
65 Pirrama Road, Pyrmont NSW	June 2001	126.6	115.0	7.00	7.50	8.25	8.75	December 2013	110.0
699 Bourke Street, Melbourne, VIC (50% interest) ⁵	June 2014	77.0	–	6.13	6.50	8.25	9.00	June 2015	77.0
77 St Georges Terrace, Perth WA	May 2013	227.7	237.0	8.00	8.00	9.25	9.25	June 2014	237.0
8 Brabham Drive, Huntingwood NSW ⁴	January 2015	19.7	–	7.00	–	8.75	–	–	–
90 Collins Street, Melbourne VIC	May 2013	185.0	175.5	6.50	6.75	8.25	8.75	June 2014	175.5
Birkenhead Point Outlet Centre, Drummoyn NSW ⁴	December 2014	314.5	–	6.25-6.75	–	8.50-9.00	–	June 2015	314.5
Broadway Shopping Centre, Broadway NSW (50% interest) ⁶	January 2007	292.1	280.0	6.00	6.00	8.75	8.75	June 2014	280.0
Cherrybrook Village Shopping Centre, Cherrybrook NSW ¹	December 2009	91.0	86.7	7.00	7.25	8.75	9.25	June 2015	91.0
City Centre Plaza, Rockhampton QLD ¹²	December 2009	–	44.0	–	8.00	–	9.25	June 2013	49.0
Como Centre, Cnr Toorak Road & Chapel Street, South Yarra VIC	August 1998	179.5	168.3	7.50-8.00	8.00-8.36	8.25-12.00	9.00-11.00	June 2015	179.5
Coolman Court, Weston ACT ¹	December 2009	52.4	52.0	7.50	7.50	9.00	9.00	December 2013	53.0
Harbourside Shopping Centre, Sydney NSW	February 2014	262.0	252.0	6.50	6.75	9.00	8.75	December 2014	255.0
Hinkler Central, Bundaberg QLD ²	August 2003	–	93.2	–	7.75	–	9.50	December 2014	99.0
Kawana Shoppingworld, Buddina QLD	December 1993 (50%) & June 1998 (50%)	322.0	299.8	6.25	6.50	8.75	9.00	December 2014	311.0
Metcentre & 60 Margaret Street, Sydney (50% interest) ⁶	August 1998	244.4	238.8	6.50-6.88	6.50-7.00	8.25-8.75	8.50-9.00	December 2014	241.3
Moonee Ponds Central, Moonee Ponds VIC	May 2003 & February 2008	68.6	67.0	7.75	7.75	9.00	9.00	June 2014	67.0
Nexus Industry Park (Building 1), Lyn Parade, Prestons NSW	August 2004	21.6	20.5	7.25	7.75	8.75	9.25	June 2015	21.6
Nexus Industry Park (Building 2), Lyn Parade, Prestons NSW	August 2004	14.6	13.1	7.25	7.75	8.75	9.25	December 2014	13.5
Nexus Industry Park (Building 3), Lyn Parade, Prestons NSW	August 2004	27.5	26.1	7.50	8.00	8.75	9.25	June 2015	27.5
Nexus Industry Park (Building 4), Lyn Parade, Prestons NSW	August 2004	39.7	38.2	7.25	7.50	8.75	9.25	December 2013	35.8
Nexus Industry Park (Building 5), Lyn Parade, Prestons NSW	August 2004	20.6	19.5	7.25	7.50	8.75	9.25	December 2014	19.8
Orion Springfield Town Centre, Springfield QLD ⁷	August 2002	235.0	138.8	6.50	6.75	9.00	9.25	December 2014	143.0
Quay West Car Park, 109-111 Harrington Street, Sydney NSW	November 1989	30.0	29.3	7.25	8.25	9.25	10.00	June 2015	30.0
Rhodes Shopping Centre, Rhodes NSW (50% interest)	January 2007	149.0	130.4	6.25	7.00	8.50	9.25	June 2015	149.0
Riverside Quay, Southbank VIC ⁸	April 2002 & July 2003	193.1	208.5	7.50	7.50-7.75	8.75	9.00-10.25	December 2013	199.3
St Marys Village Centre, St Marys NSW	January 2003	48.2	46.0	7.25	7.75	9.00	9.00	December 2014	47.0
Stanhope Village, Stanhope Gardens NSW	November 2003	116.0	101.6	7.00	7.25	9.00	9.00	December 2013	97.0
Total investment properties		6,297.1	6,015.1						
IPUC									
2 Riverside Quay, Southbank VIC (50% interest) ⁸	April 2002	23.7	–	6.13	–	8.50	–	–	–
200 George Street, Sydney NSW (50% interest)	December 2012	133.5	68.6	6.00	6.50	8.00	8.75	December 2014	92.9
699 Bourke Street, Melbourne VIC (50% interest) ⁵	June 2014	–	20.4	–	6.50	–	9.00	–	–
Orion Springfield land, Springfield QLD ⁷	August 2002	21.6	37.0	–	6.50-9.50	–	9.25-10.25	December 2014	73.4
Total IPUC		178.8	126.0						
Total investment properties and IPUC		6,475.9	6,141.1						

1) Date of acquisition represents business combination acquisition date.

2) Investment property disposed of during the year.

3) Last external valuation represents 100 per cent interest, prior to sale of 50 per cent interest on 1 July 2014. No external valuation since June 2012, as sale price considered fair value.

4) Investment property acquired during the year.

5) Investment property reached practical completion during the year and was reclassified from IPUC.

6) Includes 52-60 Francis Street, Glebe NSW (50% interest), acquired during the year.

7) Stage two of Orion Springfield Town Centre development now included as investment property in main centre. Remaining land now valued on a direct comparison basis.

8) 50 per cent of 2 Riverside Quay, Southbank VIC was sold during the year. The remaining 50 per cent was reclassified as IPUC.

6 Investment properties / continued

a) Reconciliation of carrying amounts of investment properties

	2015 \$m	2014 \$m
At fair value		
Balance 1 July	6,141.1	6,232.9
Additions	320.3	217.7
Acquisitions including costs	550.6	663.2
Disposals	(650.9)	(149.1)
Net gain on fair value of investment properties and IPUC	139.8	30.4
Net gain/(loss) from foreign currency translation	8.1	(0.9)
Assets classified as held for sale	–	(821.0)
Amortisation of fitout incentives, leasing costs and rent incentives	(33.0)	(32.1)
Balance 30 June	6,475.9	6,141.1

b) Amounts recognised in the consolidated SoCI for investment properties

	2015 \$m	2014 \$m
Investment properties rental revenue	602.9	639.0
Investment properties expenses	(152.1)	(167.7)
Amortisation expense	(21.6)	(21.4)
	429.2	449.9

c) Fair value measurement and valuation basis

i) Investment properties

Investment properties are carried at fair value. Valuation methods used to determine the fair value include market sales comparison, discounted cash flows ("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 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.

AASB 13 *Fair Value Measurement* 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).

Notes to the consolidated financial statements

6 Investment properties / continued

DCF and CR both use unobservable inputs in determining fair value, ranges of the inputs are included below:

Sector	Fair value hierarchy	Fair value \$m	Net market income \$ ¹	Inputs used to measure fair value			
				10 year market rent compound annual growth rate % ("CAGR")	CR %	Terminal yield %	Discount rate %
Office ²	Level three	3,704.0	205-1,003	0.0-4.10	6.00-9.50	6.25-10.00	8.00-9.75
Industrial	Level three	529.3	15-345	2.33-3.30	7.25-9.50	7.50-9.75	8.50-9.75
Retail ²	Level three	2,154.9	221-1,341	2.55-4.43	6.00-7.75	6.25-8.00	8.50-9.00
Other ³	Level three	87.7	–	1.88-3.35	7.25-8.00	7.50-9.00	9.25-12.00

1) Square meter.

2) Includes IPUC.

3) Net market income for Other Sector (Hotel and Car Parks) not reported on a square meter basis.

d) Sensitivity on changes in fair value of investment properties

Movement in any of the inputs used to measure fair value is likely to have an impact on the fair value of investment property.

Inputs used to measure fair value	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Net market income	Increase	Decrease
10 year mark rent CAGR	Increase	Decrease
Capitalisation rate	Decrease	Increase
Terminal Yield	Decrease	Increase
Discount rate	Decrease	Increase

e) Highest and best use

For all investment properties, the current use equates to the highest and best use.

f) Non current assets pledged as security

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

g) Property portfolio

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

	Note	2015 \$m	2014 \$m
Investment properties per consolidated SoFP		6,475.9	6,141.1
Investment properties classified as assets held for sale	7	–	821.0
		6,475.9	6,962.1

h) Operating lease receivable

The investment properties are leased to tenants under long term operating leases with rents payable monthly.

Minimum lease payments receivable under non-cancellable operating leases of investment properties are as follows:

	2015 \$m	2014 \$m
Due within one year	471.6	479.6
Due between two and five years	1,346.7	1,432.5
Due after five years	750.1	780.1
Total operating lease receivable¹	2,568.2	2,692.2

1) Excludes storeroom and other licences, signage, telecommunications, percentage rent and sundry income.

7 Assets classified as held for sale

	2015 \$m	2014 \$m
Non-current assets held for sale		
Investment properties		
1 Castlereagh Street, Sydney NSW ¹	–	69.4
10 Julius Avenue, North Ryde NSW ¹	–	51.4
12 Julius Avenue, North Ryde NSW ¹	–	21.3
275 Kent Street, Sydney NSW ^{1,2}	–	435.0
33 Corporate Drive, Cannon Hill QLD ¹	–	15.2
38 Sydney Avenue, Forrest ACT ¹	–	35.5
John Oxley Centre, 339 Coronation Drive, Milton QLD ¹	–	53.7
Waverley Gardens Shopping Centre, Mulgrave VIC ¹	–	139.5
	–	821.0

1) Settlement occurred 1 July 2014.

2) 50 per cent interest.

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

8 Financial assets

8.1 Receivables

	Gross \$m	Provision for impairment \$m	Net \$m
30 June 2015			
Current			
Trade receivables	3.1	(0.4)	2.7
Accrued income	9.2	–	9.2
Other receivables	5.1	–	5.1
	17.4	(0.4)	17.0
Non-current			
Other receivables	2.9	–	2.9
	2.9	–	2.9
	20.3	(0.4)	19.9
30 June 2014			
Current			
Trade receivables	1.1	(0.1)	1.0
Accrued income	15.7	–	15.7
Other receivables	4.5	–	4.5
	21.3	(0.1)	21.2
Non-current			
Other receivables	2.6	–	2.6
	2.6	–	2.6
	23.9	(0.1)	23.8

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.

Notes to the consolidated financial statements

8 Financial assets / continued

8.1 Receivables / continued

c) Provision for impairment of trade receivables

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

	2015 \$m	2014 \$m
Balance 1 July	(0.1)	(0.2)
Provision for impairment recognised	(0.3)	0.1
Balance 30 June	(0.4)	(0.1)

The consolidated entity has recognised \$0.3m of impairment against trade receivables during the current year (2014: Release of \$0.1m). 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.

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:

	2015		2014	
	Total receivables \$m	Provision for impairment \$m	Total receivables \$m	Provision for impairment \$m
Not past due	18.1	–	22.8	–
Past due 1-30 days	1.3	–	0.8	–
Past due 31-60 days	0.3	–	0.3	(0.1)
Past due 61-90 days	0.2	(0.1)	–	–
Past due 91-120 days	0.2	(0.1)	–	–
Past 120 days	0.2	(0.2)	–	–
Total	20.3	(0.4)	23.9	(0.1)

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 all lease receivables of \$114.1m (2014: \$94.5m). The fair value of the collateral held equals the fair value of the receivables for which the collateral is held. The terms of the collateral are if payment due is not received per the agreed terms, the consolidated entity is able to claim the collateral held.

e) Impairment and risk exposures

Refer to note 28(i) for information about the impairment of trade receivables and their credit quality and note 28(k) for impairment of other receivables. Refer to note 12 for the consolidated entity's exposure to foreign currency risk, interest rate risk and credit risk.

f) Fair values of trade and other receivables

Due to the short term nature of the current receivables, their carrying amount (less impairment provision) is assumed to be the same as their fair value. For the majority of the non-current receivables, the carrying amount is also not significantly different to their fair value.

8.2 Payables

	2015 \$m	2014 \$m
Trade payables	45.8	41.3
Rent in advance	18.6	13.3
Other accruals	9.5	25.8
Other creditors	1.7	4.9
Amounts due to entities related to Responsible Entity	122.5	59.5
	198.1	144.8

Trade payables are unsecured and are usually paid within 30 days of recognition.

a) Fair values of payables

The carrying amounts of trade and other payables are assumed to be the same as their fair values due to their short term nature.

9 Other non-financial assets and liabilities

9.1 Intangible assets

	Total \$m
2015	
Balance 1 July	42.8
Balance 30 June	42.8
2014	
Balance 1 July	69.5
Impairment of goodwill	(24.5)
Derecognition of goodwill	(2.2)
Balance 30 June	42.8

a) Allocation of goodwill by business segment

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

	Office \$m	Retail \$m	Industrial \$m	Other \$m	Unallocated \$m	Total \$m
2015						
Goodwill	20.0	–	5.4	–	17.4	42.8
Balance 30 June	20.0	–	5.4	–	17.4	42.8
2014						
Goodwill	20.0	–	5.4	–	17.4	42.8
Balance 30 June	20.0	–	5.4	–	17.4	42.8

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

Goodwill is allocated to the consolidated entity's cash generating unit ("CGU") identified according to business segments. The recoverable amount of CGUs is determined using the higher of fair value less costs 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. AASB 136 *Impairment of Assets* recommends that cash flow projections should cover a maximum period of five years, unless a longer period can be justified. As the cash flow projections used for budgeting and forecasting are based on long term, predictable and quantifiable leases, with renewal assumptions based on sector and industry experience, management is comfortable that a 10 year cash flow projection is more appropriate. 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. Discount rates reflecting specific risks of each CGU have been adopted.

CGU	Growth rate 30 June 2015 % pa	Discount rate 30 June 2015 % pa	Growth rate 30 June 2013 % pa	Discount rate 30 June 2014 % pa
Office	–	8.5	–	8.8
Retail	–	8.8	–	9.0
Industrial	–	8.5	–	9.2
Other	–	10.3	–	10.3

The recoverable amount of goodwill exceeds the carrying value at 30 June 2015. Based on the information available on the key assumptions and market conditions at 30 June 2015, management has considered and assessed reasonable possible changes on the key assumptions and has not identified any instances that could cause the carrying value to exceed its recoverable amount of goodwill.

As the CGU's primarily consist of investment property, assumptions considered are the unobservable inputs used in determining fair value of investment property. For further information on the impact of a significant change in an unobservable input refer to note 6(d).

9.2 Provisions

	2015 \$m	2014 \$m
Distributions payable	181.2	169.8
Balance 1 July	169.8	164.9
Interim and final distributions	347.6	331.1
Payments made	(336.2)	(326.2)
Balance 30 June	181.2	169.8

Notes to the consolidated financial statements

CAPITAL STRUCTURE

10 Borrowings

	2015 \$m	2014 \$m
Current		
<i>Unsecured</i>		
Domestic medium term notes ("MTN")	–	200.0
Total current	–	200.0
Non-current		
<i>Unsecured</i>		
Bank loans	–	14.1
Loans from related party	1,026.9	1,376.2
Total non-current	1,026.9	1,390.3

a) Borrowings

i) Bank loans

During the year, the consolidated entity repaid all bank loans and subsequently extinguished all facilities. It is the consolidated entity's intention to borrow from a related party.

ii) Domestic MTN

During the year, the consolidated entity repaid all domestic MTN and subsequently extinguished all facilities.

iii) Loans from related party

The consolidated entity has access to unsecured loan facilities from a related party of \$2,031.9m (2014: \$2,026.1m). The facility consists of two individual loans: \$24.6m in US dollars translated into Australian dollars on a monthly basis, which expires on 7 December 2017, and \$2,000.0m which can be drawn in Australian or US dollars, which expires on 18 December 2023.

b) Financing arrangements

	2015 \$m	2014 \$m
Total facilities		
Bank loans	–	1,388.2
Domestic MTN	–	200.0
Loan from related party	2,031.9	2,026.1
	2,031.9	3,614.3
Used at the end of the reporting period		
Bank loans	–	975.2
Domestic MTN	–	200.0
Loan from related party	1,026.9	1,376.2
	1,026.9	2,551.4
Unused at the end of the reporting period		
Bank loans	–	413.0
Domestic MTN	–	–
Loan from related party	1,005.0	649.9
	1,005.0	1,062.9

10 Borrowings / continued

c) Fair value

	Carrying amount		Fair value	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Included in consolidated SoFP				
<i>Non traded financial liabilities</i>				
Bank loans	–	14.1	–	14.1
Domestic MTN	–	200.0	–	206.6
Loan from related party	1,026.9	1,376.2	1,026.9	1,376.2
	1,026.9	1,590.3	1,026.9	1,596.9

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

The carrying value of all borrowings except domestic MTN is considered to approximate their value and impact to the fair value from the difference in the interest rates is considered immaterial. All borrowings are disclosed as level three in the fair value measurement hierarchy. For details on fair value hierarchy, refer to note 13.

i) Included in consolidated SoFP

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

ii) Not included in consolidated SoFP

The Trust and certain controlled entities have potential financial liabilities which may arise from certain contingent liabilities disclosed in note 21. 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.

11 Other financial assets and liabilities

11.1 Derivative financial assets

	2015 \$m	2014 \$m
Current		
Interest rate swap contracts – fair value	–	6.6

a) Instruments used by the consolidated entity

Refer to note 12 for information on derivative financial instruments used by the consolidated entity.

b) Risk exposures

Refer to note 12 for the consolidated entity's exposure to foreign exchange, interest rate and credit risk on interest rate swaps.

c) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives, refer to note 13.

11.2 Other financial assets at fair value through profit or loss

	2015 \$m	2014 \$m
Units in unlisted fund		
Balance 1 July	11.8	12.0
Loss on revaluation	(0.5)	(0.2)
Balance 30 June	11.3	11.8

Changes in fair values of other financial assets at fair value through profit or loss are reflected in the consolidated SoCI as a gain or loss on fair value of derivative financial instruments.

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 owned by James Fielding Trust – 12.9m units (22 per cent).

The fair value of the units 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. 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 12 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

11 Other financial assets and liabilities / continued

11.3 Other financial assets

	2015 \$m	2014 \$m
Loan notes issued by unrelated party	168.9	–
Convertible notes issued by Mirvac (Old Treasury) Trust	95.7	79.4
Total other financial assets	264.6	79.4

At 30 June 2015, the consolidated entity held \$95.7m of convertible notes in the Mirvac (Old Treasury) Trust (2014: \$79.4m). The consolidated entity also has an investment accounted for using the equity method in the Mirvac (Old Treasury) Trust. Convertible notes are issued to fund the development costs of investment property currently under construction held by the Mirvac (Old Treasury) Trust. In the future, the convertible notes will be converted into equity held by the consolidated entity and the investment accounted for using the equity method will increase by the value of the convertible notes held. The consolidated entity also holds \$168.9m of loan notes (2014: \$nil). \$156.0m of notes were issued by Blackstone for partial non-receipt of funds for the sale of non-aligned assets during the year. The remaining \$12.9m of notes relate to capitalised interest during the year.

12 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 used 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 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	2015 \$m	2014 \$m
Financial assets			
Cash and cash equivalents	26(a)	20.2	6.7
Receivables	8	19.9	23.8
Derivative financial assets	11.1	–	6.6
Other financial assets at fair value through profit or loss	11.2	11.3	11.8
Other financial assets	11.3	264.6	79.4
		316.0	128.3
Financial liabilities			
Payables	8.2	198.1	144.8
Borrowings	10	1,026.9	1,590.3
		1,225.0	1,735.1

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.

12 Financial risk management / continued

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

The consolidated entity has no external borrowings as at 30 June 2015; all borrowings are held with and managed by a related party. The related party borrowings consist of two individual loans:

- a \$2,000.0m facility, commencing in December 2013, of which \$1,001.8m was drawn as at 30 June 2015. The basis for the interest on this loan is the related party's own cost of funds from their borrowing facilities; and
- a \$USD24.6m (\$AUD31.9m) facility, of which \$AUD25.1m was drawn as at 30 June 2015. The basis for the interest on this loan is USD LIBOR plus a margin of 1.125% pa.

In relation to Mirvac Group, borrowings issued at variable rates expose Mirvac to cash flow interest rate risk. Borrowings issued at fixed rates expose Mirvac to fair value interest rate risk. The Group's policy is to have a minimum of 40 per cent and a maximum of 80 per cent of borrowings subject to fixed or capped interest rates. This policy was complied with at the end of the year. Mirvac manages its cash flow interest rate risk by using interest rate derivatives, thereby maintaining fixed rate exposures within the policy range. Such interest rate derivatives have the economic effect of converting borrowings from floating rates to fixed or capped rates or vice versa.

The following table sets out the consolidated entity's net exposure to interest rate risk by maturity periods:

	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	
2015								
Loans from related party ¹	1,026.9	–	–	–	–	–	–	1,026.9
Total	1,026.9	–	–	–	–	–	–	1,026.9
2014								
Loans from related party ¹	1,376.2	–	–	–	–	–	–	1,376.2
Bank loans	14.1	–	–	–	–	–	–	14.1
Domestic MTN	–	200.0	–	–	–	–	–	200.0
Interest rate swaps ²	150.0	(150.0)	–	–	–	–	–	–
Total	1,540.3	50.0	–	–	–	–	–	1,590.3

1) Interest rate exposure is referable to the related party's own cost of funds.

2) Notional principal amounts.

Notes to the consolidated financial statements

12 Financial risk management / continued

The following table sets out Mirvac's net exposure to interest rate risk by maturity periods. These amounts do not represent the facilities of the consolidated entity but are relevant to the consolidated entity as this profile determines the facilities used to calculate the related party's cost of funds, which are then used as a basis for the interest on the consolidated entity's borrowings from the related party. Exposures arise predominantly from liabilities bearing variable interest rates as the Group intends to hold fixed rate liabilities to maturity.

	Floating interest rate \$m	Fixed interest maturing in						Total \$m
		1 year or less \$m	Over 1 to 2 year(s) \$m	Over 2 to 3 years \$m	Over 3 to 4 years \$m	Over 4 to 5 years \$m	Over 5 years \$m	
2015								
Unsecured bank loans	920.2	–	–	–	–	–	–	920.2
Domestic MTN	–	–	225.0	200.0	200.0	–	–	625.0
Foreign MTN	953.4	–	10.0	–	–	–	125.0	1,088.4
Interest rate swaps	(1,100.0)	100.0	–	100.0	200.0	100.0	600.0	–
	773.6	100.0	235.0	300.0	400.0	100.0	725.0	2,633.6
2014								
Unsecured bank loans	975.2	–	–	–	–	–	–	975.2
Domestic MTN	–	200.0	–	225.0	200.0	200.0	–	825.0
Foreign MTN	779.3	–	–	10.0	–	–	125.0	914.3
Interest rate swaps	(650.0)	(150.0)	100.0	100.0	200.0	200.0	200.0	–
	1,104.5	50.0	100.0	335.0	400.0	400.0	325.0	2,714.5

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; however, there are no floating to fixed interest rate swap derivatives in place as at 30 June 2015 (2014: nil). Floating to fixed derivatives currently in place do not cover any (2014: \$nil) of the loan principal outstanding.

At 30 June 2015, 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			
	Interest rates % pa	2015	Interest rates % pa	2014	Interest rates % pa	2015	Interest rates % pa	2014
		\$m		\$m		\$m		\$m
1 year or less	–	–	–	–	–	–	8.25	150.0
Over 1 to 2 year(s)	–	–	–	–	–	–	–	–
Over 2 to 3 years	–	–	–	–	–	–	–	–
Over 3 to 4 years	–	–	–	–	–	–	–	–
Over 4 to 5 years	–	–	–	–	–	–	–	–
Over 5 years	–	–	–	–	–	–	–	–
		–		–		–		150.0

12 Financial risk management / continued

The following table sets out the notional principal amounts, interest rates and periods of expiry of the interest rate swap contracts held by Mirvac. These amounts do not represent the interest rate swap derivatives of the consolidated entity but are relevant to the consolidated entity as this profile determines the derivatives used to calculate the related party's cost of funds, which are then used as a basis for the interest on the consolidated entity's borrowings from the related party.

	Floating to fixed				Fixed to floating			
	Interest rates % pa	2015	Interest rates % pa	2014	Interest rates % pa	2015	Interest rates % pa	2014
		\$m		\$m		\$m		\$m
1 year or less	4.75-5.50	100.0	–	–	–	–	8.25	150.0
Over 1 to 2 year(s)	–	–	4.75-5.50	100.0	–	–	–	–
Over 2 to 3 years	2.50-6.40	300.0	4.70	100.0	5.50	200.0	–	–
Over 3 to 4 years	2.50-4.00	200.0	2.50-6.40	400.0	–	–	5.50	200.0
Over 4 to 5 years	3.49	100.0	2.50-4.00	200.0	–	–	–	–
Over 5 years	–	–	3.49-4.00	200.0	–	–	–	–
		700.0		1,000.0		200.0		350.0

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.

Receivables

The consolidated entity's exposure to interest rate risk for current and non-current receivables is set out in the following tables:

		Fixed interest maturing in								
		Floating interest rate \$m	1 year or less \$m	Over 1 to 2 year(s) \$m	Over 2 to 3 years \$m	Over 3 to 4 years \$m	Over 4 to 5 years \$m	Over 5 years \$m	Non- interest bearing \$m	Total \$m
Note										
2015										
Trade receivables	8.1	–	–	–	–	–	–	–	2.7	2.7
Other receivables	8.1	–	–	2.7	0.2	–	–	–	14.3	17.2
		–	–	2.7	0.2	–	–	–	17.0	19.9
2014										
Trade receivables	8.1	–	–	–	–	–	–	–	1.0	1.0
Other receivables	8.1	–	2.6	–	–	–	–	–	20.2	22.8
Total		–	2.6	–	–	–	–	–	21.2	23.8

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 (2014: 50) 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 (2014: 50) basis point increase in interest rates would be an increase in profit of \$6.5m (2014: decrease of \$5.5m). The impact on the consolidated entity's result of a 50 (2014: 50) basis point decrease in interest rates would be an decrease in profit of \$6.5m (2014: increase of \$5.5m). The impact on the consolidated entity of a movement in US dollar interest rates would not be material to the profit of the consolidated entity.

iii) Price risk

The consolidated entity is exposed to equity price risk arising from an equity investment (refer to note 11.2). 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 (2014: five per cent) per cent higher or lower, the effect on net profit for the year would have been \$0.6m (2014: \$0.6m). This investment represents less than one per cent of the consolidated entity's net assets and therefore represents minimal risk to the consolidated entity. The amount recognised in profit or loss in relation to the equity investment held by the consolidated entity is disclosed in note 11.2.

Convertible notes do not convert at a fixed rate to equity, the conversion being based on NTA and as a result are not subject to material price risk.

Notes to the consolidated financial statements

12 Financial risk management / continued

b) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and will cause a financial loss. 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 SoFP, such as when the consolidated entity provides a guarantee for another party. Details of the consolidated entity's contingent liabilities are disclosed in note 21. 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 8.1(d) 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 distribution reinvestment plan ("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.

i) Financing arrangements

At 30 June 2015, the consolidated entity has minimal liquidity risk due to there being no current borrowings (2014: \$200.0m) and access to undrawn facilities of \$1,005.0m (2014: \$649.9m).

ii) Maturities of financial liabilities

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

	Maturing in						
	1 year or less \$m	Over 1 to 2 year(s) \$m	Over 2 to 3 years \$m	Over 3 to 4 years \$m	Over 4 to 5 years \$m	Over 5 years \$m	Total \$m
2015							
Non-interest bearing							
Payables	198.1	–	–	–	–	–	198.1
Interest bearing							
Loans from related party	21.0	22.7	51.3	29.6	34.1	1,138.4	1,297.0
Bank loans	–	–	–	–	–	–	–
Domestic MTN	–	–	–	–	–	–	–
Derivatives							
Fixed to floating swaps	–	–	–	–	–	–	–
	219.1	22.7	51.3	29.6	34.1	1,138.4	1,495.1
2014							
Non-interest bearing							
Payables	144.8	–	–	–	–	–	144.8
Interest bearing							
Loan from related party	36.2	39.1	43.7	69.4	52.6	1,630.7	1,871.7
Bank loans	–	14.2	–	–	–	–	14.2
Domestic MTN	216.5	–	–	–	–	–	216.5
Derivatives							
Fixed to floating swaps	(8.3)	–	–	–	–	–	–
	389.2	53.3	43.7	69.4	52.6	1,630.7	2,238.9

12 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 2015, the gearing ratio (net debt including cross currency swaps to total tangible assets less cash) was 24.3 per cent (2014: 27.8 per cent). The Group's target gearing ratio is 20 to 30 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 buy-backs), or the disposal of assets.

Mirvac prepares quarterly consolidated SoFP, SoCI and cash flow updates for the current year and five year forecasts. These forecasts are used to monitor the Group's capital structure and future capital requirements, taking into account future market conditions.

Mirvac complied with all its borrowing covenant ratios at 30 June 2015. The Group's gearing ratios were as follows:

	2015 \$m	2014 \$m
Net interest bearing debt less cash ¹	2,505.1	2,722.2
Total tangible assets less cash	10,304.7	9,784.9
Gearing ratio (%)	24.3	27.8

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

13 Fair value measurement of financial instruments

a) Fair value hierarchy

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 13 *Fair Value Measurement* 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 2015 and 30 June 2014 on a recurring basis:

	Note	Level one \$m	Level two \$m	Level three \$m	Total \$m
2015					
Financial assets					
Other financial assets at fair value through profit or loss					
– unlisted securities	11.2	–	–	11.3	11.3
Other financial assets	11.3	–	–	264.6	264.6
		–	–	275.9	275.9
2014					
Financial assets					
Other financial assets at fair value through profit or loss					
– unlisted securities	11.2	–	–	11.8	11.8
Other financial assets	11.3	–	–	79.4	79.4
Derivatives used for hedging	11.1	–	6.6	–	6.6
		–	6.6	91.2	97.8

There were no transfers between levels one, two and three for recurring fair value measurements during the year. The consolidated entity's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Notes to the consolidated financial statements

13 Fair value measurement of financial instruments / continued

b) Valuation techniques used to derive level two and level three fair values

Level one: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the consolidated entity is the current bid price. The Trust holds no level one financial instruments.

Level two: 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 Trust 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, where the fair values have been determined based on present values and discount rates used were adjusted for counterparty or own credit or debit adjustments.

Level three: If one or more of the valuation techniques for financial instruments is based on significant unobservable inputs, such instruments are included in level three. This is the case for unlisted securities and other financial assets.

c) Fair value measurements using significant unobservable inputs (level three)

The following table presents the changes in level three instruments for the year ended 30 June 2015 held by the consolidated entity:

	Unlisted securities \$m	Other financial assets \$m	Total \$m
Balance 1 July 2013	12.0	145.1	157.1
Acquisitions	–	31.5	31.5
Loss recognised in other income ¹	(0.2)	–	(0.2)
Equity conversion	–	(97.2)	(97.2)
Balance 30 June 2014	11.8	79.4	91.2
Acquisitions	–	185.2	185.2
Loss recognised in other income ¹	(0.5)	–	(0.5)
Balance 30 June 2015	11.3	264.6	275.9

1) Unrealised loss for the year included in Loss on fair value of derivative financial instruments in SoCI.

There were no transfers between the levels of the fair value hierarchy during the year. There were also no changes made to any of the valuation techniques applied as of 30 June 2015.

The main level three inputs used by the consolidated entity in measuring the fair value of financial instruments are derived and evaluated as follows:

- unlisted securities – fair values of the security unit prices: these are determined based on the valuation of the underlying assets held by the fund. These valuations are based on discounted net cash inflows from expected future income and/or comparable sales of similar assets; and
- other financial assets – expected cash inflows: these are determined based on the development management agreement with fixed repayment terms based on fixed interest rate and agreed project costs.

d) Sensitivity on changes in fair value of level three financial instruments

For sensitivity analysis on level three unlisted securities, refer to note 12(a)(iii).

e) Fair value of other financial instruments

The carrying value of the other short term financial assets and financial liabilities being receivables and payables (set out in note 12(a)) is considered to approximate their fair value.

GROUP STRUCTURE

14 Investments in JVA

	2015 \$m	2014 \$m
Consolidated SoFP		
Investments accounted for using the equity method		
Investments in associates	–	0.5
Investments in joint ventures	415.1	369.6
	415.1	370.1
Consolidated SoCI		
Share of net profit of associates and joint ventures accounted for using the equity method		
Investments in associates	(0.1)	0.8
Investments in joint ventures	60.7	36.7
	60.6	37.5

a) Detail of associates and joint ventures

Investments in associates and joint ventures are accounted using the equity method of accounting. All associates and joint ventures were established in Australia. Information relating to the associates and joint ventures is set out below:

i) Associates

Name of entity	Principal activities	2015 %	Interest 2014 %	2015 \$m	Carrying value 2014 \$m
Mirvac Industrial Trust	Property investment	–	14	–	0.5

On 3 December 2014 the consolidated entity disposed of all units held in the Mirvac Industrial Trust.

ii) Fair value of listed investments in associates

	2015 \$m	2014 \$m
Fair value of listed investments in associates		
Mirvac Industrial Trust	–	8.4

iii) Joint ventures

Name of entity	Principal activities	2015 %	Interest 2014 %	2015 \$m	Carrying value 2014 \$m
Australian Sustainable Forestry Investors 1&2	Forestry and environmental asset management	25	25	0.1	1.0
Mirvac 8 Chifley Trust	Investment property	50	50	189.6	173.8
Mirvac (Old Treasury) Trust	Investment property	50	50	70.5	58.6
Tucker Box Hotel Group	Hotel investment	49	49	154.9	136.2
				415.1	369.6

b) Share of associates and joint ventures' commitments and contingent liabilities

The consolidated entity's share of its associates and joint ventures' commitments which have been approved but not yet provided for as at 30 June 2015 are set out below:

	2015 \$m	2014 \$m
Capital commitments	79.6	86.3
Total associates and joint ventures' commitments	79.6	86.3

Notes to the consolidated financial statements

14 Investments in JVA / continued

c) Summarised financial information for associates and joint ventures

The tables below provide summarised financial information for those associates and joint ventures of the Trust. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures and not the consolidated entity's share of those amounts.

i) Associates

Summarised consolidated SoFP	Cash and cash equivalents \$m	Other current assets \$m	Total current assets \$m	Total non-current assets \$m	Current financial liabilities (excluding trade payables) \$m	Other current liabilities \$m	Total current liabilities \$m	Non-current financial liabilities (excluding trade payables) \$m	Other non-current liabilities \$m	Total non-current liabilities \$m	Net assets \$m
2015											
Mirvac Industrial Trust ¹	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–
2014											
Mirvac Industrial Trust ²	16.5	1.1	17.6	219.2	2.9	12.7	15.6	142.3	–	142.3	78.9
	16.5	1.1	17.6	219.2	2.9	12.7	15.6	142.3	–	142.3	78.9

1) The investment was sold on 3 December 2014.

2) SoFP based on the latest available financial statements, at the time being 31 December 2013.

Reconciliation to carrying amounts	Opening net assets 1 July \$m	Loss for the year \$m	Other comprehensive income \$m	Issue of equity \$m	Distributions paid/payable \$m	Closing net assets \$m	Consolidated entity's share %	Consolidated entity's share \$m	Carrying amount \$m
2015									
Mirvac Industrial Trust ¹	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
2014									
Mirvac Industrial Trust ²	76.0	(0.3)	3.2	–	–	78.9	14	11.0	0.5
	76.0	(0.3)	3.2	–	–	78.9		11.0	0.5

1) The investment was sold on 3 December 2014.

2) The investment was written down to \$nil in 2009. No share of profit was recognised by the consolidated entity until the year ended 30 June 2014. In FY14, due to the stabilisation of the investment, Management commenced recognition of equity accounted profits.

Summarised consolidated SoCI	Revenue \$m	Loss for the year \$m	Other comprehensive income \$m	Total comprehensive income \$m	Distributions received/receivable from associate \$m
2015					
Mirvac Industrial Trust	–	–	262.6	262.6	–
	–	–	262.6	262.6	–
2014					
Mirvac Industrial Trust	17.3	(0.3)	3.2	2.9	0.3
	17.3	(0.3)	3.2	2.9	0.3

14 Investments in JVA / continued

ii) Joint ventures

Summarised consolidated SoFP	Cash and cash equivalents \$m	Other current assets \$m	Total current assets \$m	Total non-current assets \$m	Current financial liabilities (excluding trade payables) \$m	Other current liabilities \$m	Total current liabilities \$m	Non-current financial liabilities (excluding trade payables) \$m	Other non-current liabilities \$m	Total non-current liabilities \$m	Net assets \$m
2015											
Australian Sustainable Forestry Investors 1 & 2	0.2	–	0.2	–	–	–	–	–	–	–	0.2
Mirvac 8 Chifley Trust	2.5	0.5	3.0	379.2	–	3.0	3.0	–	–	–	379.2
Mirvac (Old Treasury) Trust	66.3	0.1	66.4	264.4	–	(1.6)	(1.6)	191.4	–	191.4	141.0
Tucker Box Hotel Group	1.2	6.7	7.9	472.5	1.7	7.9	9.6	153.7	0.9	154.6	316.2
	70.2	7.3	77.5	1,116.1	1.7	9.3	11.0	345.1	0.9	346.0	836.8

2014											
Australian Sustainable Forestry Investors 1 & 2	5.5	–	5.5	–	–	–	–	–	–	–	5.5
Mirvac 8 Chifley Trust	0.2	0.4	0.6	347.6	–	0.5	0.5	–	–	–	347.7
Mirvac (Old Treasury) Trust	151.5	0.2	151.7	124.2	–	(0.2)	(0.2)	158.9	–	158.9	117.2
Tucker Box Hotel Group	4.8	7.2	12.0	423.6	2.8	7.5	10.3	146.2	1.1	147.3	278.0
	162.0	7.8	169.8	895.4	2.8	7.8	10.6	305.1	1.1	306.2	748.4

Reconciliation to carrying amounts	Opening net assets 1 July \$m	Profit/(loss) for the year \$m	Other comprehensive income \$m	Issue/(return) of equity \$m	Distributions paid/payable \$m	Closing net assets 30 June \$m	Consolidated entity's share %	Consolidated entity's share \$m	Carrying amount \$m
2015									
Australian Sustainable Forestry Investors 1 & 2	5.5	–	–	–	(5.3)	0.2	25	0.1	0.1
Mirvac 8 Chifley Trust	347.7	53.7	–	–	(22.2)	379.2	50	189.6	189.6
Mirvac (Old Treasury) Trust	117.2	4.2	–	23.6	(4.0)	141.0	50	70.5	70.5
Tucker Box Hotel Group	278.0	64.8	–	–	(26.6)	316.2	49	154.9	154.9
	748.4	122.7	–	23.6	(58.1)	836.6		415.1	415.1

2014									
Australian Sustainable Forestry Investors 1 & 2 ¹	31.7	(13.7)	–	(12.5)	–	5.5	25	1.4	1.0
Mirvac 8 Chifley Trust	84.2	12.9	–	250.6	–	347.7	50	173.8	173.8
Mirvac (Old Treasury) Trust	70.3	3.5	–	45.7	(2.4)	117.2	50	58.6	58.6
Tucker Box Hotel Group	244.1	58.7	–	–	(24.8)	278.0	49	136.2	136.2
	430.3	61.4	–	283.8	(27.2)	748.4		370.0	369.6

1) During 2014, the consolidated entity released part of the provision previously made against this investment. As a result, the carrying amount was less than the consolidated entity's entitlement to the net asset of the investment.

Notes to the consolidated financial statements

14 Investments in JVA / continued

Summarised consolidated SoCI	Revenue \$m	Interest income \$m	Depreciation and amortisation \$m	Interest expense \$m	Income tax expense \$m	Profit for the year \$m	Other compre- hensive income \$m	Total compre- hensive income \$m	Distributions received/ receivable from joint venture entities \$m
2015									
Australian Sustainable Forestry Investors 1 & 2	–	–	–	–	–	–	–	–	3.2
Mirvac 8 Chifley Trust	57.8	–	–	–	–	53.7	–	53.7	11.1
Mirvac (Old Treasury) Trust	4.2	3.4	–	–	–	4.2	–	4.2	1.9
Tucker Box Hotel Group	74.1	0.1	–	8.0	0.1	64.0	–	64.0	13.3
	136.1	3.5	–	8.0	0.1	121.9	–	121.9	29.5

2014									
Australian Sustainable Forestry Investors 1 & 2	2.1	0.1	–	1.2	–	0.2	–	0.2	3.2
Mirvac 8 Chifley Trust	32.7	–	–	16.7	–	12.8	–	12.8	–
Mirvac (Old Treasury) Trust	3.5	3.0	–	–	–	3.5	–	3.5	1.2
Tucker Box Hotel Group	68.5	0.1	–	10.0	0.1	58.6	–	58.6	12.2
	106.8	3.2	–	27.9	0.1	75.1	–	75.1	16.2

d) Reconciliation of the carrying amount of investments in associates and joint ventures

i) Associates

	2015 \$m	2014 \$m
Movements in carrying amounts		
Balance 1 July	0.5	–
Distributions received/receivable	–	(0.3)
Share of (loss)/profit from ordinary operating activities	(0.5)	0.8
Balance 30 June	–	0.5

ii) Joint ventures

	2015 \$m	2014 \$m
Movements in carrying amounts		
Balance 1 July	369.6	201.2
Distributions received/receivable	(27.4)	(16.6)
Share of profit from ordinary operating activities	61.1	36.7
Equity acquired	11.8	148.3
Balance 30 June	415.1	369.6

e) Investment in associates accounted for at fair value

Name of entity	Principal activities	Interest		2015 \$m	2014 \$m
		2015 %	2014 %		
JF Infrastructure Yield Fund	Infrastructure investment	22	22	11.3	11.8

For information about the methods and assumptions used in determining the fair value of other financial assets at fair value through profit or loss, refer to note 12.

f) Impairment of investments

In the year ended 30 June 2015, there was no impairment provision taken against the carrying value of the investments in associates and joint ventures (2014: \$nil). Investments in associates and joint ventures are reviewed at the end of each reporting period for any impairment and written off to the extent that the future benefits are no longer probable and do not support the carrying value of the investment.

14 Investments in JVA / continued

g) Investments in unconsolidated structured entities

The consolidated entity is not contractually obliged to provide financial support to its unconsolidated structured entities.

The consolidated entity invests in a number of funds and trusts. These investments are open-end and closed-end investment funds and trusts which invest in industrial and infrastructure real estate for the purpose of capital appreciation and/or to earn investment income. The investees finance their operations through borrowings and through equity issues. Material unconsolidated structured entities include the following:

- JF Infrastructure Yield Fund; and
- ASFI.

As the consolidated entity does not provide financial support, the exposure of the consolidated entity is equal to the carrying value being \$11.4m (2014: \$12.8m).

15 Interests in controlled entities of MPT

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note 28(a):

Name of entity	Country of establishment/ incorporation	Class of units/ shares	Equity holding	
			2015 %	2014 %
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
275 Kent Street Holding Trust	Australia	Units	100	100
367 Collins Street Trust	Australia	Units	100	100
367 Collins Street No. 2 Trust	Australia	Units	100	100
380 St Kilda Road Trust ¹	Australia	Units	100	100
477 Collins Street No. 1 Trust	Australia	Units	100	100
477 Collins Street No. 2 Trust	Australia	Units	100	100
Australian Office Partnership Trust	Australia	Units	100	100
Cannon Hill Office Trust ²	Australia	Units	–	100
Chifley Holding Trust	Australia	Units	100	100
George Street Holding Trust	Australia	Units	100	100
James Fielding Trust	Australia	Units	100	100
JF Infrastructure – Sustainable Equity Fund	Australia	Units	100	100
JFIF Victorian Trust	Australia	Units	100	100
JFM Hotel 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 210 George Street Trust ³	Australia	Units	–	100
Mirvac 220 George Street Trust ³	Australia	Units	–	100
Mirvac 90 Collins Street Trust	Australia	Units	100	100
Mirvac Allendale Square Trust	Australia	Units	100	100
Mirvac Bourke Street No.1 Sub-Trust	Australia	Units	100	100
Mirvac Bourke Street No.2 Sub-Trust	Australia	Units	100	100
Mirvac Broadway Sub-Trust	Australia	Units	100	100
Mirvac Capital Partners 1 Trust	Australia	Units	100	100
Mirvac Collins Street Trust No.1 Sub-Trust	Australia	Units	100	100
Mirvac Collins Street Trust No.2 Sub-Trust	Australia	Units	100	100
Mirvac Commercial Trust ¹	Australia	Units	100	100
Mirvac Commercial No.1 Sub Trust ⁴	Australia	Units	–	100
Mirvac Commercial No.3 Sub Trust	Australia	Units	100	100
Mirvac Funds Finance Pty Limited	Australia	Ordinary	100	100
Mirvac Funds Loan Note Pty Limited	Australia	Ordinary	100	100
Mirvac Glasshouse Sub-Trust	Australia	Units	100	100
Mirvac Group Funding No.2 Limited	Australia	Ordinary	100	100
Mirvac Group Funding No.3 Pty Limited	Australia	Ordinary	100	100
Mirvac Harbourside Sub Trust	Australia	Units	100	100
Mirvac Industrial Fund	Australia	Units	100	100
Mirvac Industrial No. 1 Sub Trust	Australia	Units	100	100
Mirvac Industrial No. 2 Sub Trust	Australia	Units	100	100

Notes to the consolidated financial statements

15 Interests in controlled entities of MPT / continued

Name of entity	Country of establishment/ incorporation	Class of units/ shares	Equity holding	
			2015 %	2014 %
Mirvac Office Trust ²	Australia	Units	–	100
Mirvac Property Trust No.3 ⁵	Australia	Units	100	–
Mirvac Property Trust No.4 ⁵	Australia	Units	100	–
Mirvac Property Trust No.5 ⁵	Australia	Units	100	–
Mirvac Property Trust No.6 ⁵	Australia	Units	100	–
Mirvac Property Trust No.7 ⁵	Australia	Units	100	–
Mirvac Real Estate Investment Trust	Australia	Units	100	100
Mirvac Retail Head Trust	Australia	Units	100	100
Mirvac Retail Sub-Trust No. 1	Australia	Units	100	100
Mirvac Retail Sub-Trust No. 2	Australia	Units	100	100
Mirvac Retail Sub-Trust No. 3 ⁵	Australia	Units	100	–
Mirvac Retail Sub-Trust No. 4 ⁵	Australia	Units	100	–
Mirvac Rhodes Sub-Trust	Australia	Units	100	100
Old Treasury Holding Trust	Australia	Units	100	100
Pennant Hills Office Trust	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
WOT CMBS Pty Ltd ²	Australia	Ordinary	–	100
WOT Holding Trust ²	Australia	Units	–	100
WOT Loan Note Pty Ltd ²	Australia	Ordinary	–	100
WOW Office Trust ²	Australia	Units	–	100

1) One unit on issue held by Mirvac Limited as custodian for Mirvac Property Trust.

2) These entities were deregistered/wound up during the year.

3) On 22 June 2015, 100 per cent of the units in these trusts were sold to an external party.

4) On 30 April 2014, 100 per cent of the units in this trust were exchanged for sale. Settlement occurred on 1 July 2014.

5) These entities were established/registered during the year.

16 Parent entity financial information

a) Summary of financial information

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

	Note	2015 \$m	2014 \$m
SoFP			
Current assets		535.0	601.9
Total assets		7,009.0	7,506.6
Current liabilities		425.2	355.0
Total liabilities		1,427.1	1,924.1
Equity			
Contributed equity	17(b)	4,758.6	4,752.1
Reserves		7.6	7.6
Retained earnings		815.7	822.8
Total Equity		5,581.9	5,582.5
Profit for the year		341.1	443.0
Total comprehensive income		341.1	443.0

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 entities agree to guarantee the joint borrowers under the facility.

The controlled entity did not provide any other guarantees at 30 June 2015 or 30 June 2014.

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 21 at 30 June 2015 or 30 June 2014.

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

As at 30 June 2015, the parent entity had no contractual commitments for the acquisition of investment property (2014: \$nil)

EQUITY

17 Contributed equity

a) Paid up equity

	2015 Units m	2014 Units m	2015 \$m	2014 \$m
MPT – ordinary stapled units issued	3,694.3	3,688.5	4,758.6	4,752.1
Total contributed equity	3,694.3	3,688.5	4,758.6	4,752.1

b) Movements in paid up equity

Movements in paid up equity of MPT for the year ended 30 June 2015 and 30 June 2014 were as follows:

	Issue date	Issue price \$	Units m	\$m
Balance 1 July 2014			3,688.5	4,752.1
EEP securities issued	23 March 2015	1.82	0.4	0.8
LTP, LTIP and EIS stapled units converted, sold, vested or forfeited			5.4	5.7
Balance 30 June 2015			3,694.3	4,758.6
Balance 1 July 2013			3,659.9	5,006.0
Recapitalisation	18 December 2013			(300.0)
DRP	27 February 2014	1.71	26.9	42.0
EEP stapled units issued	20 March 2014	1.72	0.4	0.7
Less: transaction costs arising on issue of stapled units			–	(0.4)
LTP, LTIP and EIS stapled units converted, sold, vested or forfeited			1.3	3.8
Balance 30 June 2014			3,688.5	4,752.1

Ordinary units

All ordinary units were fully paid at 30 June 2015. Ordinary units entitle the holder to receive 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) LTP, LTIP, EIS and EEP issues

i) Current LTP

At 30 June 2015, 26.6m (2014: 23.4m) performance rights and nil (2014: nil) options were issued to participants under the plan. The number of issued rights and options is net of adjustments due to forfeiture of rights and options as a result of termination of employment. During the year, no performance rights (2014: nil) and no options (2014: nil) vested.

ii) EEP

At 30 June 2015, 6.2m (2014: 5.8m) stapled units have been issued to employees under the EEP.

iii) Superseded LTI and EIS plans

During the year, no stapled units were issued to employees of Mirvac Limited and its controlled entities under the superseded LTI plan and EIS (2014: nil). The total number of stapled units issued to employees under the superseded LTI and EIS at 30 June 2015 was 3.3m (2014: 3.8m). The market price per ordinary stapled unit at 30 June 2015 was \$1.85 (2014: \$1.79). Stapled units issued as part of the superseded LTI plan and EIS are not classified as ordinary stapled units, until such time as the vesting conditions are satisfied, employee loans are fully repaid or the employee leaves Mirvac.

d) Recapitalisation

On 18 December 2013, the consolidated entity made a capital distribution of \$300.0m. The capital distribution was compulsorily applied by way of additional capital subscription in respect of existing stapled securities in Mirvac Limited.

e) Reconciliation of stapled 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 stapled units issued as detailed above are reconciled to stapled units issued on the ASX as follows:

	2015 Units m	2014 Units m
Total ordinary stapled units disclosed	3,694.3	3,688.5
Stapled units issued under LTI plan and EIS	3.3	3.8
Total stapled units listed on the ASX	3,697.6	3,692.3

f) DRP

Under the DRP, holders of stapled units may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled units rather than being paid in cash. Stapled units issued under the plan were issued at a price calculated on a volume weighted average market price basis over the 15 business days commencing on the second business day post record date.

g) Capital risk management

Refer to note 12 for the consolidated entity's capital risk management.

Notes to the consolidated financial statements

18 Reserves

a) Reserves

	2015 \$m	2014 \$m
Capital reserve	(1.4)	(1.4)
Foreign currency translation reserve	5.0	1.5
NCI reserve	6.8	6.8
	10.4	6.9

b) Movements in reserves

	2015 \$m	2014 \$m
Capital reserve		
Balance 1 July	(1.4)	(1.4)
Balance 30 June	(1.4)	(1.4)
Foreign currency translation reserve		
Balance 1 July	1.5	2.0
Increase/(decrease) in reserve due to translation of foreign operations	3.5	(0.5)
Balance 30 June	5.0	1.5
NCI reserve		
Balance 1 July	6.8	6.8
Balance 30 June	6.8	6.8

c) Nature and purpose of reserves

i) Capital reserve

The capital reserve represents the cost of issuing the scrip for the purchase consideration of Mirvac Real Estate Investment Trust in December 2009.

ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations of the Trust are taken to the foreign currency translation reserve, as described in note 28(c).

iii) NCI reserve

Transactions with NCI that do not result in a loss of control are accounted for 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.

19 Retained earnings

	Note	2015 \$m	2014 \$m
Balance 1 July		847.2	747.0
Profit for the year attributable to the stapled unitholders of MPT		582.9	431.3
Distributions provided for or paid	20	(347.6)	(331.1)
Balance 30 June		1,082.5	847.2

20 Distributions

Ordinary stapled units	2015 \$m	2014 \$m
4.50 cpsu paid on 26 February 2015	166.4	–
4.40 cpsu paid on 27 February 2014	–	161.3
4.90 cpsu payable on 26 August 2015	181.2	–
4.60 cpsu payable on 28 August 2014	–	169.8
Total distribution 9.40 (2014: 9.00) cpsu	347.6	331.1

DRP was activated for the 31 December 2013 half yearly distribution but was deactivated for the 30 June 2014 final distribution and thereafter. Distributions paid/payable or satisfied by the issue of stapled units under the DRP are as follows:

	2015 \$m	2014 \$m
Paid/payable in cash	347.6	285.1
Satisfied by the issue of stapled units	–	46.0
Total distribution	347.6	331.1

OTHER INFORMATION

21 Contingent liabilities

The consolidated entity had contingent liabilities at 30 June 2015 in respect of the following:

	2015 \$m	2014 \$m
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.	0.8	0.7

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.

a) JVA

There are no contingent liabilities relating to JVA.

22 Commitments

Capital commitments

	2015 \$m	2014 \$m
Investment properties and other commitments		
Not later than one year	79.6	66.4
Later than one year but not later than five years	–	–
Later than five years	–	–
	79.6	66.4

23 Key management personnel

a) Determination of Key management personnel

Key management personnel ("KMP") are those people responsible for determining and executing the consolidated entity's strategy. This includes both the Executive KMP (including the CEO/MD, the CFO and heads of business units who sit on the Executive Leadership Team) as well as Non-Executive Directors.

There are seven Executive KMP in FY15, compared to the five that were disclosed in FY14, as a result of the restructure to the Executive Leadership Team announced on 27 May 2014. There have also been two changes to Non-Executive Directors. For the year ended 30 June 2015, the KMP were:

KMP	Position	Term as KMP
Non-Executive Directors		
John Mulcahy	Chair	Full Year
Christine Bartlett	Director (appointed 1 December 2014)	Part Year
Peter Hawkins	Director	Full Year
James Millar AM	Director	Full Year
Samantha Mostyn	Director (appointed 1 March 2015)	Part Year
John Peters	Director	Full Year
Elana Rubin	Director	Full Year
Executive KMP		
Susan Lloyd-Hurwitz	CEO/MD	Full Year
Andrew Butler	Group Executive, Office & Industrial	Full Year
John Carfi	Group Executive, Residential Development	Full Year
Brett Draffen	Chief Investment Officer	Full Year
Shane Gannon	CFO	Full Year
Susan MacDonald	Group Executive, Retail	Full Year
David Rolls	Group Executive, Commercial Development	Full Year

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.

Notes to the consolidated financial statements

23 Key Management Personnel / continued

c) KMP compensation

	2015 \$m	2014 \$m
Short term employment benefits	12.7	11.0
Post-employment benefits	0.3	0.2
Security based payments	2.3	1.8
Termination benefits	–	–
Other long term benefits	0.1	0.1
	15.3	13.1

d) Equity instrument disclosures relating to KMP

i) Security holdings

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

	Balance 1 July	Other changes ¹	Balance 30 June
2015			
Non-Executive Directors			
John Mulcahy	25,000	–	25,000
Christine Bartlett	–	25,000	25,000
Peter Hawkins	596,117	–	596,117
James Millar AM	40,714	–	40,714
Samantha Mostyn	–	15,000	15,000
John Peters	30,000	–	30,000
Elana Rubin	25,917	8,426	34,343
Executive KMP			
Susan Lloyd-Hurwitz	54,456	–	54,456
Andrew Butler	170,025	(602)	169,423
John Carfi	–	248,036	248,036
Brett Draffen	516,929	437,789	954,718
Shane Gannon	–	–	–
Susan MacDonald	–	114,399	114,399
David Rolls	–	–	–

1) Changes include additions/disposals resulting from first or final disclosure of a KMP and vesting of performance rights.

ii) Options

No options granted as remuneration were held by KMP during FY15.

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:

Senior Executives	Balance 1 July	Rights issued under LTP	Other changes ¹	Balance 30 June
Susan Lloyd-Hurwitz	2,607,800	1,461,000	230,189	4,298,989
Andrew Butler	29,773	409,090	72,166	511,029
John Carfi	–	–	501,379	501,379
Brett Draffen	1,431,318	555,194	(467,883)	1,518,629
Shane Gannon	223,367	525,974	72,594	821,935
Susan MacDonald	–	–	719,199	719,199
David Rolls	–	–	499,821	499,821

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

23 Key Management Personnel / continued

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

Senior Executives	Grant date	Number of rights granted	Value at grant date (\$)	Vesting date	Number of rights vested	Value of rights vested (\$) ¹	Number of rights lapsed	Value of rights lapsed (\$) ¹
Susan Lloyd-Hurwitz	17 Dec 12	1,137,300	816,013	1 Jul 15	415,114	297,845	722,186	518,618
	10 Dec 13	1,470,500	1,106,551	1 Jul 16	–	–	–	–
	17 Dec 14	1,461,000	1,015,395	1 Jul 17	–	–	–	–
Total		4,068,800	2,937,959		415,114	297,845	722,186	518,618
Andrew Butler	10 Dec 13	19,439	14,628	1 Jul 16	–	–	–	–
	17 Dec 14	409,090	284,318	1 Jul 17	–	–	–	–
Total		428,529	298,946		–	–	–	–
John Carfi	17 Dec 12	30,367	21,788	1 Jul 15	11,083	7,953	19,284	13,835
	10 Dec 13	61,922	46,596	1 Jul 16	–	–	–	–
	17 Dec 14	409,090	284,318	1 Jul 17	–	–	–	–
Total		501,379	352,702		11,083	7,953	19,284	13,835
Brett Draffen	17 Dec 12	489,800	351,432	1 Jul 15	178,777	128,273	311,023	223,159
	10 Dec 13	345,171	259,741	1 Jul 16	–	–	–	–
	17 Dec 14	555,194	385,860	1 Jul 17	–	–	–	–
Total		1,390,165	997,033		178,777	128,273	311,023	223,159
Shane Gannon	10 Dec 13	223,367	168,084	1 Jul 16	–	–	–	–
	17 Dec 14	525,974	365,552	1 Jul 17	–	–	–	–
Total		749,341	533,636		–	–	–	–
Susan MacDonald	17 Dec 12	127,131	91,216	1 Jul 15	46,402	33,294	80,729	57,922
	17 Dec 12	158,912 ²	208,177	1 Jul 15	158,914	208,177	–	–
	10 Dec 13	205,882	154,926	1 Jul 16	–	–	–	–
	17 Dec 14	227,272	157,954	1 Jul 17	–	–	–	–
Total		719,199	612,273		205,316	241,471	80,729	57,922
Jonathan Hannam	17-Dec-12	198,407	142,357	1 Jul 15	–	–	–	–
	10-Dec-13	317,647	239,029	1 Jul 16	–	–	–	–
Total		516,054	381,386		–	–	–	–

1) The calculation of the value of performance rights used the fair value as determined at the time of grant.

2) Represents an unhurdled grant of performance rights made prior to her appointment to KMP position.

e) Loans to Directors and other KMP

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

Notes to the consolidated financial statements

24 Related parties

a) Controlled entities

Interests in controlled entities are set out in note 15.

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 23.

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 changed its Responsible Entity fees to a recovery of cost basis. Fees charged by Mirvac Funds Limited for the year ended 30 June 2015 were \$10.4m (2014: \$8.0m) in accordance with the terms contained in the merger proposal in 1999.

e) Transactions with related parties

The following transactions occurred with related parties:

	2015 \$000	2014 \$000
Revenue from continuing operations and other income		
Investment properties rental revenue from entities related to Responsible Entity	8,213	8,444
Interest received from entities related to Responsible Entity	–	7,830
Other income	2,000	–
Expenses		
Fees paid to Responsible Entity	10,395	7,960
Interest paid to entities related to Responsible Entity	59,913	35,816
Property management fee expense paid to entities related to Responsibility Entity	12,509	12,449
Other expenses paid to entities related to Responsible Entity	–	–
Capital expenditure paid/payable to entities related to Responsible Entity	243,542	173,362
Recapitalisation	–	300,000

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:

	2015 \$000	2014 \$000
Current payables		
Amounts due to entities related to Responsible Entity	122,534	59,533
Non-current borrowings		
Loans from related party	1,026,925	1,376,204

g) Terms and conditions

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.

25 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:

	2015 \$000	2014 \$000
a) Assurance services		
Audit services		
Audit and review of financial reports	537.9	529.5
Compliance services and regulatory returns	191.1	197.4
Total remuneration for audit services	729.0	726.9
b) Taxation services		
Tax advice and compliance services	–	40.4
Total remuneration for taxation services	–	40.4

26 Notes to the consolidated statement of cash flows

a) Reconciliation of cash

Cash at the end of the year as shown in the consolidated statement of cash flows is the same as consolidated SoFP, the detail of which follows:

	2015 \$m	2014 \$m
Cash at bank and on hand	20.2	6.7
Cash and cash equivalents	20.2	6.7

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

	Note	2015 \$m	2014 \$m
Profit attributable to the stapled unitholders of MPT		582.9	431.3
Net gain on fair value of investment properties and IPUC	6(a)	(139.8)	(30.4)
Amortisation expense	3	21.6	21.4
Non-cash lease incentives		(5.0)	(17.7)
Impairment of goodwill		–	24.5
Loss on fair value of derivative financial instruments	3	7.1	4.5
Foreign exchange loss/(gain)		3.1	(0.2)
Net (gain)/loss on sale of assets		(16.3)	5.8
Share of net profit of associates and joint ventures not received as distributions		(33.9)	(26.5)
Decrease in receivables		3.2	2.1
Increase in other assets		(8.5)	(0.4)
(Decrease)/increase in payables		(4.4)	8.2
Net cash inflows from operating activities		410.0	422.6

27 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.

28 Summary of significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. 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.

Net current asset deficiency

As at 30 June 2015, the Trust is in a net current liability position of \$322.9m. The Trust repays its borrowings with excess cash, but had access to \$1,005.0m of unused borrowing facilities at 30 June 2015. 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.

a) Principles of consolidation

i) Controlled entities

Controlled entities are all entities (including structured entities) over which the consolidated entity has control. The consolidated entity controls an entity when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Controlled entities are fully consolidated from the date on which control is transferred to the Trust. 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 28(f)). 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 interests ("NCI") in the results and equity of controlled entities are shown separately in the consolidated SoCI, consolidated SoFP and consolidated SoCE.

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 (see (iv) below), after initially being recognised at cost.

iii) Joint arrangements

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The consolidated entity has assessed the nature of its joint arrangements and determined that it only has joint ventures. Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated SoFP.

iv) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the consolidated entity's share of the post-acquisition profits or losses of the investee in profit or loss, and the consolidated entity's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received/receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the consolidated entity's share of losses in an equity accounted investment equals or exceeds its interest in the entity, 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 other entity.

Notes to the consolidated financial statements

28 Summary of significant accounting policies / continued

v) *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 interest 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, joint venture 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 is reclassified to profit or loss where appropriate.

vi) *Structured entities*

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

The consolidated entity invests in a number of funds and trusts. These investments are open-end and closed-end investment funds and trusts which invest in industrial and infrastructure real estate for the purpose of capital appreciation and/or to earn investment income. The investees finance their operations through borrowings and through equity issues. Material unconsolidated structured entities include the following:

- JF Infrastructure Yield Fund; and
- Australian Sustainable Forestry Investors 1&2.

b) *Segment reporting*

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

c) *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. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated SoCI, within finance costs. All other foreign exchange gains and losses are presented in the consolidated SoCI on a net basis within other income or other expenses. 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 SoCI 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.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, 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.

d) *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.

28 Summary of significant accounting policies / continued

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.

e) 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.

f) 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.

If the business combination is achieved in stages, the acquisition date carrying value of the consolidated entity's previously held equity interest in the controlled entity is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

g) 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 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 1).

h) 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 SoFP.

Notes to the consolidated financial statements

28 Summary of significant accounting policies / continued

i) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. 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 by reducing the carrying amount directly. A separate 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 consolidated entity considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or delinquency in payments (more than 30 days overdue).

The amount of the provision is the difference between the asset's carrying amount, and the present value of estimated future cash flows discounted at the effective interest rate.

Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in profit or loss within other expenses. 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. See note 28 for information about how impairment losses are calculated.

j) 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 SoFP. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated SoFP.

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

k) 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-evaluates 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.

28 Summary of significant accounting policies / continued

ii) *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.

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.

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 are recognised as follows:

- for financial assets at fair value through profit or loss – in profit or loss within other income or other expenses;

- for available for sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income; and
- for other monetary and non-monetary securities classified as available for sale – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are 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 financial assets at fair value through profit or loss is included in the net gain/(loss). Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss as part of revenue from continuing operations. Details on how the fair value of financial instruments is determined are disclosed in note 29(b)(vi).

v) *Impairment*

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 28(i).

– *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.

Notes to the consolidated financial statements

28 Summary of significant accounting policies / continued

l) 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. 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 fair value of derivative financial instruments used for hedging purposes are disclosed in note 13. 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 expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

iii) Derivatives that do not qualify for hedge accounting

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

m) 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 with any gain or loss arising from a change in fair value recognised in consolidated SoCI. The carrying amount of the investment properties recorded in the consolidated SoFP 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 SoFP 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.

n) 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 1).

o) 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.

28 Summary of significant accounting policies / continued

p) 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 removed from the consolidated SoFP when the obligation specified in the contract is discharged, cancelled or expired. 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 reporting period. General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed.

q) 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.

r) Contributed equity

Ordinary stapled 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 stapled 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 stapled 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.

s) Distributions

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

t) Earnings per stapled unit

i) Basic EPU

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

ii) Diluted earnings per stapled unit

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

u) Parent entity financial information

The financial information for the parent entity, Mirvac Property Trust, disclosed in note 16 has been prepared on the same basis as the consolidated financial statements, except as set out below:

i) Investments in controlled entities and JVA

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.

v) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the Trust. The Trust's assessment of the impact of these new standards and interpretations is set out below:

i) AASB 9 Financial Instruments

This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

The consolidated entity no longer expects any impact from the new classification, measurement and derecognition rules on the consolidated entity's financial assets and financial liabilities. There will be no impact on the consolidated entity's accounting for financial assets as they are all currently recognised in the consolidated SoCI. There will also 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.

This standard must be applied for financial years commencing on or after 1 January 2018.

Notes to the consolidated financial statements

28 Summary of significant accounting policies / continued

ii) AASB 15 Revenue from Contracts with Customers

This standard will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer so the notion of control replaces the existing notion of risks and rewards. The standard will have no impact on revenue recognition within the consolidated entity, as the revenue is accounted for under AASB 117 *Leases*.

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

29 Critical accounting judgements and estimates

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

a) Critical judgements in applying Trust'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 13.

ii) Classification of investments in structured entities as an associate or joint venture

The consolidated entity held 14 per cent of Mirvac Industrial Trust. The Trust equity accounts for this investment as an associate even though it owned less than 20 per cent of the voting or potential voting power due to the fact that it has significant influence over this entity as the Responsible Entity is Mirvac Funds Management Limited, a related party of the Responsible Entity of the Trust.

The Trust holds 25 per cent of Australian Sustainable Forestry Investors 1&2. The Trust equity accounts for this investment as a joint venture even though it owns 25 per cent of the voting or potential voting power due to the fact that major decisions affecting the joint venture require unanimous approval from each investor in the joint venture.

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. Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from each CGU and a suitable discount rate in order to calculate the net present value ("NPV"). The carrying amount of goodwill at the end of the reporting period was \$42.8m (2014: \$42.8m). There was no impairment loss recognised during the year (2014: \$24.5m). Details on the assumptions used are provided in note 9.1(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. Details of the assumptions used by management in assessing impairment are provided in note 14(f).

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 refer to note 14(f). The carrying value of investments not traded in an active market determined using the above techniques and assumptions is \$11.3m (2014: \$11.8) and is disclosed as other financial assets at fair value through profit or loss (refer to note 11.2).

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 one half of the portfolio being valued annually. Investment properties which are not subject to an external valuation at the end of the reporting period are fair valued internally by management. The assumptions used in the estimations of fair values include expected future market rentals, discount rates, market prices and economic conditions. The reported fair values of investment properties reflect the market conditions at the end of the year. While this represents the best estimation of fair value at the reporting period, 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. Major assumptions used in valuation of investment properties are disclosed in note 6. The carrying value at the end of the year for investment properties was \$6,475.9m (2014: \$6,141.1m). Details on investment properties are provided in note 6.

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 gain on fair value of IPUC was \$2.8m (2014: Loss of \$9.5m). The carrying value of \$178.8m (2014: \$126.0m) at the end of the year is included in investment properties (refer to note 6).

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. The valuation techniques are discussed in detail at note 13 and have been developed in compliance with requirements of AASB 139 *Financial Instruments: Recognition and Measurement*.

Directors' declaration

For the year ended 30 June 2015

In the Directors' opinion:

- a) the financial statements and notes set out on pages 07 to 50 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 2015 and of its performance for the financial year ended on that date; and
- b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

The basis of preparation note confirms that the financial statements also comply with IFRS as issued by the IASB.

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

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



Susan Lloyd-Hurwitz

Director

Sydney

13 August 2015

Independent auditor's report

to the unitholders of Mirvac Property Trust



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 Consolidated statement of financial position as at 30 June 2015, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated 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 Mirvac Funds Limited, the Responsible Entity of the Trust. The Consolidated entity comprises the Trust and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Responsible Entity 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 the basis of preparation note, 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.

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

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171

DX 77 Sydney, Australia

T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation

Independent auditor's report

to the unitholders of Mirvac Property Trust



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 the 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 2015 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*.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in the basis of preparation note.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Matthew Lunn'.

Matthew Lunn
Partner

Sydney
13 August 2015

Directory

Registered office/Principal office

Mirvac Group (comprising Mirvac Limited ABN 92 003 280 699 and Mirvac Funds Limited ABN 70 002 561 640, AFSL 233 121 as responsible entity of MPT ARSN 086 780 645)

Level 26
60 Margaret Street
Sydney NSW 2000
Telephone +61 2 9080 8000
Facsimile +61 2 9080 8111

www.mirvac.com

Securities exchange listing

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

Directors

John Mulcahy (Chair)
Susan Lloyd-Hurwitz (CEO/MD)
Christine Bartlett
Peter Hawkins
Samantha Mostyn
James M. Millar AM
John Peters
Elana Rubin

Company Secretary

Sean Ward

Stapled security registry

Link Market Services Limited

Level 12
680 George Street
Sydney NSW 2000
Telephone +61 1800 356 444

Securityholder enquiries

Telephone +61 1800 356 444

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 Centre tab on Mirvac's website at www.mirvac.com.

Auditor

PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000

Annual General/General Meeting

Mirvac Group's 2015 AGM will be held at 10.00am (Australian Eastern Standard Time) on Thursday, 12 November 2015 at The Pullman Brisbane, King George Square, Corner Ann and Roma Streets, Brisbane QLD 4000.