MIRVAC GROUP
INTERIM REPORT
31 DECEMBER 2015

INTERIM REPORT 1H16

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Mirvac Group

Interim Report

For the half year ended 31 December 2015

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

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This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Mirvac Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' report

The Directors of Mirvac Limited present their report, together with the consolidated report of Mirvac Group ("Mirvac" or "Group") for the half year ended 31 December 2015. Mirvac comprises Mirvac Limited ("parent entity" or "company") and its controlled entities, which includes Mirvac Property Trust ("MPT" or "Trust") and its controlled entities.

Directors

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

- John Mulcahy
- Susan Lloyd-Hurwitz
- Christine Bartlett
- Peter Hawkins
- Samantha Mostyn
- James M. Millar AM
- John Peters
- Elana Rubin

Operating and financial review

The statutory profit after tax attributable to the stapled securityholders of Mirvac for the half year ended 31 December 2015 was $472.7m (December 2014: $279.0m). The operating profit (profit before specific non-cash items and significant items) was $164.6m (December 2014: $231.2m).

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

The following table summarises key reconciling items between statutory profit after tax attributable to the stapled securityholders of Mirvac and operating profit. The operating profit information in the table has not been subject to any specific review procedures by the Group's auditor but has been extracted from note 1 to the accompanying financial statements for the half year ended 31 December 2015, which have been subject to review; refer to pages 33 and 34 for the auditor's review report on the financial statements.

	31 December 2015 $m	31 December 2014 $m
Profit attributable to the stapled securityholders of Mirvac	**472.7**	279.0
Specific non-cash items		
Net gain on fair value of investment properties and investment properties under construction ("IPUC")	**(289.3)**	(50.8)
Net gain on fair value of investment properties included in share of net profit of joint ventures and associates ("JVA")[1]	**(42.2)**	(11.0)
Net loss on fair value of derivative financial instruments and associated foreign exchange movements[2]	**10.4**	13.4
Security based payments ("SBP") expense[3]	**5.2**	1.8
Depreciation of owner-occupied properties ("OOP")[4]	**3.6**	3.0
Straight-lining of lease revenue[5]	**(5.4)**	(2.5)
Amortisation of lease fitout incentives[4]	**4.5**	4.7
Net (gain)/loss on derivatives and other specific non-cash items included in share of net profit of JVA[1]	**(2.5)**	2.0
Significant items		
Impairment of loans, investments and inventories	**–**	(0.1)
Net gain from sale of non-aligned assets[6]	**(0.6)**	(4.4)
Restructuring costs[7]	**1.4**	–
Tax effect		
Tax effect of non-cash and significant item adjustments[8]	**6.8**	(3.9)
Operating profit (profit before specific non-cash and significant items)	**164.6**	231.2

1) Included within Share of net profit of JVA accounted for using the equity method in the consolidated statement of comprehensive income ("SoCI").
2) Total of Gain on fair value of derivative financial instruments, Foreign exchange loss and Loss on fair value of derivative financial instruments in the consolidated SoCI.
3) Included within Employee benefits expenses in the consolidated SoCI.
4) Included within Depreciation and amortisation expenses in the consolidated SoCI.
5) Included within Investment properties rental revenue in the consolidated SoCI.
6) Included within Net gain on sale of assets in the consolidated SoCI.
7) Included within Other expenses in the consolidated SoCI.
8) Included in Income tax (benefit)/expense in the consolidated SoCI.

Directors' report

Financial, Capital Management and Operational Highlights

Key financial highlights for the half year ended 31 December 2015:

- profit attributable to the stapled securityholders of Mirvac increased from $279.0m (December 2014) to $472.7m;
- operating profit of $164.6m[1] (December 2014: $231.2m), representing 4.5 cents per stapled security ("CPSS");
- operating cash outflow of $225.9m, in line with expectations. This was due to the skew of residential settlements falling in the second half of FY16;
- gearing remained within the Group's target range of 20.0 to 30.0 per cent at 27.6 per cent[2];
- half year distribution of $174.0m, representing 4.7 CPSS; and
- net tangible assets ("NTA")[3] per stapled security of $1.83, up from $1.74 (June 2015).

Key capital management highlights for the half year ended 31 December 2015:

- issued $194.9m (US$150.0m) of US Private Placement notes which mature in 2025 and 2027;
- increased the Group's syndicated bank facility by $300.0m to $1,700.0m and extended the maturity date, with tranches now maturing in September 2017, 2018, 2019 and 2020;
- held $474.9m of liquidity in cash and undrawn committed bank facilities;
- maintained a weighted average debt maturity of 4.3 years;
- reduced average borrowing costs to 4.9 per cent per annum (including margins and line fees); and
- continued to comfortably meet all debt covenants.

Outlook [4]

While property markets generally continue to improve, the overall domestic economy is performing at a sub-trend pace. Despite this, Mirvac's strategy to establish a strong and resilient business, supported by a deliberate weighting to New South Wales and Victoria, Australia's largest and strongest performing state economies, means it is well-positioned to deliver returns across the business cycle.

Mirvac remains focused on prudently managing its capital position by monitoring and accessing diversified sources of capital, including equity, domestic and international debt and wholesale capital. This focus will help to ensure Mirvac can continue to meet its strategic objectives without increasing its overall capital management risk profile.

Mirvac will continue to enhance its capabilities as a world-class Australian property group concentrating on a secure income stream from its Investment portfolio, which underpins Group distributions, improving the return on invested capital achieved by its development activities, and positioning Mirvac for the future by investing in new projects, technology, innovation, sustainability and its people.

Divisional Highlights

Investment

At 31 December 2015, Investment (comprising MPT and a small number of assets held by the Company) had $7,754.6m[5] of invested capital across 59[6] direct property assets, covering the office, retail and industrial sectors, as well as investments in car parks, a hotel and other funds managed by Mirvac.

The split of invested capital across each sector was:

- office: 58.0 per cent[7];
- retail: 29.8 per cent[7];
- industrial: 8.9 per cent; and
- other: 3.3 per cent[8].

For the half year ended 31 December 2015, Investment recorded a statutory profit before tax of $569.4m (December 2014: $270.2m) and an operating profit before tax of $201.8m. The operating profit decreased by approximately five per cent on the prior corresponding period, due to the impact of asset sales in the previous financial year. Investment's earnings continued to be secured by a strong weighted average lease expiry ("WALE") profile of 5.6 years[9], over 98.3 per cent of rent reviews being fixed or linked to the Consumer Price Index ("CPI"), and 62.6 per cent of revenue being derived from multinational, ASX listed and government tenants.

Key operational highlights for Investment for the half year ended 31 December 2015:

- maintained high occupancy at 97.0 per cent[10];
- total investment property revaluations provided a net uplift of $365.9m[11] (or 5.0 per cent) over the previous book value;
- exchanged contracts with UrbanGrowth to acquire Australian Technology Park, Sydney NSW in a consortium with AMP Capital's Wholesale Office Fund, AMP Capital separate account client, Sunsuper and Centuria Property Funds for a total consideration of $263.0m. Mirvac will deliver approximately 93,000 square metres of office space in addition to 3,000 square metres of amenity, including a gymnasium, retail outlets, childcare facilities and a multipurpose community space. Commonwealth Bank has signed an agreement for lease for 100 per cent of office net lettable area for a 15-year term;
- entered into a joint venture with PAYCE Consolidated to purchase a 49.9 per cent interest in East Village, Zetland, Sydney NSW for a total consideration of $154.7m. Mirvac secured management rights for this retail asset from December 2015, with settlement expected in the first half of FY17;
- entered into an agreement for a lease renewal with existing tenant, Westpac, for 58,500 square metres of office space at 275 Kent Street, Sydney NSW for a 12-year term commencing in 2018;
- reached an agreement with a subsidiary of China Investment Corporation ("CIC") to become the asset manager of Investa Property Trust, with Morgan Stanley facilitating Mirvac's entry into management rights contracts for a total consideration of $37.4m[12]. Mirvac will also invest $25.5m in the CIC controlled trusts that are to be managed by Mirvac;

1) Excludes specific non-cash items, significant items and related taxation.
2) Net debt (at foreign exchange hedged rate) excluding leases/(total tangible assets – cash).
3) NTA per stapled security, based on ordinary securities including Employee Incentive Scheme ("EIS") securities.
4) These future looking statements should be read in conjunction with future releases to the Australian Securities Exchange ("ASX").
5) Includes IPUC, indirect property investments and equity accounted investments.
6) Excludes assets classified as held for sale and includes equity accounted investments.
7) Includes IPUC.
8) Includes IPUC, indirect property investments, car parks and a hotel.
9) By income, includes equity accounted investments and excludes indirect property investments.
10) By area, includes equity accounted investments and excludes indirect property investments.
11) Includes fair value adjustments in IPUC, OOP and equity accounted investments.
12) Settlement expected to occur in February 2016.

Divisional Highlights / continued

- exchanged contracts in January 2016 for the sale of 1 Woolworths Way, Bella Vista NSW for $336.4m[1], representing a yield of 6.07 per cent;
- completed 282 leasing deals over 233,544 square metres of net lettable area (16.7 per cent of portfolio net lettable area);
- proactively managed Investment's lease expiry profile for FY16, with FY16 lease expiries reducing to 8.0 per cent from 14.9 per cent[2] as at 31 December 2014; and
- key development highlights are outlined in the Commercial highlights section in this report. Key leasing achievements for assets under development included:
  - 200 George Street, Sydney NSW: this premium-grade office tower was 84.6 per cent pre-leased as at 31 December 2015, with Mirvac exercising its option for additional office space of approximately 1,100 square metres;
  - 664 Collins Street, Melbourne VIC: signed an agreement for lease with professional services firm, Pitcher Partners, for over 8,600 square metres of office space, with development of the 26,000 square metre A-grade office building to commence in mid-2016;
  - Orion Springfield Central, Springfield QLD: progressed with leasing for the Stage 2 expansion of approximately 32,000 square metres, with 88.0 per cent pre-leased as at 31 December 2015 (up from 75.2 per cent at 30 June 2015);
  - Tramsheds, Harold Park, Sydney NSW: progressed with leasing for over 6,000 square metres of retail space, which will include a supermarket, market style food halls, boutique retailers, cafés, restaurants and a gymnasium. The project was 98.1 per cent pre-leased as at 31 December 2015 (up from 58.7 per cent at 30 June 2015); and
  - Broadway Shopping Centre, Sydney NSW: progressed with leasing for the 3,300 square metre Level 2 expansion, with 67.2 per cent pre-leased as at 31 December 2015 (up from 32.0 per cent at 30 June 2015).

The Group's focus on sustainability continued to deliver results, with key highlights including:

- a 5.1 Star NABERS (National Australian Built Environment Rating System) average energy rating across the office portfolio;
- 23 Furzer Street, Phillip ACT received the Facility Management Industry Energy Efficiency Award and was named the Best Commercial Building Energy Efficiency Project by the Energy Efficiency Council. These awards recognise 23 Furzer Street's incredible achievement of becoming Australia's first major property to attain a 6.0 Star NABERS Energy rating without GreenPower;
- 275 Kent Street, Sydney NSW achieved a 6.0 Star Green Star Performance rating, one of only two buildings in Australia to have achieved this;
- 20 Bond Street, Sydney NSW achieved a 5.5 Star NABERS Energy rating;
- 8 Chifley Square, Sydney NSW achieved a 5.0 Star NABERS Energy rating and 5.0 Star NABERS Water rating; and
- Broadway Shopping Centre, Sydney NSW achieved a 17.5 per cent reduction in carbon intensity from its baseline year of FY13. Through LED lighting upgrades and other operational management initiatives, the centre has reduced its electricity consumption by over one million kilowatts per hour, providing savings of over $130,000 in energy costs.

Outlook[3]

Global economic activity continues to be mixed, with some improving momentum in the United States, sustained weakness in Europe and Japan and cooling growth in China. Domestically, the economy has recorded slightly sub-trend growth, impacted by some further falls in commodity prices and the wind-down of resource construction activity. However, a sizeable decline of the Australian dollar and a sustained period of low interest rates are providing support to the Australian economy. Likewise, an abundance of both domestic and offshore capital is driving strong investor demand for good quality assets in the office, retail and industrial sectors. Mirvac's office portfolio, with high occupancy, embedded rental increases, quality tenant covenants and strong weightings to Australia's largest and strongest performing office markets, Sydney and Melbourne CBD, continues to be well-positioned. Conditions in the retail sector have been divergent throughout Australia, with mixed levels of consumer confidence and soft household income growth. Despite these challenging conditions, Mirvac's retail assets should continue to benefit from their exposure to solid catchments in urban markets, particularly in Sydney where approximately 67 per cent[4] of the portfolio is located. The industrial portfolio, with minimal vacancy and a long WALE of 7.2 years[5], continues to provide steady income to the Group.

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

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

Investment Management

Mirvac Investment Management ("MIM") comprises two business activities for segment reporting purposes including third party capital management (Mirvac Capital ("Capital")), and property asset management (Mirvac Asset Management ("MAM")).

For the half year ended 31 December 2015, MIM recorded a statutory profit before tax of $3.5m (December 2014: $4.0m) and an operating profit before tax of $3.5m.

At 31 December 2015, Capital managed three wholesale funds: Mirvac Wholesale Residential Development Partnership; Tucker Box Hotel Group; JF Infrastructure Yield Fund; as well as one retail fund: Mirvac Development Fund – Meadow Springs.

MAM provides asset management services primarily for the MPT portfolio. MAM currently manages 67 properties.

Outlook[3]

Capital remains focused on establishing investment partnerships with strategically aligned domestic and international institutional investors to co-invest alongside Mirvac in office, industrial, retail and residential assets and development projects. MAM will also continue to provide asset management services in accordance with growth in the MPT and Capital portfolios and in assets owned by third parties where there are common interests.

1) As part of the transaction, Mirvac Projects will remain responsible for the delivery (including cost) of a new multi-storey carpark via a development management agreement.
2) By income, includes 8 Chifley Square, Sydney NSW and Treasury Building, Perth WA and excludes assets classified as held for sale and indirect property investments.
3) These future looking statements should be read in conjunction with future releases to the ASX.
4) By book value.
5) By income.

Divisional Highlights / continued

Development

Mirvac's Development business unit operates across national product lines consisting of Residential (comprising Master-planned Communities and Apartments) and Commercial.

At 31 December 2015, Development had $1,908.1m of invested capital.

For the half year ended 31 December 2015, Development recorded a statutory loss before tax of $15.6m (December 2014: statutory profit before tax of $60.9m) and an operating loss before tax of $15.6m. This is in line with expectations due to the significant skew of residential settlements in the second half of FY16.

Residential

The Residential business continued to deliver quality residential product in the Group's core metropolitan markets, with a weighting towards Sydney and Melbourne.

Key sales highlights across Masterplanned Communities and Apartments:

Masterplanned Communities

- Brighton Lakes NSW: achieved strong sales with 94.8 per cent of released lots pre-sold (93 exchanged contracts);
- Gledswood Hills NSW: achieved strong sales, with 82.8 per cent of released lots pre-sold (63 exchanged contracts);
- Harcrest VIC: achieved strong sales with 100.0 per cent of Stage 7, Stage 9 and Stage 10 pre-sold (80 exchanged contracts);
- Woodlea VIC: achieved strong sales with 96.5 per cent of released lots pre-sold (499 exchanged contracts); and
- Tullamore VIC: achieved strong sales with 89.6 per cent of remaining lots in Stage 2 pre-sold (43 exchanged contracts) and 66.6 per cent of Stage 3 pre-sold (54 exchanged contracts); and

Apartments

- Harold Park, Sydney NSW: released the final stage of the last precinct which was 66.8 per cent pre-sold (76 exchanged contracts); and
- Stage 2, Hope Street, South Brisbane QLD: secured 75.4 per cent pre-sales (126 exchanged contracts).

In addition to the strong sales momentum, Mirvac entered into a strategic joint venture with Ping An Real Estate to develop residential projects in key cities in Australia. The first project to seed the joint venture will be The Finery, Mirvac's apartment development in Waterloo, Sydney, with Mirvac to provide development, construction and sales management services [1].

For the half year ended 31 December 2015, Development's residential pipeline totalled 34,182 lots which was supplemented by the acquisition of strategically aligned projects that will contribute to Development's future pipeline, including:

- Eagle Farm, QLD: entered into a project delivery agreement ("PDA") with Brisbane Racing Club to develop the estimated $992.2m [2] residential precinct in Eagle Farm, Brisbane. Mirvac intends to deliver over 1,000 apartments and will work closely with the Racing Club to deliver an exciting retail village; and
- Marrickville Hospital, NSW: entered into a project delivery agreement with Marrickville Council to redevelop the old Marrickville Hospital in Sydney's inner-west. Mirvac intends to deliver around 220 apartments, a library and community hub as well as 1,200 square metres of open space.

The extensive residential development pipeline, which has the potential to deliver over 16,000 lots over the next five years, has enabled the Group to remain selective around acquiring future residential projects.

For the half year ended 31 December 2015, Development settled 748 residential lots and secured future income of $2,634.1m [3] through the exchange of pre-sales contracts.

State based lot settlements by product for the half year ended 31 December 2015 were as follows:

State	Masterplanned Communities	Apartments	Total
NSW	290	–	290
QLD	111	3	114
VIC	171	17	188
WA	152	4	156
Total	**724**	**24**	**748**

Development expects to settle over 2,900 residential lots in FY16.

Commercial

Mirvac's commercial development activities include office, retail and industrial projects. For the year ended 31 December 2015, Mirvac's active office development pipeline had an end value of $2,062.9m on a 100.0 per cent ownership basis.

Key leasing highlights for Commercial for the half year ended 31 December 2015 were outlined in the Investment highlights section of this report. Key development milestones:

- Treasury Building, Perth WA: achieved practical completion in August 2015. The A-grade office tower, located on the landmark site of the Old Treasury building, has achieved a 5.0 Star Green Star Office Design rating and is targeting a 4.5 Star NABERS Energy rating and a 5.0 Star Green Star As-Built rating;
- 200 George Street, Sydney NSW: structural works on the office tower are complete, while integrated fitout works for major tenant, EY, are well-advanced, with finishes and furniture installation commencing on the mid-rise levels. Completion is expected in FY16. The office tower has achieved a 6.0 Star Green Star Office V3 Design rating and is targeting a 5.0 Star NABERS Energy rating;
- 2 Riverside Quay, Melbourne VIC: site works are progressing well, with completion expected in FY17. A 5.0 Star NABERS Energy rating and a 5.0 Star Green Star Office Design rating are being targeted;
- Australian Technology Park, Sydney NSW: exchanged contracts with UrbanGrowth to acquire this iconic site in a consortium with AMP Capital's Wholesale Office Fund, AMP Capital separate account client, Sunsuper and Centuria Property Funds. Mirvac will deliver approximately 93,000 square metres of office space, in addition to 3,000 square metres of amenity, including a gymnasium, retail outlets, childcare and a multipurpose community space. The office towers are targeting a 5.0 Star NABERS Energy rating and 6.0 Star Green Star rating;

1) Subject to FIRB approval.
2) Represents 100 per cent of end value.
3) Adjusted for Mirvac's share of JVA and Mirvac managed funds.

Divisional Highlights / continued

- 664 Collins Street, Melbourne VIC: received Development Approval with detailed design documentation now finalised. Through the construction of Mirvac's adjoining building, 699 Bourke Street, Melbourne VIC, enabling works for 664 Collins Street have been completed. Development of the building will commence in mid-2016. A 5.0 Star NABERS Energy rating and a 5.0 Star Green Star Office Design rating are being targeted;
- Orion Springfield Central, Springfield QLD: progressed with construction on the Stage 2 expansion, which will add approximately 32,000 square metres of gross lettable area. The first phase of the development was completed during the period, which included the opening of Coles, Target, and Event Cinemas, centred around a new town square. The final stage is on track for completion in the second half of FY16;
- Tramsheds, Harold Park Sydney NSW: progressed with the construction of the 6,000 square metre boutique retail centre. Mirvac will dedicate 500 square metres of community space to Sydney Council on completion, due in late FY16; and
- Broadway Shopping Centre, Sydney NSW: commenced development works on the Level 2 expansion, which will deliver a new casual dining precinct and an enhanced fashion offering, anchored by a leading mini-major. Completion is expected in early FY17.

Outlook[1]

The outlook for capital city residential markets remains divergent by location, however, an ongoing low interest rate environment should continue to support residential activity, albeit with more modest price gains in Sydney and Melbourne. All major states are recording solid levels of population growth, although this has slowed in Queensland and Western Australia. New South Wales, and Sydney in particular, is benefiting from strong job gains and a buoyant state economy. Demand for modern, higher density living supported by amenity and infrastructure is expected to continue, particularly in the south-eastern states.

Development remains focused on:

- continuing to improve key metrics including return on invested capital and gross margins;
- strategically restocking the development pipeline; and
- improving the strong levels of pre-sales to mitigate future earnings risks.

Risks

As a property group involved in real estate investment, residential and commercial development and investment management, Mirvac faces a number of risks throughout the business cycle which have the potential to affect the Group's achievement of its targeted financial outcomes. The Group's objective is to ensure those risks are identified and appropriate strategies are implemented to control or otherwise manage the impact of those risks. Mirvac's risk management framework is integrated with its day-to-day business processes and is supported by a dedicated Group Risk function. Further information on the Group's risk management framework is detailed in the Corporate Governance statement which is available on Mirvac's website: http://www.mirvac.com/about/corporate-governance.

Group risks

For the half year ended 31 December 2015, the Group continued to review both internal and external risks which have the potential to affect the Group's targeted financial outcomes and to implement strategies to minimise their impact. Further information on the material risks identified for each of the Investment and Development divisions is outlined below. At a Group level, Mirvac faces certain risks to achieving of its financial outcomes; these risks are the types of risks typical for a property group. These may include debt refinancing and compliance with debt covenants, compliance with health, safety and environment regulations as well as broader economic conditions.

Divisional risks

At a divisional level, the key risks faced by Investment and Development which have the potential to affect the achievement of the financial prospects for the Group include:

- *Office:* as detailed in the outlook section for Investment, while tenant demand for office space remains challenging in Brisbane and Perth, there has been improved demand Sydney and Melbourne, where 79.0 per cent of Mirvac's office portfolio is located. The office portfolio metrics, comprising a long WALE of 6.1 years[2] and solid occupancy of 94.5 per cent[3], demonstrate Mirvac's ability to maintain a strong and robust portfolio through the cycles of demand. The Group 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:* as detailed in the outlook section for Investment, there was a steady improvement in retail sales over 2015; however, leasing demand in the broader market is variable and a number of retailers remain under pressure. Mirvac is focused on continually refreshing its retail assets (via refurbishment, redevelopment or tenant remixing) to adapt to changing market dynamics. Furthermore, Mirvac maintains a focus on key urban and metropolitan markets and a diversified tenancy mix, where no single specialty retailer contributes greater than 1.5 per cent of the total portfolio's gross rent;
- *Industrial:* as detailed in the outlook section for Investment, continuing investor demand for prime grade industrial assets in key locations is resulting in compressed capitalisation rates, weighting predominately towards the stronger markets of Sydney and Melbourne. Mirvac continues to focus on properties with long lease terms and secure cash flow profiles; and
- *Residential:* as detailed in the outlook section for Development, conditions in the Australian residential market vary from state to state (and within states), and while strong price growth in Sydney appears to be moderating, demand continues to be supported by low interest rates, population growth and a high level of investment in infrastructure. Mirvac carefully monitors its settlement risk with a range of risk mitigation strategies in place. As well as the requirement of a 10.0 per cent deposit from purchasers, Mirvac has a structured communication and engagement programme with its customers and lenders, and undertakes a thorough risk assessment of its exposure to foreign investment. Mirvac's proven track record of managing its settlement risk is demonstrated by a history of low defaults, with a long-term average of less than one per cent.

1) These future looking statements should be read in conjunction with future releases to the ASX.
2) By income, includes equity accounted investments and excludes indirect property investments.
3) By area, includes equity accounted investments and excludes indirect property investments.

Directors' report

Matters subsequent to the end of the half year

On 18 January 2016, Mirvac exchanged contracts for the sale of 1 Woolworths Way, Bella Vista NSW for a total consideration of $336.4m, representing a yield of 6.07 per cent. The total consideration comprised $276.4m, due on settlement of the office building, and $60.0m related to the delivery (including cost) of a new multi-storey car park via a development management agreement. Settlement is expected in February 2016. At 31 December 2015, the office building was an asset classified as held for sale as it met all the conditions set out in the *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*.

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

Auditor's independence declaration

A copy of the auditor's independence declaration required under section 307C of the *Corporations Act 2001* is set out on page 07.

Rounding of amounts

Mirvac is an entity of the kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission ("ASIC"), relating to the rounding off of amounts in the Directors' report and financial statements. Amounts in the Directors' report and 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
11 February 2016

Auditor's independence declaration

As lead auditor for the review of Mirvac Limited for the half-year ended 31 December 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 review; and

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

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

JReilly

Jane Reilly
Partner
PricewaterhouseCoopers

Sydney
11 February 2016

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Consolidated statement of comprehensive income

For the half year ended 31 December 2015

	Note	**31 December 2015 $m**	31 December 2014 $m
Revenue from continuing operations			
Investment properties rental revenue	4(b)	**306.2**	301.9
Investment management fee revenue		**6.8**	6.6
Development and construction revenue		**409.6**	577.5
Development management fee revenue		**3.4**	3.4
Interest revenue		**14.9**	14.3
Dividends/distributions revenue		**–**	0.2
Other revenue		**3.6**	5.1
Total revenue from continuing operations		**744.5**	909.0
Other income			
Net gain on fair value of investment properties and IPUC		**289.3**	50.8
Share of net profit of JVA accounted for using the equity method	10	**65.2**	29.0
Gain on fair value of derivative financial instruments		**68.4**	139.1
Net gain on sale of assets		**0.6**	9.5
Total other income		**423.5**	228.4
Total revenue from continuing operations and other income		**1,168.0**	1,137.4
Net loss on sale of assets		**–**	5.1
Foreign exchange loss		**69.7**	125.6
Investment properties expenses	4(b)	**72.3**	67.3
Cost of property development and construction		**379.7**	438.6
Employee benefits expenses		**58.3**	50.3
Depreciation and amortisation expenses		**16.6**	14.8
Impairment of loans, investments and inventories		**–**	(0.1)
Finance costs	2	**50.6**	75.1
Loss on fair value of derivative financial instruments		**9.1**	26.9
Selling and marketing expenses		**21.2**	22.8
Other expenses		**24.3**	25.9
Profit from continuing operations before income tax		**466.2**	285.1
Income tax benefit/(expense)		**6.5**	(6.1)
Profit for the half year		**472.7**	279.0
Other comprehensive income for the half year			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations, net of tax		**2.5**	7.5
Items that will not be reclassified to profit or loss			
Increment on revaluation of OOP		**37.1**	4.6
Deferred tax on SBP transactions		**0.2**	–
Other comprehensive income for the half year		**39.8**	12.1
Total comprehensive income for the half year		**512.5**	291.1
Profit for the half year attributable to the stapled securityholders of Mirvac		**472.7**	279.0
Total comprehensive income for the half year attributable to the stapled securityholders of Mirvac		**512.5**	291.1
EPS for profit attributable to the stapled securityholders of Mirvac		**Cents**	Cents
Basic EPS	3	**12.79**	7.56
Diluted EPS	3	**12.78**	7.55

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

Consolidated statement of financial position

As at 31 December 2015

	Note	31 December 2015 $m	30 June 2015 $m
Current assets			
Cash and cash equivalents	14(a)	**42.3**	59.8
Receivables		**94.3**	73.0
Derivative financial assets	9	**21.1**	–
Inventories	6	**884.6**	774.2
Other financial assets at fair value through profit or loss	9	**2.7**	11.3
Other financial assets	9	**23.9**	–
Other assets		**37.0**	21.6
Assets classified as held for sale	5	**276.4**	–
Total current assets		**1,382.3**	939.9
Non-current assets			
Receivables		**71.1**	56.8
Inventories	6	**991.0**	939.2
Investments in JVA accounted for using the equity method	10	**701.3**	562.2
Derivative financial assets	9	**207.4**	175.9
Other financial assets	9	**152.0**	264.6
Investment properties	4	**6,915.3**	6,751.1
Property, plant and equipment ("PPE")		**299.7**	261.9
Intangible assets	7	**39.0**	39.0
Deferred tax assets		**441.7**	412.9
Total non-current assets		**9,818.5**	9,463.6
Total assets		**11,200.8**	10,403.5
Current liabilities			
Payables		**495.6**	673.1
Borrowings	8	**612.9**	0.2
Derivative financial liabilities	9	**9.9**	12.4
Provisions		**190.5**	201.5
Other liabilities		**0.2**	0.2
Total current liabilities		**1,309.1**	887.4
Non-current liabilities			
Payables		**132.3**	113.5
Borrowings	8	**2,630.4**	2,633.7
Derivative financial liabilities	9	**71.2**	76.0
Deferred tax liabilities		**235.9**	213.7
Provisions		**15.9**	17.1
Total non-current liabilities		**3,085.7**	3,054.0
Total liabilities		**4,394.8**	3,941.4
Net assets		**6,806.0**	6,462.1
Equity			
Contributed equity	11	**6,809.8**	6,804.3
Reserves		**134.2**	94.5
Retained earnings		**(138.0)**	(436.7)
Equity, reserves and retained earnings attributable to the stapled securityholders of Mirvac		**6,806.0**	6,462.1

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 half year ended 31 December 2015

	Note	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m
		Attributable to the stapled securityholders of Mirvac			
Balance 1 July 2015		**6,804.3**	**94.5**	**(436.7)**	**6,462.1**
Profit for the half year		–	–	472.7	472.7
Other comprehensive income for the half year		–	39.8	–	39.8
Total comprehensive income for the half year		**–**	**39.8**	**472.7**	**512.5**
Long Term Performance Plan ("LTP"), Long Term Incentive Plan ("LTIP") and EIS securities converted, sold, vested or forfeited		5.5	–	–	5.5
SBP transactions		–	(0.1)	–	(0.1)
Dividends/distributions provided for or paid	12	–	–	(174.0)	(174.0)
Total transactions with owners in their capacity as owners		**5.5**	**(0.1)**	**(174.0)**	**(168.6)**
Balance 31 December 2015		**6,809.8**	**134.2**	**(138.0)**	**6,806.0**
Balance 1 July 2014		6,796.8	76.9	(697.6)	6,176.1
Profit for the half year		–	–	279.0	279.0
Other comprehensive income for the half year		–	12.1	–	12.1
Total comprehensive income for the half year		–	12.1	279.0	291.1
LTIP, long term incentives ("LTI") and EIS securities converted, sold, vested or forfeited		6.2	–	–	6.2
SBP transactions		–	(2.5)	–	(2.5)
Security based compensation		–	–	(1.0)	(1.0)
Dividends/distributions provided for or paid	12	–	–	(166.4)	(166.4)
Total transactions with owners in their capacity as owners		6.2	(2.5)	(167.4)	(163.7)
Balance 31 December 2014		6,803.0	86.5	(586.0)	6,303.5

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

Consolidated statement of cash flows

For the half year ended 31 December 2015

	Note	**31 December 2015 $m**	31 December 2014 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**628.0**	1,117.8
Payments to suppliers and employees (inclusive of goods and services tax)		**(798.7)**	(795.1)
		(170.7)	322.7
Interest received		**6.6**	10.4
Dividends/distributions received from JVA		**13.0**	14.7
Dividends/distributions received		**–**	0.2
Borrowing costs paid		**(74.8)**	(72.5)
Net cash (outflows)/inflows from operating activities	14(b)	**(225.9)**	275.5
Cash flows from investing activities			
Payments for PPE		**(5.5)**	(1.8)
Payments for investment properties		**(160.0)**	(516.2)
Proceeds from sale of PPE		**0.1**	–
Proceeds from sale of investment properties		**8.2**	660.0
Proceeds from loans to unrelated entities		**0.5**	8.7
Contributions to JVA		**(1.1)**	(21.5)
Proceeds from JVA		**7.7**	4.7
Proceeds from sale of investments		**–**	11.5
Net cash (outflows)/inflows from investing activities		**(150.1)**	145.4
Cash flows from financing activities			
Proceeds from borrowings		**1,450.7**	354.9
Repayments of borrowings		**(911.0)**	(662.2)
Dividends/distributions paid		**(181.2)**	(169.8)
Net cash inflows/(outflows) from financing activities		**358.5**	(477.1)
Net decrease in cash and cash equivalents		**(17.5)**	(56.2)
Cash and cash equivalents at the beginning of the half year		**59.8**	97.8
Cash and cash equivalents at the end of the half year	14(a)	**42.3**	41.6

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

Notes to the consolidated financial statements

BASIS OF PREPARATION

This condensed consolidated interim report for the half year reporting period ended 31 December 2015 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The financial statements of Mirvac consist of the consolidated financial statements of Mirvac Limited (the parent entity) and its controlled entities, which include MPT and its controlled entities. 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.

This condensed consolidated interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Mirvac during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

a) Basis of preparation

i) Consolidated financial statements

The Group has prepared combined financial statements that have been presented in accordance with Class Order 13/1050 issued by ASIC. There are no non-controlling interests attributable to the stapled securityholders.

RESULTS FOR THE HALF YEAR

1 Segmental information

a) Description of business segments

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

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

The ELT assesses the performance of the segments based on a number of measures, both financial and non-financial, which include a measure of operating profit; the use of capital; and success in delivering against key performance indicators. The ELT has identified two core divisions, Investment and Development. Applying the requirements of AASB 8 *Operating Segments*, Mirvac has two reportable segments, and in addition one business unit, Investment Management (including MAM), which does not meet the requirements for aggregation and therefore has been shown separately:

i) Investment

The division is made up of MPT and a small number of assets held by the company which holds investments in properties covering the office, retail, industrial and hotel sectors throughout Australia, held for the purpose of producing rental income, predominately through the Trust, its controlled trusts and corporate entities holding investment properties. Income is also derived from investments in JVA including Mirvac 8 Chifley Trust and Tucker Box Hotel Group.

ii) Investment Management

MIM comprises two business activities for segment reporting purposes, being capital management for listed and unlisted property funds on behalf of retail and institutional investors, and property asset management (MAM) on behalf of MPT, joint venture partners and external property owners.

iii) Development

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

b) Inter-segment transfers

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

c) Elimination

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

d) Comparative information

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

e) Operating profit

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

f) Segment assets and liabilities

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

g) Geographical and customer analysis

Mirvac operates predominately in Australia. Materially, all revenue is derived in Australia and all assets are in Australia. No single customer in the current or prior corresponding period provided more than 10 per cent of the Group's revenue.

Notes to the consolidated financial statements

1 Segmental information / continued

Half year ended 31 December 2015	Investment $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	**Consolidated SoCI $m**
Revenue from continuing operations						
Investment properties rental revenue	300.9	5.3	–	–	–	**306.2**
Investment management fee revenue	–	6.8	–	–	–	**6.8**
Development and construction revenue	–	–	411.4	–	(1.8)	**409.6**
Development management fee revenue	–	–	3.4	–	–	**3.4**
Interest revenue	11.3	0.2	2.8	0.6	–	**14.9**
Other revenue	–	2.7	0.7	0.2	–	**3.6**
Inter-segment revenue	4.9	8.3	134.0	26.8	(174.0)	**–**
Total revenue from continuing operations	**317.1**	**23.3**	**552.3**	**27.6**	**(175.8)**	**744.5**
Net gain on fair value of investment properties and IPUC	323.7	–	–	–	(34.4)	**289.3**
Share of net profit of JVA accounted for using the equity method	60.8	0.3	3.9	0.2	–	**65.2**
Gain on fair value of derivative financial instruments	–	–	–	68.4	–	**68.4**
Net gain on sale of assets	0.6	–	–	–	–	**0.6**
Total other income	**385.1**	**0.3**	**3.9**	**68.6**	**(34.4)**	**423.5**
Total revenue from continuing operations and other income	**702.2**	**23.6**	**556.2**	**96.2**	**(210.2)**	**1,168.0**
Foreign exchange loss	1.0	–	–	68.7	–	**69.7**
Investment properties expenses	77.1	1.6	–	–	(6.4)	**72.3**
Cost of property development and construction	–	–	510.4	–	(130.7)	**379.7**
Employee benefits expenses	–	12.8	12.3	33.2	–	**58.3**
Depreciation and amortisation expenses	10.9	0.2	0.9	1.7	2.9	**16.6**
Finance costs	36.2	–	17.8	26.8	(30.2)	**50.6**
Loss on fair value of derivative financial instruments	0.6	–	–	8.5	–	**9.1**
Selling and marketing expenses	–	0.4	20.5	0.3	–	**21.2**
Other expenses	7.0	5.1	9.9	9.1	(6.8)	**24.3**
Profit/(loss) from continuing operations before income tax	**569.4**	**3.5**	**(15.6)**	**(52.1)**	**(39.0)**	**466.2**
Income tax benefit						**6.5**
Profit attributable to the stapled securityholders of Mirvac						**472.7**

1 Segmental information / continued

Half year ended 31 December 2015	Investment $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	Tax $m	**Consolidated $m**
Profit/(loss) attributable to the stapled securityholders of Mirvac	569.4	3.5	(15.6)	(52.1)	(39.0)	6.5	**472.7**
Specific non-cash items							
Net gain on fair value of investment properties and IPUC	(323.7)	–	–	–	34.4	–	**(289.3)**
Net gain on fair value of investment properties included in share of net profit of JVA [1]	(42.2)	–	–	–	–	–	**(42.2)**
Net loss on fair value of derivative financial instruments and associated foreign exchange movements [2]	1.6	–	–	8.8	–	–	**10.4**
SBP expense [3]	–	–	–	5.2	–	–	**5.2**
Depreciation of OOP [4]	–	–	–	–	3.6	–	**3.6**
Straight-lining of lease revenue [5]	(5.4)	–	–	–	–	–	**(5.4)**
Amortisation of lease fitout incentives [4]	5.2	–	–	–	(0.7)	–	**4.5**
Net gain on derivatives and other specific non-cash items included in share of net profit of JVA [1]	(2.5)	–	–	–	–	–	**(2.5)**
Significant items							
Net gain from sale of non-aligned assets [6]	(0.6)	–	–	–	–	–	**(0.6)**
Restructuring costs [7]	–	–	–	1.4	–	–	**1.4**
Tax effect							
Tax effect of non-cash and significant item adjustments [8]	–	–	–	–	–	6.8	**6.8**
Operating profit/(loss) (profit before specific non-cash and significant items)	**201.8**	**3.5**	**(15.6)**	**(36.7)**	**(1.7)**	**13.3**	**164.6**

1) Included within Share of net profit of JVA accounted for using the equity method in the consolidated SoCI.
2) Total of Gain on fair value of derivative financial instruments, Foreign exchange loss and Loss on fair value of derivative financial instruments in the consolidated SoCI.
3) Included within Employee benefits expenses in the consolidated SoCI.
4) Included within Depreciation and amortisation expenses in the consolidated SoCI.
5) Included within Investment properties rental revenue in the consolidated SoCI.
6) Included within Net gain on sale of assets in the consolidated SoCI.
7) Included within Other expenses in the consolidated SoCI.
8) Included in Income tax (benefit)/expense in the consolidated SoCI.

Half year ended 31 December 2014	Investment $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	Consolidated SoCI $m
Revenue from continuing operations Investment properties rental revenue	298.4	3.5	–	–	–	301.9
Investment management fee revenue	–	6.6	–	–	–	6.6
Development and construction revenue	–	–	577.5	–	–	577.5
Development management fee revenue	–	–	3.4	–	–	3.4
Interest revenue	10.7	0.4	2.6	0.7	(0.1)	14.3
Dividend and distribution revenue	0.2	–	–	–	–	0.2
Other revenue	0.8	1.9	3.1	0.1	(0.8)	5.1
Inter-segment revenue	3.4	9.9	20.4	25.6	(59.3)	–
Total revenue from continuing operations	313.5	22.3	607.0	26.4	(60.2)	909.0
Net gain on fair value of investment properties and IPUC	52.8	–	–	–	(2.0)	50.8
Share of net profit of JVA accounted for using the equity method	26.7	0.9	1.3	0.1	–	29.0
Gain on fair value of derivative financial instruments	0.4	–	–	138.7	–	139.1
Net gain on sale of assets	9.5	–	–	–	–	9.5
Total other income	89.4	0.9	1.3	138.8	(2.0)	228.4
Total revenue from continuing operations and other income	402.9	23.2	608.3	165.2	(62.2)	1,137.4

1 Segmental information / continued

Half year ended 31 December 2014	Investment $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	Consolidated SoCI $m
Total revenue from continuing operations and other income	402.9	23.2	608.3	165.2	(62.2)	1,137.4
Net loss on sale of assets	5.1	–	–	–	–	5.1
Foreign exchange loss	2.2	–	–	123.4	–	125.6
Investment properties expenses	72.2	1.1	–	–	(6.0)	67.3
Cost of property development and construction	–	–	458.9	–	(20.3)	438.6
Employee benefits expenses	–	12.9	10.6	26.8	–	50.3
Depreciation and amortisation expenses	10.6	0.3	0.9	1.1	1.9	14.8
Impairment of loans, investments and inventories	–	–	–	(0.1)	–	(0.1)
Finance costs	33.3	–	42.0	25.6	(25.8)	75.1
Loss on fair value of derivative financial instruments	2.3	–	–	24.6	–	26.9
Selling and marketing expenses	–	–	22.8	–	–	22.8
Other expenses	7.0	4.9	12.2	9.1	(7.3)	25.9
Profit/(loss) from continuing operations before income tax	270.2	4.0	60.9	(45.3)	(4.7)	285.1
Income tax expense						(6.1)
Profit attributable to the stapled securityholders of Mirvac						279.0

Half year ended 31 December 2014	Investment $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	Tax $m	Consolidated $m
Profit/(loss) attributable to the stapled securityholders of Mirvac	270.2	4.0	60.9	(45.3)	(4.7)	(6.1)	279.0
Specific non-cash items							
Net gain on fair value of investment properties and IPUC	(52.8)	–	–	–	2.0	–	(50.8)
Net gain on fair value of investment properties included in share of net profit of JVA [1]	(11.0)	–	–	–	–	–	(11.0)
Net loss on fair value of derivative financial instruments and associated foreign exchange movements [2]	4.1	–	–	9.3	–	–	13.4
SBP expense [3]	–	–	–	1.8	–	–	1.8
Depreciation of OOP [4]	–	–	–	–	3.0	–	3.0
Straight-lining of lease revenue [5]	(2.5)	–	–	–	–	–	(2.5)
Amortisation of lease fitout incentives [4]	5.8	–	–	–	(1.1)	–	4.7
Net loss on derivatives and other specific non-cash items included in share of net profit of JVA [1]	2.6	(0.6)	–	–	–	–	2.0
Significant items							
Impairment of loans, investments and inventories	–	–	–	(0.1)	–	–	(0.1)
Net gain from sale of non-aligned assets [6]	(4.4)	–	–	–	–	–	(4.4)
Tax effect							
Tax effect of non-cash and significant item adjustments [7]	–	–	–	–	–	(3.9)	(3.9)
Operating profit/(loss) (profit before specific non-cash and significant items)	212.0	3.4	60.9	(34.3)	(0.8)	(10.0)	231.2

1) Included within Share of net profit of JVA accounted for using the equity method in the consolidated SoCI.
2) Total of Gain on fair value of derivative financial instruments, Foreign exchange loss and Loss on fair value of derivative financial instruments in the consolidated SoCI.
3) Included within Employee benefits expenses in the consolidated SoCI.
4) Included within Depreciation and amortisation expenses in the consolidated SoCI.
5) Included within Investment properties rental revenue in the consolidated SoCI.
6) Total of Net gain on sale of assets and Net loss on sale of assets in the consolidated SoCI.
7) Included in Income tax expense in the consolidated SoCI.

Notes to the consolidated financial statements

1 Segmental information / continued

	Investment $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	**Consolidated SoFP/SoCI $m**
31 December 2015						
Total assets	8,351.2	39.1	2,552.3	1,770.2	(1,512.0)	**11,200.8**
Total liabilities	1,547.2	10.6	793.9	3,424.0	(1,380.9)	**4,394.8**
Investments in JVA accounted for using the equity method	557.1	0.6	197.1	3.2	(56.7)	**701.3**
Acquisitions of investments and PPE	268.9	0.2	1.1	5.0	–	**275.2**
30 June 2015						
Total assets	7,785.5	41.3	2,411.5	1,477.5	(1,312.3)	10,403.5
Total liabilities	1,317.8	10.2	887.5	2,841.8	(1,115.9)	3,941.4
Investments in JVA accounted for using the equity method	415.1	0.6	198.3	3.1	(54.9)	562.2
Acquisitions of investments and PPE	1,025.5	0.8	4.7	10.7	–	1,041.7

2 Finance costs

	31 December 2015 $m	31 December 2014 $m
Interest and finance charges paid/payable net of provision release	**67.4**	65.4
Amount capitalised	**(24.3)**	(19.3)
Interest capitalised in current and prior years expensed this period net of provision release	**6.2**	27.7
Borrowing costs amortised	**1.3**	1.3
Total finance costs	**50.6**	75.1

3 EPS

	31 December 2015 Cents	31 December 2014 Cents
Earnings per stapled security		
Basic EPS	**12.79**	7.56
Diluted EPS[1]	**12.78**	7.55
Basic and diluted earnings	**$m**	$m
Profit attributable to the stapled securityholders of Mirvac used in calculating EPS	**472.7**	279.0
Weighted average number of securities used as denominator	**Number m**	Number m
Weighted average number of securities used in calculating basic EPS	**3,696.2**	3,692.0
Adjustment for calculation of diluted EPS		
Securities issued under EIS	**3.3**	3.7
Weighted average number of securities used in calculating diluted EPS	**3,699.5**	3,695.7

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

Notes to the consolidated financial statements

OPERATING ASSETS AND LIABILITIES

4 Investment properties

Investment properties comprised land and buildings held for long term rental yields, capital appreciation and are not occupied by the Group. Revenue from the rental yields is included in the consolidated SoCI under investment properties rental revenue. Total rental revenue for the half year was $306.2m (December 2014: $301.9m). Investment properties are carried at fair value (book value) in the following table. Refer to note 4(c)(i) for the valuation basis of the fair value measurement.

		Book value		Capitalisation rate		Discount rate			
	Date of acquisition	**31 Dec 2015 $m**	30 Jun 2015 $m	**31 Dec 2015 %**	30 Jun 2015 %	**31 Dec 2015 %**	30 Jun 2015 %	Date of last external valuation	Last external valuation $m
1 Darling Island, Pyrmont NSW	Apr 2004	**203.5**	195.8	**6.50**	6.75	**7.50**	8.25	Dec 2014	188.9
1 Woolworths Way, Bella Vista NSW[1,2]	Aug 2010	**–**	250.2	**–**	7.75	**–**	8.50	Dec 2014	250.0
1-47 Percival Road, Smithfield NSW	Nov 2002	**40.5**	35.9	**7.00**	7.50	**8.25**	8.75	Dec 2015	40.5
10-20 Bond Street, Sydney NSW (50% interest)[1]	Dec 2009	**224.8**	200.0	**5.88**	6.38	**7.50**	8.00	Jun 2015	200.0
101-103 Miller Street & Greenwood Plaza, North Sydney NSW (50% interest)	Jun 1994	**307.6**	302.7	**6.25**	6.25-6.37	**7.75-8.25**	8.25-8.75	Dec 2014	300.0
16 Furzer Street, Phillip ACT	Jul 2007	**65.3**	68.0	**7.75**	7.75	**8.50**	8.75	Dec 2015	65.3
189 Grey Street, Southbank QLD	Apr 2004	**86.0**	83.1	**7.25**	7.63	**8.00**	8.50	Dec 2015	86.0
1900-2060 Pratt Boulevard, Chicago Illinois USA	Dec 2007	**47.9**	45.1	**7.00**	7.25	**8.25**	8.50	Dec 2015	47.9
23 Furzer Street, Phillip ACT	Feb 2010	**253.5**	252.1	**7.15**	7.25	**9.00**	8.50	Dec 2015	253.5
271 Lane Cove Road, North Ryde NSW	Apr 2000	**32.8**	32.3	**8.25**	8.25	**8.25**	9.00	Jun 2014	31.4
275 Kent Street, Sydney NSW (50% interest)[1]	Aug 2010	**470.0**	435.6	**5.38**	6.00	**7.50**	8.50	Dec 2015	470.0
3 Rider Boulevard, Rhodes NSW[1]	Dec 2009	**90.4**	89.0	**7.75**	8.00	**8.00**	8.75	Dec 2014	88.4
34-39 Anzac Avenue, Smeaton Grange NSW	Jan 2015	**24.9**	23.3	**7.75**	8.00	**8.50**	9.00	–	–
340 Adelaide Street, Brisbane QLD[1]	Dec 2009	**52.7**	55.5	**8.38**	8.75	**8.38**	8.75	Dec 2014	55.0
367 Collins Street, Melbourne VIC	Nov 2013	**252.8**	238.5	**6.37**	6.50	**7.75**	8.25	Jun 2015	238.5
37 Pitt Street, Sydney NSW	May 2013	**68.0**	68.0	**8.00**	8.00	**8.75**	8.75	Jun 2014	68.0
380 St Kilda Road, Melbourne VIC	Oct 1995 (50%) & Apr 2001 (50%)	**153.5**	140.2	**7.00**	7.25	**8.00**	8.25	Jun 2015	140.2
39 Britton Street, Smithfield NSW	Jan 2015	**22.0**	21.1	**7.00**	7.25	**8.25**	8.75	–	–
39 Herbert Street, St Leonards NSW	Jan 2015	**157.5**	153.5	**7.00**	6.75	**8.64**	8.75	–	–
40 Miller Street, North Sydney NSW	Mar 1998	**123.2**	114.1	**6.50**	6.75	**7.75**	8.50	Jun 2014	106.4
47-67 Westgate Drive, Altona North VIC[1]	Dec 2009	**18.3**	18.7	**8.25**	9.50	**8.25**	9.75	Dec 2015	18.3
472 Pacific Highway, St Leonards NSW	Jun 2015	**63.1**	63.1	**–**	–	**–**	–	–	–
477 Collins Street, Melbourne VIC	Nov 2013	**77.5**	72.0	**7.00**	7.00	**8.00**	8.25	Jun 2015	72.0
486 Pacific Highway, St Leonards NSW	Jun 2015	**58.3**	58.3	**–**	–	**–**	–	–	–
5 Rider Boulevard, Rhodes NSW	Jan 2007	**137.6**	133.6	**7.50**	7.75	**8.00**	8.75	Dec 2014	133.0
51 Pitt Street, Sydney NSW	May 2013	**26.0**	26.0	**8.00**	8.00	**8.75**	8.75	Jun 2014	26.0
55 Coonara Avenue, West Pennant Hills NSW[1]	Aug 2010	**71.8**	70.0	**9.50**	9.50	**9.75**	9.75	Jun 2014	70.0
6-8 Underwood Street, Sydney NSW	May 2013	**9.5**	9.5	**9.00**	9.00	**9.00**	9.00	Jun 2014	9.5
60 Wallgrove Road, Eastern Creek NSW	Jan 2014	**55.7**	55.7	**–**	6.00-9.00	**–**	9.00-10.50	Jun 2014	55.1
65 Pirrama Road, Pyrmont NSW	Jun 2001	**131.0**	126.6	**6.50**	7.00	**7.50**	8.25	Dec 2015	131.0
699 Bourke Street, Melbourne VIC (50% interest)	Nov 2007 (50%) & May 2011 (50%)	**80.0**	77.0	**5.88**	6.13	**7.50**	8.25	Jun 2015	77.0
77 St Georges Terrace, Perth WA	May 2013	**210.0**	227.7	**8.00**	8.00	**8.50**	9.25	Jun 2014	237.0
8 Brabham Drive, Huntingwood NSW	Jan 2015	**20.7**	19.7	**6.75**	7.00	**8.25**	8.75	–	–
90 Collins Street, Melbourne VIC	May 2013	**200.0**	185.0	**6.00**	6.50	**7.50**	8.25	Dec 2015	200.0
Birkenhead Point Outlet Centre, Drummoyne NSW	Dec 2014	**335.2**	320.7	**6.00-8.00**	6.25-8.00	**8.25-9.50**	8.50-9.50	Jun 2015	320.7
Broadway Shopping Centre, Broadway NSW (50% interest)[3]	Jan 2007	**324.6**	292.1	**5.50**	6.00	**8.25**	8.75	Jun 2014	280.0
Cherrybrook Village Shopping Centre, Cherrybrook NSW[1]	Dec 2009	**94.0**	91.0	**7.00**	7.00	**8.50**	8.75	Jun 2015	91.0
Como Centre, Cnr Toorak Road & Chapel Street, South Yarra VIC	Aug 1998	**187.7**	179.5	**7.49-8.00**	7.50-8.00	**8.00-12.00**	8.25-12.00	Jun 2015	179.5
Cooleman Court, Weston ACT[1]	Dec 2009	**54.0**	52.4	**7.25**	7.50	**8.50**	9.00	Dec 2015	54.0
Harbourside Shopping Centre, Sydney NSW	Jan 2014	**262.0**	262.0	**6.50**	6.50	**8.50**	9.00	Dec 2014	255.0
Hoxton Distribution Park, Hoxton Park NSW (50% interest)	Jul 2010	**139.9**	131.7	**5.75**	6.00	**7.75**	8.00	Jun 2015	131.7

Notes to the consolidated financial statements

4 Investment properties / continued

	Date of acquisition	Book value 31 Dec 2015 $m	Book value 30 Jun 2015 $m	Capitalisation rate 31 Dec 2015 %	Capitalisation rate 30 Jun 2015 %	Discount rate 31 Dec 2015 %	Discount rate 30 Jun 2015 %	Date of last external valuation	Last external valuation $m
Kawana Shoppingworld, Buddina QLD	Dec 1993 (50%) & Jun 1998 (50%)	**330.0**	322.0	**6.00**	6.25	**8.25**	8.75	Dec 2015	330.0
Moonee Ponds Central, Moonee Ponds VIC	May 2003 & Feb 2008	**69.5**	68.6	**7.75**	7.75	**8.75**	9.00	Jun 2014	67.0
Nexus Industry Park (Building 1) Lyn Parade, Prestons NSW	Aug 2004	**22.2**	21.6	**7.00**	7.25	**8.25**	8.75	Jun 2015	21.6
Nexus Industry Park (Building 2), Lyn Parade, Prestons NSW	Aug 2004	**15.5**	14.6	**7.00**	7.25	**8.25**	8.75	Dec 2014	13.5
Nexus Industry Park (Building 3), Lyn Parade, Prestons NSW	Aug 2004	**29.1**	27.5	**7.25**	7.50	**8.25**	8.75	Jun 2015	27.5
Nexus Industry Park (Building 4), Lyn Parade, Prestons NSW	Aug 2004	**42.9**	39.7	**6.75**	7.25	**8.25**	8.75	Dec 2015	42.9
Nexus Industry Park (Building 5), Lyn Parade, Prestons NSW	Aug 2004	**21.5**	20.6	**7.00**	7.25	**8.25**	8.75	Dec 2014	19.8
Orion Springfield Central, Springfield QLD	Aug 2002	**282.0**	235.0	**6.50**	6.50	**8.75**	9.00	Dec 2014	143.0
Quay West Car Park, 109-111 Harrington Street, Sydney NSW	Nov 1989	**32.8**	30.0	**7.00**	7.25	**9.00**	9.25	Jun 2015	30.0
Rhodes Waterside, Rhodes NSW (50% interest)	Jan 2007	**160.0**	149.0	**6.00**	6.25	**8.50**	8.50	Jun 2015	149.0
Riverside Quay, Southbank VIC	Apr 2002 & Jul 2003	**206.5**	193.1	**6.75**	7.50	**7.75**	8.75	Dec 2015	206.5
St Marys Village Centre, St Marys NSW	Jan 2003	**49.0**	48.2	**7.25**	7.25	**8.75**	9.00	Dec 2014	47.0
Stanhope Village, Stanhope Gardens NSW	Nov 2003	**126.0**	116.0	**6.25**	7.00	**8.50**	9.00	Dec 2015	126.0
Total investment properties		**6,620.8**	6,562.2						
IPUC									
2 Riverside Quay, Southbank VIC (50% interest)	Apr 2002	**38.4**	23.7	**6.00**	6.13	**8.50**	8.50	–	–
200 George Street, Sydney NSW (50% interest)	Dec 2012	**220.5**	133.5	**5.50**	6.00	**7.75**	8.00	Dec 2014	92.9
Orion Springfield land, Springfield QLD [4,5]	Aug 2002	**14.1**	21.6	**–**	–	**–**	–	Dec 2014	73.4
Tramsheds, Harold Park NSW	Dec 2010	**21.5**	10.1	**6.75**	6.75	**8.75**	8.75	–	–
Total IPUC		**294.5**	188.9						
Total investment properties and IPUC		**6,915.3**	6,751.1						

1) Date of acquisition represents business combination acquisition date.
2) Property transferred to held for sale during the half year.
3) Included 52-60 Francis Street, Glebe NSW (50% interest).
4) Portion of site disposed during the half year.
5) Last external valuation includes stage two of development now included in main centre.

a) Reconciliation of carrying amounts of investment properties

At fair value	Note	31 December 2015 $m	30 June 2015 $m
Balance 1 July		**6,751.1**	6,016.4
Additions		**172.8**	328.2
Acquisitions		**–**	685.5
Disposals		**(7.5)**	(401.3)
Net gain on fair value of investment properties and IPUC	14(b)	**289.3**	140.8
Net gain from foreign currency translation		**2.7**	8.1
Assets classified as held for sale	5	**(276.4)**	–
Transfers from inventories		**–**	4.1
Amortisation of fitout incentives, leasing costs and rent incentive		**(16.7)**	(30.7)
Balance 31 December/30 June		**6,915.3**	6,751.1

Notes to the consolidated financial statements

4 Investment properties / continued

b) Amounts recognised in the consolidated SoCI for investment properties

	31 December 2015 $m	31 December 2014 $m
Investment properties rental revenue	**306.2**	301.9
Investment property expenses	**(72.3)**	(67.3)
	233.9	234.6

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 flow ("DCF") and capitalisation rate ("CR"). The fair value for a property may be determined by using a combination of these and other valuation methods.

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

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

CR: An assessment is made of fully leased net income based on contracted rents, market rents, operating costs and future income on vacant space. The adopted fully leased net income is capitalised in perpetuity from the valuation date at an appropriate CR. The CR reflects the nature, location and tenancy profile of the property together with current market investment criteria, as evidenced by current sales evidence. Various adjustments, including lease 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. For details on fair value hierarchy, refer to note 9.

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

			Inputs used to measure fair value				
Sector	Fair value hierarchy	Fair value $m	Net market income[1] $	10 year market rent compound annual growth rate[1] %	CR %	Terminal yield %	Discount rate %
At 31 December 2015							
Office[2]	Level three	3,890.0	308-1,020	0.00-3.88	5.38-9.50	6.00-10.00	7.50-9.75
Industrial	Level three	691.4	16-354	2.63-3.13	5.75-8.25	6.00-8.75	7.75-8.64
Retail[2]	Level three	2,241.4	228-1,284	2.55-4.35	5.50-8.00	5.75-8.00	8.25-9.50
Other[3]	Level three	92.5	–	1.88-2.50	7.00-8.00	7.50-9.00	9.00-12.00
At 30 June 2015							
Office[2]	Level three	3,898.8	205-1,003	0.00-4.10	6.00-9.50	6.25-10.00	8.00-9.75
Industrial	Level three	661.0	15-345	2.33-3.30	6.00-9.50	6.25-9.75	8.00-9.75
Retail[2]	Level three	2,103.6	221-1,071	3.00-4.43	6.00-8.00	6.25-8.00	8.50-9.50
Other[3]	Level three	87.7	–	1.88-3.35	7.25-8.00	7.50-9.00	9.25-12.00

1) Per square metre.
2) Includes IPUC.
3) Net market income for other sector (car parks and hotel) not reported on a square metre basis.

d) Sensitivity on changes in fair value of investment property

Movement in any of the unobservable inputs is likely to have an impact on the fair value of investment property. The higher the net market income and 10 year market rent compound annual growth rate, the higher the fair value. The higher the CR, terminal yield and discount rate, the lower the fair value.

4 Investment properties / continued

e) Property portfolio

Mirvac's property portfolio is made up as follows:

	Note	31 December 2015 $m	30 June 2015 $m
Investment properties per consolidated SoFP	4(a)	**6,915.3**	6,751.1
Investment properties classified as held for sale	5	**276.4**	–
OOP classified as PPE		**279.4**	244.3
		7,471.1	6,995.4

5 Assets classified as held for sale

	Note	31 December 2015 $m	30 June 2015 $m
Non-current assets classified as held for sale			
1 Woolworths Way, Bella Vista NSW[1]	4(a)	**276.4**	–

1) Settlement is expected in February 2016.

6 Inventories

	31 December 2015 $m	30 June 2015 $m
Current[1]		
Development projects		
Acquisition costs	**293.0**	218.7
Development costs	**567.7**	542.9
Borrowing costs capitalised during development	**72.2**	46.2
Provision for loss	**(48.3)**	(33.6)
Total current inventories	**884.6**	774.2
Non-current[1]		
Development projects		
Acquisitions costs	**586.6**	661.0
Development costs	**411.2**	293.0
Borrowing costs capitalised during development	**96.3**	113.5
Provision for loss	**(103.1)**	(128.3)
Total non-current inventories	**991.0**	939.2
Aggregate carrying value of inventories		
Current	**884.6**	774.2
Non-current	**991.0**	939.2
Total inventories	**1,875.6**	1,713.4

1) Lower of cost and net realisable value ("NRV").

During the half year, there was no amount (December 2014: $nil) expensed in relation to inventories that were carried in excess of the NRV.

7 Other non-financial assets and liabilities

Intangible assets

	Management rights $m	Goodwill $m	Total $m
Balance 1 July 2015	2.6	36.4	39.0
Balance 31 December 2015[1]	**2.6**	**36.4**	**39.0**
Balance 1 July 2014	2.6	36.4	39.0
Balance 30 June 2015	2.6	36.4	39.0

1) On 23 December 2015, the Group reached an agreement with a subsidiary of CIC to become the asset manager of Investa Property Trust, with Morgan Stanley facilitating Mirvac's entry into management rights contracts for a total consideration of $37.4m. Payment of the consideration is scheduled on completion in February 2016. The carrying amount of intangible assets as at 31 December 2015 does not include any amount relating to this transaction.

Notes to the consolidated financial statements

7 Other non-financial assets and liabilities / continued

a) Allocation of intangible assets by operating segment

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

	Investment $m	Investment Management $m	Total $m
Management rights – indefinite life[1]	–	2.6	2.6
Goodwill	36.4	–	36.4
Balance 31 December 2015	**36.4**	**2.6**	**39.0**
Management rights – indefinite life[1]	–	2.6	2.6
Goodwill	36.4	–	36.4
Balance 30 June 2015	36.4	2.6	39.0

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

b) Key assumptions used for value in use calculations for goodwill and management rights

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

CGU	**Growth rate[1] 31 December 2015 % pa**	**Discount rate 31 December 2015 % pa**	Growth rate[1] 30 June 2015 % pa	Discount rate 30 June 2015 % pa
Investment	**–[2]**	**8.6**	–[2]	8.6
Investment Management	**1.0**	**13.0**	1.0	13.0

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

The recoverable amount of goodwill exceeds the carrying value at 31 December 2015. Based on the information available on the key assumptions and market conditions at 31 December 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 the recoverable amount of goodwill.

As the CGU 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 4(d).

c) Impairment of goodwill

There was no impairment of goodwill during the half year (December 2014: $nil).

d) Impairment of management rights

There was no impairment of management rights during the half year (December 2014: $nil). Management rights are primarily held in relation to funds established or rights established by entities acquired by Mirvac. These funds are considered to be open-ended and therefore have no expiry.

CAPITAL STRUCTURE

8 Borrowings

	Note	**31 December 2015 $m**	30 June 2015 $m
Current			
Unsecured			
Domestic medium term notes ("MTN")	8(a)(ii)	**225.0**	–
Foreign MTN	8(a)(iii)	**387.7**	–
Secured			
Lease liabilities	8(a)(iv)	**0.2**	0.2
		612.9	0.2

8 Borrowings / continued

	Note	31 December 2015 $m	30 June 2015 $m
Non-current			
Unsecured			
Bank loans	8(a)(i)	**1,267.4**	920.2
Domestic MTN	8(a)(ii)	**400.0**	625.0
Foreign MTN	8(a)(iii)	**963.0**	1,088.4
Secured			
Lease liabilities	8(a)(iv)	**–**	0.1
		2,630.4	2,633.7

a) Borrowings

i) Bank loans

Mirvac has unsecured bank facilities totalling $1,700.0m (June 2015: $1,400.0m). The facilities comprise four tranches: a $500.0m tranche maturing in September 2017, a $400.0m tranche maturing in September 2018, a $400.0m tranche maturing in September 2019 and a $400.0m tranche maturing in September 2020. Subject to compliance with the terms, each of these bank loan facilities may be drawn at any time.

ii) Domestic MTN

Mirvac has a total of $625.0m (June 2015: $625.0m) of domestic MTN outstanding: $225.0m maturing in September 2016, $200.0m maturing in December 2017 and $200.0m maturing in September 2020. Interest is payable either quarterly or semi-annually in arrears in accordance with the terms of the notes.

iii) Foreign MTN

Mirvac has a total of $1,214.7m (US$885.0m and $135.0m) (June 2015: $1,019.8m) US Private Placement notes outstanding. The notes mature as follows:

- US$275.0m and $10.0m maturing in November 2016;
- US$100.0m maturing in November 2018;
- US$160.0m and $50.0m maturing in December 2022;
- US$105.0m and $25.0m maturing in December 2024;
- US$35.0m maturing in September 2025;
- US$95.0m and $50.0m maturing in December 2025; and
- US$115.0m maturing in September 2027.

During the period, Mirvac issued a total of $194.9m in notes. Interest is payable semi-annually in arrears for all notes. Some of the notes were issued with fixed and floating rate coupons payable in US dollars and swapped back to Australian dollar floating rate coupons through cross currency swaps and interest rate swaps.

iv) Lease liabilities

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

b) Financing arrangements

	31 December 2015 $m	30 June 2015 $m
Total facilities		
Bank loans	**1,700.0**	1,400.0
Domestic MTN	**625.0**	625.0
Foreign MTN	**1,350.7**	1,088.4
	3,675.7	3,113.4
Used at end of the reporting period		
Bank loans	**1,267.4**	920.2
Domestic MTN	**625.0**	625.0
Foreign MTN	**1,350.7**	1,088.4
	3,243.1	2,633.6
Unused at end of the reporting period		
Bank loans	**432.6**	479.8
Domestic MTN	**–**	–
Foreign MTN	**–**	–
	432.6	479.8

Notes to the consolidated financial statements

8 Borrowings / continued

c) Fair value

	Carrying amount		Fair value	
	31 December 2015 $m	30 June 2015 $m	**31 December 2015 $m**	30 June 2015 $m
Included in consolidated SoFP				
Non-traded financial liabilities				
Bank loans	**1,267.4**	920.2	**1,267.4**	920.2
Domestic MTN	**625.0**	625.0	**654.0**	664.2
Foreign MTN	**1,350.7**	1,088.4	**1,422.6**	1,148.5
Lease liabilities	**0.2**	0.3	**0.2**	0.3
	3,243.3	2,633.9	**3,344.2**	2,733.2

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

The bank loans and lease liabilities are floating rate borrowings; therefore, their fair value represents their respective carrying values. The fair value of domestic and foreign MTN has been calculated by discounting the expected future cash flows by the current market rates applicable to the relevant term of the MTN or bond prices for traded instruments. All borrowings are disclosed as level three in the fair value measurement hierarchy. For details on fair value hierarchy, refer to note 9.

i) Included in consolidated SoFP

The fair value for borrowings less than 12 months to maturity is deemed to equal the carrying value. 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.

9 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 Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2015 and 30 June 2015 on a recurring basis:

	Level one $m	Level two $m	Level three $m	**Total $m**
At 31 December 2015				
Assets				
Other financial assets at fair value through profit or loss				
– unlisted securities	–	–	2.7	**2.7**
Other financial assets [1]	–	–	175.9	**175.9**
Derivatives used for hedging	–	228.5	–	**228.5**
	–	**228.5**	**178.6**	**407.1**
Liabilities				
Derivatives used for hedging	–	81.1	–	**81.1**
At 30 June 2015				
Assets				
Other financial assets at fair value through profit or loss				
– unlisted securities	–	–	11.3	11.3
Other financial assets [1]	–	–	264.6	264.6
Derivatives used for hedging	–	175.9	–	175.9
	–	175.9	275.9	451.8
Liabilities				
Derivatives used for hedging	–	88.4	–	88.4

1) Relates to vendor financing arrangement with Blackstone $175.9m (June 2015: $168.9m) for the partial non-receipt of funds from sale relating to sale of non-aligned assets. June 2015 included the convertible notes associated with funding Mirvac (Old Treasury) Trust joint venture of $95.7m. The convertible notes were issued to fund the development costs of IPUC held by Mirvac (Old Treasury) Trust and were converted to equity in November 2015.

9 Fair value measurement of financial instruments / continued

There were no transfers between levels one, two and three for recurring fair value measurements during the half year. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2015.

b) Valuation techniques used to derive level one, 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 Group is the current bid price. Mirvac holds no level one financial instruments.

Level two: The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques. Mirvac uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long term debt for disclosure purposes. Other techniques, such as estimated DCF, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level two and comprise debt investments and derivative financial instruments, where the fair values have been determined based on present values and discount rates used were adjusted for counterparty or own credit or debit value adjustments.

Credit value adjustments: these are applied to mark-to-market assets based on the counterparty's credit risk using the observable credit default swaps curve as a benchmark for credit risk.

Debit value adjustments: these are applied to mark-to-market liabilities based on Mirvac's credit risk using Mirvac's credit default swaps curve as a benchmark for credit risk.

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 half year ended 31 December 2015 held by the Group:

	Unlisted securities $m	Other financial assets $m	Total $m
Balance 1 July 2015	**11.3**	**264.6**	**275.9**
Acquisitions	–	7.0	7.0
Equity conversion	–	(95.7)	(95.7)
Loss recognised in other income[1]	(0.6)	–	(0.6)
Capital distribution receivable	(8.0)	–	(8.0)
Balance 31 December 2015	**2.7**	**175.9**	**178.6**
1) Unrealised loss for the half year included in gain on fair value of derivative financial instruments that relates to assets held at the end of the half year	(0.6)	–	(0.6)

There were no transfers between the levels of the fair value hierarchy in the six months to 31 December 2015. 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 Group 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.

Sensitivity on changes in fair value of level three financial instruments

For level three unlisted securities, the impact of an increase/decrease in unlisted security unit price on the Group's profit for the half year and on equity if the unit price had been five per cent higher or lower would have been $0.1m (June 2015: $0.6m) higher or lower.

d) Fair value of other financial instruments

The carrying value of the other short term financial assets and financial liabilities, being receivables and payables, is considered to approximate their fair value.

Notes to the consolidated financial statements

GROUP STRUCTURE

10 Investments in JVA

	Note	31 December 2015 $m	30 June 2015 $m
Consolidated SoFP			
Investments accounted for using the equity method			
Investments in joint ventures	10(a)	**701.3**	562.2

	31 December 2015 $m	31 December 2014 $m
Consolidated SoCI		
Share of net profit of JVA accounted for using the equity method		
Investments in associates	**–**	(0.5)
Investments in joint ventures	**65.2**	29.5
	65.2	29.0

a) Details of Mirvac's JVA

Investments in JVA are accounted for using the equity method of accounting. All JVA were incorporated or established in Australia. Information relating to JVA is as follows:

Joint ventures

		Interest		Carrying value	
Name	Principal activities	31 December 2015 %	30 June 2015 %	31 December 2015 $m	30 June 2015 $m
Ascot Chase Nominee Stages 3-5 Pty Ltd	Residential development	**50**	50	**–**	–
Australian Sustainable Forestry Investors 1&2	Forestry and environmental asset management	**60**	60	**0.1**	0.1
BAC Devco Pty Limited[1]	Non-residential development	**33**	33	**–**	–
BL Developments Pty Limited	Residential development	**50**	50	**13.1**	19.6
City West Property Investments (No.1) Trust	Non-residential development	**50**	50	**9.9**	9.9
City West Property Investments (No.2) Trust	Non-residential development	**50**	50	**9.9**	9.9
City West Property Investments (No.3) Trust	Non-residential development	**50**	50	**9.9**	9.9
City West Property Investments (No.4) Trust	Non-residential development	**50**	50	**9.9**	9.9
City West Property Investments (No.5) Trust	Non-residential development	**50**	50	**9.9**	9.9
City West Property Investments (No.6) Trust	Non-residential development	**50**	50	**9.9**	9.9
Ephraim Island Joint Venture	Residential development	**50**	50	**–**	–
Fast Track Bromelton Pty Limited and Nakheel SPV Pty Limited	Non-residential development	**50**	50	**27.3**	27.3
FreeSpirit Resorts Pty Limited	Investment property	**25**	25	**–**	–
Googong Township Unit Trust	Residential development	**50**	50	**38.5**	34.6
Harold Park Real Estate Unit Trust	Real estate agency	**50**	50	**–**	0.1
Infocus Infrastructure Management Pty Limited	Investment property	**50**	50	**0.5**	0.5
Leakes Road Rockbank Unit Trust	Residential development	**50**	50	**13.6**	13.0
Mirvac 8 Chifley Trust	Investment property	**50**	50	**186.0**	173.1
Mirvac Lend Lease Village Consortium	Residential development	**50**	50	**0.4**	0.4
Mirvac (Old Treasury) Trust	Investment property	**50**	50	**191.0**	65.5
Mirvac Wholesale Residential Development Partnership Trust	Residential development	**20**	20	**10.8**	11.0
MVIC Finance 2 Pty Limited	Residential development	**50**	50	**–**	–
Tucker Box Hotel Group	Hotel investment	**50**	50	**159.8**	157.6
Walsh Bay Partnership	Residential development	**50**	50	**0.8**	–
				701.3	562.2

1) This entity is under external administration.

EQUITY

11 Contributed equity

a) Paid up equity

	31 December 2015 Securities m	30 June 2015 Securities m	**31 December 2015 $m**	30 June 2015 $m
Mirvac Limited — ordinary shares issued	**3,698.2**	3,694.3	**2,072.7**	2,071.9
MPT — ordinary units issued	**3,698.2**	3,694.3	**4,737.1**	4,732.4
Total contributed equity			**6,809.8**	6,804.3

b) Movements in paid up equity

Movements in paid up equity of Mirvac for the half year ended 31 December 2015 were as follows:

	Securities m	$m
Balance 1 July 2015	**3,694.3**	**6,804.3**
LTP, LTIP and EIS securities converted, sold, vested or forfeited	3.9	5.5
Balance 31 December 2015	**3,698.2**	**6,809.8**

c) Reconciliation of securities issued on the ASX

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

	31 December 2015 Securities m	30 June 2015 Securities m
Total ordinary securities disclosed	**3,698.2**	3,694.3
Securities issued under LTI plans and EIS	**3.0**	3.3
Total securities issued on the ASX	**3,701.2**	3,697.6

12 Dividends/distributions

Ordinary stapled securities	**31 December 2015 $m**	31 December 2014 $m
Half yearly ordinary distributions payable/paid as follows:		
4.70 CPSS payable on 29 February 2016 (unfranked distribution)	**174.0**	–
4.50 CPSS paid on 26 February 2015 (unfranked distribution)	**–**	166.4
Total dividend/distribution 4.70 (December 2014: 4.50) CPSS	**174.0**	166.4

Distributions paid and payable in cash or satisfied by the issue of stapled securities under the Group's distribution reinvestment plan are as follows:

	31 December 2015 $m	31 December 2014 $m
Payable in cash	**174.0**	166.4

Notes to the consolidated financial statements

OTHER INFORMATION

13 Contingent liabilities

a) Contingent liabilities

The Group had contingent liabilities at 31 December 2015 in respect of the following:

	31 December 2015 $m	30 June 2015 $m
Bank guarantees and performance bonds issued by external parties in respect of certain performance obligations granted in the normal course of business.	**165.9**	127.4
Claims for damages in respect of injury sustained due to health and safety issues have been made during the half year. The potential effect of these claims indicated by legal advice is that if the claims were to be successful against the Group, they would result in a liability.	**0.8**	1.2

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

b) JVA

There are no contingent liabilities relating to JVA.

14 Notes to the consolidated statement of cash flows

	Note	**31 December 2015 $m**	31 December 2014 $m
a) Reconciliation of cash			
Cash at the end of the half year as shown in the consolidated statement of cash flows is the same as the consolidated SoFP:			
– Cash at bank		**42.3**	41.4
– Deposits at call		**–**	0.2
Cash and cash equivalents		**42.3**	41.6
b) Reconciliation of profit attributable to the stapled securityholders of Mirvac to net cash (outflows)/inflows from operating activities			
Profit attributable to the stapled securityholders of Mirvac		**472.7**	279.0
Share of net profit of JVA not received as dividends/distributions		**(65.2)**	(29.0)
Net gain on sale of assets		**(0.6)**	(4.4)
Net gain on fair value of investment properties and IPUC	4(a)	**(289.3)**	(50.8)
Depreciation and amortisation expenses		**16.6**	14.8
Impairment of loans, investments and inventories		**–**	(0.1)
SBP expense		**5.2**	1.8
Net gain on fair value of derivative financial instruments		**(59.3)**	(112.2)
Net loss on foreign exchange		**69.7**	125.6
Dividends/distributions received from JVA		**13.0**	14.7
Change in operating assets and liabilities, net of effects from purchase of controlled entities:			
– (Decrease)/increase in tax effected balances		**(6.8)**	7.1
– (Increase)/decrease in receivables		**(32.8)**	20.4
– Increase in inventories		**(388.5)**	(73.9)
– Increase in other assets/liabilities		**(20.3)**	(9.6)
– Increase in payables		**63.2**	91.6
– (Decrease)/increase in provisions for employee benefits		**(3.5)**	0.5
Net cash (outflows)/inflows from operating activities		**(225.9)**	275.5

15 Events occurring after the end of the reporting period

On 18 January 2016, Mirvac exchanged contracts for the sale of 1 Woolworths Way, Bella Vista NSW for a total consideration of $336.4m, representing a yield of 6.07 per cent. The total consideration comprised $276.4m, due on settlement of the office building, and $60.0m related to the delivery (including cost) of a new multi-storey car park via a development management agreement. Settlement is expected in February 2016. At 31 December 2015, the office building was an asset classified as held for sale as it met all the conditions set out in the AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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

16 Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period; however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There will be some changes to the disclosure in the 30 June 2016 annual report as a consequence of these amendments.

b) Impact of standards issued but not yet applied by Mirvac

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 and a new impairment model. The standard is not applicable until 1 January 2018 but is available for early adoption. Following the changes approved by the Australian Accounting Standard Board ("AASB") in December 2014, the Group no longer expects any impact from the new classification, measurement and derecognition rules on the Group's financial assets and financial liabilities. The Group did not undertake a detailed assessment of the debt instruments currently classified as available-for-sale financial assets and did not recognise any fair value through other comprehensive income as the Group does not hold any available-for-sale debt investments.

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

As a general rule, it will be easier to apply hedge accounting going forward as the new standard introduces a more principles based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. The new impairment model is an expected credit loss model which may result in the earlier recognition of credit losses. The Group has not yet decided when to adopt AASB 9 before its mandatory date. Based on the transitional provisions in the completed AASB 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

ii) AASB 15 Revenue from Contracts with Customers

The AASB has issued a new standard for the recognition of revenue. This 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 permits a modified retrospective approach for the adoption. Under this approach, entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2017) i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

The new standard will have no impact on revenue recognition within the Investment segment, as the revenue is accounted for under AASB 117 *Leases*. With respect to the residential development business, the new standard is unlikely to have a material impact as the performance obligation is the delivering of the completed product. The Group is in the process of assessing any implications for other segments of the business and is evaluating for an early adoption of the new standard.

iii) IFRS 16 Leases

The International Accounting Standards Board (IASB) issued IFRS 16 Leases in January 2016. IFRS 16 will impact most Australian entities and especially those with operating leases of property, aircraft, manufacturing equipment, mining equipment and distribution and logistics services. The new standard replaces the previous leases standard, IAS 17 *Leases*, and related IFRS interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard is not applicable until 1 January 2019. The changes under IFRS 16 will predominantly affect lessees, with the standard eliminating the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model i.e. almost all leases will go on the lessee's balance sheet.

Following the changes approved by the IASB, the accounting for the Group, mainly as a lessor, will not change significantly. Accordingly, the Group will continue to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group may however be required to provide more transparent lease information to their lessees to facilitate their lease accounting. The same accounting will also apply to the Group as rent paying lessee.

The Group is in the process of assessing the accounting implications of the new standard.

17 Critical accounting judgements and estimates

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

a) Critical judgements in applying Mirvac's accounting policies

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

17 Critical accounting judgements and estimates / continued

i) Revenue recognition

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

ii) Cost of goods sold

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

iii) Provision for loss on inventories

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

iv) Investment properties and OOP

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

v) Fair value estimation

Where financial assets and liabilities are carried at fair value, the fair value is based on assumptions of future events and involves significant estimates. The basis of valuation is set out in note 9.

vi) SBP transactions

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

vii) Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the consolidated SoFP. Deferred tax assets, including those arising from tax losses, capital losses and temporary differences, are recognised only when it is considered probable that they will be recovered. Recoverability is dependent on the generation of sufficient future taxable profits.

b) Key sources of estimation uncertainty

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

i) Inventories

The NRV of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and costs to sell. Such estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period, to the extent that such events confirm conditions existing at the end of the reporting period. The key assumptions require the use of management judgement and are reviewed quarterly. During the half year, Mirvac did not expense any amount (December 2014: $nil) in relation to inventories that were carried in excess of NRV.

ii) Impairment of goodwill

Mirvac annually tests whether goodwill has suffered any impairment. Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group 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 $36.4m (June 2015: $36.4m). There was no impairment loss recognised during the half year (December 2014: $nil).

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

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

iv) Fair value of investments not traded in active markets

The fair value of investments not traded in active markets is determined by the unit price as advised by the fund manager. The unit price is determined by NPV calculations using future cash flows and an appropriate post-tax discount rate. The carrying value of investments not traded in active markets determined using the above techniques and assumptions is $2.7m (June 2015: $11.3m) and is disclosed as other financial assets at fair value through profit or loss.

17 Critical accounting judgements and estimates / continued

v) Valuation of investment properties and OOP

Mirvac uses judgement in respect of the fair values of investment properties and OOP. Investment properties and OOP are revalued by external valuers on a rotation basis with approximately one-half of the portfolio being valued annually. Investment properties which are not subject to an external valuation at the end of the reporting period are fair valued internally by management. The assumptions used in the estimations of fair values include expected future market rentals, discount rates, market prices and economic conditions. The reported fair values of investment properties and OOP reflect the market conditions at the end of the reporting period. While this represents the best estimation of fair value at the reporting date, actual sale prices achieved (should the investment properties and OOP 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 4. The carrying value at the end of the reporting period for investment properties was $6,915.3m (June 2015: $6,751.1m) and OOP $279.4m (June 2015: $244.3m). Details on investment properties are provided in note 4.

vi) Valuation of IPUC

IPUC are valued at fair value. There are generally no active markets for IPUC and fair value is considered to be the estimated market price that would be paid for the partially completed property, reflecting the expectations of market participants of the value of the property when complete less deductions for the estimated costs to complete with appropriate adjustments for risk and profit. The fair value is determined on the basis of either residual methods or DCF. 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 $37.1m during the period (December 2014: $1.3m). The carrying value of $294.5m (June 2015: $188.9m) at the end of the reporting period was included in investment properties (refer to note 4).

vii) Valuation of SBP transactions

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

viii) Valuation of derivatives and other financial instruments

Mirvac uses judgement in selecting the appropriate valuation technique for financial instruments not quoted in active markets. 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 9 and have been developed in compliance with requirements of AASB 139 *Financial Instruments: Recognition and Measurement*.

ix) Estimated future taxable profits

Mirvac prepares financial budgets and forecasts on a regular basis which are reviewed, covering a five year period. Budgets and forecasts are prepared on a base case and identified new projects. These forecasts and budgets form the basis of future profitability to support the carrying amount of the deferred tax asset.

Mirvac's operating and financial performance is influenced by a variety of general economic and business conditions, which are outside the control of Mirvac, including the level of inflation, interest rates, exchange rates, commodity prices, ability to access funding, oversupply and demand conditions and government fiscal, monetary and regulatory policies. A change in any of the assumptions used in the forecasting and budgeting would have an impact on the future profitability of the Group. For example, adverse fluctuations in interest rates, to the extent that they are not hedged or forecast, may impact Mirvac's earnings and asset values due to any impact on property markets in which Mirvac operates.

Directors' declaration

In the Directors' opinion:

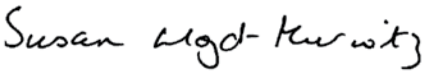
a) the financial statements and the notes set out on pages 08 to 31 are in accordance with the *Corporations Act 2001*, including:

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

  ii) giving a true and fair view of the consolidated entity's financial position at 31 December 2015 and of its performance for the financial half year ended on that date; and

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

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



Susan Lloyd-Hurwitz
Director

Sydney
11 February 2016

Independent auditor's review report

to the members of Mirvac Limited

Independent auditor's review report to the members of Mirvac Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mirvac Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Mirvac Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mirvac Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independent auditor's review report

to the members of Mirvac Limited

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mirvac Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Jane Reilly
Partner

Sydney
11 February 2016

Glossary of acronyms

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
CGU	Cash generating unit
CIC	China Investment Corporation
CPI	Consumer Price Index
CPSS	Cents per stapled security
CR	Capitalisation rate
DCF	Discounted cash flow
EIS	Employee Incentive Scheme
ELT	Executive Leadership Team
EPS	Earnings per stapled security
FY13	Year ended 30 June 2013
FY16	Year ended 30 June 2016
FY17	Year ended 30 June 2017
IPUC	Investment properties under construction
JVA	Joint ventures and associates
LTI	Long term incentives
LTIP	Long Term Incentive Plan
LTP	Long Term Performance Plan
MAM	Mirvac Asset Management
MIM	Mirvac Investment Management
MPT	Mirvac Property Trust
MTN	Medium term notes
NABERS	National Australian Built Environment Rating System
NPV	Net present value
NRV	Net realisable value
NTA	Net tangible assets
OOP	Owner-occupied properties
PDA	Project delivery agreement
PPE	Property, plant and equipment
PwC	PricewaterhouseCoopers
SBP	Security based payments
SoCI	Statement of comprehensive income
SoFP	Statement of financial position
WALE	Weighted average lease expiry