MIRVAC GROUP

report

ANNUAL REPORT 2014

by mirvac

mirvac

Mirvac Group Annual Report

For the year ended 30 June 2014

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

Directors' report

The Directors of Mirvac Limited present their report, together with the consolidated report of Mirvac Group ("Mirvac" or "Group") for the year ended 30 June 2014. Mirvac comprises Mirvac Limited ("parent entity") and its controlled entities, which includes Mirvac Property Trust ("MPT" or "Trust") and its controlled entities.

Directors

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

- John Mulcahy
- Susan Lloyd-Hurwitz
- Peter Hawkins
- James Millar AM
- John Peters
- Elana Rubin
- James MacKenzie (resigned as a Director on 30 January 2014)
- Marina Darling (resigned as a Director on 24 January 2014).

Principal activities

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

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

Dividends/distributions

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

	2014[1] $m	2013 $m
June 2013 half yearly dividends/distributions paid on 26 July 2013: 4.50 cents per stapled security ("CPSS")	**164.9**	
June 2012 quarterly dividends/distributions paid on 27 July 2012: 2.40 CPSS		82.0
December 2013 half yearly dividends/distributions paid on 27 February 2014: 4.40 CPSS	**161.3**	
December 2012 half yearly dividends/distributions paid on 25 January 2013: 4.20 CPSS		143.9
Total dividends/distributions paid	**326.2**	225.9

1) Included dividend/distribution reinvestment plan ("DRP") activated for the 31 December 2013 half yearly distribution.

The June 2014 half yearly dividend/distribution of 4.60 CPSS totalling $169.8m is payable on 28 August 2014.

Dividends and distributions paid and payable by Mirvac for the year ended 30 June 2014 totalled $331.1m, being 9.00 CPSS (2013: $308.8m – 8.70 CPSS). The payments for the year ended 30 June 2014 and the previous year were distributions made by the Trust.

Operating and financial review

The statutory profit after tax attributable to the stapled securityholders of Mirvac for the year ended 30 June 2014 was $447.3m (2013: $139.9m). The operating profit (profit before specific non-cash and significant items) was $437.8m which is within the market guidance provided previously. Operating profit is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents the profit under AAS adjusted for specific non-cash items and significant items. The Directors consider operating profit to reflect the core earnings of the Group.

The following table summarises key reconciling items between statutory profit after tax attributable to the stapled securityholders of Mirvac and operating profit. The operating profit information in the table has not been subject to any specific audit procedures by the Group's auditor but has been extracted from note 3 to the accompanying financial statements for the year ended 30 June 2014, which have been subject to audit; refer to pages 112 and 113 for the auditor's report on the financial statements.

Operating and financial review / continued

	2014 $m	2013 $m
Profit attributable to the stapled securityholders of Mirvac	**447.3**	139.9
Specific non-cash items		
Net gain on fair value of investment properties	**(56.5)**	(54.0)
Net loss on fair value of investment properties under construction ("IPUC")	**7.7**	3.6
Net loss on fair value of derivative financial instruments and associated foreign exchange movements [1]	**15.8**	12.4
Security based payment ("SBP") expense [2]	**6.5**	4.1
Depreciation of owner-occupied properties ("OOP") [3]	**5.9**	7.5
Straight-lining of lease revenue [4]	**(12.2)**	(17.3)
Amortisation of lease fitout incentives [3]	**10.3**	10.9
Net (gain)/loss on fair value of investment properties, derivatives and other specific non-cash items included in share of net profit of joint ventures and associates ("JVA") [5]	**(19.6)**	4.4
Significant items		
Impairment of loans, investments and inventories	**(1.2)**	273.2
Impairment of goodwill	**24.5**	–
Net loss on sale of non-aligned assets [6]	**6.0**	3.7
Net gain on sale of Hotel Management business and related assets	**–**	(2.0)
Tax effect		
Tax effect of non-cash and significant items adjustments [7]	**3.3**	(8.8)
Operating profit (profit before specific non-cash and significant items)	**437.8**	377.6

Financial, capital management and operational highlights

Key financial highlights for the year ended 30 June 2014:

- profit attributable to the stapled securityholders of Mirvac increased significantly from $139.9m to $447.3m, the previous year having been negatively impacted by impairments;
- operating profit after tax of $437.8m [8] (2013: $377.6m), representing 11.9 CPSS;
- operating cash inflow of $399.3m, which is consistent with the prior year;
- gearing at the financial year ending 30 June 2014 ("FY14") was 27.8 per cent [9], which remained within the Group's target range of 20.0 to 30.0 per cent. Refer to note 36 to the financial statements for further detail on gearing following the settlement of 50.0 per cent of 275 Kent Street, Sydney NSW on 1 July 2014;
- distributions of $331.1m, representing 9.0 CPSS; and
- net tangible assets ("NTA") [10] per stapled security increased to $1.66 from $1.62.

Key capital management highlights for the year ended 30 June 2014:

- Standard & Poor's upgraded the Group's credit rating from BBB to BBB+ with stable outlook;
- issued over $750.0m of long-term capital markets debt, further diversifying the Group's sources of debt and increasing the weighted average debt maturity:
  - › issued $506.8m (AUD equivalent) of US Private Placement notes which will mature in December 2022, 2024 and 2025;
  - › issued $200.0m of medium term notes ("MTN") which will mature in September 2020; and
  - › issued $50.0m of MTN which will mature in December 2017;
- maintained strong liquidity with $510.8m of cash and undrawn committed bank facilities held. Following assets sold to an affiliate of Blackstone Real Estate Asia ("Blackstone") on 1 July 2014, liquidity increased to over $1.0 billion;
- increased the weighted average debt maturity to 4.3 years;
- reduced average borrowing costs slightly to 5.6 per cent per annum as at 30 June 2014 (including margins and line fees), despite significantly increasing the tenor and sources of the Group's debt; and
- continued to comfortably meet all debt covenants.

Key operational highlights for the year ended 30 June 2014:

- acquired $854.8m [11] of key strategic assets in core locations across the office, retail, industrial and residential sectors;
- formed strategic relationships with high quality investment organisations, with the sale of a 50.0 per cent interest in 275 Kent Street, Sydney to an affiliate of Blackstone [12], and the sale of a 50.0 per cent interest in the 699 Bourke Street office development in Melbourne to Australian Office Alliance partner, TIAA-CREF;
- disposed of five non-core assets for $232.6m during the year [11]. Mirvac also disposed of seven assets which were sold to Blackstone on 1 July 2014 for $391.4m [13], following the exercise of call options granted to them during the year;

1) Total of Gain on financial instruments, Foreign exchange gain and Foreign exchange loss. Loss on financial instruments in the consolidated Statement of Comprehensive Income ("SoCI").
2) Included within Employee benefits expenses in the consolidated SoCI.
3) Included within Depreciation and amortisation expenses in the consolidated SoCI.
4) Included within Investment properties rental revenue in the consolidated SoCI.
5) Included within Share of net profit of JVA accounted for using the equity method in the consolidated SoCI.
6) Total of Net loss on sale of investment properties and Net loss on sale of investments in the consolidated SoCI.
7) Included in Income tax expense/(benefit) in the consolidated SoCI.
8) Excludes specific non-cash items, significant items and related taxation.
9) Net debt (at foreign exchange hedged rate) excluding leases/(total tangible assets – cash).
10) NTA per stapled security, based on ordinary securities including Employee Incentive Scheme ("EIS") securities.
11) Pre-transaction costs.
12) Settlement of the asset occurred on 1 July 2014.
13) Includes capex contribution of $5.4m. Excluding capex contributions, total value of non-core assets is $386.0m.

Financial, capital management and operational highlights / continued

- maintained strong portfolio occupancy of 97.6 per cent within the MPT portfolio[1];
- leased 140,982 square metres (9.8 per cent of net lettable area) within the MPT portfolio[2];
- achieved strong levels of residential exchanged contracts of $1,193.1m[3];
- settled 2,482 residential lots, ahead of the revised FY14 target of over 2,400 lots (previous target for FY14 was over 2,200 lots); and
- achieved 4.9 Star NABERS energy rating average across the office portfolio, ahead of the June 2014 target of 4.75 Star NABERS energy rating average.

Outlook[4]

The global economy continues to improve at a moderate pace, with Australia maintaining economic growth at around long-term trend levels. The transition away from mining investment is underway, supported by accommodative financial conditions. A strong expansion in housing construction, a lift in consumer demand to modest levels and signs of improvement in investment intentions of other sectors are emerging. Despite more modest occupancy fundamentals, an abundance of equity capital and liquid market debt markets globally is placing pressure on asset prices. Commercial sector capital values are rising, predominantly for better quality assets in major markets and with lease duration. The Group 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 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, providing a stable income stream from the Investment portfolio, and improving the Return on Invested Capital ("ROIC") achieved by the Development business.

Divisional highlights

Investment

At 30 June 2014, Investment (comprising MPT and one asset held by the Company) had $7,537.5m[5] invested capital across 68[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: 61.5 per cent[6];
- retail: 25.3 per cent;
- industrial: 6.3 per cent; and
- other: 6.9 per cent[7].

For the 12 months to 30 June 2014, Investment's statutory profit before tax was $438.1m and operating profit before tax was $415.0m, a decrease of 0.9 per cent on the previous year. This was primarily driven by increased interest costs associated with borrowings during the year as a result of recapitalisation and acquisitions. The Trust's earnings continued to be secured by a strong weighted average lease expiry ("WALE") profile of 4.6 years[8], 96.2 per cent of FY14 rent reviews being fixed or linked to the Consumer Price Index ("CPI"), and 68.5 per cent of revenue being derived from multinational, ASX listed and government tenants.

Key operational highlights for MPT for the year ended 30 June 2014 included:

- achieved 3.1 per cent like-for-like net operating income growth;
- maintained high occupancy at 97.6[9] per cent;
- total investment property revaluations (including IPUC) provided a net uplift of $37.9m[10] (or 0.6 per cent) over the previous book value for the 12 months 30 June 2014. On a like-for-like basis (excluding assets classified as held for sale, IPUC, assets sold during the period and acquisitions), the net uplift was $81.5m (or 1.5 per cent);
- entered into an agreement with Blackstone for the sale of a 50.0 per cent interest in 275 Kent Street, Sydney NSW for $435.0m[11], at a premium to book value[12];
- granted Blackstone call options over a portfolio of seven non-core assets for $391.4m[13], at a premium to book value[12]. Mirvac provided Blackstone with $156.0m of vendor financing in relation to the sale of the non-core assets, at an initial coupon of 8.0 per cent per annum and for a maximum term of 48 months;
- improved the quality of the portfolio by acquiring $606.8m[14] of assets on-strategy and with development potential, and disposing $232.6m[14] of non-core assets;
- completed 425 leasing deals over 140,982 square metres of net lettable area (9.8 per cent of net lettable area), with major leasing commitments at:
  - 10-20 Bond Street, Sydney NSW: renewal of lease to Fitness First (4,445 square metres, which includes an increase of 1,242 square metres on previous leased space) for a new 10 year lease term, and renewal of lease to Origin Energy (3,746 square metres) for a new five year lease term;
  - 5 Rider Boulevard, Rhodes NSW: new lease to Zoetis Australia (1,678 square metres) for a five year term;
  - 340 Adelaide Street, Brisbane QLD: renewal of lease to Medibank Health Solutions (1,628 square metres) for four years;
  - 47-67 Westgate Drive, Altona North VIC: two year extension of lease term to Pacific Brands (26,911 square metres);
  - Broadway Shopping Centre, Broadway NSW: new lease to Aldi (1,365 square metres) for a 10 year term;
  - Kawana Shoppingworld, Buddina QLD: renewal of lease to Woolworths (3,648 square metres) for a five year term; and
  - City Centre Plaza, Rockhampton QLD: renewal of lease to Coles (3,670 square metres) for a six year term.

1) By area, excludes IPUC, based on 100 per cent of building net lettable area.
2) Includes 8 Chifley, Sydney NSW.
3) Total exchanged pre-sales contracts as at 30 June 2014, adjusted for Mirvac's share of joint ventures, associates and Mirvac managed funds.
4) These future looking statements should be read in conjunction with future releases to the Australian Stock Exchange ("ASX").
5) Includes IPUC and indirect property investments.
6) Includes 8 Chifley Square, Sydney, NSW; although not a direct property asset, it is treated as an investment accounted for using the equity method.
7) Includes IPUC, indirect property investments, car park assets and hotel.
8) By income, includes 8 Chifley Square, Sydney NSW and excludes IPUC, based on MPT's ownership.
9) By area, excludes IPUC, based on 100 per cent of building net lettable area.
10) After adjustment for OOP, the net uplift was $48.8m.
11) Settlement of the 50.0 per cent sale of 275 Kent Street, Sydney NSW occurred on 1 July 2014.
12) As at 31 December 2013.
13) Includes capex contributions of $5.4m. Excluding capex contribution, total value of non-core assets is $386.0m. Blackstone have exercised their call options over the portfolio of seven non-core assets, with settlement of the sale of the non-core assets occurring on 1 July 2014.
14) Excludes transaction costs.

Divisional highlights / continued

- progressed with commercial developments as detailed in the Commercial highlights section in this Report and achieved the following leasing commitments at:
  - 699 Bourke Street, Melbourne VIC: AGL increased its commitment from 15,000 square metres to 19,300 square metres, which accounts for 100.0 per cent of the building's net lettable area, for a 10 year term;
  - Kawana Shoppingworld, Buddina QLD: construction of Stage 4 is near complete, incorporating a new Aldi supermarket and over 60 additional specialty stores, expanding the centre by approximately 9,000 square metres. As at 30 June 2014, the project was 95.6 per cent committed by net lettable area;
  - Stanhope Village, Stanhope Gardens NSW: commenced trading of Stage 3 in August 2013, which is 100.0 per cent leased. The project incorporated the extension of a Kmart mall and a new Aldi supermarket. Construction on Stage 4 commenced in January 2014 with project completion due in May 2015;
  - Orion Springfield Town Centre, Springfield QLD (Pad Sites): the project was completed fully leased and ahead of schedule in December 2013, adding a total gross lettable area of 5,108 square metres; and
  - Orion Springfield Town Centre, Springfield QLD (Stage 2): construction on the Stage 2 expansion of 31,545 square metres commenced in March 2014 and will include Coles, Target and Event Cinemas, a tavern, mini majors and an additional 80 to 100 specialty tenants and commercial suites, as well as an extra 1,200 car parks. Project completion is expected by March 2016.

The Group's focus on sustainability continued to deliver results across its MPT portfolio, with key achievements including:

- a 4.9 Star NABERS energy rating average across the office portfolio, ahead of the June 2014 target of 4.75 Star NABERS energy rating average, and an increase of 2.4 Stars since FY08, placing Mirvac in the top performing A-REIT office portfolios;
- received the Facilities Management Association Contribution to Energy Efficiency award for a second successive year for energy reductions across the office portfolio;
- 65 Pirrama Road, Sydney NSW achieved a 5.5 Star NABERS energy rating with energy consumption reduced by 16.0 per cent and water usage reduced by 24.0 per cent, achieving a utility cost saving of over $40,000 per annum;
- 3-5 Rider Boulevard, Rhodes NSW achieved a 5.5 Star NABERS energy rating, reducing energy intensity by 10.3 per cent;
- 275 Kent Street, Sydney NSW achieved a 5.0 Star NABERS energy rating and a 4.0 Star water rating. The property has delivered a 1.0 Star improvement in energy and water ratings since 2011 and has reduced carbon emissions by 37.0 per cent; and
- 10-20 Bond Street, Sydney NSW achieved a 5.0 Star NABERS energy rating and won the 'Best Sustainable Development – Existing Buildings' category at the Property Council of Australia Innovation and Excellence Awards. Following the $60.0m refurbishment, the property has achieved a 56.0 per cent reduction in carbon emissions and 47.0 per cent reduction in water usage.

Outlook[1]

The global economy continues to improve, with signs of a positive recovery in the US, UK and Eurozone leading to greater stability. Domestically, the economy has shifted away from mining investment to more interest rate sensitive sectors, with growth driven by the rising housing market, increased retail turnover and strong exports. Other lead indicators, such as stronger financial markets, improved business confidence and improving employment forecasts suggest a modest improvement in office market conditions over the medium term. Mirvac's office portfolio, with low vacancy rates, high average fixed rent increases, quality tenant profile, manageable expiry profile and a long WALE, continues to be well positioned.

In retail, increasing household wealth, low interest rates and a declining household savings ratio have seen turnover in this area improve. Non-discretionary spending is expected to remain resilient, although the low interest rate environment has allowed for an improvement in discretionary spending in 2014. Landlords are likely to benefit from a slowdown in online sales growth and a rise in discretionary spending, yet this may be constrained in the future by low income growth and a potential slowdown in the residential property market. The Group's retail assets, situated in core locations, should continue to provide secure returns.

The industrial portfolio continues to provide steady returns due to a low vacancy rate driven by quality, long term tenants who are attracted to prime-grade facilities located within the key logistics markets of Sydney and Melbourne.

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

- improving the quality of the portfolio via non-core asset sales and creating new product to be held for the long term;
- creating and buying prime CBD office assets to be held for the long term;
- focusing on prime sub-regional, neighbourhood and CBD shopping centres located in growth markets, and leveraging Mirvac's integrated model to unlock value in existing retail assets with development and expansion opportunity; and
- creating prime-grade industrial assets to be held over the long term.

Investment Management

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

For the year ended 30 June 2014, MIM recorded a statutory profit before tax of $5.8m and an operating profit before tax of $6.7m.

As at 30 June 2014, highlights for Capital included:

- executed a Relationship Deed with North American based institutional investor TIAA-CREF on 19 February 2014, establishing the Australian Office Alliance ("AOA" or "Alliance"). Under the Alliance, TIAA-CREF has exclusive first rights to acquire 50.0 per cent of co-investment opportunities in prime-grade Australian office assets sourced or developed by Mirvac for the next three years; and
- entered into an agreement with TIAA's General Account under the AOA, for the sale of a 50.0 per cent interest in Mirvac's office development at 699 Bourke Street, Melbourne VIC on a fund-through basis.

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

Divisional highlights / continued

At 30 June 2014, Capital managed three wholesale funds: Mirvac Wholesale Residential Development Partnership, Tucker Box Hotel Group and JF Infrastructure Yield Fund; as well as two retail funds: Mirvac Development Fund – Meadow Springs and Mirvac Development Fund – Seascapes.

On 19 March 2014, Capital completed the sale of the Australian Sustainable Forestry Investors ("ASFI") rural land estate comprising 68 properties in Victoria, South Australia and Western Australia.

MIM manages the ASX listed Mirvac Industrial Trust (ASX: MIX), while MAM provides asset management services primarily for the MPT portfolio. As at 30 June 2014, MAM managed 73 properties.

Outlook[1]

Capital will seek to expand its assets under management, with a key focus on establishing and growing investment partnerships with strategically aligned institutional investors seeking to co-invest in Mirvac-managed real estate assets and development projects. MAM will continue to expand its asset management services in accordance with growth in the Investment and Capital portfolios and in assets owned by third parties where there are common interests.

Development

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

At 30 June 2014, Development had $1,631.9m of invested capital. For the year ended 30 June 2014, Development's statutory profit before tax was $112.0m and operating profit before tax was $112.0m.

Residential

In the Group's core metropolitan markets, the business unit continued to deliver quality residential product, with new release projects targeted at the right price points and right locations. Key highlights across Apartments and Masterplanned Communities included:

Apartments:

- Rhodes Pinnacle, Rhodes NSW: completed construction in September 2013 with 100.0 per cent now settled (233 settled contracts);
- ERA, Chatswood NSW: completed construction in February 2014 with 100.0 per cent now settled (294 settled contracts);
- Harold Park, Glebe NSW: achieved strong sales with 100.0 per cent of Precinct 1, 100.0 per cent of Precinct 2 and 98.0 per cent of Precinct 3 sold (298, 184 and 338 exchanged contracts respectively); and
- Yarra's Edge, Docklands VIC: construction on track at Array, with 82.4 per cent sold (169 exchanged contracts). Array is expected to be completed in 2015.

Masterplanned Communities:

- Elizabeth Hills NSW: continued strong sales with 97.8 per cent of released lots sold (634 settled and exchanged contracts);
- Elizabeth Point NSW: continued strong sales with 100.0 per cent of released lots sold (191 settled and exchanged contracts);
- Alex Avenue NSW: continued strong sales with 97.7 per cent of released lots sold (213 settled and exchanged contracts);
- Googong NSW: continued strong sales with 91.5 per cent of released lots sold (636 settled and exchanged contracts);
- Jane Brook WA: continued strong sales with 91.9 per cent of released lots sold (192 settled and exchanged contracts);
- Enclave VIC: continued strong sales with 96.9 per cent of released lots sold (185 settled and exchanged contracts); and
- Harcrest VIC: continued strong sales with 96.0 per cent of released lots sold (582 settled and exchanged contracts).

In addition to this strong sales momentum, Mirvac completed sales on two long-dated projects, Newbury Estate, Stanhope Gardens NSW and Middleton Grange NSW. Mirvac also completed the englobo sale of provisioned projects, Spring Farm, NSW; Mariner's Peninsula, QLD; Hope Island, Harbour Village and Neighbourhood 7, QLD; Brookwater Stages 3-6, QLD; and Foreshore Hamilton, QLD.

For the year ended 30 June 2014, Development's residential pipeline totalled 30,538 lots, which was supplemented by the acquisition of a number of key on-strategy projects that will contribute significantly to Development's future pipeline, including:

- Bondi NSW: acquisition of an inner-ring apartment development site in Sydney's eastern suburbs. On completion, this project is expected to comprise in excess of 200 apartment lots;
- Waterloo NSW: acquisition of an inner-ring apartment development site in Sydney with the potential to deliver approximately 250 apartment lots[2,3];
- South Brisbane QLD: acquisition of an inner-ring apartment development site with approved planning for 329 lots across two towers[2];
- Gledswood Hills NSW: acquisition of a masterplanned community development site in Sydney's South West Growth Centre with the potential to deliver approximately 600 lots[2,3];
- Altona North VIC: acquisition of a masterplanned community development site in Melbourne's established inner-west. On completion, the site is expected to comprise approximately 260 lots[2,3];
- Baldivis WA: acquisition of a masterplanned community site of approximately 380 lots in the southern growth corridor of Perth; and
- Everton Park QLD: acquisition of a masterplanned community development site located approximately eight kilometres north of Brisbane's CBD. On completion, this project will comprise of approximately 56 lots[3].

As at 30 June 2014, Development settled 2,482 residential lots and had secured future income of $1,193.1m[4] through residential exchange pre-sales contracts.

State based lot settlements by product for the year ended 30 June 2014 were as follows:

State	Apartments	Masterplanned Communities	Total
NSW	527	1,100	1,627
QLD	89	242	331
VIC	29	193	222
WA	9	293	302
Total	**654**	**1,828**	**2,482**

1) These future looking statements should be read in conjunction with future releases to the ASX.
2) Subject to planning approval.
3) Settlement to occur post FY14.
4) Total exchanged pre-sales contracts as at 30 June 2014, adjusted for Mirvac's share of joint ventures, associates and Mirvac managed funds.

Divisional highlights / continued

Commercial

Mirvac's commercial development activities include office, retail and industrial projects. For the year ended 30 June 2014, Mirvac's office development pipeline had an end value of $3,414.2m on a 100.0 per cent ownership basis.

Key operational highlights for Commercial for the year ended 30 June 2014 were outlined in the MPT highlights section of this Report. Key development milestones were:

- 8 Chifley Square, Sydney NSW: practical completion was achieved in July 2013. The project demonstrates the benefit of Mirvac's integrated model with the successful delivery of this premium grade asset to the joint owners (MPT and Keppel REIT) by Development. The premium office tower achieved 6.0 Star Green Star Design V2 rating and is expected to achieve a 5.0 Star NABERS energy rating;
- Treasury Building, Perth WA: construction progressing with level 16 poured as at 30 June 2014. The A-grade office tower is located on the landmark site of the Old Treasury in Perth. The tower is scheduled for completion in mid-2015 and is expected to achieve a 4.5 Star NABERS energy rating and 5.0 Star Green Star rating;
- 200 George Street, Sydney NSW: bulk excavation works are now complete and construction of the basement car park structure is underway. Project completion is expected for mid-2016. The office tower is expected to achieve a 5.0 Star NABERS energy rating and 5.0 Star Green Star rating;
- 699 Bourke Street, Melbourne VIC: commenced construction in August 2013 with completion expected in mid-2015. The A-grade office building with premium grade services is designed to achieve a 5.0 Star NABERS and 5.0 Star Green Star rating and is 100.0 per cent pre-committed to AGL;
- 2 Riverside Quay, Melbourne VIC; entered into Heads of Agreement with PricewaterhouseCoopers for the lease of 17,200 square metres or 82.0 per cent of Mirvac's proposed new commercial tower. Mirvac intends to build an A-grade 12 level office building above the existing 8-storey car park;
- 60 Wallgrove Road, Eastern Creek, NSW: key acquisition of a strategically located site in the existing industrial precinct of Eastern Creek. Concept planning for future development has commenced;
- Stanhope Village, Stanhope NSW: Stage 3 officially opened in August 2013. Commenced construction works on the Stage 4 extension in January 2014, with major demolition works now complete. Piling works and structural steel installation are underway with construction due for completion in mid-2015;
- Kawana Shopping Centre, Buddina QLD: commenced construction on Stage 4 which includes expanding the centre by approximately 9,000 square metres. Completion is expected in September 2014; and
- Orion Springfield Town Centre, Springfield QLD: commenced construction on Stages 2 and 3 as well as the cinema extension, providing an additional 31,545 square metres. The project is due for completion in March 2016.

In addition to this, Mirvac completed the englobo sale of the provisioned projects Warnervale Industrial Park, Belmont NSW and Mackay Stage 2 and Stage 3, QLD.

Outlook [1]

The residential market continues to see volume and price growth nationally, albeit at a subdued and more sustainable rate than in the past 12 months. NSW continues to outperform across all metrics, while Queensland continues to trail, although is showing a marked improvement. The Victorian and West Australian markets lie between these two extremes. Population growth and low interest rates will continue to support activity over the medium term. Mirvac's overweight exposure to the Sydney and Melbourne markets, as well as high-density living, will ensure continued development activity in the medium to long term.

The Development division remains focused on:

- continuing to improve key metrics including ROIC (10.0 plus per cent target) and gross margin (18.0-22.0 per cent target);
- strategically restocking the development pipeline; and
- improving the strong levels of pre-sales to mitigate future earning 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 in this Annual Report.

Group risks

For the year ended 30 June 2014, 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. The Group also introduced a consolidated Group-wide robust capital allocation process that encourages decision making with a focus on Group outcomes rather than divisional outcomes. At a Group level, Mirvac faces certain risks to achieving of its financial outcomes; these risks are types of risks that are typical for a property group. These may include debt refinancing and compliance with debt covenants as well as compliance with health, safety and environment regulations.

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

Divisional highlights / continued

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, the demand for office space remains challenging across markets in which the Group operates. This has the potential to impact on the Group's performance given that office assets represent 61.5 per cent[1] of the MPT portfolio. The risk is mitigated, however, by MPT's office portfolio metrics comprising a long WALE of 4.6 years[2]; high occupancy of 96.1 per cent[3]; and strong like-for-like rent growth of 3.4 per cent. This demonstrates 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 the substantial pre-letting of commercial development in advance of construction (for example, AGL's pre-commitment of 100.0 per cent of the lettable area at 699 Bourke Street, Melbourne as announced in November 2013) and by partially selling down commercial developments before completion (for example, the sale of a 50.0 per cent interest in 699 Bourke Street, Melbourne VIC to TIAA-CREF as announced in February 2014);

Retail: as detailed in the outlook section for Investment, while recent improvements in retail sales is encouraging, leasing conditions remain challenging. With 25.3 per cent of MPT's portfolio represented by retail assets, 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 non-discretionary offerings, and a diversified tenancy mix, where no single specialty retailer contributes greater than 1.4 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. As a result, Mirvac's industrial portfolio has experienced a contraction of its weighted average capitalisation rate of 35 basis points to 7.58 per cent. Mirvac continues to focus on properties with long lease terms and secure cash flow profiles, such as Hoxton Distribution Park, which will benefit from the increase in investor demand and continue to provide steady returns; and

Residential: as detailed in the outlook section for Development, Australia's residential market varies from state to state (and within states) with some markets expected to continue to strengthen over the next three years, while activity over the medium term is expected to slow in states with a heavier reliance on resources investment. The Development division is focused on the right product in the right location with diversification of risk across residential sub-markets, across Australia and between Apartments and Masterplanned Communities. Weighting to key growth markets such as NSW further mitigates this risk, as do pre-sales.

Environmental regulations

Mirvac and its business operations are subject to compliance with both Federal and state environment protection legislation, and the Board is satisfied that adequate systems are in place for Mirvac's compliance with the applicable legislation.

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

A key initiative to reduce greenhouse gas emissions was a commitment to achieve an average 4.75 Star NABERS Energy rating on applicable office buildings by July 2014. The Investment division achieved this target in December 2013, six months ahead of schedule and is now achieving 4.9 Stars. This has resulted in reduced operating costs, improved environmental performance, demonstrating excellent energy operational and management practices, and high efficiency systems and equipment.

The new Mirvac sustainability strategy, 'This Changes Everything', sets short term targets for the whole portfolio to reduce carbon emissions by 20 per cent and increase energy generation to 1MW by 2018. This plan also includes a long term mission to be Net Positive for energy and water by 2030, whilst achieving zero waste to landfill in the same period.

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

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

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

1) Includes 8 Chifley Square, Sydney, NSW; although not a direct property asset, it is treated as an investment accounted for using the equity method for statutory reporting.
2) By income, includes 8 Chifley Square, Sydney NSW and excludes IPUC, based on MPT's ownership.
3) By area, excludes IPUC, based on 100 per cent of building net lettable area.

Directors' report


John Mulcahy


Susan Lloyd-Hurwitz


Peter Hawkins


James Millar AM

Information on Directors

Directors' experience and areas of special responsibilities

The members of the Mirvac Board and their qualifications, experience and responsibilities are set out below:

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

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

John Mulcahy was appointed a Non-Executive Director of Mirvac on 19 November 2009 and the Independent Non-Executive Chair on 14 November 2013. John has more than 27 years of leadership experience in financial services and property investment. John is the former Managing Director and Chief Executive Officer of Suncorp-Metway Limited. Prior to joining Suncorp-Metway, John held a number of senior executive roles at Commonwealth Bank, including Group Executive, Investment and Insurance Services. He also held a number of senior roles during his 14 years at Lend Lease Corporation, including Chief Executive Officer, Lend Lease Property Investment and Chief Executive Officer, Civil and Civic.

John is currently a Non-Executive Director of ALS Limited (formerly Campbell Brothers Limited) (appointed February 2012), Coffey International Limited (appointed September 2009 and as Chair in November 2010) and GWA Group Limited (appointed November 2010). John is also a Guardian of the Future Fund Board of Guardians and a Director of The Shore Foundation Limited and the Great Barrier Reef Foundation.

Susan Lloyd-Hurwitz
BA (Hons), MBA (Dist)
Chief Executive Officer & Managing Director ("CEO/MD")
Executive

Susan Lloyd-Hurwitz was appointed CEO/MD on 15 August 2012 and a Director of Mirvac Board on 5 November 2012. Prior to this appointment, Susan was Managing Director at LaSalle Investment Management, where she was responsible for the core investment accounts and funds business lines in the European region, as well as the operation of the business. Susan has also held senior executive positions at MGPA, Macquarie Group and Lend Lease Corporation, working in Australia, the US and Europe.

Susan has been involved in the real estate funds management industry for over 24 years, with extensive experience in fund and portfolio management in both the direct and indirect markets, fund development, mergers and acquisitions, dispositions, research and business strategy.

Susan is also a Director of the Green Building Council of Australia and a member of the UWS Foundation Council which supports the University of Western Sydney in its development and contribution to Greater Western Sydney.

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

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

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

Peter was a member of ANZ's Group Leadership Team and sat on the boards of Esanda Limited, ING Australia Limited and ING (NZ) Limited, the funds management and life insurance joint ventures between ANZ and ING Group. He was previously Group Managing Director, Personal Financial Services, as well as holding a number of other senior positions during his career with ANZ. Peter was also a Director of BHP (NZ) Steel Limited from 1990 to 1991 and Visa Inc. from 2008 to 2011.

Peter is currently a Non-Executive Director of Westpac Banking Corporation (appointed December 2008), Murray Goulburn Co-operative Co. Limited, Clayton Utz, Treasury Corporation of Victoria and Liberty Financial Pty Ltd.

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

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

James Millar was appointed a Non-Executive Director of Mirvac on 19 November 2009 and is the former Chief Executive Officer and Oceania Area Managing Partner of Ernst & Young. He was also a member of the global board of Ernst & Young.

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

James is a Non-Executive Director of Fairfax Media Limited (appointed July 2012), Helloworld Limited (formerly known as Jetset Travelworld Limited) (appointed September 2010) and Chairman of the Forestry Corporation NSW (appointed March 2013). James is a Member of the University of NSW Australian School of Business Advisory Council and the Grant Samuel Advisory Board. He is also a Director of a number of charities including the Chairman of The Smith Family (appointed March 2011) and a Trustee of the Australian Cancer Research Foundation. James is a former Non-Executive Director and Chair of Fantastic Holdings Limited (from May 2012 until June 2014).


John Peters


Elana Rubin


James MacKenzie


Marina Darling

Information on Directors / continued

John Peters
BArch, AdvDipBCM, ARAIA, GAICD
Independent Non-Executive

Member of the Audit, Risk and Compliance Committee

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

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

For the last 17 years, John has been the principal of a private property development company focused on substantial mixed use developments and redevelopments in South East Queensland. During this period, he has also consulted to various investors and other financial stakeholders in several Queensland development projects.

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

John is a Non-Executive Director of Argyle Community Housing Ltd.

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

Member of the Audit, Risk and Compliance Committee
Member of the Nomination Committee

Elana Rubin was appointed a Non-Executive Director of Mirvac on 11 November 2010 and has extensive experience in property and financial services. In November 2013, Elana was also appointed as a Director of Mirvac Funds Management Limited, the responsible entity and trustee for Mirvac's listed and unlisted funds. Elana is a Director of several NAB life insurance and asset management subsidiaries, a Director of PPB Advisory, and a Member of the Federal Government's Infrastructure Australia Council, the Qualitas Properties Advisory Board and the Victorian Council of the Australian Institute of Company Directors.

Elana is the former Chair of AustralianSuper (July 2007 to April 2013), one of Australia's leading superannuation funds, having been on the board since 2006. She was a Director of Victorian WorkCover Authority (December 2001 to February 2012) and Chair from 2006.

Elana was previously a Non-Executive Director of TAL Life Limited (formerly Tower Australia Limited) (November 2007 to April 2013) and has been a Director on a number of listed companies and other entities including Bravura Solutions Ltd.

James MacKenzie
BBus, FCA, FAICD

James MacKenzie was appointed to the Mirvac Board on 7 January 2005 and assumed the role of Chair in November 2005. He stepped down as Chair in November 2013 and resigned as a Director on 30 January 2014.

James has served as a director of a number of public companies listed on both Australian and international stock exchanges. James was a Partner in both the Melbourne and Hong Kong offices of an international accounting firm now part of Deloitte. Subsequently, James led the transformation of the Victorian Government's Personal Injury Schemes initially as Chief Executive Officer of the Transport Accident Commission ("TAC") and later as Chairman of TAC and the Victorian WorkCover Authority (WorkSafe Victoria).

James was appointed as a member of the Australian B20 Group in February 2013 and was Co-Vice Chairman of ASX listed Yancoal Australia Ltd until his resignation on 11 April 2014.

Marina Darling
BA (Hons), LLB, FAICD

Marina Darling was appointed to the Mirvac Board on 23 January 2012 and resigned on 24 January 2014.

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

Company Secretaries

Natalie Allen
BEc, LLB, GAICD

Natalie Allen was appointed Company Secretary on 21 January 2013. Natalie joined Mirvac as Group General Counsel in August 2012, and has more than 15 years of legal experience in real estate and equity capital markets. Prior to joining Mirvac, Natalie was the Group General Counsel and Company Secretary at Charter Hall Group, and before this was General Counsel and Company Secretary for a number of listed and unlisted entities within Macquarie's Real Estate Funds division. Natalie is a solicitor of the Supreme Court of NSW, a member of the State Bar of California and a graduate of the Australian Institute of Company Directors.

Sean Ward
BEc, BComm, FCSA, FFin

Sean Ward was appointed Company Secretary on 23 August 2013. Sean joined Mirvac as Group Company Secretary in April 2013 and has more than 14 years' corporate experience. Prior to joining Mirvac, Sean was the Head of Subsidiaries at Westpac Banking Corporation, providing company secretarial support for all of Westpac's listed and unlisted entities and before this was a Senior Companies Advisor at ASX Limited. Sean is also currently studying for a Master of Business Administration with the Australian Graduate School of Management.

Meetings of Directors

The number of meetings of the Board of Directors and of each standing Board committee, of which the relevant Director was a member, held during the year ended 30 June 2014 and the number of meetings attended by each Director are detailed below:

Directors	Board		Board Committee [1]		Audit, Risk and Compliance Committee ("ARCC")		Human Resources Committee ("HRC")		Nomination Committee [2]	
	A	B	A	B	A	B	A	B	A	B
John Mulcahy	15	15	2	2	6	6	5	5	–	–
Susan Lloyd-Hurwitz	15	15	4	4	–	–	–	–	–	–
Marina Darling [3]	0	9	–	–	–	–	0	3	–	–
Peter Hawkins	14	15	1	1	6	6	5	5	–	–
James MacKenzie [4]	7	10	1	1	1	3	1	3	–	–
James Millar AM	14	15	2	2	6	6	5	5	–	–
John Peters	15	15	1	1	6	6	–	–	–	–
Elana Rubin	15	15	–	–	6	6	–	–	–	–

1) Committees of the Board established to deal with particular purposes during the year.
2) There were no Nomination Committee meetings held during FY14 as the Board chose to undertake the responsibilities of the Nomination Committee.
3) Marina Darling was granted a leave of absence from 9 August 2013 to 24 January 2014 being the date of her resignation as a Director. The leave of absence covered all nine Board meetings and two HRC meetings.
4) James MacKenzie was granted a leave of absence from 1 July 2013 to 31 August 2013 and resigned as a Director on 30 January 2014. The leave of absence covered two Board meetings, one ARCC meeting and one HRC meeting.

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

Remuneration report

The remuneration report comprises the following sections:

1) Highlights for the year ended 30 June 2014
2) Alignment of remuneration strategy and business strategy
3) Mirvac's approach to executive remuneration design
4) Remuneration components and outcomes for the Senior Executives
5) Five year snapshot of business and executive remuneration outcomes
6) Service agreements for the Senior Executives
7) Non-Executive Directors' remuneration
8) Legacy remuneration arrangements
9) Additional required disclosures

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

Consistent with the approach used for the year ended 30 June 2013 ("FY13"), members of the Executive Leadership Team ("ELT") who head business functions are considered KMP. For Mirvac, the KMP during the year ended 30 June 2014 ("FY14") were therefore:

- the CEO/MD, Chief Financial Officer ("CFO") and members of the ELT who head a business ("Senior Executives"); and
- Non-Executive Directors.

For the year ended 30 June 2014, the KMP were:

KMP	Position	Term as KMP
John Mulcahy	Chair	Full Year
Peter Hawkins	Director	Full Year
James Millar AM	Director	Full Year
John Peters	Director	Full Year
Elana Rubin	Director	Full Year
Former Non-Executive Directors		
James MacKenzie	Chair (resigned on 30 January 2014)	Part Year
Marina Darling	Director (resigned on 24 January 2014)	Part Year
Senior Executives		
Susan Lloyd-Hurwitz	CEO/MD	Full Year
Andrew Butler	Chief Executive Officer, Investment	Full Year
Brett Draffen	Chief Executive Officer, Development and Group Strategy	Full Year
Shane Gannon	CFO (appointed 2 December 2013)	Part Year
Jonathan Hannam	Group Executive, Capital	Full Year

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

1 Highlights for FY14

Fixed remuneration	1	In accordance with its market positioning strategy, Mirvac assesses the remuneration levels and mix for Senior Executives to identify where adjustments are appropriate based on market benchmarking. Following the review completed at the start of FY14, one Senior Executive received an increase to their fixed remuneration, with the fixed remuneration for all the other Senior Executives remaining unchanged.
Short-term incentives ("STI")	2	To ensure that the STI pool was appropriately aligned to Mirvac's strategic drivers, Mirvac continued with its balanced scorecard of measures for determining the STI pool for the year ended 30 June 2014.
	3	The FY14 STI pool was larger than the STI pool in the year ended 30 June 2013 ("FY13"). This was largely due to improved performance on the ROIC measure in FY14 compared to FY13.
Introduction of STI deferral	4	Consistent with the intention stated in the FY13 Remuneration Report, 25 per cent of FY14 STI awards for ELT members will be deferred into rights over Mirvac securities, with the remainder paid in cash.
	5	Half of these deferred rights will vest after 12 months, with the balance vesting after 24 months. No dividends will be payable on these deferred rights. The deferred rights are subject to service conditions.
Long-term incentives ("LTI")	6	The three year performance period for the LTI grants made during the year ended 30 June 2012 finished on 30 June 2014. In total, 77 per cent of the performance rights from this grant vested as both the relative total shareholder return ("TSR") and return on equity ("ROE") performance hurdles were met.
	7	Consistent with the intention stated in the FY13 Remuneration Report, two performance measures will be applied to the LTI grants made during FY14: 50 per cent of the LTI allocation will be tested against a relative TSR hurdle and 50 per cent against an ROIC hurdle.
	8	To ensure that executives are only rewarded when performance hurdles have been achieved at the end of the performance period, Mirvac continued with its policy of not paying dividends on unvested LTI awards.
Changes to remuneration mix	9	In order to facilitate the introduction of STI deferrals, effective FY14, the STI targets for ELT members (other than the CEO/MD) increased by 10 per cent of fixed remuneration, while the LTI targets reduced by 10 per cent of fixed remuneration. The STI and LTI targets for the CEO/MD remained unchanged.
Non-Executive Director fees	10	The maximum aggregate Non-Executive Director remuneration for FY14 remained unchanged from the $1.95m limit approved by securityholders at the 2009 Mirvac Annual General Meeting/General Meeting ("AGM"). A proposal to increase this maximum remuneration amount to $2.25m will be presented for securityholder approval at the 2014 AGM.

2 Alignment of remuneration strategy with business strategy

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

Mirvac's remuneration arrangements support its strategic vision of setting the standard as a world-class Australian property group that attracts the best. The Board has identified drivers that are critical to the achievement of this strategic vision, being:

1) financial performance and capital efficiency;
2) customer and investor satisfaction;
3) high performing people and culture; and
4) health, safety, environment and sustainability ("HSE&S") leadership.

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

Our strategic drivers…	Are reflected in STI performance measures…	And LTI performance measures…	So Mirvac's actual performance…	Directly affects what executives are paid
Capital efficiency and financial performance Deliver top three AREIT returns.		**Relative Total Shareholder Return (TSR)** Measures the performance of Mirvac securities over time, relative to other entities in a comparison group. **Return on Equity (ROE)** Measures Mirvac's profitability relative to securityholders' investment in the Group.	**From FY12 - FY14** – Mirvac's TSR was ranked at the 73rd percentile relative to its comparison group. – Mirvac's average annual ROE was 6%.	**MD STI outcome in FY14 = 137% of target**
	Operating earnings Reflects how much revenue the business has generated for the year, less operating costs. **Return on Invested Capital (ROIC)** Measures Mirvac's profitability relative to its total assets. It is calculated by dividing the company's annual earnings by its total assets.		**In FY14** – Operating earnings were $437.8m, up 16% from $377.6m in FY13. – FY14 ROIC result was up from FY13.	
Customer and investor satisfaction Provide customers and investors an experience that delivers excellence, consistently exceeds expectations and engenders loyalty.	**Customer/Investor satisfaction "scorecard"** The scorecard includes improvement score and rank in the CCI survey, Retail customer and Office tenant satisfaction surveys as well as Residential customer satisfaction surveys.		**In FY14** – Mirvac achieved stretch performance, meeting six out of six key measures on the customer and investor satisfaction scorecard.	**Average STI in FY14 for other eligible Senior Executives = 111% of target**
High performing people and culture Have an engaged and motivated workforce with superior skills and capabilities.	**People "scorecard"** The balanced scorecard includes measures such as talent turnover, diversity targets and employee engagement. Performance is assessed based on the proportion of those measures where targets were met.		**In FY14** – Mirvac achieved threshold performance, meeting four out of the six key people measures.	**LTI vesting outcome in FY14 = 77% of target**
HSE&S leadership Be recognised as a leader in sustainability. Provide workplaces free from harm and supported by a culture where safety remains an absolute priority.	**HSE&S leadership "scorecard"** The HSE&S scorecard includes lead and lag indicators such as lost time injury frequency rate and timely incident reporting.		**In FY14** – Mirvac achieved target performance, meeting five out of the six measures on the HSE&S scorecard.	

2 Alignment of remuneration strategy and business strategy / continued

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

Senior Executives	Year	Fixed remuneration $	STI[1] Cash $	Deferred STI realised[2] $	LTI[3] $	Employee loans[4] $	Termination benefits $	Other $	Total $
Susan Lloyd-Hurwitz[5]	**2014**	**1,500,000**	**1,160,156**	**–**	**–**	**–**	**–**	**134,938**[6]	**2,795,094**
	2013	990,134	724,035	–	–	–	–	592,716[7]	2,306,885
Andrew Butler	**2014**	**700,000**	**415,800**	**–**	**14,163**	**600,159**	**–**	**319,418**[8]	**2,049,540**
	2013	618,000	401,929	–	–	650,071	–	8,727	1,678,727
Brett Draffen	**2014**	**900,000**	**647,460**	**–**	**817,353**	**581,835**	**–**	**464,702**[9]	**3,411,350**
	2013	900,000	549,423	–	–	943,311	–	14,403	2,407,137
Shane Gannon[10]	**2014**	**527,962**	**365,878**	**–**	**–**	**–**	**–**	**355,614**[11]	**1,249,454**
Jonathan Hannam[12]	**2014**	**540,000**	**356,400**	**–**	**–**	**–**	**–**	**9,508**[13]	**905,908**
	2013	258,619	141,206	–	–	–	–	8,213[13]	408,038

1) Cash STI values reflect the non-deferred portion of STI payments to be made in September 2014 in recognition of performance during FY14.
2) Represents the value of STI deferred from prior years that was realised in FY14.
3) LTI amounts represent the value to the participant during FY14 arising from performance rights whose performance period ended 30 June 2014.
4) Amount reported includes amounts forgiven during the year, imputed interest and related fringe benefits tax ("FBT").
5) Commenced employment with Mirvac on 5 November 2012.
6) Includes relocation expenses and a payment of $87,500 as part compensation for the incentive entitlements forfeited on resigning from her previous employer.
7) Includes relocation expenses and a payment of $530,000 as part compensation for the incentive entitlements forfeited on resigning from her previous employer.
8) Cash retention payment as detailed in Section 4(c).
9) Cash retention payment as detailed in Section 4(c).
10) Commenced employment with Mirvac on 2 December 2013.
11) Includes a payment of $350,000 as part compensation for the incentive entitlements forfeited on resigning from the previous employer.
12) Commenced employment with Mirvac on 9 January 2013.
13) Includes relocation expenses.

3 Mirvac's approach to executive remuneration design

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

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

a) How remuneration decisions are made

Board and HRC oversight and accountability

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

The HRC, consisting of three independent Non-Executive Directors, has been delegated responsibility for reviewing the remuneration strategy annually and advises the Board on remuneration policies and practices generally. The HRC also makes specific recommendations to the Board on remuneration packages, incentives and other terms of employment for Non-Executive and Executive Directors, including the CEO/MD, and approves the remuneration packages, incentives and other terms of employment for other KMP. More detailed information on the role and responsibilities of the HRC can be found in section 9 of the Corporate governance statement, while information on each of the HRC members can be found on page 08 and 09 of the Annual Report.

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

Clawback policy

Mirvac has in place an incentive clawback policy for ELT members and other executives capable of influencing the results of the Group. The policy gives the HRC the ability to clawback incentives in the event of a material financial misstatement. The clawback provisions apply to unvested STI and LTI awards received after the introduction of the policy.

Expert input from management and external advisors

The HRC has appointed Ernst & Young as its external remuneration adviser. Ernst & Young's role in this regard is to provide both information on current market practice and independent input into key remuneration decisions.

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

3 Mirvac's approach to executive remuneration design / continued

During the year ended 30 June 2014, Ernst & Young provided the HRC with:

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

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

b) Remuneration principles

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

Remuneration at Mirvac should:

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

c) Market positioning

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

Definition of market

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

For business roles:

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

For corporate roles:

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

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

Targeted market positioning

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

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

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

d) Remuneration mix

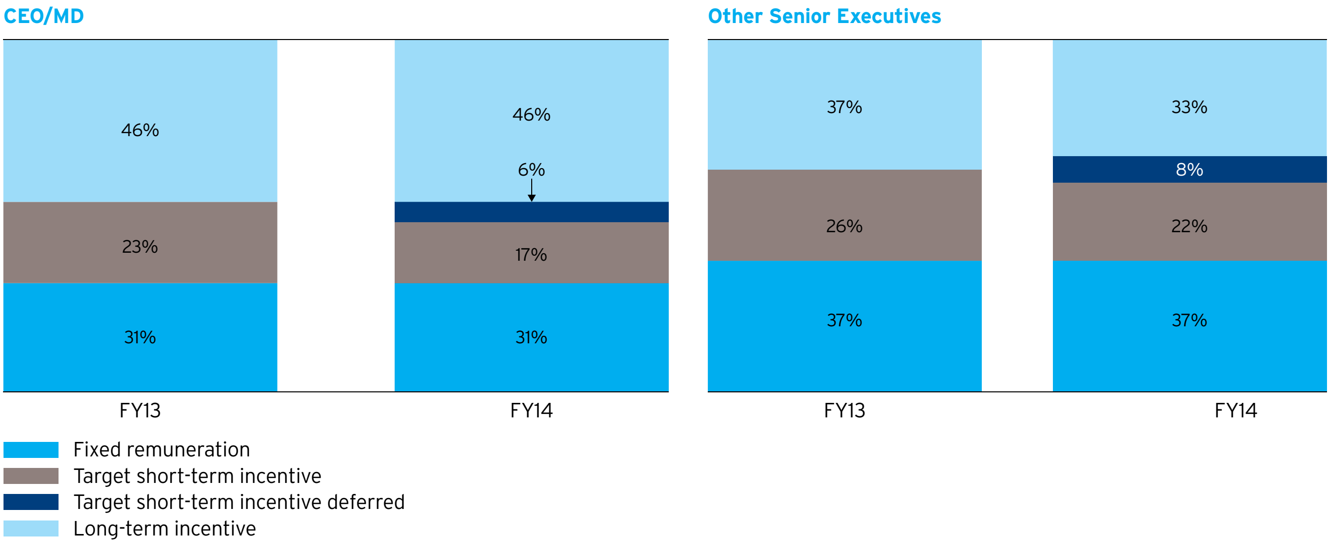
Mirvac's remuneration structures strive to fairly and responsibly reward employees, while complying with all relevant regulatory requirements.

A significant portion of total remuneration for executives is variable or at risk if applicable performance targets are not met or exceeded each year. As described further in section 4(b), commencing with the STI awards to be made in relation to FY14, 25 per cent of STI awards to ELT members will be deferred into rights over Mirvac securities. This change was introduced to support the introduction of the incentive clawback policy, and to further align pay outcomes with Mirvac's longer term security price performance.

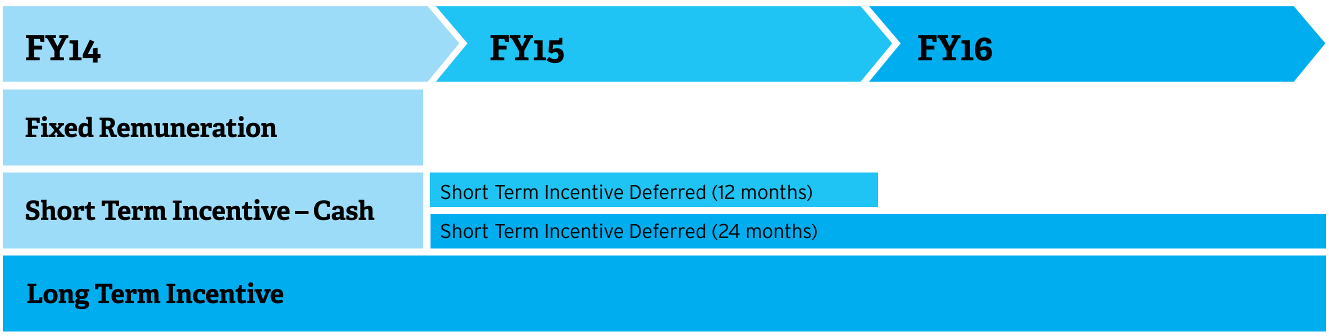
In order to facilitate the introduction of STI deferrals, effective FY14, the STI targets for ELT members (other than the CEO/MD) were increased by 10 per cent of fixed remuneration, while the LTI targets were reduced by 10 per cent of fixed remuneration. The STI and LTI targets for the CEO/MD were unchanged. The following graphs compare the remuneration mix at target for the CEO/MD and other Senior Executives during FY13 with the mix after the introduction of STI deferral in FY14.

3 Mirvac's approach to executive remuneration design / continued

Changes in Senior Executive remuneration mix

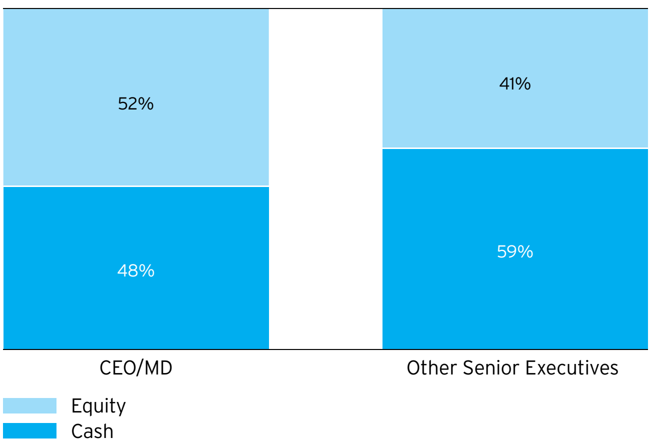


The introduction of STI deferral in FY14 will also serve to ensure executives are rewarded for sustained performance over the longer term.



The remuneration mix for Senior Executives has a significant weighting towards equity based remuneration to ensure strong alignment with securityholder interests. The following graph illustrates the cash versus equity remuneration mix for the CEO/MD and other Senior Executives:

Mix of cash vs equity



Minimum Securityholding Guidelines for ELT members were introduced in FY12 in order to further weight executives' remuneration mix towards equity. Under the Guidelines, ELT members are expected to establish and maintain a securityholding to the value of:

Level	**Minimum securityholding**
CEO/MD	100% of fixed remuneration
Other ELT members	50% of fixed remuneration

3 Mirvac's approach to executive remuneration design / continued

Executives covered by the Minimum Securityholding Guidelines have five years to build up their securityholding to the suggested level. As at 30 June 2014, progress towards the Minimum Securityholding Guidelines for each continuing Senior Executive was as follows:

Senior Executives	Date securityholding to be attained	Value of securityholding as at 30 June 2014 $	Minimum securityholding guideline $
Susan Lloyd-Hurwitz	November 2017	93,932	1,500,000
Andrew Butler	July 2017	68,859	350,000
Brett Draffen	July 2017	742,274	450,000
Shane Gannon	December 2018	–	450,000
Jonathan Hannam	January 2018	18,904	270,000

4 Remuneration components and outcomes for the Senior Executives

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

a) Fixed remuneration

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

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

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

Mirvac regularly considers market remuneration benchmarking information and, having regard to its market positioning strategy and the desired remuneration mix, decides whether to adjust fixed remuneration for each executive. Following the review completed at the start of FY14, one Senior Executive received an increase to their fixed remuneration, with the fixed remuneration for all the other Senior Executives remaining unchanged.

b) The STI component – how does it work?

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

Eligibility	All permanent Mirvac employees are eligible to participate in the STI plan.
STI pool formation	A gateway requirement of Group operating earnings being at least 90 per cent of target must be achieved before any STI payments are made.
	If the Group operating earnings gateway is satisfied, the size of the STI pool (from which all STI payments are made) is determined based on Group performance against a balanced scorecard of measures linked to Mirvac's strategic drivers.
	For FY14, the ROA measure continued to be calculated in the same manner, but was relabelled as ROIC. This change will ensure consistency between the terminology used in remuneration arrangements and that used when reporting on Mirvac's performance.
	Effective FY14, the weighting on the balanced scorecard for the ROIC measure increased from 20 to 35 per cent, while the weighting for the operating earnings measure will reduce from 50 to 35 per cent. This change reflects the increased emphasis in Mirvac's strategy on generating returns on the assets it manages. The gateway operating earnings requirement will continue to apply.
STI individual allocation	An individual's STI target opportunity is the amount earned for 'on target' Group and individual performance. STI awards can range from zero to double the STI target opportunity.
	In order to facilitate the introduction of STI deferrals, the FY14 STI targets for ELT members other than the CEO/MD increased from 70 to 80 per cent of fixed remuneration. The FY14 STI target for the CEO/MD remained unchanged at 75 per cent of fixed remuneration.
	Once the Group operating earnings gateway has been met, actual STI awards are scaled up or down from the individual's STI target based on Group and individual performance.

4 Remuneration components and outcomes for the Senior Executives / continued

STI deferral	Commencing FY14, 25 per cent of any STI award will be deferred into rights over Mirvac securities, with the balance paid as cash. Half of these rights will vest 12 months after award, with the balance vesting after 24 months.
	No dividends will be payable on the deferred rights. This ensures that executives only receive value from their deferred STI awards at the end of the deferral period. If the deferred rights vest, entitlements will be satisfied by the purchase of existing securities on-market that are then transferred to the participant.
	ELT members will be expected to retain the securities they receive as a result of the vesting of deferred STI awards until they satisfy the Minimum Securityholding Guidelines.
Termination/ forfeiture	To be eligible for an STI award, the executive must be employed on the award date.
	The deferred portion of an STI award will be forfeited in the event that an employee resigns or is dismissed for performance reasons prior to the vesting date. Unvested deferred STI awards may be retained if an employee leaves due to circumstances such as retirement, redundancy, agreed transfer to an investment partner, or total and permanent disablement or death.

STI performance measures

Group and divisional STI performance measures are directly linked to Mirvac's strategic drivers, as shown in the diagram in section 2. A description of each measure, its weighting and the rationale behind its inclusion in the Group's FY14 balanced scorecard is presented in the following table:

Strategic driver	Aligned STI measure(s)	Explanation of measure	Weighting %	Rationale for using
Financial performance and capital efficiency	Operating earnings	Operating earnings reflect how much revenue the business has generated for the year, less its operating costs.	35	Reflects the underlying performance of Mirvac's core business operations and represents a key driver of securityholder value.
	ROIC	ROIC is a measure of how profitable a company is relative to its invested capital. It is calculated by dividing the Group's annual earnings by its total assets.	35	Reflects how efficiently Mirvac is using its assets to generate earnings.
Customer and investor satisfaction	Balanced scorecard of customer and investor measures	The balanced scorecard includes six measures relating to investment community confidence, tenant satisfaction, and residential customer satisfaction. Performance is assessed based on the proportion of those measures where targets were met.	10	Represents how well Mirvac is meeting the expectations of key external stakeholders.
High performing people and culture	Balanced scorecard of people measures	The balanced scorecard includes six measures covering areas such as talent turnover, diversity targets, and employee engagement. Performance is assessed based on the proportion of those measures where targets were met.	10	There is a strong correlation between high levels of employee engagement and total securityholder return.
HSE&S leadership	Balanced scorecard of HSE&S measures	The balanced scorecard includes six measures covering areas such as safety culture and compliance, lost time injury frequency rate and proportion of waste reused or recycled. Performance is assessed based on the proportion of those measures where targets were met.	10	Mirvac is committed to providing a safe workplace for all of its employees and to ensuring its activities do not have an adverse impact on the environment.

Group STI score

For each performance measure on the Group STI scorecard, a threshold, plan and stretch goal is set at the start of the financial year. The Group STI score for each performance level is calculated according to the following schedule:

Performance level	Group STI score % target
< Threshold	0
Threshold	75
Plan	100
Stretch	150
> Stretch	150

A sliding scale operates between threshold and plan, and between plan and stretch.

4 Remuneration components and outcomes for the Senior Executives / continued

The process for determining the FY14 Group STI score was as follows:

Operating earnings gateway

Requirement for operating earnings to be at least 90 per cent of target before STI is payable.

Calculation of STI scores for each balanced scorecard measure

Operating earnings	ROIC	Customer and Investor Satisfaction	High performing people and culture	HSE&S scorecard

Calculation of raw Group STI score

Raw Group STI score is calculated based on the weighted average of STI scores for each measure on the balanced scorecard. The Group STI score can range between zero and 150 per cent.

HRC determines final Group STI score

HRC can exercise informed judgement to adjust the raw Group STI score up or down in order to ensure payments are consistent with Mirvac's renumeration strategy, and appropriately align with performance outcomes.

Individual STI score

Each participant is awarded an individual STI score between zero and 150 per cent of their STI target based on an assessment of their personal performance for the year against objectives linked to Mirvac's strategic drivers.

Calculation of STI awards

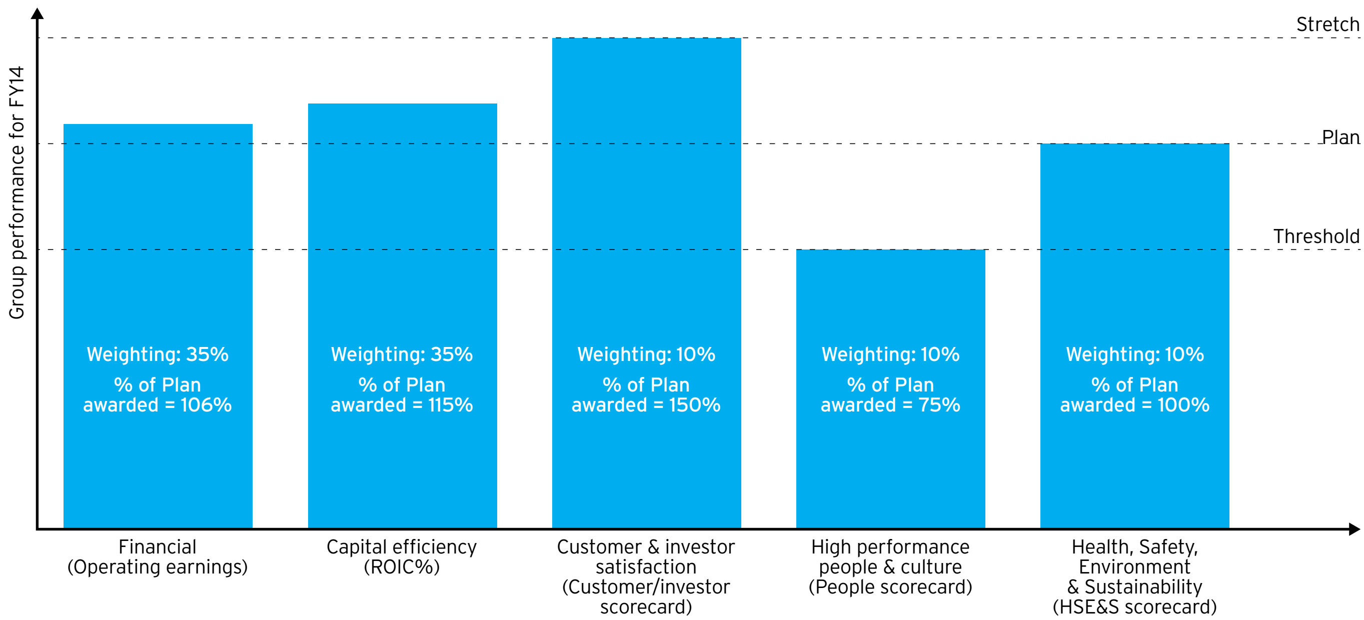
Once the Group and Individual STI scores are determined, an individual's STI award is calculated as follows:

Fixed remuneration × **Individual STI target** × **Group STI score (0-150%)** × **Individual STI score (0-150%)** = **Individual STI award (Capped at 200% x target)**

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

STI pool in FY14

The Group operating earnings gateway was achieved in FY14 which meant that an STI pool was formed. The following graph summarises Mirvac's performance against each of the measures on the balanced scorecard for the year ended 30 June 2014:



4 Remuneration components and outcomes for the Senior Executives / continued

In light of Mirvac's performance against these five measures for the year ended 30 June 2014, the HRC approved a Group STI score equivalent to 110 per cent of target, compared to a maximum potential pool of 150 per cent of target. The resulting STI pool for FY14 was $21.1m which represented 4.8 per cent of Mirvac's operating profit.

The STI pool in FY14 was larger than the STI pool in FY13. This was largely due to Mirvac exceeding the threshold performance level on the ROIC measure in FY14. The size of the STI pool also increased as a result of the expansion of eligibility for the STI program in FY14 to include all permanent employees.

FY14 STI awards for the Senior Executives

The following table shows the actual STI outcomes for each of the Senior Executives for FY14. Note that the STI maximum for an individual represents double his or her STI target. As noted previously, each individual's actual STI is based on the Group's balanced scorecard, adjusted, as appropriate, for divisional and individual performance.

	STI max % of fixed remuneration	Actual STI % max	STI forfeited % max	Actual STI (total) $
Senior Executives				
Susan Lloyd-Hurwitz	150	69	31	1,546,875
Andrew Butler	160	50	50	554,400
Brett Draffen	160	60	40	863,280
Shane Gannon	160	58	42	487,837
Jonathan Hannam	160	55	45	475,200

d) The LTI component: how does it work?

The purpose of LTI at Mirvac is to:

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

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

Mirvac's current LTI plan, the Long Term Performance ("LTP") plan, was originally introduced in the year ended 30 June 2008 following approval by securityholders at the 2007 AGM.

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

Eligibility	LTP grants are generally restricted to those executives who are most able to influence securityholder value. Non-Executive Directors are not eligible to participate in the LTP plan.
Instrument	Awards under this plan are made in the form of performance rights. A performance right is a right to acquire one fully paid Mirvac security provided a specified performance hurdle is met.
	No dividends are paid on unvested LTI awards. This ensures that executives are only rewarded when performance hurdles have been achieved at the end of the performance period.
	No loans are made to participants under this plan.
Grant value	The maximum LTI opportunities during the year ended 30 June 2014 were equivalent to 150 per cent of fixed remuneration for the CEO/MD, and 90 per cent of fixed remuneration for other Senior Executives.
	In determining the value of the performance rights to grant to ELT members, the HRC takes into account the annual retention value associated with participation in the Executive Retention Plan ("ERP"), a legacy LTI plan described in section 8. The fair value of rights granted under the LTP equates to the ELT member's maximum annual LTI opportunity, less the annual value to the individual associated with their ERP participation.
	As disclosed in the FY12 and FY13 Remuneration Reports, following a reviewing conducted in FY12, the CEO, Development and Group Strategy's fixed remuneration was reduced effective 1 July 2012. To recognise his acceptance of reduced fixed remuneration, he received increased LTI awards in the FY13 and FY14 grants. The additional awards are "at risk" to the executive and subject to applicable performance hurdles and performance conditions. A table included later in this section sets out full details of the performance rights granted to Senior Executives under the LTP during FY14.
Performance hurdles	The HRC reviews the performance conditions annually to determine the appropriate hurdles based on Mirvac's strategy and prevailing market practice. Consistent with the intention stated in the FY13 Remuneration Report, two performance measures apply to the LTI grants made during FY14: 50 per cent of the LTI allocation will be tested against a relative TSR hurdle and 50 per cent against a ROIC hurdle.
	Relative TSR is used because it is an objective measure of securityholder value creation and is widely understood and accepted by the various key stakeholders. The entities against which Mirvac's TSR performance is compared are shown on the following page.
	ROIC is used as the second performance condition because it is aligned to Mirvac's strategic drivers, in particular financial performance and capital efficiency. ROIC measures how efficiently Mirvac is using its assets to generate earnings.

4 Remuneration components and outcomes for the Senior Executives / continued

Vesting/ delivery	The performance rights offered under the LTP plan can only be exercised if and when the performance conditions are achieved over a three year period. If the performance rights vest, entitlements will be satisfied by, at the Board's discretion, either an allotment of new securities to participants or by the purchase of existing securities on-market that are then transferred to the participant.
	At the end of the three year performance period, all performance rights that vest are automatically converted to Mirvac securities. However, if the performance rights do not vest at the end of the three year performance period, they will lapse. There are no further tests of the performance conditions.
	ELT members will be expected to retain the securities they receive as a result of the vesting of performance rights until they satisfy the Minimum Securityholding Guidelines.
Termination/ forfeiture	If an employee resigns or is dismissed, all their unvested performance rights are forfeited. If an employee leaves due to retirement, redundancy, agreed transfer to an investment partner, total and permanent disablement or death, the HRC determines the number of rights which will lapse or are retained, subject to both the original performance period and hurdles.
	If a change of control event occurs, the HRC determines the number of performance rights that vest, if any, taking into account the performance from the date of grant to the event.
Dilution	Dilution that may result from securities being issued under Mirvac's LTP plan is capped at the limit set out in the Australian Securities and Investments Commission's ("ASIC") Class Order 03/184, which provides that the number of unissued securities under those plans must not exceed five per cent of the total number of securities of that class as at the time of the relevant offer.
Hedging	Consistent with the *Corporations Act 2001*, participants are prohibited from hedging their unvested performance rights or options.

Relative TSR performance hurdle

For the grant made during FY14, the vesting outcome for half of the award will depend on Mirvac's TSR performance relative to the constituents of the comparison group. To ensure that performance is measured objectively, the HRC receives the relative TSR data from an independent external consultant. The HRC then determines the number of performance rights that will vest, if any, by applying the TSR data to the following vesting schedule:

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

The comparison group for assessing relative TSR performance consists of Mirvac's primary market competitors, including:

- the constituents of the S&P/ASX 200 A-REIT Index;
- Lend Lease Corporation Limited; and
- Aveo Group.

For the grant made during FY14, the entities comprising the TSR comparison group are:

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

1) FKP Property Group changed name to Aveo Group on 10 December 2014.

4 Remuneration components and outcomes for the Senior Executives / continued

ROIC performance hurdle

The vesting outcome for the other half of the grant made during FY14 will depend on Mirvac's average annual ROIC performance over the three year performance period. The annual ROIC is defined as adjusted earnings of a financial year divided by average monthly operating assets for the financial year, where adjusted earnings is defined as:

Statutory profit/(loss) after tax:
excluding: income tax expense and benefits;
excluding: interest expense;
excluding: bank and inter-company interest income;
excluding: fair value of derivatives and exchange differences (FX); and
including: changes in reserves (not including FX reserve).

Operating assets =
Closing total assets:
excluding: cash and cash equivalents;
excluding: tax assets;
excluding: derivative financial assets;
excluding: intercompany assets (that is, inter-company receivables and inter-company loans);
excluding: shares in subsidiaries; and
excluding: deferred land payable.

The adjustments to earnings and operating assets are made to ensure that rewards reflect management's contribution to Mirvac's long term performance.

For the grant made during FY14, the vesting outcome at the end of the three year performance period for the half of the grant for which ROIC is the performance measure will be based on the following schedule:

Performance level	Average annual ROIC (%)	Percentage of ROIC-tested rights to vest
< Threshold	< 7.5	Nil
Threshold	7.5	50
Threshold – maximum	7.5 to 10	Pro-rata between 50 and 100
Maximum	10 and above	100

LTIs granted in FY14

Details of the performance rights granted to Senior Executives under the LTP during FY14 are set out in the table below:

Senior Executives	Performance measure	Number of performance rights granted	Vesting date	Fair value per performance right $	Minimum value of grant $	Maximum value of grant $[1]
Susan Lloyd-Hurwitz	TSR	735,250	1 July 2016	0.80	–	588,200
	ROIC	735,250	1 July 2016	0.71	–	518,351
Total		**1,470,500**			**–**	**1,106,551**
Andrew Butler	TSR	9,720	1 July 2016	0.80	–	7,776
	ROIC	9,719	1 July 2016	0.71	–	6,852
Total		**19,439**			**–**	**14,628**
Brett Draffen[2]	TSR	172,586	1 July 2016	0.80	–	138,069
	ROIC	172,585	1 July 2016	0.71	–	121,672
Total		**345,171**			**–**	**259,741**
Shane Gannon	TSR	111,684	1 July 2016	0.80	–	89,347
	ROIC	111,683	1 July 2016	0.71	–	78,737
Total		**223,367**			**–**	**168,084**
Jonathan Hannam	TSR	158,824	1 July 2016	0.80	–	127,059
	ROIC	158,823	1 July 2016	0.71	–	111,970
Total		**317,647**			**–**	**239,029**

1) The maximum value of the grant has been estimated based on the fair value as calculated at the time of the grant.
2) Brett Draffen's FY14 LTP award includes a top-up award of 196,078 performance rights granted to reflect the reduction in his fixed remuneration effective 1 July 2012.

4 Remuneration components and outcomes for the Senior Executives / continued

e) The LTI component: how was reward linked to performance this year?

Key inputs used in valuing performance rights granted during FY14 were as follows:

	Performance rights
Grant date	10 December 2013
Performance hurdles	Relative TSR and ROIC
Performance period start	1 July 2013
Performance testing date	1 July 2016
Security price at grant date	$1.615
Exercise price	$nil
Expected life	2.6 years
Volatility	20%
Risk-free interest rate (per annum)	2.92%
Dividend/distribution yield (per annum)	5.4%

LTI vested in FY14

In total, 77 per cent of the performance rights with a performance period ended 30 June 2014 vested as both the relative TSR and ROE hurdles were met.

	Rights granted in FY12		Rights vested in FY14			Rights forfeited in FY14		
Senior Executives	Number	Value ($) [1]	Number	% of total grant	Value ($) [1]	Number	% of total grant	Value ($) [1]
Andrew Butler	10,334	6,562	7,957	77	5,053	2,377	23	1,509
Brett Draffen	596,347	378,680	459,187	77	291,584	137,160	23	87,096

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

The actual LTI vested presented in the previous table is consistent with the fact that Mirvac's relative TSR performance was at the 73rd percentile relative to the comparison group over the three year performance period, while Mirvac's average annual ROE over the performance period was 6.0 per cent.

f) CEO/MD transition arrangements

Consistent with the disclosures made in the FY13 Remuneration Report, as part compensation for the STI and LTI entitlements the CEO/MD forfeited on resigning from her previous employer, a sign on payment of $530,000 was paid on commencement of employment with Mirvac, with a further amount of $87,500 payable on 1 July 2014. Under the terms of her employment contract, Mirvac also agreed to reimburse Susan Lloyd-Hurwitz for reasonable costs in connection with her relocation from London to Sydney.

g) Cash retention payments

Consistent with the disclosures made in the FY13 Remuneration Report, the following one-off cash retention payments were made to Senior Executives during FY14:

Senior Executives	Amount	Payment date
Andrew Butler	$309,000	1 December 2013
Brett Draffen	$450,000	14 August 2013

These retention arrangements were put in place in order to ensure continuity during the CEO/MD transition.

h) Total remuneration for Senior Executives

The following table shows the total remuneration for Senior Executives for FY14, as well as comparative figures for FY13. The information in the table below has been calculated in accordance with AAS and, accordingly, it differs from the information in the table in section 2. The main difference between the two tables is that the table in section 2 includes an LTI value based on the awards that actually vested and delivered value to Senior Executives, whereas, in accordance with AAS, the table below includes an apportioned accounting value for all unvested LTI grants during the year (some of which remain subject to satisfaction of performance and service conditions and may not ultimately vest).

4 Remuneration components and outcomes for the Senior Executives / continued

	Year	Short term benefits					Post-employment	SBP			Other long term benefits	Termination benefits	Total remuneration
		Cash salary and fees[1]	Cash STI[2]	Non-cash benefits[3]	Employee loans[4]	Other short term benefits[5]	Super contributions	Value of options[6]	Value of rights[6]	Deferred STI	Long service leave ("LSL")[7]		
		$	$	$	$	$	$	$	$	$	$	$	$
Executive Director													
Susan Lloyd-Hurwitz	**2014**	**1,443,918**	**1,160,156**	**61,682**	**–**	**87,500**	**17,775**	**–**	**640,855**	**257,813**	**24,063**	**–**	**3,693,762**
	2013	958,628	724,035	19,153	–	576,660	12,353	–	272,004	–	16,056	–	2,578,889
Other Senior Executives													
Andrew Butler	**2014**	**619,967**	**415,800**	**62,258**	**600,159**	**309,000**	**17,775**	**–**	**7,063**	**92,400**	**10,418**	**–**	**2,134,840**
	2013	549,577	401,929	51,953	650,071	–	16,470	–	21,067	–	8,727	–	1,699,794
Brett Draffen	**2014**	**872,446**	**647,460**	**9,779**	**581,835**	**450,000**	**17,775**	**–**	**329,951**	**143,880**	**14,702**	**–**	**3,067,828**
	2013	818,263	549,423	65,267	943,311	–	16,470	–	339,840	–	14,403	–	2,746,977
Shane Gannon	**2014**	**514,631**	**365,878**	**–**	**–**	**347,038**	**13,331**	**–**	**56,028**	**81,306**	**8,576**	**–**	**1,386,788**
Jonathan Hannam	**2014**	**522,225**	**356,400**	**–**	**–**	**806**	**17,775**	**–**	**127,129**	**79,200**	**8,703**	**–**	**1,112,238**
	2013	250,384	141,206	–	–	3,851	8,235	–	47,452	–	4,362	–	455,490
Total	**2014**	**3,973,187**	**2,945,694**	**133,719**	**1,181,994**	**1,194,344**	**84,431**	**–**	**1,161,026**	**654,599**	**66,462**	**–**	**11,395,456**
	2013	2,576,852	1,816,593	136,373	1,593,382	580,511	53,528	–	680,363	–	43,548	–	7,481,150

1) Cash salary and fees includes accrued annual leave paid out as part of salary and salary-sacrifice amounts where applicable.
2) STI payments relate to cash portion of STI awards accrued for the relevant year.
3) Non-cash benefits include salary-sacrificed benefits and related FBT where applicable.
4) Employee loans are interest free and provided for personal use. Disclosed value includes amounts forgiven during the year, imputed interest and related FBT.
5) Includes relocation expenses for CEO/MD and Group Executive, Capital; payments to the CEO/MD and CFO as part compensation for the STI and LTI entitlements they forfeited on resigning from their previous employers; and cash retention payments to the CEO, Investment and CEO, Development and Group Strategy.
6) Valuation of options and rights is conducted by an external accounting firm. Negative amounts (if any) relate to forfeiture of some or all participation in equity plans due to terminations.
7) LSL relates to amounts accrued during the year.

i) Total remuneration for Senior Executives

The following table presents the FY13 remuneration details for Senior Executives not included in the preceding table, but who were included in the FY13 Remuneration Report.

	Year	Short term benefits					Post-employment	SBP				Termination benefits	Total remuneration
		Cash salary and fees[1]	STI[2]	Non-cash benefits[3]	Employee loans[4]	Other short term benefits	Super contributions	Value of options[5]	Value of rights[5]	Cash settled payments[6]	LSL[7]		
		$	$	$	$	$	$	$	$	$	$	$	$
Former Senior Executives													
Nicholas Collishaw	2013	494,510	–	1,280	895,508	–	8,235	–	(128,691)	(234,000)	–	1,188,462[8]	2,225,304
Gregory Dyer	2013	534,690	–	32,071	–	–	16,470	–	106,668	–	8,899		698,798
Gary Flowers	2013	546,396	319,410	22,134	290,723	–	16,470	–	247,449	–	9,106		1,451,688
Justin Mitchell	2013	173,359	–	995	650,071	–	4,340	–	32,603	–	–	687,580[9]	1,548,948
Bevan Towning	2013	572,478	163,800	–	–	–	16,470	–	108,802	–	9,725	–	871,275
Total	2013	2,321,433	483,210	56,480	1,836,302	–	61,985	–	366,831	(234,000)	27,730	1,876,042	6,796,013

1) Cash salary and fees includes accrued annual leave paid out as part of salary and salary-sacrifice amounts where applicable.
2) STI payments relate to amounts accrued for the relevant year.
3) Non-cash benefits include salary-sacrificed benefits and related FBT where applicable.
4) Employee loans are interest free and provided for personal use (excludes EIS loans). Disclosed value includes amounts forgiven during the year, imputed interest and related FBT.
5) Valuation of options and rights is conducted by an external accounting firm. Negative amounts (if any) relate to forfeiture of some or all participation in equity plans due to terminations. Refer to note 34(f) to the financial statements for details.
6) Represents SBP expense during FY13 in relation to the potential future one-off cash payment linked to Mirvac's TSR performance offered to the CEO/MD following his acceptance of a reduction in fixed remuneration.
7) LSL relates to amounts accrued during the year.
8) Represents payment of six months severance, and 76 days payment in lieu of notice, consistent with contractual entitlements.
9) Represents payment of 12 months fixed remuneration, consistent with contractual entitlements.

The following table indicates the proportion of each Senior Executive's FY14 total remuneration that was performance related:

		Remuneration related to performance					
2014	Total remuneration $	Cash STI $	Value of options $	Value of rights $	Deferred STI $	Performance related remuneration % of total	Value of options granted as % of total
Executive Director							
Susan Lloyd-Hurwitz	3,693,762	1,160,156	–	640,855	257,813	56	0
Other Senior Executives							
Andrew Butler	2,134,840	415,800	–	7,063	92,400	24	0
Brett Draffen	3,067,828	647,460	–	329,951	143,880	37	0
Shane Gannon	1,386,788	365,878	–	56,028	81,306	36	0
Jonathan Hannam	1,112,238	356,400	–	127,129	79,200	51	0
Total	**11,395,456**	**2,945,694**	**–**	**1,161,026**	**654,599**	**42**	**0**

5 Five year snapshot of business and executive remuneration outcomes

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

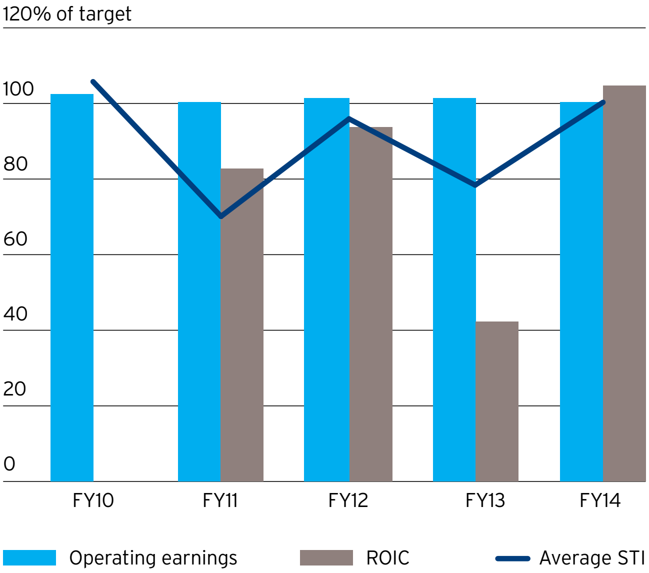
The table below provides summary information on the Group's earnings and securityholders' wealth for the five years to 30 June 2014:

	FY14	FY13	FY12	FY11	FY10
Profit attributable to the stapled securityholders of Mirvac ($m)	**447.3**	139.9	416.1	182.3	234.7
Operating profit ($m)	**437.8**	377.6	366.3	358.5	275.3
Distributions paid ($m)	**326.2**	225.9	280.2	270.2	179.4
Security price at 30 June ($)	**1.79**	1.61	1.28	1.25	1.32
Operating earnings per stapled security ("EPS") – diluted (cents)	**11.9**	10.9	10.7	10.5	9.3
Statutory EPS – basic (cents)	**12.2**	4.1	12.2	5.4	8.0

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

Mirvac only pays STI awards when financial performance is strong. The two financial measures on the STI scorecard – operating earnings and ROIC – together account for 70 per cent of the overall Group STI score. The following graph shows how the average STI outcome for all employees has been closely tied to performance on these two measures since FY10. Financial performance in each case is expressed as a percentage of the business target set for the year, while the STI outcome represents the average STI award to participants that year as a percentage of target. Note that ROIC figures for FY10 are not included in the graph as ROIC targets were not set prior to FY11.

Average STI outcome vs financial performance

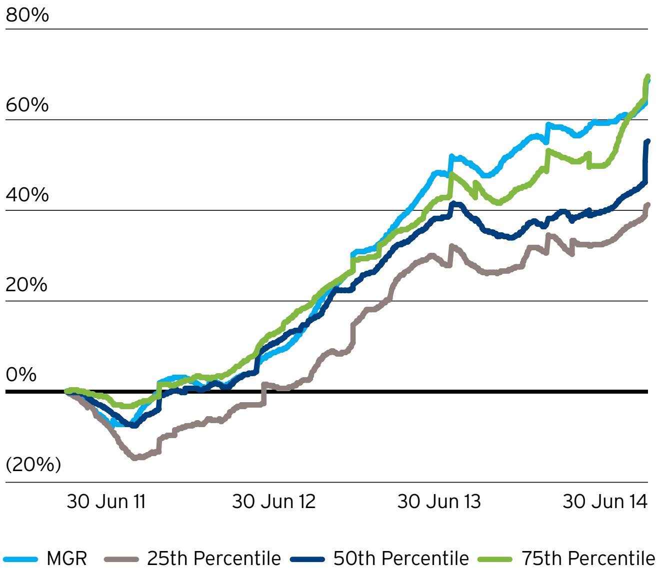


As can be seen in the graph, there is a strong connection between financial performance and STI outcomes. The average STI outcome was significantly below target in FY11 and FY13. This is because, notwithstanding solid operating earnings results, ROIC performance failed to meet the required performance threshold in both these years. This was largely due to the impairments announced in these two years. For the FY11 performance year, the STI outcomes were also impacted by Mirvac's failure to meet the threshold performance level for the customer and investor satisfaction measure.

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

In total, 77 per cent of the performance rights with performance period ended 30 June 2014 vested. The vesting of half of these performance rights was linked to Mirvac's TSR and ROE performance. Mirvac achieved a TSR of 69 per cent over the three year performance period, which positioned it at the 73rd percentile relative to the entities in the comparison group. As a result, 97 per cent of the performance rights linked to this measure vested.

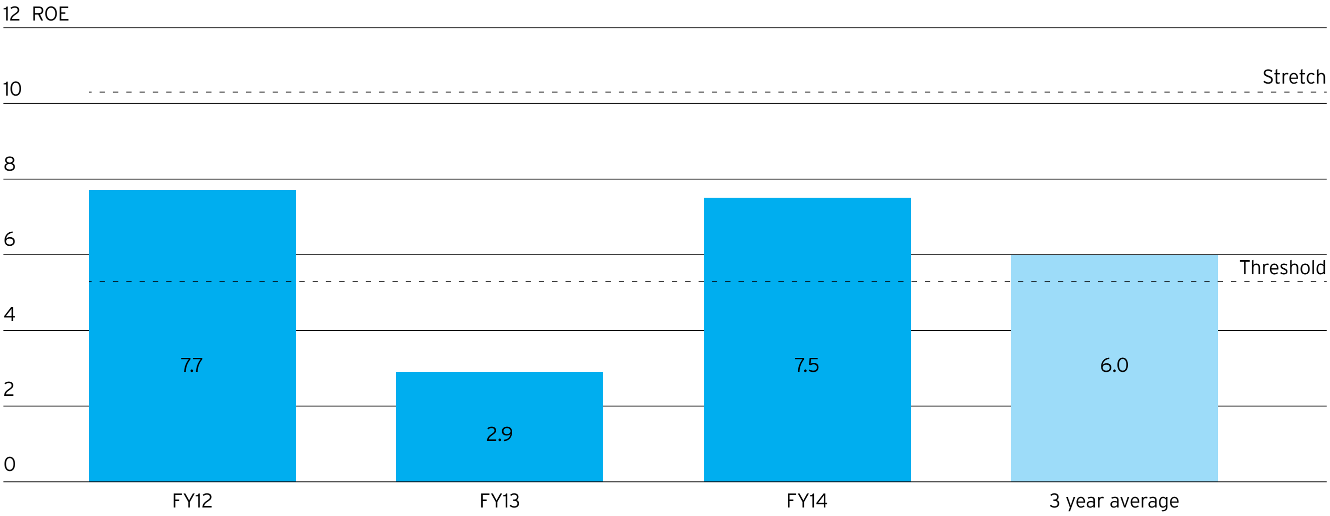
Mirvac TSR (1 July 2011 – 30 June 2014)



5 Five year snapshot of business and executive remuneration outcomes / continued

The vesting of the other half of performance rights was linked to Mirvac's average annual ROE performance over the three year period. As presented in the graph below, Mirvac's average annual ROE over the three year period was 6.0 per cent. As a result, 57 per cent of the performance rights linked to this measure vested.

Mirvac ROE Performance



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

Grant year	Performance hurdle	Test date	Vested %	Lapsed %
FY10	TSR and ROE	30 June 2012	38	62
FY11	TSR	30 June 2013	–	100
FY12	TSR and ROE	30 June 2014	77	23

6 Service agreements for the Senior Executives

Mirvac's engagement arrangements with its Senior Executives are set out in formal service agreements.

a) Service agreements

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

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

The termination entitlements for each Senior Executive are limited to 12 months[1] fixed remuneration, consistent with the maximum amount permissible without requiring securityholder approval. In cases of serious and wilful misconduct, or in certain other circumstances, Mirvac can terminate an executive's employment without notice or payment in lieu of notice.

b) Summary of key terms

The key terms of the service agreements for the CEO/MD and other Senior Executives are summarised below:

		Notice period		
Senior Executives	Contract term	Employee	Group	Termination payment[1]
Susan Lloyd-Hurwitz	No fixed term	6 months	6 months	6 months
Andrew Butler	No fixed term	3 months	3 months	9 months
Brett Draffen	No fixed term	3 months	3 months	9 months
Shane Gannon	No fixed term	3 months	3 months	9 months
Jonathan Hannam	No fixed term	3 months	3 months	9 months

1) Payable if Mirvac terminates employee with notice, for reasons other than unsatisfactory performance.

7 Non-Executive Directors' remuneration

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

a) Remuneration strategy and components

Mirvac Limited's Constitution provides that Non-Executive Directors may determine their own remuneration but the total amount provided to all Directors (not including the CEO/MD and any other Executive Directors) must not exceed the sum agreed by securityholders at a general meeting. The maximum aggregate remuneration of $1.95m per annum was approved by securityholders at the 2009 AGM. A proposal to increase this maximum remuneration amount to $2.25m will be presented for securityholder approval at the 2014 AGM.

Non-Executive Directors have not received any fees other than those described in this section, and do not receive bonuses or any other incentive payments or retirement benefits.

The Non-Executive Directors are reimbursed for expenses properly incurred in performing their duties as a Director of Mirvac.

The schedule of fees for Non-Executive Directors during FY14 is set out in the table below and fees are annual fees, unless otherwise stated:

Board/Committee	$
Mirvac Limited and Mirvac Funds Limited Board Chair	480,000[1]
Mirvac Limited and Mirvac Funds Limited Board member	185,000
ARCC Chair	36,000
ARCC member	18,000
HRC Chair	30,000
HRC member	10,000
Due Diligence Committee (per diem fee)	4,000

1) Chair fee covers all Board and committee responsibilities

b) Total remuneration for Non-Executive Directors

	Year	Short term benefits Cash salary and fees $	Post-employment[1] Super contributions $	Total $
Non-Executive Directors				
John Mulcahy[2]	**2014**	**393,213**	**17,775**	**410,988**
	2013	228,530	16,470	245,000
Peter Hawkins[3]	**2014**	**261,892**	**17,775**	**279,667**
	2013	216,530	16,470	233,000
James Millar AM	**2014**	**213,225**	**17,775**	**231,000**
	2013	214,530	16,470	231,000
John Peters	**2014**	**171,259**	**31,741**	**203,000**
	2013	178,532	24,468	203,000
Elana Rubin[4]	**2014**	**233,397**	**17,628**	**251,025**
	2013	186,530	16,470	203,000
Former Non-Executive Directors				
James MacKenzie	**2014**	**217,215**	**10,392**	**227,607**
	2013	476,530	16,470	493,000
Marina Darling	**2014**	**59,497**	**5,503**	**65,000**
	2013	178,899	16,101	195,000
Total	**2014**	**1,549,698**	**118,589**	**1,668,287**
	2013	1,680,081	122,919	1,803,000

1) Relates to payments required under superannuation legislation.
2) John Mulcahy received an additional $29,524 in FY14 and $32,000 in FY13 for his service on the Mirvac Capital Partners Limited and Mirvac Funds Management Limited boards. These fees ceased on his appointment to Chair on 14 November 2013.
3) Peter Hawkins received an additional $46,667 for the period he acted as Chair during July and August 2013.
4) Elana Rubin received an additional $48,025 in FY14 for her service on the Mirvac Capital Partners Limited and Mirvac Funds Management Limited boards.

c) Non-Executive Director Minimum Securityholding Guidelines

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

Non-Executive Director	Date securityholding to be attained	Number of securities held as at 30 June 2014	Minimum Securityholding Guideline
John Mulcahy	July 2014	25,000	25,000
Peter Hawkins	July 2014	596,117	25,000
James Millar AM	July 2014	40,714	25,000
John Peters	July 2014	30,000	25,000
Elana Rubin	July 2014	25,917	25,000

8 Legacy remuneration arrangements

a) Previous LTI plans closed for new grants

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

Plan	Purpose	Detail
i) ERP	Interest-free loan program designed to assist in retaining employees critical to Mirvac's ongoing success.	No further awards will be made under this program, consistent with Mirvac's intention to eliminate the use of loan plans as part of employee reward. Final outstanding loan balances for Senior Executive participants were repaid during FY14.
ii) Employee Incentive Scheme ("EIS")	Designed to share the benefits of the Group's performance through the provision of loans to purchase Mirvac stapled securities.	Closed to new participants as no longer considered to be consistent with market practice.
iii) Long Term Incentive Plan ("LTIP")	Loan which was applied to fund the acquisition of Mirvac's securities at market value.	Closed to new participants. Two performance conditions for vesting: relative TSR and absolute EPS growth.

Further detail of these plans follows.

i) ERP

A small number of executives were invited to participate in the ERP in FY09. The amounts of the loans range from $500,000 to $2,000,000 and must be secured against property or an unconditional bank guarantee. A progressively increasing forgiveness schedule allowed for no more than 50 per cent of the total loan balance in total to be forgiven. The forgiveness schedule that applied for the Senior Executives remaining in the scheme during FY14 is set out below:

	Percentage of loan forgiven
1st	5
2nd	7.5
3rd	10
4th	12.5
5th	15
Maximum amount to be forgiven	**50**

The repayment date of the loan was the earlier of the following:

- 12 months after the participant ceases to be employed by Mirvac; or
- 12 months after the fifth anniversary of the loan.

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

The following table presents the amounts forgiven during FY14 for participating executives, together with the outstanding balance at the end of the year. As can be seen, the ERP loans for the remaining Senior Executive participants have now been repaid in full.

Senior Executives	Loan balance 1 July 2013 $	Amount forgiven during year $	Amount repaid during year $	Loan balance 30 June 2014 $	Annual retention value $
Andrew Butler	1,300,000	300,000	1,000,000	–	600,159
Brett Draffen	1,300,000	300,000	1,000,000	–	581,835

ii) EIS

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

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

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

8 Legacy remuneration arrangements / continued

iii) LTIP

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

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

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

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

The LTIP is closed to new participants and will be run down until all loans under it are extinguished. At 30 June 2014, 289,809 (2013: 307,831) securities remain on issue under the 2006 plan.

9 Additional required disclosures

a) Equity instruments held by Directors

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

Director	Mirvac stapled securities	Interests in securities of related entities or related body corporate
John Mulcahy (indirect)	25,000	–
Susan Lloyd-Hurwitz (direct)	54,456	–
– performance rights	2,607,800	–
Peter Hawkins (direct and indirect)	596,117	–
James Millar AM (indirect)	40,714	–
John Peters (indirect)	30,000	–
Elana Rubin (direct)	25,917	–
Former Directors		
James MacKenzie (direct)	138,789	–
– Mirvac Development Fund – Seascapes – units (indirect)	–	300,000
Marina Darling (direct)	38,875	–

b) Other directorships

Details of all directorships of other listed companies held by each Director in the three years immediately before 30 June 2014 are as follows:

Director	Company	Date appointed	Date ceased
John Mulcahy	ALS Limited (formerly Campbell Brothers Limited)	February 2012	Current
	Coffey International Limited	September 2009	Current
	GWA Group Limited	November 2010	Current
Peter Hawkins	Visa Inc.	October 2008	January 2011
	Westpac Banking Corporation	December 2008	Current
James Millar AM	Helloworld Limited (formerly Jetset Travelworld Limited)	September 2010	Current
	Fairfax Media Limited	July 2012	Current
	Fantastic Holdings Limited	May 2012	June 2014
John Peters	Nil		
Elana Rubin	TAL Life Limited (formerly Tower Australia Limited)	November 2007	Delisted May 2011
Former Directors			
James MacKenzie	Gloucester Coal Limited (merged with Yancoal effective 27 June 2012)	June 2009	June 2012
	Yancoal Australia Ltd	June 2012	April 2014
	Pacific Brands Limited	May 2008	May 2013
Marina Darling	Argo Investments Limited	July 1999	February 2012
	Southern Cross Media Group Limited	September 2011	January 2014

9 Additional required disclosures / continued

c) Other benefits

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

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

d) Equity instrument disclosures relating to KMP

i) Security holdings

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

	Balance 1 July	STI paid as equity[1]	Other changes	Balance 30 June
2014				
Directors				
John Mulcahy	25,000	–	–	25,000
Peter Hawkins	596,117	–	–	596,117
James Millar AM	40,714	–	–	40,714
John Peters	30,000	–	–	30,000
Elana Rubin	25,917			25,917
Former Directors				
James MacKenzie	138,789	–	–	138,789[2]
Marina Darling	38,875	–	–	38,875[2]
Senior Executives				
Susan Lloyd-Hurwitz	–	54,456	–	54,456
Andrew Butler	139,796	30,229	–	170,025
Brett Draffen	473,606	43,323	–	516,929
Shane Gannon	–	–	–	–
Jonathan Hannam	–	10,620	–	10,620

1) Represents the 25 per cent of FY13 STI awards to Senior Executives that was paid in the form of Mirvac securities.
2) Balance is as at 30 January 2014, being the date the Appendix 3Z was lodged with the ASX.

ii) Options

No options granted as remuneration were held by KMP during FY14.

iii) Performance rights

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

Senior Executives	Balance 1 July	Rights issued under LTP	Other changes[1]	Balance 30 June
Susan Lloyd-Hurwitz	1,137,300	1,470,500	–	2,607,800
Andrew Butler	98,834	19,439	(88,500)	29,773
Brett Draffen	1,538,347	345,171	(452,200)	1,431,318
Shane Gannon	–	223,367	–	223,367
Jonathan Hannam	198,407	317,647	–	516,054

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

9 Additional required disclosures / continued

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

Senior Executives	Grant date	Number of rights granted	Value at grant date ($)	Vesting date	Number of rights vested	Value of rights vested ($)[1]	Number of rights lapsed	Value of rights lapsed ($)[1]
Susan Lloyd-Hurwitz	17 Dec 12	1,137,300	816,013	1 Jul 15	–	–	–	–
	10 Dec 13	1,470,500	1,106,551	1 Jul 16	–	–	–	–
Total		**2,607,800**	**1,922,564**		**–**	**–**	**–**	**–**
Andrew Butler	12 Dec 11	10,334	6,562	1 Jul 14	7,957	5,053	2,377	1,509
	17 Dec 12	–	–	1 Jul 15	–	–	–	–
	10 Dec 13	19,439	14,628	1 Jul 16	–	–	–	–
Total		**29,773**	**21,190**		**7,957**	**5,053**	**2,377**	**1,509**
Brett Draffen	12 Dec 11	596,347	378,680	1 Jul 14	459,187	291,584	137,160	87,096
	17 Dec 12	489,800	351,432	1 Jul 15	–	–	–	–
	10 Dec 13	345,171	259,741	1 Jul 16	–	–	–	–
Total		**1,431,318**	**989,853**		**459,187**	**291,584**	**137,160**	**87,096**
Shane Gannon	10 Dec 13	223,367	168,084	1 Jul 16	–	–	–	–
Total		**223,367**	**168,084**		**–**	**–**	**–**	**–**
Jonathan Hannam	17 Dec 12	198,407	142,357	1 Jul 15	–	–	–	–
	10 Dec 13	317,647	239,029	1 Jul 16	–	–	–	–
Total		**516,054**	**381,386**		**–**	**–**	**–**	**–**

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

e) Loans to Directors and other KMP

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

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

	Balance 1 July $	Interest not charged[1] $	Balance 30 June $	Highest indebtedness during the year $
2014				
Andrew Butler	323,597	–	317,342	323,597
	1,300,000	21,082	–	1,300,000
Brett Draffen	291,002	–	286,243	291,002
	1,300,000	21,082	–	1,300,000
	3,214,599	42,164	603,585	3,214,599

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

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

f) Other transactions with KMP

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

9 Additional required disclosures / continued

Non-audit services

Mirvac may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are relevant. Details of the amounts paid or payable to the auditor (PwC) for audit and non-audit services provided during the year ended 30 June 2014 are set out in note 34 to the financial statements.

The Board has considered its position and, in accordance with the advice received from the ARCC, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in note 34 to the financial statements, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the ARCC to ensure they do not affect the impartiality and objectivity of the auditor; and
- none of the services undermines the general principles relating to auditor independence as set out in Accounting Professional & Ethical Standards ("APES") *110 Code of Ethics for Professional Accountants*, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

Significant changes in the state of affairs

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

Matters subsequent to the end of the year

On 1 July 2014, Mirvac completed the sale of a 50.0 per cent interest in 275 Kent Street, Sydney NSW to Blackstone. Blackstone has also exercised its call options over a portfolio of seven non-core assets, with settlement of the sale of the non-core assets occurring on the same date. Total consideration for the 50 per cent interest in 275 Kent Street, Sydney NSW and the non-core assets is $821.0m. Mirvac has provided vendor finance of $156.0m in relation to the sale of the non-core assets, at an initial coupon of 8.0 per cent per annum and for a maximum term of 48 months (under terms of the vendor financing agreement, Blackstone has the option to repay the loan after a minimum of 12 months) which will help to manage the dilutionary impact to earnings from the sale of the non-core assets. The sale provided a benefit to the headline gearing ratio of approximately five per cent.

During the year ended 30 June 2014, Mirvac entered into a put and call option agreement to purchase a parcel of land at Lachlan Street Waterloo NSW ("Waterloo") and Hope Street Brisbane QLD ("Arthouse"). The purchase price for Waterloo was $37.0m and for Arthouse was $23.5m (comprising two stages). Board approvals were obtained prior to the year ended 30 June 2014, and all conditions precedent were met in relation to the acquisitions. The owners of each parcel of land agreed to grant Mirvac an option to purchase the property and Mirvac agreed that the owners may execute their put option if Mirvac does not exercise the call option. The option period to exercise for both projects was after 30 June 2014. On 1 July 2014, Mirvac exercised its call option in relation to the purchase of Waterloo and on 4 July 2014 in relation to Stage 1 of Arthouse. As the options were not exercisable at 30 June 2014, no liability was recognised by Mirvac as at 30 June 2014.

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

Insurance of officers

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

Auditor's independence declaration

A copy of the auditor's independence declaration required under section 307C of the *Corporations Act 2001* is set out on page 32.

Auditor

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

Rounding of amounts

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

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

Susan Lloyd-Hurwitz
Director

Sydney
21 August 2014

Auditor's independence declaration

As lead auditor for the audit of Mirvac Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
21 August 2014

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Corporate governance statement

1 Introduction

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

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

During the year ended 30 June 2014, Mirvac's corporate governance framework was consistent with the 2nd edition of the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council in August 2007 ("Recommendations") which were updated in 2010. The table on pages 42 and 43 indicates where specific Recommendations are dealt with in this Corporate governance statement. In accordance with the Recommendations, copies of the Group policies referred to in this Corporate governance statement are posted to Mirvac's website: www.mirvac.com/about/corporate-governance.

Mirvac has also early-adopted the majority of the amendments to the Recommendations contained in the 3rd edition published by the ASX Corporate Governance Council and applicable in the first financial year commencing after 1 July 2014 ("Revised Recommendations"), and has included commentary in this Corporate governance statement in relation to each of the Revised Recommendations. In accordance with the Revised Recommendations, Mirvac expects that its 2015 Corporate governance statement will be published on its website rather than contained in its Annual report.

This Corporate governance statement was approved by the Board of Mirvac and is current as at 31 July 2014 in accordance with ASX Listing Rule 4.10.3.

2 Principle 1: Lay solid foundations for management and oversight

a) Responsibilities of the Board and management

i) Primary objective of the Board

The primary objective of the Board is to provide strategic oversight and guidance to the Group and effective oversight of management in order to build long term value for securityholders. The Board does this by setting the Group's strategic direction and context, such as Mirvac's mission, vision and values, and focusing on issues critical for its successful execution such as people, performance and the management of risk. The Board is also responsible for overseeing Mirvac's corporate governance framework. In performing its role, the Board has regard to other stakeholder interests and an appropriate risk and return framework.

ii) Board Charter

In order to promote high standards of corporate governance and to clarify the role and responsibilities of the Board, the Board has formalised its roles and responsibilities into a Board Charter. The Board Charter was updated in June 2014 to include a revised description of the Board's role and responsibilities, a new requirement for Directors to attest to their independence on an annual basis, and express provisions dealing with the induction, education, development and performance evaluation of Directors. Under the revised Board Charter, the key responsibilities of the Board include:

- setting the strategic direction of the Group;
- approving operational and financial performance targets and monitoring their achievement;
- appointing and reviewing the performance, remuneration and succession planning of the CEO/MD;
- appointing the Chair of the Board;
- monitoring the performance of senior management;
- approving major capital expenditure, acquisitions and divestitures;
- monitoring significant business risks;
- overseeing the integrity of the Group's accounting and corporate reporting systems, including appointing or removing the Group's external auditors;
- overseeing the Group's relationship and communications with securityholders;
- approving and monitoring the effectiveness of the Group's system of corporate governance; and
- determining the Group's dividend and distribution policies and the amount, nature and timing of such dividends and distributions.

Non-Executive Directors spend approximately 25 to 30 days each year on Board activities and business, including attendance at Board meetings, Board committee meetings, strategy and budget meetings with management, visits to sites (including interstate) and meetings with Mirvac stakeholders. During the year ended 30 June 2014, the Board visited Mirvac offices and sites in Melbourne, Perth and Sydney.

The Non-Executive Directors by themselves and the Board as a whole meet regularly without the presence of management to discuss the operation of the Board and a range of other matters.

The CEO/MD provides open and detailed reports on Mirvac's performance and related matters to the Board at each Board meeting. The CFO also provides open and comprehensive reports on Mirvac's financial performance and other relevant matters such as Mirvac's debt and gearing position and the status of Mirvac's financing facilities. The Board monitors the decisions and actions of the CEO/MD, the CFO and other direct reports of the CEO/MD, and the performance of the Group as a whole, to gain assurance that progress is being made towards the attainment of the approved strategies and plans. The Board also monitors the performance of the Group through its Board committees.

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

iii) Delegation to CEO/MD and other senior executives

The Board Charter delegates responsibility for the day-to-day management and administration of the Group to the CEO/MD, assisted by the ELT and other management committees including the Investment Committee ("IC"). The CEO/MD and senior executives of the Group operate in accordance with Board-approved policies and the Board Delegations of Authority to Management.

iv) ELT

The ELT was constituted to assist the CEO/MD in the day-to-day management and administration of Mirvac. The ELT Charter sets out the ELT's responsibilities and delegated authority from the Board via the CEO/MD. The terms of the ELT Charter specify the membership of the ELT, which at 31 July 2014 comprised the CEO/MD, CFO, Chief Investment Officer, General Counsel and Company Secretary, Group Executive Office and Industrial, Group Executive Corporate Affairs, Group Executive Capital, Group Executive Operations, Group Executive Retail, Group Executive Commercial Development and Group Executive Residential.

v) IC

The IC was constituted to assist the CEO/MD in the capital allocation process of Mirvac. The IC Charter sets out the IC's responsibilities and delegated authority from the Board via the CEO/MD. The terms of the IC Charter specify the membership of the IC, which at 31 July 2014 comprised all members of the ELT. The approved registers of resolutions made by the IC (as well as the ELT) are provided to the Board.

2 Principle 1: Lay solid foundations for management and oversight / continued

vi) Written agreements with Directors and senior executives

In line with Recommendation 1.3 of the Revised Recommendations, Mirvac has written agreements in place with each current Director which sets out the terms of their appointment and the majority of the matters contained in the commentary to Recommendation 1.3.

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

Under the ASX Listing Rules, Mirvac is required to disclose (and has disclosed) the material terms of any employment, service or consultancy agreement it enters into with any Director or the CEO/MD (or their related parties), or any material variation to such agreement.

vii) Evaluation of performance of senior executives

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

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

Further information on performance evaluation and remuneration (including assessment criteria) is set out in the Remuneration report starting on page 10.

3 Principle 2: Structure the board to add value

a) Structure of the Board

Together, the Board members have a broad range of financial and other skills, expertise and experience required to effectively oversee Mirvac's business. The Board currently comprises five Non-Executive Directors and one Executive Director (being the CEO/MD). The Chair of the Board, John Mulcahy, is an independent Non-Executive Director. The skills, experience and expertise of each Director are set out on pages 08 and 09 in the Directors' report. The Board determines its size and composition subject to the limits imposed by Mirvac's Constitutions, which provide that there be a minimum of three and a maximum of 10 Directors (or a number less than 10 determined by the Directors).

The Board Charter provides that the Board will comprise:

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

The tenure of the Directors is governed by Mirvac's Constitutions and the ASX Listing Rules. In summary:

- one-third of the Directors (excluding the CEO/MD and any Director appointed to fill a casual vacancy or as an additional Director), or if their number is not three or a multiple of three, then the number nearest one-third (but not more than one-third) must retire from office and stand for election at each of the AGMs;
- a Director (other than the CEO/MD) must retire at the conclusion of the third AGM after the Director was last elected or re-elected even if his or her retirement results in more than one-third of all Directors retiring; and
- a Director appointed to fill a casual vacancy or as an additional Director (other than the CEO/MD) only holds office until the next AGM, where they must retire and seek election by securityholders at the AGM.

Directors required to retire at an AGM, or only hold office until the next AGM, are eligible for re-election or election (as appropriate) at that AGM.

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

Director	Appointed	Last elected or re-elected at an AGM
John Mulcahy (Chair)[1]	November 2009	14 November 2013
Susan Lloyd-Hurwitz (CEO/MD)	November 2012	N/A
Peter Hawkins	January 2006	Will stand for re-election at 2014 AGM
James Millar AM	November 2009	14 November 2013
John Peters	November 2011	15 November 2012
Elana Rubin	November 2010	Will stand for re-election at 2014 AGM
Former Directors		
James MacKenzie (former Chair)[2]	January 2005	15 November 2012
Marina Darling[3]	January 2012	15 November 2012

1) John Mulcahy was appointed as Chair on 14 November 2013.
2) James MacKenzie was granted a leave of absence from 1 July 2013 to 31 August 2013 and resigned as a Director on 30 January 2014.
3) Marina Darling was granted a leave of absence from 9 August 2013 to 24 January 2014 being the date of her resignation as a Director.

3 Principle 2: Structure the board to add value / continued

The notices of meeting and explanatory notes for the 2014 AGMs will contain all of the information contained in Recommendation 1.2 of the Revised Recommendations in relation to each Director standing for election or re-election, including their biographical details, details of other material directorships, the Director's independence and a statement by the Board as to whether it supports their election or re-election.

b) Chair's responsibilities and independence

The Board Charter provides that the Chair of the Board:

- is appointed by the Directors; and
- must be an independent Non-Executive Director.

The Group's Chair is John Mulcahy, an independent Non-Executive Director. John was appointed as an independent Non-Executive Director on 19 November 2009 and appointed Chair on 14 November 2013.

c) Board independence

The Board only considers Directors to be independent where they are independent of management and free of any other business relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered judgement. The Board has adopted guidelines to assist in considering the independence of Directors which have been formulated by reference to the factors contained in the Revised Recommendations. In general, the Board has determined that a Director is considered to be independent if they are Non-Executive (and have not been employed in an executive capacity within the Group in the past three years) and they:

- are not a substantial securityholder (being a person holding more than five per cent of the Group's voting stock), or an officer of or otherwise associated with a substantial securityholder;
- have not (and have not within the last three years) been a partner, director or senior employee of a professional advisor to the Group whose billings exceed five per cent of the advisor's total revenues;
- have not (and have not within the last three years) been in a material business relationship (for example, as a supplier or customer) with any entity in the Group (that is, amounts received or payable to the supplier or customer exceed five per cent of the supplier's total revenues or the customer's total operating costs) or an officer of or otherwise associated with someone with such a relationship;
- have no material contractual relationship with any entity in the Group other than as a Director;
- have no close family ties with any person who falls within any of the categories described above; or
- have not been a Director for such a period that their independence may have been compromised.

However, a qualitative assessment of whether any particular relationship could affect a Director's independence will override these quantitative considerations. The materiality of the interest, position, association or relationship will also be assessed to determine whether it might interfere, or might reasonably be seen to interfere, with the Director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Group and its securityholders generally.

The Board is responsible for assessing the independence of Directors upon appointment and each year through an attestation by each Director. Each Non-Executive Director also has an ongoing obligation to disclose any personal interest which could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of judgement or where they do not meet the Board's guidelines for assessing independence.

It is the Board's view that the status of its Directors as at 31 July 2014 is as follows:

Independent Non-Executive Directors

John Mulcahy (Chair)
Peter Hawkins
James Millar AM
John Peters
Elana Rubin

Executive Director

Susan Lloyd-Hurwitz (CEO/MD)

It is therefore the Board's view that all of its independent Non-Executive Directors exercised judgement and discharged their responsibilities in an unrestricted and independent manner throughout the year.

d) Board committees

The Board has established the following standing board committees:

- ARCC
- HRC
- Nomination Committee

Each standing Board committee has a formal Charter approved by the Board setting out the matters relevant to the composition, terms of reference, process and administration of that Board committee. Details of the role, responsibilities and composition of the standing Board committees is contained elsewhere in this Corporate governance statement.

The Board also established special purpose committees as required during the year. Membership and terms of reference of these committees are determined for each particular purpose by the Board. Attendances at special purpose committee meetings are included in the Director attendance table on page 10 in the Directors' report.

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

e) Nomination Committee

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

The objective of this Committee is to assist and make recommendations to the Board in discharging its responsibilities in respect of the appointment of all Board members including the CEO/MD.

The Nomination Committee currently consists of three members who are appointed by the Board. The current members of the Nomination Committee are John Mulcahy (Chair), Peter Hawkins and Elana Rubin, each of whom is an independent Non-Executive Director.

The accountabilities and responsibilities of the Nomination Committee are set out in the Nomination Committee Charter. The responsibilities include reviewing and making recommendations on Non-Executive Director remuneration, assessing the skills, expertise and necessary industry, technical or functional experience from a broad range of backgrounds required on the Board, conducting searches for new Board members, reviewing and making recommendations for the appointment and re-election of Directors, ensuring succession plans are in place for Board members and assisting the Board to develop processes to evaluate the performance of the Board, its committees and individual Directors.

However, the Board chose to undertake the responsibilities of the Nominations Committee for FY14. Accordingly, there have been no meetings of the Nomination Committee during FY14.

3 Principle 2: Structure the board to add value / continued

f) Director selection process and Board renewal

The Nomination Committee usually manages the process of recommending preferred Director candidates to the Board. However, as noted above, the whole Board chose to undertake this responsibility for FY14. The Board has reviewed the skills, experience, expertise and personal qualities that will best complement the Board's effectiveness and then assessed the extent to which these are represented on the existing Board. Following this review, and in light of the resignation of two Non-Executive Directors from the Board during the year, the Board has identified the need to appoint additional Directors to the Board and has commenced the search for potential candidates with the assistance of an external search organisation.

The Board seeks to have a mix of skills, expertise and experience across its members from a diverse range of backgrounds. The mix of skills and diversity the Board is looking to achieve in its membership includes:

- financial expertise;
- industry experience;
- technical expertise related to Mirvac's current and future business;
- Directors who have a proper understanding of, and competence to deal with, current and emerging issues of the business; and
- Director independence.

The Board also has a target of 50 per cent female membership by 2020 to reflect the communities and customers Mirvac serves.

The search for new Directors is focused on candidates possessing the skills and experience which will best complement the Board's effectiveness and the current skills and experience of the Board.

The skills, expertise and experience mix required will change from time to time as Mirvac's business and environment changes. Mirvac will provide further details of the mix of skills and diversity on the Board in its 2015 Corporate governance statement in line with Recommendation 2.2 of the Revised Recommendations.

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

Appropriate checks are undertaken before a new candidate is recommended to the Board for appointment as a Director. In line with Recommendation 1.2 of the Revised Recommendations, this includes checks as to the person's character, experience, education, criminal record and bankruptcy history.

g) Board and Director performance evaluation

The Board undertakes an annual assessment and review of performance with every second annual review being conducted with the assistance of an external consultant. The review process includes an assessment of the performance of the Board, the Board committees and each individual Director with the results presented to the Board.

The Chair also seeks feedback on the performance of the Board and Directors from the CEO/MD and other members of the ELT. Feedback is also sought on the Chair's performance.

The Chair provides open and transparent performance feedback to the Board, the Board committees and each individual Director, based on the discussions conducted.

The Board performance review process for the year ended 30 June 2014 is currently in progress.

h) Induction

All new Directors participate in a formal induction program. This includes meetings with the CEO/MD and other senior executives (including Heads of Risk and Internal Audit), briefings on Mirvac's strategy, independent meetings with Mirvac's external and internal auditors, provision of all relevant corporate governance material and policies, and discussions with the Chair and other Directors.

i) Continuing education

In accordance with Recommendation 2.6 of the Revised Recommendations, Directors are provided with continuing education and professional development opportunities (at the Group's expense) to update and enhance their skills and knowledge (in addition to the formal induction program), including:

- office and site visits to understand Mirvac's operations throughout Australia;
- briefings on any key changes to the industry and environment in which Mirvac operates, including regular health, safety and environment updates;
- ongoing briefings on developments in accounting standards and corporate governance changes; and
- attendance at external education and other professional development opportunities including Director-related courses and industry conferences.

j) Access to information, indemnification and independent advice

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

Under the relevant Constitutions and relevant Deeds with Directors, Mirvac indemnifies Directors against claims and liabilities incurred in their capacity as Directors of Mirvac (to the extent permitted by law).

The Board Charter provides that Directors may obtain independent professional advice, at the expense of Mirvac, with the consent of the Chair.

k) Conflicts of interest

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

- disclose to the Board any interest which may give rise to a real or substantial possibility of conflict (including any material personal interest) as soon as they become aware of the issue;
- take any necessary and reasonable measures to manage or resolve the conflict; and
- comply with the *Corporations Act 2001* (Cth) provisions on disclosing interests and restrictions on voting.

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

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

Related party transactions are governed by the Conflicts of Interest and Related Party Transactions Policy, which was updated in May 2014 to redefine the purpose and application to the Group and clearly set out the Group's position as to how it identifies and manages conflicts of interest. A copy of the updated Policy is available on Mirvac's website: www.mirvac.com/about/corporate-governance.

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

3 Principle 2: Structure the board to add value / continued

l) Company Secretaries

The Board has appointed two Company Secretaries who are accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. Each Director communicates directly with the Company Secretaries and vice versa. In line with Recommendation 1.4 of the Revised Recommendations, the role of the Company Secretaries includes:

- advising the Board and its committees on governance matters;
- monitoring that Board and committee policy and procedures are followed;
- coordinating the timely completion and despatch of Board and committee papers;
- ensuring that the business at Board and committee meetings is accurately captured in the minutes; and
- helping to organise and facilitate the induction and professional development of Directors.

4 Principle 3: Promote ethical and responsible decision making

a) Responsibilities of the Board and management

i) Conduct and ethics – code of conduct

Integrity is one of the Group's core values. The Group has built a reputation for integrity and in dealing fairly, honestly and transparently with all stakeholders. Mirvac has adopted a Code of Conduct which espouses its core values and reflects the Recommendations in terms of the matters addressed. The Code of Conduct applies to the Board, executives, employees and contractors (known as "Workplace Participants"). A copy of the Code is posted to Mirvac's website: www.mirvac.com/about/corporate-governance.

In addition, Mirvac is committed to maintaining a high standard of ethical business behaviour at all times and requires Workplace Participants to:

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

Mirvac has an established Open Line Policy which provides a mechanism for employees to report concerns regarding potentially unethical, unlawful or improper practices or behaviours. The Open Line Policy provides protection for individuals reporting in good faith. Access to Mirvac's Open Line is available to any third party including suppliers, customers and securityholders who wish to report any concerns. A copy of the Open Line Policy, together with the web form and Open Line contact number, is available on Mirvac's website: www.mirvac.com/about/corporate-governance. In accordance with the commentary to Recommendation 3.1 of the Revised Recommendations, the website also includes Mirvac's public commitment to the non-tolerance of any unlawful, unethical payments or inducements.

Mirvac also has a specific Fraud, Bribery & Corruption Policy which outlines its commitment to prevent fraud, bribery and corruption and which provides guidance to Workplace Participants to manage these risks.

ii) Dealings in Mirvac securities

Mirvac has implemented a Security Trading Policy which covers dealings in Mirvac securities by Directors, executives and other designated employees, as well as their respective associates ("Restricted Officers"). Restricted Officers may only deal in Mirvac securities (with prior approval to do so), or in securities of other publicly listed entities that are related to Mirvac, outside certain periods as identified in the Policy. Notwithstanding this, no Director, executive or other employee may deal in Mirvac securities if they are in possession of price sensitive information not available to the market. Margin loans and any form of hedging or short term speculative dealing in Mirvac securities (including options or derivatives) are prohibited under the Policy.

The Security Trading Policy was updated in April 2014 to require a recommendation from the General Counsel to the person approving any dealing in Mirvac securities by any Director (including the CEO/MD). Any dealing in Mirvac securities by Directors is notified to the ASX within five business days of the transaction.

In 2012, the Board established minimum Mirvac Securityholding Guidelines for Non-Executive Directors which recommend Non-Executive Directors build up to a minimum securityholding level of 25,000 Mirvac securities within two years of appointment. Any purchases of Mirvac securities will be subject to the Security Trading Policy. All current Directors have achieved the minimum securityholding level of 25,000 Mirvac securities as set out on page 26 in the Directors' report.

As noted in the Remuneration report, performance rights or options relating to Mirvac securities are granted to employees in accordance with the Mirvac remuneration strategy. Consistent with the prohibition under the *Corporations Act 2001*, the Policy prohibits hedging the value of both unvested awards and vested awards that remain subject to a holding lock.

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

iii) Political donations

The *Election Funding, Expenditure and Disclosures Act 1981* (Cth) (amended in 2009) prohibits property developers from making political donations. Mirvac has in place a Political Donations Policy, which prohibits the Group and any Mirvac employee from making any political donation on behalf of the Group. During the year ended 30 June 2014, Mirvac (including its Directors and employees) made no political donations.

b) Diversity

Mirvac has adopted, and is fully compliant with, Recommendations 3.2 to 3.5 of the Recommendations. Mirvac has reviewed Recommendation 1.5 of the Revised Recommendations and will early adopt it to include the definition of "Senior Executive" for the purpose of disclosing the respective proportions of men and women on the board, senior executive positions and across the whole organisation. Mirvac's Diversity Policy can be found on the website at: www.mirvac.com/about/corporate-governance. Mirvac has continued to demonstrate its ongoing commitment to diversity by progressing a range of initiatives that support Mirvac's Diversity Policy. Mirvac understands and recognises that diversity represents the key to engaging the full potential of the talented individuals working with Mirvac. The steps taken in the last 12 months have been important and have moved the Group forward towards achieving its diversity objectives.

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

The Board and management work hand-in-hand to create a culture where individual differences are valued and respected. Mirvac has, and will continue to develop, strategies and programs to promote diversity and inclusion. During the year, Mirvac focused on gender diversity and is reviewing the next phase of the diversity and inclusion journey. The Board has committed to measurable gender diversity targets and reports on progress each year and is responsible for the regular review of diversity-related activities.

4 Principle 3: Promote ethical and responsible decision making / continued

The Board has appointed the Chair, John Mulcahy, as the diversity program sponsor. The CEO/MD, Susan Lloyd-Hurwitz, chairs the Mirvac Diversity Council. The Mirvac Diversity Council regularly meets to coordinate diversity activities and reports to the Board regarding diversity initiatives and progress.

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

In 2013, Mirvac was one of 16 ASX 200 companies to have truly embedded the principles of gender diversity and was rated a green light in the Women on Boards 2013 Traffic Light Index. In addition, Mirvac was one of six companies named by the BlackRock report on gender diversity to receive an excellent scorecard.

Mirvac has now achieved all of the measurable objectives under the Diversity Policy as set out in the table below:

Initiative	Measurable objective	Status	Key achievements
Establish a women's network	Establish a leadership network and development program for female leaders	Achieved	– Sponsor and Chair appointed. – Network established. – Development program requirements specified.
Establish an organisation-wide graduate program to provide a pipeline of gender diverse talent for future leadership roles	Implement Mirvac graduate program with 50 per cent female graduates	Achieved	– Graduate recruitment policy/guidelines introduced. – First graduate intake 50 per cent female.
Update recruitment guidelines to encourage, where possible, a gender balance of shortlisted candidates	Implement recruitment policy that all executive recruitment briefs include a guideline for 50 per cent of shortlisted candidates to be female	Achieved	– Mirvac recruitment policy updated. – Recruitment process embedded in the organisation.
Flexible work arrangements/ job design policy	Implement flexible work policy	Achieved	– Flexible work arrangements/job design policy developed and implemented.
Conduct a pay parity review and implement measures to achieve gender equity and parity in pay	Complete annual pay parity review and report against internal and external benchmarks	Achieved	– Three annual pay parity reviews have been conducted.
Implement a talent management program for female leaders	Implement a women in Mirvac talent management program	Achieved	– Talent management program designed and implemented. – High potential women identified at middle management. – Development centres conducted to identify development needs. – Development plans developed and implemented.

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

As Mirvac has now achieved all of the measurable objectives under the Diversity Policy, Mirvac is currently refreshing its Diversity strategy and Diversity Policy which will include new measurable objectives and targets. A workshop including the Diversity Council members and 20 employees from across the organisation representing different business units, levels and locations was held in July 2014. The details of the updated measurable objectives and targets will be disclosed in Mirvac's FY15 Corporate governance statement. Mirvac is focused on embedding a culture of inclusion across the organisation and in support of this the Mirvac senior management team has participated in unconscious bias awareness training.

Proportion of female employees

In line with the Diversity Policy, the table below outlines Mirvac's female representation targets, and progress against achievement of these targets:

	Measurable objectives		Actuals	Actuals
	Target by 2015 %	Target by 2020 %	30 June 2009 %	30 June 2014 %
Women on Mirvac Board	35	50	14	33
Women in senior executive positions (full time equivalent ("FTE"))	35	50	–	34
Women in Mirvac (FTE)	50	50	43	39

Senior executive position is defined as a senior management position up to two reporting levels below the CEO/MD.

5 Principle 4: Safeguard integrity in financial reporting

a) ARCC

i) ARCC Charter

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

ii) Role of ARCC

The objective of the ARCC is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Group's financial reporting, systems of internal control and management of risk, internal and external audit functions, compliance obligations including the processes for monitoring compliance with relevant laws and regulations and the Group Code of Conduct. It is the ARCC's role to ensure that the Group's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable laws. The ARCC is also responsible for making recommendations to the Board regarding the selection and appointment of the external auditor and the rotation of external audit engagement partners, as outlined in the Committee Charter and section 5(b) below.

iii) ARCC composition

The ARCC currently consists of six members. Members are appointed by the Board and all members are Non-Executive and independent. The members of the ARCC as at 31 July 2014 were all five Non-Executive Directors from the Mirvac Board – James Millar (Chair), Peter Hawkins, John Mulcahy, John Peters and Elana Rubin. The Board has also appointed an additional Non-Executive, independent member who is not a Director of the Mirvac Board – namely Paul Barker.

Paul Barker is the Chair of Mirvac Funds Management Limited, the responsible entity for Mirvac Industrial Trust (being Mirvac's ASX listed fund) and he has been appointed a member of ARCC due to this role. Paul Barker is independent and is a Chartered Accountant. He has extensive experience in accounting and financial services, both in Australia and overseas.

Each member of the ARCC has the technical expertise to enable the Committee to effectively discharge its mandate. The Chair of the ARCC, James Millar, is the former Chief Executive Officer of Ernst & Young. Further details of the Mirvac Board members' qualifications can be found at pages 08 and 09 in the Directors' report.

The CEO/MD, CFO, General Counsel, Group General Manager Risk & Compliance, Head of Internal Audit, Group Compliance Manager as well as representatives of the external and internal auditors are able to attend ARCC meetings. The ARCC regularly meets with the external auditors without management present. Details of meeting attendance of members of the ARCC for FY14 are contained in the following table:

	Number of ARCC meetings attended in FY14 whilst a member	Number of ARCC meetings held in FY14 whilst a member
Director		
James Millar AM (Chair)	6	6
Peter Hawkins	6	6
James MacKenzie (resigned)[1]	1	3
John Mulcahy	6	6
John Peters	6	6
Elana Rubin	6	6
Non-Mirvac Director		
Paul Barker	6	6

1) James MacKenzie was granted a leave of absence from 1 July 2013 to 31 August 2013 which covered one ARCC meeting. James MacKenzie resigned as a Director on 30 January 2014 and therefore as a Committee member on the same date.

iv) ARCC responsibilities

The ARCC Charter sets out the responsibilities of the ARCC which include:

- reviewing the Group's risk profile including approving the Group's Business Continuity Plan and insurance program (other than D&O insurance);
- reviewing and approving the adoption and maintenance of policies and procedures to ensure there is an adequate system of internal control, management of business risks and safeguarding of assets, and accountability at senior management level for risk oversight and risk management;
- overseeing and approving the Group's financial reporting and disclosure processes, and reviewing and recommending to the Board the Group's financial statements, proposed distributions and significant accounting policies and principles;
- overseeing the Group's external auditor including approving the external audit annual plan and monitoring compliance with the non-audit services policy (see section 5(b) below);
- overseeing the Group's Internal Audit function including approving the Internal Audit annual plan and reviewing the results of any significant internal audits and issues raised;
- reviewing and overseeing the Group's compliance framework; and
- reviewing and making recommendations on the Group's Anti-Money Laundering and Counter-Terrorism Financing Program and Policy.

v) Compliance

The ARCC has direct responsibility for monitoring and reviewing the compliance plans of Mirvac's registered managed investment schemes and compliance with the Group's Australian financial services ("AFS") licences.

b) External auditor relationship

i) Role of ARCC

Mirvac's ARCC is responsible for overseeing the relationship with the Group's external auditor, PwC. In addition to the matters set out in section 5(a) above, the ARCC is also responsible for monitoring and evaluating the performance, independence and objectivity of the external auditor and the provision of non-audit services.

ii) Auditor independence

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

To maintain auditor independence, the Board has adopted a policy and practice protocol related to non-audit services. A copy of the Non-Audit Services Provided by the Independent External Auditors Policy ("Non-Audit Services Policy") is available at Mirvac's website: www.mirvac.com/about/corporate-governance.

Mirvac's Non-Audit Services Policy specifies that Mirvac's external auditor cannot be engaged to undertake any non-audit services for the Group that results in the external auditor:

- creating a mutual or conflicting interest with that of the Group;
- auditing their own work;
- acting in a management capacity or as an employee of the Group;
- providing appraisal or valuation and fairness opinions;
- performing internal audit services; or
- acting as an advocate for the Group.

No work will be awarded to the external auditor if the ARCC (or the CEO/MD or CFO) believes such work would give rise to a "self review threat" (as defined in APES 110 *Code of Ethics for Professional Accountants*) or would create an actual or perceived conflict of interest for the external auditor or any member of the audit team, or would otherwise compromise the auditor's independence requirements under the *Corporations Act 2001*.

5 Principle 4: Safeguard integrity in financial reporting / continued

In addition to the audit partner rotation and appointment requirements set out in the Group's policy and in the *Corporations Act 2001*, under the Non-Audit Services Policy the Chair of the ARCC must give prior approval for any non-audit services engagement of the Group's external auditor where the fee for the particular engagement exceeds $100,000, or if the annual cumulative fees for all non-audit services exceed, or are likely to exceed, 50 per cent of the auditor's annual audit fees. The CEO/MD or the CFO can approve the appointment if the engagement falls below these amounts.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 34 to the financial statements.

iii) Certificate of independence

PwC has provided the ARCC with a half yearly and annual certification of its continued independence, in accordance with the requirements of the *Corporations Act 2001*, and in particular confirmed that it did not carry out any services or assignments during the year ended 30 June 2014 that were not compatible with auditor independence.

6 Principle 5: Make timely and balanced disclosure

a) Commitment to disclosure

Mirvac is committed to ensuring:

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

b) Continuous Disclosure Policy

The Group's Continuous Disclosure Policy is designed to support its commitment to a fully informed market in Mirvac securities by:

- ensuring that Mirvac complies with its continuous disclosure obligations under the ASX Listing Rules and the *Corporations Act* and accountability at a senior executive level for that compliance; and
- establishing a system for monitoring compliance with Mirvac's Group's continuous disclosure obligations.

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

7 Principle 6: Respect the rights of shareholders

a) Communications Policy

Mirvac has a Communications Policy, which was reviewed in September 2013, which is available at Mirvac's website: www.mirvac.com/about/corporate-governance.

In accordance with the Policy, all Mirvac ASX announcements are posted to Mirvac's website including half year and annual reports, results releases, market briefings, notices of meetings and the Mirvac Property Compendium.

b) Mirvac website

The Mirvac website contains all of the information contained in Recommendation 6.1 of the Revised Recommendations. The corporate governance section of the Mirvac website contains:

- Mirvac's Constitutions, Board Charter and Board Committee Charters; and
- copies of the corporate governance policies referred to in this Corporate governance statement.

The Investor Centre section of the Mirvac website also provides access to relevant information about the Group including copies of ASX and media releases, copies of annual reports and financial statements, investor presentations, a key events calendar including details of the next AGMs, distribution information, historical security price information and registry contact details (including email address and website which contains key securityholder forms). Teleconferencing and webcasting facilities for market briefings are also provided on the website to encourage participation from all stakeholders, regardless of location.

The Mirvac website contains an overview of Mirvac and its structure and history, and biographical information and photos for each of the Mirvac Directors and members of the ELT.

c) Participation in AGMs

Mirvac encourages all securityholders to attend the AGMs in line with Recommendation 6.3 of the Revised Recommendations. Mirvac is committed to rotating the location of its AGMs to allow securityholders in locations where Mirvac has operations to participate in person. The previous four AGMs were held in Melbourne, Sydney, Perth and Brisbane. The 2014 AGMs will be held on 20 November 2014 in Sydney.

Notices of meeting for general meetings are accompanied by explanatory notes to enable securityholders to assess and make an informed decision on the resolutions being put forward at the meetings. Full copies of notices of meetings and explanatory notes are posted on Mirvac's website. Securityholders may also elect to receive all communications from the registry electronically, including notices of meeting and annual reports, in line with Recommendation 6.4 of the Revised Recommendations. The AGMs are webcast in real time each year, with access details posted to Mirvac's website in advance of the date of the AGMs.

At the AGMs, securityholders are entitled to ask questions about the management of Mirvac.

In line with Recommendation 4.3 of the Revised Recommendations, the external auditor attends AGMs and securityholders are provided with a reasonable opportunity to ask questions of the external auditor. The external auditor also has the opportunity to answer written questions submitted by securityholders in advance of AGMs.

Securityholders who are unable to attend the AGMs may vote by appointing a proxy using the form included with the notice of meetings or via an online facility. In line with Recommendation 6.3 of the Revised Recommendations, Mirvac will also introduce a direct voting facility for the 2014 AGMs to allow securityholders to vote before the meeting without having to attend or appoint a proxy. Further, securityholders are also invited to submit questions in advance of the AGMs so that Mirvac can ensure those issues are addressed at the AGMs.

8 Principle 7: Recognise and manage risk

a) Risk management framework

i) Risks

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

ii) Risk Management Policy

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

8 Principle 7: Recognise and manage risk / continued

The objectives of the Policy are to:

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

The approach defined within this Policy is consistent with the Australian and New Zealand standard on risk management (ISO 31000: 2009). The Policy applies to all legal entities within the Group to enable an enterprise-wide approach to managing risk to be applied.

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

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

iii) Risk management responsibility

The Board determines the overall risk appetite for the Group and has approved strategies, policies and practices to ensure that key risks are identified and managed within the context of this risk appetite. The application of the Group's policies and procedures to manage risk is ultimately the responsibility of the Board, which has in turn delegated specific authority to the ARCC (as more fully detailed in the ARCC Charter and section 5(a) above).

The ARCC advises the Board on risk management and is responsible for reviewing policies for approval by the Board and for reviewing the effectiveness of the Group's approach to risk management. Risk management is specifically reviewed at least quarterly by the ARCC. The Group's risk management framework is reviewed annually at a Board Risk Management Workshop to ensure it remains sound and relevant to the changing business environment. The most recent Board Risk Management Workshop was held during October 2013.

iv) Risk management function

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

v) Role of Internal Audit

The Group's risk management systems work alongside its internal control systems to establish an effective control environment to manage business risks. In line with Recommendation 7.3 of the Revised Recommendations, Mirvac has a formal Internal Audit function which is led by the Head of Internal Audit who reports to the Chair of the ARCC and has open access to the ARCC and its Chair at all times. The role of Internal Audit is to evaluate, assess and support continuous improvement of the Group's internal control system and provide independent, reasonable assurance to the ARCC and the Board that material risks are effectively managed. Internal Audit's focus is on the Group's key risks and business drivers which may impact the achievement of its business objectives.

vi) Operational risks

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

vii) Financial risks

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

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

viii) Economic, environmental and social sustainability risks

In accordance with Recommendation 7.4 of the Revised Recommendations, the Group is very aware of its impact on the economy, the environment and the community in which it operates, and the risks associated with not dealing with these aspects appropriately. Mirvac annually reports on these aspects through its Sustainability Report which is available on Mirvac's website: www.mirvac.com/sustainability/sustainability-reports.

b) Assurances from the CEO/MD and CFO

The CEO/MD and the CFO have provided the following assurance to the Board in connection with the Group's financial statements and reports for the year ended 30 June 2014, namely that in their opinion:

- the financial records of the Group for the year ended 30 June 2014 have been properly maintained in accordance with Section 286 of the *Corporations Act 2001*, such that those records correctly record and explain the Group's transactions and its financial position and performance and enable true and fair financial statements to be prepared and audited;
- the Group's financial statements, and the notes to those statements, for the year ended 30 June 2014 comply with Accounting Standards (as defined in the *Corporations Act 2001*);
- the Group's financial statements, and the notes to those statements, for the year ended 30 June 2014 give a true and fair view of the financial position and performance of the Group;
- there are reasonable grounds to believe that Mirvac will be able to pay its debts as and when they become due and payable;
- each of the statements referred to above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- Mirvac's system of risk management and internal compliance and control is operating effectively in all material respects in relation to financial reporting risks.

The effective control environment established by the Board supports this assurance provided by the CEO/MD and the CFO. However, it should be noted that JVA, which are not controlled by Mirvac, are not covered for the purpose of this assurance or the declaration given under Section 295A of the *Corporations Act 2001*.

In line with Recommendation 4.3 of the Revised Recommendations, Mirvac's practice has been to provide similar assurances to the Board for the Group's half year financial statements and reports.

9 Principle 8: Remunerate fairly and responsibly

a) HRC

i) HRC Charter

The HRC was formed by resolution of the Board in accordance with the Board Charter. The HRC is governed by the HRC Charter which was updated in October 2013, and is available on Mirvac's website: www.mirvac.com/about/corporate-governance.

ii) Role of HRC

The objectives of this Committee are to assist the Board in ensuring Mirvac:

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

iii) HRC composition

The HRC currently consists of three members. Under the HRC Charter, the Committee must comprise a minimum of three independent Non-Executive Directors appointed by the Board, one of whom is appointed as the Committee Chair. The members of the HRC as at 31 July 2014 were Peter Hawkins (Chair), James Millar and John Mulcahy.

Details of meeting attendance of the Non-Executive Director members of the HRC for FY14 are contained in the following table:

Director	Number of HRC meetings attended in FY14 whilst a member	Number of HRC meetings held in FY14 whilst a member
Peter Hawkins (Chair)	5	5
James Millar AM	5	5
John Mulcahy	5	5
Marina Darling (resigned)[1]	0	3
James MacKenzie (resigned)[2]	1	3

1) Marina Darling was granted a leave of absence from 9 August 2013 to 24 January 2014 which covered two HRC meetings. Marina Darling resigned as a Director on 24 January 2014 and therefore as a Committee member on the same date.
2) James MacKenzie was granted a leave of absence from 1 July 2013 to 31 August 2013 which covered one HRC meeting. James MacKenzie resigned as a Director on 30 January 2014 and therefore as a Committee member on the same date.

iv) HRC responsibilities

The accountabilities and responsibilities of the HRC are set out in the HRC Charter and include:

- reviewing remuneration programs and performance targets for the CEO/MD and any other Executive Director and approving these for the senior executives;
- reviewing and approving the Group's recruitment, retention and termination policies;
- approving the strategy and principles for people management including remuneration programs, performance management processes and career and skills development initiatives;
- reviewing and making recommendations on succession planning for the CEO/MD and members of the ELT; and
- reviewing the Group's Diversity Policy, objectives and strategies and progress towards achieving greater diversity, including reviewing the proportion of women in the workforce at all levels of the Group.

v) Remuneration policies

Information on the Group's remuneration policies and practices is set out in the Remuneration report starting on page 10.

b) Distinguish Non-Executive Director remuneration

The remuneration of Non-Executive Directors is fixed and is paid according to the role in which they serve on the Board and Board committees. Non-Executive Directors do not participate in other remuneration components such as performance-related short term or long term incentives, options or variable remuneration and do not receive retirement benefits other than superannuation. Information relating to the remuneration of Non-Executive Directors is disclosed in the Remuneration report starting on page 10.

10 Conclusion

The Board is satisfied with its level of compliance with the Recommendations. However, the Board recognises that processes and procedures require continual monitoring and improvement. Mirvac's corporate governance framework is continually reviewed and updated as changes occur in the regulatory environment to ensure that it remains effective and compliant. Mirvac has therefore early-adopted the majority of the amendments to the Recommendations contained in the Revised Recommendations and will report against each of them in its 2015 Corporate governance statement.

ASX Corporate Governance Council's Principles and Recommendations

Mirvac's Corporate governance statement 2014

All page references in the table below are to the Corporate governance statement, unless noted otherwise.

Principles and recommendations (2nd edition)	Page	Mirvac compliance	Revised Recommendations (3rd edition)
Principle 1: Lay solid foundations for management and oversight			
Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	33	✓	1.1
Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.	34	✓	1.7
Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.	33	✓	No equivalent
Principle 2: Structure the board to add value			
Recommendation 2.1: A majority of the board should be independent directors.	35	✓	2.4
Recommendation 2.2: The chair should be an independent director.	35	✓	2.5
Recommendation 2.3: The roles of the chair and chief executive officer should not be exercised by the same individual.	34	✓	2.5
Recommendation 2.4: The board should establish a nomination committee.	35	✓	2.1
Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	36	✓	1.6

10 Conclusion / continued

Principles and recommendations (2nd edition)	Page	Mirvac compliance	Revised Recommendations (3rd edition)
Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.	34	√	No equivalent
Principle 3: Promote ethical and responsible decision making			
Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to: – the practices necessary to maintain confidence in the company's integrity; – the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and – the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	37	√	3.1
Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	37	√	1.5
Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	38	√	1.5
Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	38	√	1.5
Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.	37	√	No equivalent
Principle 4: Safeguard integrity in financial reporting			
Recommendation 4.1: The board should establish an audit committee.	39	√	4.1
Recommendation 4.2: The audit committee should be structured so that it: – consists only of non-executive directors; – consists of a majority of independent directors; – is chaired by an independent chair, who is not chair of the board; and – has at least three members.	39	√	4.1
Recommendation 4.3: The audit committee should have a formal charter.	39	√	4.1
Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.	39	√	No equivalent
Principle 5: Make timely and balanced disclosure			
Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	40	√	5.1
Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.	40	√	No equivalent
Principle 6: Respect the rights of shareholders			
Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	40	√	6.1-6.4
Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.	40	√	No equivalent
Principle 7: Recognise and manage risk			
Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	40	√	7.1
Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of the material business risks.	41	√	7.2
Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the *Corporations Act* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	41	√	4.2
Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.	41	√	No equivalent
Principle 8: Remunerate fairly and responsibly			
Recommendation 8.1: The board should establish a remuneration committee.	42	√	8.1
Recommendation 8.2: The remuneration committee should be structured so that it: – consists of a majority of independent directors; – is chaired by an independent director; and – has at least three members.	42	√	8.1
Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	42	√	8.2
Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.	42	√	No equivalent

Financial statements

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

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

Mirvac Limited
Level 26
60 Margaret Street
Sydney NSW 2000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on pages 01 to 31, both of which are not part of these financial statements.

The financial statements were authorised for issue by the Directors on 21 August 2014. The Directors have the power to amend and reissue the financial statements.

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

Consolidated statement of comprehensive income

For the year ended 30 June 2014

	Note	2014 $m	2013 $m
Revenue from continuing operations			
Investment properties rental revenue	16	**650.9**	583.1
Investment management fee revenue		**13.0**	9.1
Development and construction revenue		**1,157.6**	822.8
Development management fee revenue		**15.9**	25.3
Interest revenue	4	**22.2**	18.8
Dividend and distribution revenue		**0.5**	0.9
Other revenue		**7.9**	9.7
Total revenue from continuing operations		**1,868.0**	1,469.7
Other income			
Net gain on fair value of investment properties[1]	16	**56.5**	54.0
Share of net profit of JVA accounted for using the equity method	14	**46.9**	12.4
Gain on financial instruments	4	**3.0**	33.0
Foreign exchange gain		**7.5**	–
Net gain on sale of property, plant and equipment ("PPE")		**–**	0.1
Total other income		**113.9**	99.5
Total revenue from continuing operations and other income		**1,981.9**	1,569.2
Net loss on fair value of IPUC	16	**7.7**	3.6
Net loss on sale of investments		**–**	1.0
Net loss on sale of investment properties		**6.0**	2.7
Net loss on sale of PPE		**0.2**	–
Foreign exchange loss		**–**	45.4
Investment properties expenses	16	**159.2**	136.6
Cost of property development and construction		**940.7**	703.7
Employee benefits expenses		**105.1**	96.9
Depreciation and amortisation expenses	5	**29.6**	31.3
Impairment of goodwill	5	**24.5**	–
Impairment of loans, investments and inventories	5	**(1.2)**	273.2
Finance costs	5	**144.8**	87.1
Loss on financial instruments	5	**26.3**	–
Selling and marketing expenses		**31.0**	21.9
Other expenses		**47.3**	51.0
Profit from continuing operations before income tax		**460.7**	114.8
Income tax (expense)/benefit	6	**(13.4)**	23.7
Profit from continuing operations		**447.3**	138.5
Profit from discontinued operations (net of tax)		**–**	1.4
Profit for the year		**447.3**	139.9
Other comprehensive income for the year			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations, net of tax	24(b)	**3.5**	7.2
Items that will not be reclassified to profit or loss			
(Decrement)/Increment on revaluation of OOP	24(b)	**(4.8)**	14.8
Deferred tax on SBP transactions	24(b)	**0.4**	0.6
Other comprehensive income for the year		**(0.9)**	22.6
Total comprehensive income for the year		**446.4**	162.5
Profit for the year is attributable to the stapled securityholders of Mirvac		**447.3**	139.9
Total comprehensive income for the year is attributable to the stapled securityholders of Mirvac		**446.4**	162.5
EPS for profit from continuing operations attributable to the stapled securityholders of Mirvac		**Cents**	Cents
Basic EPS	7	**12.19**	4.02
Diluted EPS	7	**12.17**	4.01
EPS for profit attributable to the stapled securityholders of Mirvac		**Cents**	Cents
Basic EPS	7	**12.19**	4.06
Diluted EPS	7	**12.17**	4.05

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

1) FY13 included a revaluation decrement of $1.6m relating to investment properties classified as OOP.

Consolidated statement of financial position

As at 30 June 2014

	Note	**2014 $m**	2013 $m
Current assets			
Cash and cash equivalents	35	**97.8**	126.4
Receivables	8	**98.7**	93.7
Derivative financial assets	9	**15.7**	–
Inventories	10	**598.1**	559.9
Other financial assets at fair value through profit or loss	11	**11.8**	12.6
Other financial assets	15	**52.0**	–
Other assets	12	**22.7**	17.5
Assets classified as held for sale	13	**821.0**	81.3
Total current assets		**1,717.8**	891.4
Non-current assets			
Receivables	8	**60.5**	120.3
Inventories	10	**859.1**	903.3
Investments accounted for using the equity method	14	**537.6**	379.9
Derivative financial assets	9	**11.3**	11.6
Other financial assets	15	**79.4**	187.1
Investment properties	16	**6,016.4**	6,029.6
PPE	17	**248.7**	317.8
Intangible assets	18	**39.0**	65.7
Deferred tax assets	6	**351.9**	339.7
Total non-current assets		**8,203.9**	8,355.0
Total assets		**9,921.7**	9,246.4
Current liabilities			
Payables	19	**505.1**	549.9
Borrowings	20	**202.9**	175.1
Derivative financial liabilities	9	**13.0**	13.4
Provisions	21	**178.2**	172.3
Other liabilities	22	**0.2**	0.3
Total current liabilities		**899.4**	911.0
Non-current liabilities			
Payables	19	**85.0**	148.9
Borrowings	20	**2,514.7**	1,992.1
Derivative financial liabilities	9	**98.7**	60.4
Deferred tax liabilities	6	**144.3**	119.6
Provisions	21	**3.5**	3.6
Total non-current liabilities		**2,846.2**	2,324.6
Total liabilities		**3,745.6**	3,235.6
Net assets		**6,176.1**	6,010.8
Equity			
Contributed equity	23	**6,796.8**	6,745.3
Reserves	24	**76.9**	79.8
Retained earnings	25	**(697.6)**	(814.3)
Equity, reserves and retained earnings attributable to the stapled securityholders of Mirvac		**6,176.1**	6,010.8

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

Consolidated statement of changes in equity
For the year ended 30 June 2014

	Note	Attributable to stapled securityholders of Mirvac Contributed equity $m	Reserves $m	Retained earnings $m	Total $m
Balance 30 June 2012		6,334.7	64.2	(644.2)	5,754.7
Profit for the year		–	–	139.9	139.9
Other comprehensive income for the year		–	22.6	–	22.6
Total comprehensive income for the year		–	22.6	139.9	162.5
EEP securities issued	23	0.7	–	–	0.7
LTIP, LTI and EIS securities converted, sold, vested or forfeited	23	13.4	–	–	13.4
Contributions of equity, net of transaction costs	23	396.5	–	–	396.5
SBP transactions	24	–	(6.9)	–	(6.9)
Security based compensation	25	–	–	(1.3)	(1.3)
Dividends/distributions provided for or paid	25	–	–	(308.8)	(308.8)
Transfers (out)/in	25	–	(0.1)	0.1	–
Total transactions with owners in their capacity as owners		410.6	(7.0)	(310.0)	93.6
Balance 30 June 2013		6,745.3	79.8	(814.3)	6,010.8
Profit for the year		–	–	447.3	447.3
Other comprehensive income for the year		–	(0.9)	–	(0.9)
Total comprehensive income for the year		**–**	**(0.9)**	**447.3**	**446.4**
EEP securities issued	23	0.7	–	–	0.7
LTIP, LTI and EIS securities converted, sold, vested or forfeited	23	5.3	–	–	5.3
DRP securities issued	23	46.0	–	–	46.0
Contributed equity raising costs	23	(0.5)	–	–	(0.5)
SBP transactions	24	–	4.4	–	4.4
Security based compensation	25	–	–	(1.5)	(1.5)
Dividends/distributions provided for or paid	25	–	–	(331.1)	(331.1)
Transfers due to deconsolidation of entity	25	–	(3.2)	(1.2)	(4.4)
Transfers (out)/in	25	–	(3.2)	3.2	–
Total transactions with owners in their capacity as owners		**51.5**	**(2.0)**	**(330.6)**	**(281.1)**
Balance 30 June 2014		**6,796.8**	**76.9**	**(697.6)**	**6,176.1**

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

Consolidated statement of cash flows
For the year ended 30 June 2014

	Note	2014 $m	2013 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax ("GST"))		**1,845.4**	1,810.2
Payments to suppliers and employees (inclusive of GST)		**(1,325.5)**	(1,326.5)
		519.9	483.7
Interest received		**18.1**	14.0
Dividends/distributions received from JVA		**17.6**	23.6
Dividends/distributions received		**0.5**	0.9
Borrowing costs paid		**(156.8)**	(136.3)
Net cash inflows from operating activities	35(b)	**399.3**	385.9
Cash flows from investing activities			
Payments for PPE		**(3.7)**	(3.6)
Proceeds from sale of PPE		**0.1**	0.1
Payments for investment properties		**(850.0)**	(711.2)
Proceeds from sale of investment properties and assets held for sale		**226.5**	139.7
Proceeds from loans to related entities		**–**	0.1
Payments for loans to unrelated entities		**(14.7)**	(42.9)
Proceeds from loans to unrelated entities		**8.0**	8.8
Contributions to JVA		**(86.9)**	(151.2)
Proceeds from JVA		**12.9**	15.7
Proceeds from sale of investments		**–**	6.5
Proceeds from sale of assets classified as held for sale (sale of hotel management business and related assets)		**–**	15.0
Net cash outflows from investing activities		**(707.8)**	(723.0)
Cash flows from financing activities			
Proceeds from borrowings		**2,717.2**	2,932.1
Repayments of borrowings		**(2,156.6)**	(2,716.6)
Proceeds from issue of stapled securities	23	**–**	403.7
Contributed equity raising costs	23	**(0.5)**	(7.2)
Dividends/distributions paid		**(280.2)**	(225.9)
Net cash inflows from financing activities		**279.9**	386.1
Net (decrease)/increase in cash and cash equivalents		**(28.6)**	49.0
Cash and cash equivalents at the beginning of the year		**126.4**	77.3
Effects of exchange rate changes on cash and cash equivalents		**–**	0.1
Cash and cash equivalents at the end of the year	35(a)	**97.8**	126.4

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

Notes to the consolidated financial statements

1 Summary of significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements of Mirvac consist of the consolidated financial statements of Mirvac Limited and its controlled entities including MPT and its controlled entities.

a) Mirvac – stapled securities

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

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

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

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

b) Basis of preparation

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

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

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

ii) Historical cost convention

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

- available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of PPE and investment properties; and
- assets held for sale — measured at fair value less cost of disposal.

iii) Critical accounting estimates

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

iv) Comparative information

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

v) Rounding of amounts

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

vi) GST

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

vii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for first time from 1 July 2013:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*;
- AASB 2012-10 *Amendments to Australian Accounting Standards — Transition Guidance and Other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period;
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*;
- AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*;
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*;
- AASB 2012-2 *Amendments to Australian Accounting Standards — Disclosures — Offsetting Financial Assets and Financial Liabilities*; and
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements from* AASB 124 *Related Party Disclosures.*

The adoption of AASB 13 resulted in a change in accounting policy and adjustment to the amounts recognised in the financial statements. This is explained and summarised in note 1(dd)(iii) below. The other standards only affected the disclosures in the notes to the financial statements.

1 Summary of significant accounting policies / continued

c) Principles of consolidation

i) Controlled entities

Controlled entities are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Controlled entities are fully consolidated from the date on which control is transferred to Mirvac. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for the business combinations undertaken by Mirvac (refer to note 1(i)). Inter-company transactions and balances between Mirvac entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests ("NCI") in the results and equity of controlled entities are shown separately in the consolidated SoCI, consolidated SoFP and consolidated Statement of Changes in Equity.

ii) Associates

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

iii) Joint arrangements

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

iv) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from JVA are recognised as a reduction in the carrying amount of the investment. When Mirvac's share of losses in an equity accounted investment equals or exceeds its interest in the entity, including any other unsecured receivables, Mirvac does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

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

v) Changes in ownership interests

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

vi) Structured entities

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

Certain wholly-owned companies incorporated in Australia are permitted to be parties to a deed of cross guarantee. Refer to note 27 for further details of which wholly owned companies are subject to the deed of cross guarantee. For those entities which are consolidated and which are not party to a deed of cross guarantee, Mirvac Limited does not have a contractual obligation to provide financial support.

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

- Mirvac Industrial Trust;
- JF Infrastructure Yield Fund; and
- ASFI.

d) Segment reporting

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

e) Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or they are attributable to part of the net investment in a foreign operation.

1 Summary of significant accounting policies / continued

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated SoCI, within finance costs. All other foreign exchange gains and losses are presented in the consolidated SoCI on a net basis within other income or other expenses. Translation differences on non monetary financial assets and liabilities held at fair value are reported as part of the fair value gain or loss using the exchange rate applicable at the date fair value is determined. Translation differences on non monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non monetary financial assets such as equities classified as available for sale financial assets are included in a fair value reserve in equity.

iii) Group companies

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

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

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

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

f) Revenue recognition

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

i) Development projects and land sales

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

ii) Construction contracts

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

iii) Rental income

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

iv) Recoverable outgoings

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

v) Fees

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

vi) Interest

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

vii) Dividends/distributions

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

viii) Government grants

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

g) Income tax

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

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

1 Summary of significant accounting policies / continued

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

i) Investment allowances

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

h) Leases

Leases of PPE where Mirvac has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term or long term payables. Each lease payment is allocated between the liability and finance costs. The finance costs are charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The PPE acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease. Lease income from operating leases where the Group is a lessor is recognised in income on a straight line basis over the lease term. Refer to note 1(f)(iii).

i) Business combinations

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

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

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

j) Impairment of assets

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

k) Cash and cash equivalents

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

l) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Collectability of trade receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectible are written off by reducing the carrying amount directly. A separate provision for impairment of trade receivables is established when there is objective evidence that Mirvac will not be able to collect all amounts due according to the original terms of receivables. The Group considers that there is evidence of impairment if any of the following indicators are present:

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

1 Summary of significant accounting policies / continued

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

Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in profit or loss within other expenses. When a trade receivable for which an impairment provision had been recognised becomes uncollectible in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss. See note 1(p) for information about how impairment losses are calculated.

m) Mezzanine loans

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

n) Inventories

Inventories comprise development projects and construction contracts.

i) Development projects

Development projects are valued at the lower of cost and NRV. Cost includes the costs of acquisition, development, borrowings and all other costs directly related to specific projects, including an allocation of direct overhead expenses. Upon completion of the contract of sale, borrowing costs and other holding charges are expensed as incurred. Profits on development projects are not brought to account until settlement of the contract of sale. Borrowing costs included in the cost of land are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

ii) Construction contracts

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

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

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

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

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

p) Investments and other financial assets

i) Classification

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

— Financial assets at fair value through profit or loss

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

— Loans and receivables

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

— Held-to-maturity investments

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

— Available-for-sale financial assets

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

1 Summary of significant accounting policies / continued

ii) Reclassification

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

iii) Recognition and derecognition

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

iv) Measurement

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

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

v) Impairment

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

— Assets carried at amortised cost

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

— Assets classified as available-for-sale

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

q) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Mirvac designates certain derivatives as either (1) hedges of the fair value of recognised assets, liabilities or firm commitments ("fair value hedges"); or (2) hedges of highly probable forecast transactions ("cash flow hedges"). Mirvac documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Mirvac also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 33. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

1 Summary of significant accounting policies / continued

i) Fair value hedges

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

ii) Cash flow hedges

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

iii) Derivatives that do not qualify for hedge accounting

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

r) PPE

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

i) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

ii) OOP

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

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

— buildings	40 years
— plant and equipment	3-15 years
— office leasehold improvements	1-10 years.

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

s) Investment properties

i) Investment properties

Investment properties are properties held for long term rental yields and for capital appreciation. Investment properties are carried at fair value with any gain or loss arising from a change in fair value recognised in the consolidated SoCI. The carrying amount of the investment properties recorded in the consolidated SoFP includes components relating to lease incentives.

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

ii) Investment properties under redevelopment

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

iii) Lease incentives

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

1 Summary of significant accounting policies / continued

t) Intangible assets

i) Goodwill

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

ii) Management rights

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

u) Trade and other payables

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

v) Borrowings and borrowing costs

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

w) Employee benefits

i) Wages and salaries, annual leave and sick leave

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

ii) LSL

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

iii) SBP

SBP are recognised for the following plans:

– Current LTI

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

– EEP

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

– Superseded plans

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

iv) STI

STI awards for most employees are made in the form of cash, while 25 per cent of STI awards for ELT members are paid in the form of unhurdled rights over Mirvac securities. The vesting period for 50 per cent of these unhurdled rights is 12 months, with the balance vesting after 24 months. For the cash position of STI awards, a liability for STI payable is recognised in accruals where there is a present obligation to settle the liability and at least one of the following conditions is met:

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

Liabilities for cash STI awards are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled. The liabilities for the portion of STI awards paid as deferred rights over Mirvac securities are measured at the fair value and amortised to security based expenses over the relevant vesting period.

v) Termination benefits

Termination benefits are payable when employment is terminated by Mirvac before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Mirvac recognises termination benefits at the earlier of the following dates: (a) when Mirvac can no longer withdraw the offer of those benefits; and (b) when Mirvac recognises costs for a restructuring that is within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

vi) Retirement benefit obligations

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

1 Summary of significant accounting policies / continued

x) Provisions

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

y) Contributed equity

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

z) Distributions

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

aa) EPS

i) Basic EPS

Basic EPS is calculated by dividing the profit attributable to securityholders of the Group by the weighted average number of ordinary securities outstanding during the year. In calculating basic EPS, securities issued under the EIS have been excluded from the weighted average number of securities.

ii) Diluted EPS

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

bb) Parent entity financial information

The financial information for the parent entity, Mirvac Limited, disclosed in note 37 has been prepared on the same basis as the consolidated financial statements, except as set out below:

i) Investments in controlled entities and JVA

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

ii) Tax consolidation legislation

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

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

iii) Financial guarantees

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

cc) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

i) AASB 9 Financial Instruments

This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting. The standard only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group did not recognise any such gains in other comprehensive income and did 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 Group has not yet decided when to adopt AASB 9. There will be no impact on the Group's accounting for financial assets as they are all currently recognised in the consolidated SoCI.

This standard must be applied for financial years commencing on or after 1 January 2017.

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

dd) Changes in accounting policies

As explained in note 1(b)(vii) above, the Group has adopted a number of new or revised accounting standards this year that have resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

1 Summary of significant accounting policies / continued

i) Consolidated financial statements and joint arrangements
AASB 10 *Consolidated Financial Statements* was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities*. The Group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Mirvac has assessed the nature of its joint arrangements and determined to have only joint ventures. As a result of this assessment, a few of the Group's interest in associates have been reclassified as interests in joint ventures; however, there is no material impact to the Group's consolidated SoFP during the reporting period.

The Group's accounting for its interests in joint ventures was not affected by the adoption of the new standard since the Group had already applied the equity method in accounting for these interests. As required under AASB 11, the change in policy has been applied retrospectively; however, there is no impact to the Group's consolidated SoFP as at 30 June 2013.

ii) Employee benefits
The revised standard has changed the accounting for the Group's annual leave obligations. As the Group expects all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are classified as current employee benefits in their entirety. This did not change the measurement of these obligations and has no material impact to the consolidated SoFP.

iii) Fair value measurement
AASB 13 *Fair Value Measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across AAS. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other AAS.

Previously, the fair value of financial liabilities (including derivatives) was measured on the basis that the financial liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial liabilities should be determined based on a transfer value to a third party market participant. As a result of this change, the fair value of derivative liabilities changed on transition to AASB 13, due to incorporating credit risk into the valuation. As required under AASB 13, the change to fair value measurements on adoption of the standard is applied prospectively, in the same way as a change in an accounting estimate. As a consequence, the fair value of net derivative liabilities relating to interest rate swap contracts increased from $26.3m to $27.0m and to forward exchange contracts increased from $66.5m to $68.5m as at 30 June 2014. The difference has been recorded as a fair value movement through profit or loss. Comparative amounts have not been restated.

2 Critical accounting judgements and estimates

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

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

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

ii) Cost of goods sold
Inventories are expensed as cost of goods sold upon sale. Management uses its judgement in determining the apportionment of cost of goods sold, through either unit entitlement or percentage of revenue, the quantum of cost of goods sold, which includes both costs incurred to date and forecast final costs, and the nature of cost of goods sold, which may include acquisition costs, 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, have 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 owner-occupied 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 33.

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. As explained in note 30, 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.

2 Critical accounting judgements and estimates / continued

viii) Classification of investments in structured entities as an associate/joint venture

Mirvac holds 14 per cent of the overall investment within the Mirvac Industrial Trust. Mirvac equity accounts for this investment as an associate even though it owns less than 20 per cent of the voting or potential voting power due to the fact that it has significant influence over this entity. As a controlled entity of the Group, Mirvac Funds Management Limited, is the responsible entity for the fund.

Mirvac holds 60 per cent of the overall investment within ASFI. Mirvac equity accounts for this investment as a joint venture even though it owns 60 per cent of the voting or potential voting power, due to the fact that major decisions affecting the joint venture require unanimous approval from each investor in the joint venture.

b) Key sources of estimation uncertainty

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

i) Inventories

The NRV of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and costs to sell. Such estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the reporting period. The key assumptions require the use of management judgement and are reviewed quarterly. During the year, Mirvac did not expense any amount (2013: $242.9m) in relation to inventories that were carried in excess of the NRV.

ii) Impairment of goodwill

Mirvac annually tests whether goodwill has suffered any impairment. Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from each CGU and a suitable discount rate in order to calculate the net present value ("NPV"). The carrying amount of goodwill at the end of the reporting period was $36.4m (2013: $63.1m). During the year, the Group entered an unconditional contract to sell 50 per cent of 275 Kent Street, Sydney NSW. This investment property was the largest asset of WOT. The recoverable amount of goodwill for the CGU was tested using the value in use methodology, using the present value of future cash flows expected to be derived from the Office CGU using a pre-tax discount rate. The major assumptions included the future cash flows of the property and the discount rate used. Due to the 50 per cent sale of the investment property, a significant reduction in the future cash flows in the Office CGU has resulted in an impairment loss of $24.5m (2013: $nil) in the Office CGU goodwill. A further $2.2m relating to the acquisition of the North Ryde Office Trust ("NROT") was derecognised during the year as a result of the sale of NROT in February 2014 and is considered a selling cost. Details on the assumptions used are provided in note 18.

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

The investments are tested for impairment, by comparing recoverable amounts (higher of value in use, and fair value less costs to sell) with the carrying amounts, whenever there is an indication that the investment may be impaired. In determining the value in use of the investment, Mirvac estimates the present value of the estimated future cash flows expected to arise from distributions to be received from the investment and from its ultimate disposal. Details of the assumptions used by management in assessing the impairment are provided in note 14.

iv) Fair value of investments not traded in active markets

The fair value of investments not traded in an active market is determined by the unit price as advised by the fund manager. The unit price is determined by NPV calculations using future cash flows and an appropriate post-tax discount rate (refer to note 33). The carrying value of investments not traded in an active market determined using the above techniques and assumptions is $11.8m (2013: $12.6m) and is disclosed as other financial assets at fair value through profit or loss (refer to note 11).

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 16. The carrying value at the end of the reporting period for investment properties was $6,016.4m (2013: $6,029.6m) and OOP $238.6m (2013: $306.7m). Details on investment properties are provided in note 16 and OOP in note 17.

vi) Valuation of IPUC

IPUC are valued at fair value. There are generally no active markets for IPUC and fair value is considered to be the estimated market price that would be paid for the partially completed property, reflecting the expectations of market participants of the value of the property when complete less deductions for the estimated costs to complete, with appropriate adjustments for risk and profit. The fair value is determined on the basis of either DCF or residual methods. Both methods require consideration of the project risks which are relevant to the development process, including but not limited to construction and letting risks. The estimated value of future assets is based on the expected future income from the project, using current yields of similar completed properties. The net loss on fair value of IPUC was $7.7m (2013: $3.6m). The carrying value of $126.0m (2013: $74.9m) at the end of the year was included in investment properties (refer to note 16).

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 an active market. Valuation of derivative financial instruments involves assumptions based on quoted market rates adjusted for specific features of the instrument. The valuations of any financial instrument may change in the event of market volatility. The valuation techniques are discussed in detail at note 33 and have been developed in compliance with requirements of AASB 139 *Financial Instruments: Recognition and Measurement.*

2 Critical accounting judgements and estimates / continued

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 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 budgeting and forecasting 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.

3 Segmental information

a) Description of business segments

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

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

The ELT assesses the performance of the segments based on a number of measures, both financial and non-financial, which include a measure of operating profit; the use of capital; and success in delivering against KPIs. The ELT has identified two core divisions, Investment and Development. Applying the requirements of AASB 8 *Operating Segments*, Mirvac has 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 retail, office, industrial and hotel sectors throughout Australia, held for the purpose of producing rental income, predominately through the Trust, its controlled trusts and corporate entities holding investment properties. Income is also derived from investments in associates including Mirvac Industrial Trust.

ii) Investment Management

MIM comprises two business activities for segment reporting purposes, being funds 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 and residential development funds.

b) Inter-segment transfers

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

c) Elimination

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

d) Comparative information

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

e) Operating profit

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

f) Segment 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 with investments in the United States of America. Materially, all revenue is derived in Australia and all assets are in Australia. No single customer in the current or prior year provided more than 10 per cent of the Group's revenue.

3 Segmental information / continued

2014	Investment $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	Consolidated SoCI $m
Revenue from continuing operations						
Investment properties rental revenue	645.1	5.8	–	–	–	**650.9**
Investment management fee revenue	–	13.0	–	–	–	**13.0**
Development and construction revenue	–	–	1,168.4	–	(10.8)	**1,157.6**
Development management fee revenue	–	–	15.2	–	0.7	**15.9**
Interest revenue	15.6	0.3	5.1	1.5	(0.3)	**22.2**
Dividend and distribution revenue	0.5	–	–	–	–	**0.5**
Other revenue	1.9	3.2	3.5	1.1	(1.8)	**7.9**
Inter-segment revenue	14.5	18.0	99.4	35.7	(167.6)	**–**
Total revenue from continuing operations	**677.6**	**40.3**	**1,291.6**	**38.3**	**(179.8)**	**1,868.0**
Net gain on fair value of investment properties	47.4	–	–	–	9.1	**56.5**
Share of net profit of JVA accounted for using the equity method	37.5	0.1	8.7	0.6	–	**46.9**
Gain on financial instruments	(4.3)	–	–	7.3	–	**3.0**
Foreign exchange gain	0.2	–	–	7.3	–	**7.5**
Total other income	**80.8**	**0.1**	**8.7**	**15.2**	**9.1**	**113.9**
Total revenue from continuing operations and other income	**758.4**	**40.4**	**1,300.3**	**53.5**	**(170.7)**	**1,981.9**
Net loss on fair value on IPUC	9.5	–	–	–	(1.8)	**7.7**
Net loss on sale of investment properties	6.0	–	–	–	–	**6.0**
Net loss on sale of PPE	–	–	0.2	–	–	**0.2**
Investment properties expenses	169.2	2.2	–	–	(12.2)	**159.2**
Cost of property development and construction	–	–	1,037.8	–	(97.1)	**940.7**
Employee benefits expenses	–	23.8	17.3	64.0	–	**105.1**
Depreciation and amortisation expenses	21.3	0.5	2.3	1.7	3.8	**29.6**
Impairment of goodwill	24.5	–	–	–	–	**24.5**
Impairment of loans, investments and inventories	–	–	–	(1.2)	–	**(1.2)**
Finance costs	77.0	0.4	77.9	35.6	(46.1)	**144.8**
Loss on financial instruments	0.2	–	–	25.5	0.6	**26.3**
Selling and marketing expenses	–	0.2	30.4	0.4	–	**31.0**
Other expenses	12.6	7.5	22.4	17.3	(12.5)	**47.3**
Profit/(loss) from continuing operations before income tax	**438.1**	**5.8**	**112.0**	**(89.8)**	**(5.4)**	**460.7**
Income tax expense						**(13.4)**
Profit attributable to the stapled securityholders of Mirvac						**447.3**

3 Segmental information / continued

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	438.1	5.8	112.0	(89.8)	(5.4)	(13.4)	**447.3**
Specific non-cash items							
Net gain on fair value of investment properties	(47.4)	–	–	–	(9.1)	–	**(56.5)**
Net loss on fair value of IPUC	9.5	–	–	–	(1.8)	–	**7.7**
Net loss on fair value of derivative financial instruments and associated foreign exchange movements [1]	4.3	–	–	10.9	0.6	–	**15.8**
SBP expense [2]	–	–	–	6.5	–	–	**6.5**
Depreciation of OOP [3]	–	–	–	–	5.9	–	**5.9**
Straight-lining of lease revenue [4]	(12.2)	–	–	–	–	–	**(12.2)**
Amortisation of lease fitout incentives [3]	12.4	–	–	–	(2.1)	–	**10.3**
Net (gain)/loss on fair value of investment properties, derivatives and other specific non-cash items included in share of net profit of JVA [5]	(20.2)	0.9	–	(0.3)	–	–	**(19.6)**
Significant items							
Impairment of loans, investments and inventories	–	–	–	(1.2)	–	–	**(1.2)**
Impairment of goodwill	24.5	–	–	–	–	–	**24.5**
Net loss from sale of non-aligned assets [6]	6.0	–	–	–	–	–	**6.0**
Tax effect							
Tax effect of non-cash and significant items adjustments [7]	–	–	–	–	–	3.3	**3.3**
Operating profit/(loss) (profit before specific non-cash and significant items)	**415.0**	**6.7**	**112.0**	**(73.9)**	**(11.9)**	**(10.1)**	**437.8**

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

3 Segmental information / continued

2013	Investment $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	Total inc. discontinued operations $m	Discontinued operations $m	Consolidated SoCI $m
Revenue from continuing operations								
Investment properties rental revenue	578.1	5.0	–	–	–	583.1	–	583.1
Investment management fee revenue	–	9.1	–	–	–	9.1	–	9.1
Development and construction revenue	–	–	820.8	–	2.0	822.8	–	822.8
Development management fee revenue	–	–	25.8	–	(0.5)	25.3	–	25.3
Interest revenue	9.1	0.9	5.5	3.9	(0.6)	18.8	–	18.8
Dividend and distribution revenue	0.9	–	–	–	–	0.9	–	0.9
Other revenue	2.0	2.8	2.5	4.2	(1.8)	9.7	–	9.7
Inter-segment revenue	37.8	15.1	8.2	–	(61.1)	–	–	–
Total revenue from continuing operations	627.9	32.9	862.8	8.1	(62.0)	1,469.7	–	1,469.7
Net gain on fair value of investment properties	56.0	–	–	–	(2.0)	54.0	–	54.0
Share of net profit of JVA accounted for using the equity method	10.8	2.1	(0.7)	0.2	–	12.4	–	12.4
Gain on financial instruments	(1.2)	–	–	34.2	–	33.0	–	33.0
Net gain on sale of investments	–	–	–	2.0	–	2.0	(2.0)	–
Net gain on sale of PPE	–	–	0.1	–	–	0.1	–	0.1
Total other income	65.6	2.1	(0.6)	36.4	(2.0)	101.5	(2.0)	99.5
Total revenue from continuing operations and other income	693.5	35.0	862.2	44.5	(64.0)	1,571.2	(2.0)	1,569.2
Net loss on fair value on IPUC	5.6	–	–	–	(2.0)	3.6	–	3.6
Net loss on sale of investments	–	1.0	–	–	–	1.0	–	1.0
Net loss on sale of investment properties	2.7	–	–	–	–	2.7	–	2.7
Foreign exchange loss	1.3	–	–	44.1	–	45.4	–	45.4
Investment properties expenses	145.6	1.9	–	–	(10.9)	136.6	–	136.6
Cost of property development and construction	–	–	703.7	–	–	703.7	–	703.7
Employee benefits expenses	–	18.9	20.9	57.1	–	96.9	–	96.9
Depreciation and amortisation expenses	21.8	0.4	2.5	1.6	5.0	31.3	–	31.3
Impairment of loans, investments and inventories	–	–	273.2	–	–	273.2	–	273.2
Finance costs	42.8	16.3	58.6	0.3	(30.9)	87.1	–	87.1
Selling and marketing expenses	–	0.6	20.6	0.7	–	21.9	–	21.9
Other expenses	9.4	9.6	18.8	25.5	(12.3)	51.0	–	51.0
Profit/(loss) from continuing operations before income tax	464.3	(13.7)	(236.1)	(84.8)	(12.9)	116.8	(2.0)	114.8
Income tax benefit						23.1	0.6	23.7
Profit from continuing operations						139.9	(1.4)	138.5
Profit from discontinued operations (net of tax)						–	1.4	1.4
Profit attributable to the stapled securityholders of Mirvac						139.9	–	139.9

3 Segmental information / continued

2013	Investment $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	Tax $m	Consolidated $m
Profit/(loss) attributable to the stapled securityholders of Mirvac	464.3	(13.7)	(236.1)	(84.8)	(12.9)	23.1	139.9
Specific non-cash items							
Net gain on fair value of investment properties	(56.0)	–	–	–	2.0	–	(54.0)
Net loss on fair value of IPUC	5.6	–	–	–	(2.0)	–	3.6
Net loss on fair value of derivative financial instruments and associated foreign exchange movements [1]	2.5	–	–	9.9	–	–	12.4
SBP expense [2]	–	–	–	4.1	–	–	4.1
Depreciation of OOP [3]	–	–	–	–	7.5	–	7.5
Straight-lining of lease revenue [4]	(17.3)	–	–	–	–	–	(17.3)
Amortisation of lease fitout incentives [5]	13.4	–	–	–	(2.5)	–	10.9
Net loss on fair value of investment properties, derivatives and other specific non-cash items included in share of net profit of JVA [6]	3.6	0.8	–	–	–	–	4.4
Significant items							
Impairment of loans, investments and inventories	–	–	273.2	–	–	–	273.2
Net loss from sale of non-aligned assets [7]	2.7	1.0	–	–	–	–	3.7
Net gain on sale of Hotel Management business and related assets (net of tax) [8]	–	–	–	(2.0)	–	0.6	(1.4)
Tax effect							
Tax effect of non-cash and significant adjustments [9]	–	–	–	–	–	(9.4)	(9.4)
Operating profit/(loss) (profit before specific non-cash and significant items)	**418.8**	**(11.9)**	**37.1**	**(72.8)**	**(7.9)**	**14.3**	**377.6**

1) Total of Gain on financial instruments and Foreign exchange loss in the consolidated SoCI.
2) Included within Employee benefits expenses in the consolidated SoCI.
3) Included within Depreciation and amortisation expenses in the consolidated SoCI.
4) Included within Investment properties rental revenue in the consolidated SoCI.
5) Included within Depreciation and amortisation expenses in the consolidated SoCI.
6) Included within Share of net profit of JVA accounted for using the equity method in the consolidated SoCI.
7) Total of Net loss on sale of investments and Net loss on sale of investment properties in the consolidated SoCI.
8) Included within Profit from discontinued operations (net of tax) in the consolidated SoCI.
9) Included in Income tax benefit in the consolidated SoCI.

30 June 2014	Investment $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	Consolidated SoFP/SoCI $m
Total assets	7,638.6	54.6	2,069.3	1,685.1	(1,525.9)	9,921.7
Total liabilities	1,912.0	8.1	572.5	2,711.5	(1,458.5)	3,745.6
Investments in JVA	370.1	2.3	217.4	2.8	(55.0)	537.6
Acquisitions of investments and PPE	1,028.7	0.3	4.0	2.4	–	1,035.4
Depreciation and amortisation expenses	21.3	0.5	2.3	1.7	3.8	29.6
30 June 2013						
Total assets	7,263.0	49.1	2,123.3	296.3	(485.3)	9,246.4
Total liabilities	1,358.6	8.1	665.0	1,629.1	(425.2)	3,235.6
Investments in JVA	201.2	6.6	212.6	2.4	(42.9)	379.9
Acquisitions of investments and PPE	802.3	0.7	1.8	1.5	(6.9)	799.4
Depreciation and amortisation expenses	21.8	0.4	2.5	1.6	5.0	31.3

4 Revenue from continuing operations and other income

	2014 $m	2013 $m
Interest revenue		
Cash and cash equivalents	**1.7**	1.6
JVA and related party loans	**20.4**	14.3
Mezzanine loans	**0.1**	2.9
Total interest revenue	**22.2**	18.8
Gain on financial instruments		
Gain on interest rate derivatives	**2.9**	4.4
Gain on cross currency derivatives	**0.1**	28.6
Total gain on financial instruments	**3.0**	33.0

5 Expenses

Profit before income tax includes the following specific expenses:	Note	2014 $m	2013 $m
Interest and finance charges paid/payable net of provision release		**135.7**	113.7
Amount capitalised[1]		**(35.9)**	(62.0)
Interest capitalised in current and prior years expensed this year net of provision release		**38.4**	32.2
Borrowing costs amortised		**6.6**	3.2
Total finance costs		**144.8**	87.1
Depreciation			
Plant and equipment		**4.5**	4.5
OOP		**5.9**	7.5
Total depreciation expenses	17	**10.4**	12.0
Amortisation			
Lease fitout incentives		**10.3**	10.9
Lease incentives		**8.9**	8.4
Total amortisation expenses		**19.2**	19.3
Total depreciation and amortisation expenses		**29.6**	31.3
Loss on financial instruments			
Loss on cross currency derivatives		**25.5**	–
Loss on revaluation of other financial assets at fair value through profit or loss		**0.8**	–
Total loss on financial instruments		**26.3**	–
Other charges against assets			
Impairment of trade receivables	8	**(0.1)**	(0.2)
Impairment of goodwill	18	**24.5**	–
Impairment of loans, investments and inventories		**(1.2)**	273.2
Rental expense relating to operating leases		**3.9**	3.9

1) The amount capitalised relates to qualifying assets only, and is impacted by the amount borrowed and the interest rate charged on the borrowing.

6 Income tax

	2014 $m	2013 $m
a) Income tax expense/(benefit)		
Current tax	**0.4**	1.3
Deferred tax	**13.0**	(24.4)
Income tax expense/(benefit)	**13.4**	(23.1)
Income tax expense/(benefit) is attributable to:		
Profit/(loss) from continuing operations	**13.4**	(23.7)
Profit from discontinued operations	**–**	0.6
Aggregate income tax expense/(benefit)	**13.4**	(23.1)
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
Increase in deferred tax assets	**(3.9)**	(9.0)
Increase/(decrease) in deferred tax liabilities	**16.9**	(15.4)
Deferred income tax expense/(benefit)	**13.0**	(24.4)
b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable		
Profit from continuing operations before income tax	**460.7**	114.8
Profit from discontinued operations before income tax	**–**	2.0
Profit before income tax	**460.7**	116.8
Income tax calculated at 30 per cent	**138.2**	35.0
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Non-deductible impairment of investments including JVA	**–**	4.0
Non-deductible impairment of loans	**4.7**	6.0
Other non-deductible/non-assessable items	**1.4**	(0.8)
Utilisation of prior year tax and capital gains tax losses not previously recognised	**–**	(0.9)
Derecognition of net deferred tax asset[1]	**–**	66.4
Trust net income not subject to tax	**(129.1)**	(132.6)
	15.2	(22.9)
Over provided in prior years	**(1.8)**	(0.2)
Income tax expense/(benefit)	**13.4**	(23.1)
c) Tax losses		
Unused tax and capital gains tax losses incurred by Australian entities for which no deferred tax asset has been recognised	**566.1**	550.8
Potential tax benefit at 30 per cent	**169.8**	165.2

1) In FY13, Mirvac assessed the carrying value of its net deferred asset position and determined that it was prudent to derecognise part of its net deferred tax asset position on the basis that it may not be considered recoverable with a sufficient degree of certainty. Refer to note 2(a)(vii).

d) Tax consolidation legislation

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

6 Income tax / continued

	2014 $m	2013 $m
e) Current tax (liabilities)/assets		
Tax (payable)/receivable	**–**	–
f) Net deferred tax assets		
Non-current assets – deferred tax assets		
The balance comprises temporary differences attributable to:		
Unearned profits with associates	**22.1**	18.1
Accrued expenses	**33.5**	23.9
Employee provisions	**6.7**	6.0
Unearned progress billings	**55.3**	97.0
Derivative financial instruments	**33.5**	22.1
Impairment of loans	**7.4**	5.4
PPE	**1.4**	1.3
Equity raising costs	**0.1**	0.2
Tax losses	**191.9**	165.7
Deferred tax assets	**351.9**	339.7
Non-current liabilities – deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Equity accounted investments	**17.1**	10.5
Inventories	**86.2**	79.0
Foreign exchange translation gains	**30.5**	28.6
Derivative financial instruments	**8.6**	–
Other	**1.9**	1.5
Deferred tax liabilities	**144.3**	119.6
Net deferred tax assets	**207.6**	220.1
Deferred tax assets expected to be recovered within 12 months	**12.0**	–
Deferred tax assets expected to be recovered after more than 12 months	**339.9**	339.7
	351.9	339.7
g) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in profit or loss or other comprehensive income but directly debited or credited to equity:		
Net deferred tax – credited directly to equity	**0.4**	0.6
	0.4	0.6
h) Tax (benefit)/expense relating to items of other comprehensive income		
Exchange differences on translation of foreign operations	**(0.1)**	2.3

Movements in deferred tax

	Equity accounted investments $m	Foreign exchange translation gains $m	Unearned profits with associates $m	Unearned progress billings $m	Derivative financial instruments $m	Impairment of loans $m	PPE $m
Balance 1 July 2012	(9.1)	(39.1)	15.1	–	47.0	4.4	5.0
Credited/(charged) to profit or loss	(1.4)	12.8	3.0	97.0	(24.9)	1.0	(3.7)
Credited/(charged) to other comprehensive income	–	(2.3)	–	–	–	–	–
Credited to equity	–	–	–	–	–	–	–
Closing balance 30 June 2013	(10.5)	(28.6)	18.1	97.0	22.1	5.4	1.3
Credited/(charged) to profit or loss	**(6.6)**	**(2.0)**	**4.0**	**(41.7)**	**2.8**	**2.0**	**0.1**
Credited/(charged) to other comprehensive income	**–**	**0.1**	**–**	**–**	**–**	**–**	**–**
Credited to equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Closing balance 30 June 2014	**(17.1)**	**(30.5)**	**22.1**	**55.3**	**24.9**	**7.4**	**1.4**

6 Income tax / continued

	Equity raising costs $m	Inventories $m	Accrued expenses $m	Employee provisions $m	Tax losses $m	Other $m	Total $m
Balance 1 July 2012	0.6	(82.7)	23.0	6.3	228.7	(1.8)	197.4
Credited/(charged) to profit or loss	(0.5)	3.7	0.9	(0.3)	(63.5)	0.3	24.4
Credited/(charged) to other comprehensive income	–	–	–	–	–	–	(2.3)
Credited to equity	0.1	–	–	–	0.5	–	0.6
Closing balance 30 June 2013	0.2	(79.0)	23.9	6.0	165.7	(1.5)	220.1
Credited/(charged) to profit or loss	**(0.1)**	**(7.2)**	**9.6**	**0.7**	**25.8**	**(0.4)**	**(13.0)**
Credited/(charged) to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**0.1**
Credited to equity	**–**	**–**	**–**	**–**	**0.4**	**–**	**0.4**
Closing balance 30 June 2014	**0.1**	**(86.2)**	**33.5**	**6.7**	**191.9**	**(1.9)**	**207.6**

7 EPS

	2014 Cents	2013 Cents
Basic EPS		
From continuing operations	**12.19**	4.02
From discontinued operations	**–**	0.04
Total basic EPS attributable to the stapled securityholders of Mirvac	**12.19**	4.06
Diluted EPS[1]		
From continuing operations	**12.17**	4.01
From discontinued operations	**–**	0.04
Total diluted EPS attributable to the stapled securityholders of Mirvac	**12.17**	4.05
	$m	$m
Basic and diluted earnings[1]		
From continuing operations	**447.3**	138.5
From discontinued operations	**–**	1.4
Profit attributable to the stapled securityholders of Mirvac used in calculating EPS	**447.3**	139.9
Weighted average number of securities used as denominator	**Number m**	Number m
Weighted average number of securities used in calculating basic EPS	**3,669.5**	3,448.7
Adjustment for calculation of diluted EPS		
Securities issued under EIS	**4.7**	5.7
Weighted average number of securities used in calculating diluted EPS[1]	**3,674.2**	3,454.4

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

8 Receivables

	Gross $m	Provision for impairment $m	Net $m
30 June 2014			
Current receivables			
Trade receivables	**22.3**	**(0.1)**	**22.2**
Loans to directors and employees	**2.0**	**–**	**2.0**
Amounts due from related parties	**13.6**	**(0.3)**	**13.3**
Amounts due from unrelated parties	**47.4**	**(16.6)**	**30.8**
Mezzanine loans	**12.2**	**(12.2)**	**–**
Accrued income	**17.3**	**–**	**17.3**
Other receivables	**14.3**	**(1.2)**	**13.1**
	129.1	**(30.4)**	**98.7**
Non-current receivables			
Loans to directors and employees	**0.3**	**–**	**0.3**
Amounts due from related parties	**56.7**	**(24.2)**	**32.5**
Other receivables	**60.7**	**(33.0)**	**27.7**
	117.7	**(57.2)**	**60.5**
30 June 2013			
Current receivables			
Trade receivables	25.5	(0.2)	25.3
Loans to directors and employees	3.6	–	3.6
Amounts due from related parties	25.5	(0.3)	25.2
Amounts due from unrelated parties	28.6	(22.5)	6.1
Mezzanine loans	12.4	(12.4)	–
Accrued income	22.1	–	22.1
Other receivables	12.6	(1.2)	11.4
	130.3	(36.6)	93.7
Non-current receivables			
Loans to directors and employees	6.4	–	6.4
Amounts due from related parties	99.8	(41.5)	58.3
Other receivables	73.6	(18.0)	55.6
	179.8	(59.5)	120.3

Further information in relation to loans to KMP is set out in Remuneration report and amounts due from related parties is set out in note 31.

a) Trade receivables

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

b) Other receivables

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

c) Provision for impairment of trade receivables

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

	2014 $m	2013 $m
Balance 1 July	**(0.2)**	(0.4)
Provision for impairment released	**0.1**	0.2
Balance 30 June	**(0.1)**	**(0.2)**

Mirvac has released $0.1m (2013: $0.2m) of impairment against trade receivables during the current year. There was no loss applied against the provision for impairment of receivables. The creation and release of the provision for impaired receivables have been included in impairment of loans in profit or loss where these relate to the mezzanine loans, and have been included in other expenses in profit or loss where these relate to the impairment of trade receivables.

8 Receivables / continued

d) Credit risk

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

	2014		2013	
	Total receivables $m	**Provision for impairment $m**	Total receivables $m	Provision for impairment $m
Not past due	**191.9**	**(36.6)**	239.6	(39.0)
Renegotiated	**–**	**–**	–	–
Past due 1–30 days	**2.5**	**–**	11.4	–
Past due 31–60 days	**0.6**	**–**	1.6	–
Past due 61–90 days	**0.2**	**–**	0.1	(0.1)
Past due 91–120 days	**0.2**	**–**	0.1	(0.1)
Past 120 days	**51.4**	**(51.0)**	57.3	(56.9)
Total	**246.8**	**(87.6)**	310.1	(96.1)

Under certain circumstances, Mirvac has not provided for all balances past due as it has been determined that there has not been a significant change in credit quality at the end of the reporting period based upon the customer's payment history and analysis of the customer's financial accounts. The Group holds collateral over all lease arrangements of $288.3m (2013: $109.0m). The fair value of the collateral held equals the fair value of the receivables for which the collateral is held. The terms of the collateral are if payment due is not received per the agreed terms, Mirvac is able to claim the collateral held.

e) Impairment and risk exposures

Refer to note 1(l) for information about the impairment of trade receivables and their credit quality and note 1(p) for impairment of other receivables. Refer to note 32 for Mirvac's exposure to foreign currency risk, interest rate risk and credit risk.

f) Fair values of trade and other receivables

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

9 Derivative financial instruments

	2014 $m	2013 $m
Current assets		
Interest rate swap contracts – fair value	**6.6**	–
Cross currency swaps – fair value	**9.1**	–
Total current derivative assets	**15.7**	–
Non-current assets		
Interest rate swap contracts – fair value	**6.9**	11.6
Cross currency swaps – fair value	**4.4**	–
Total non-current derivative assets	**11.3**	11.6
Current liabilities		
Interest rate swap contracts – fair value	**13.0**	13.4
Total current derivative liabilities	**13.0**	13.4
Non-current liabilities		
Interest rate swap contracts – fair value	**17.1**	17.8
Cross currency derivatives – fair value	**81.6**	42.6
Total non-current derivative liabilties	**98.7**	60.4

Mirvac's derivatives are exclusively used for hedging purposes and not held for trading or speculative purposes.

a) Instruments used by Mirvac

Refer to note 32 for information on instruments used by Mirvac.

b) Risk exposures

Refer to note 32 for Mirvac's exposure to foreign exchange, interest rate and credit risk on interest rate and cross currency swaps.

9 Derivative financial instruments / continued

c) Change in accounting policy

The Group has applied the new standards on fair value measurement from 1 July 2013. As explained in note 1(dd), the adoption of the standard has affected the measurement of the fair value of certain net derivative liabilities. The Group has recognised the adjustment as a fair value movement in profit or loss in the current period of $2.7m.

d) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives, please refer to note 33.

10 Inventories

	2014 $m	2013 $m
Current [1]		
Development projects		
Cost of acquisition	**202.1**	167.1
Development costs	**362.6**	448.6
Borrowing costs capitalised during development	**62.8**	69.7
Provision for loss	**(29.4)**	(125.5)
	598.1	559.9
Construction work in progress (amount due from customers for contract work)		
Contract costs incurred and recognised profits less recognised losses	**126.0**	68.5
Progress billings	**(126.0)**	(68.5)
	–	–
Total current inventories	**598.1**	559.9
Non-current [1]		
Development projects		
Cost of acquisition	**609.4**	674.5
Development costs	**283.0**	277.6
Borrowing costs capitalised during development	**120.4**	154.9
Provision for loss	**(153.7)**	(203.7)
Total non-current inventories	**859.1**	903.3
Aggregate carrying amount of inventories		
Current	**598.1**	559.9
Non-current	**859.1**	903.3
Total inventories	**1,457.2**	1,463.2

1) Lower of cost and NRV.

a) Inventories expense

Inventories expensed as cost of property development and construction during the year ended 30 June 2014 amounted to $940.7m (2013: $703.7m). During the year, there was no amount (2013: $242.9m) expensed as provision for loss on inventories.

b) Current and non-current inventories

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

11 Other financial assets at fair value through profit or loss

	2014 $m	2013 $m
Units in unlisted fund		
Balance 1 July	**12.6**	12.7
Loss on revaluation	**(0.8)**	–
Capital distribution	**–**	(0.1)
Balance 30 June	**11.8**	12.6

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

11 Other financial assets at fair value through profit or loss / continued

a) Unlisted securities

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

b) Price risk exposure

Refer to note 32 for Mirvac's exposure to price risk on other financial assets at fair value through profit or loss.

12 Other assets

	2014 $m	2013 $m
Prepayments	**22.5**	17.2
Monies held in trust	**0.2**	0.3
	22.7	17.5

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

13 Assets classified as held for sale and discontinued operations

a) Discontinued operations

There were no discontinued operations in relation to the sale of a disposal group as at 30 June 2014 and 30 June 2013. During the year ended 30 June 2013, Mirvac recognised a gain of $2.0m (net of costs) relating to the purchase price adjustments following the satisfaction of a trigger event in the contract for sale which relates to the sale of the Hotel Management business.

b) Assets classified as held for sale

	2014 $m	2013 $m
Non-current assets held for sale		
1 Castlereagh Street, Sydney NSW [1]	**69.4**	–
10 Julius Avenue, North Ryde NSW [1]	**51.4**	–
12 Julius Avenue, North Ryde NSW [1]	**21.3**	–
275 Kent Street, Sydney NSW (50%) [1]	**435.0**	–
33 Corporate Drive, Cannon Hill QLD [1]	**15.2**	–
38 Sydney Avenue, Forrest ACT [1]	**35.5**	–
339 Coronation Drive, Milton QLD [1]	**53.7**	–
Waverley Gardens Shopping Centre, Mulgrave VIC [1]	**139.5**	–
Logan Megacentre, Logan QLD [2]	**–**	49.5
Manning Mall, Taree NSW [3]	**–**	31.8
	821.0	81.3

1) Settlement occurred on 1 July 2014.
2) Settlement occurred on 9 August 2013.
3) Settlement occurred on 11 July 2013.

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

i) Non-recurring fair value measurements

Investment properties classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value at the time of the reclassification. The fair value of the investment properties was determined using the sales comparison approach as described in note 16. This is a level three measurement as per the fair value hierarchy set out in note 33.

13 Assets classified as held for sale and discontinued operations / continued

c) Financial performance and cash flow information

The financial performance and cash flow information for the discontinued operations for the year ended 30 June 2014 and 30 June 2013 were as follows:

	2014 $m	2013 $m
Gain on sale before income tax	–	2.0
Income tax expense	–	(0.6)
Gain on sale after income tax	–	1.4
Profit from discontinued operations	–	1.4

d) Details of the sale

	2014 $m	2013 $m
Consideration received or receivable:		
Cash	–	2.2
Total consideration	–	2.2
Carrying amount of net assets sold (including selling costs)	–	(0.2)
Gain on sale before income tax	–	2.0
Income tax expense	–	(0.6)
Gain on sale after income tax	–	1.4

14 Investments in JVA entities

	Note	**2014 $m**	2013 $m
Consolidated SoFP			
Investments accounted for using the equity method			
Investments in associates	14(a)(i)	**0.5**	0.5
Investments in joint ventures	14(a)(iii)	**537.1**	379.4
		537.6	379.9
Consolidated SoCI			
Share of net profit of JVA accounted for using the equity method			
Investments in associates	14(d)(i)	**1.2**	0.1
Investments in joint ventures	14(d)(ii)	**45.7**	12.3
		46.9	12.4

a) Details of Mirvac's JVA

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

i) Associates

			Interest		Carrying value
Name of entity	Principal activities	**2014 %**	2013 %	**2014 $m**	2013 $m
Mindarie Keys Joint Venture [1]	Residential development	**15**	15	–	0.5
Mirvac Industrial Trust [2]	Listed property investment trust	**14**	14	**0.5**	–
				0.5	0.5

1) Mirvac equity accounts for this investment as an associate even though it owns less than 20 per cent of the voting or potential voting power due to the fact that it has significant influence over this entity, as a controlled entity of the Group is the project manager of this investment.
2) Mirvac equity accounts for this investment as an associate even though it owns less than 20 per cent of the voting or potential voting power due to the fact that it has significant influence over this entity, as a controlled entity of the Group is the responsible entity for the trust.

ii) Fair value of listed investments in associates

	2014 $m	2013 $m
Mirvac Industrial Trust	**8.4**	8.1

14 Investments in JVA entities / continued

a) Details of Mirvac's JVA (continued)

iii) Joint ventures

Name	Principal activities	Interest 2014 %	Interest 2013 %	Carrying value 2014 $m	Carrying value 2013 $m
Ascot Chase Nominee Stages 3-5 Pty Ltd	Residential development	**50**	50	**–**	–
Australian Centre for Life Long Learning[1]	Non-residential development	**–**	50	**–**	–
Australian Sustainable Forestry Investors 1 & 2[2]	Forestry and environmental asset manager	**60**	60	**2.3**	10.4
BAC Devco Pty Limited[2,3]	Non-residential development	**33**	33	**–**	–
BL Developments Pty Limited	Residential development	**50**	50	**30.9**	30.8
City West Property Investments (No.1) Trust	Non-residential development	**50**	50	**9.7**	9.6
City West Property Investments (No.2) Trust	Non-residential development	**50**	50	**9.7**	9.6
City West Property Investments (No.3) Trust	Non-residential development	**50**	50	**9.7**	9.6
City West Property Investments (No.4) Trust	Non-residential development	**50**	50	**9.7**	9.6
City West Property Investments (No.5) Trust	Non-residential development	**50**	50	**9.7**	9.6
City West Property Investments (No.6) Trust	Non-residential development	**50**	50	**9.7**	9.6
Domaine Investment Trust	Non-residential development	**50**	50	**–**	–
Ephraim Island Joint Venture	Residential development	**50**	50	**–**	2.7
Fast Track Bromelton Pty Limited and Nakheel SPV Pty Limited	Non-residential development	**50**	50	**27.4**	27.2
FreeSpirit Resorts Pty Limited[2]	Investment property	**25**	25	**–**	–
Googong Township Unit Trust	Residential development	**50**	50	**27.8**	24.8
Green Square Consortium Pty Limited	Residential development	**50**	50	**1.5**	–
HPAL Freehold Pty Limited[4]	Non-residential development	**–**	50	**–**	–
Infocus Infrastructure Management Pty Limited	Investment property	**50**	50	**1.0**	0.6
Leakes Road Rockbank Unit Trust	Residential development	**50**	50	**14.3**	14.2
Mirvac 8 Chifley Trust	Investment property	**50**	50	**157.3**	38.4
Mirvac Lend Lease Village Consortium	Residential development	**50**	50	**0.9**	0.8
Mirvac (Old Treasury) Trust	Investment property	**50**	50	**53.6**	30.2
Mirvac Wholesale Residential Development Partnership Trust	Residential development	**20**	20	**21.8**	20.2
MVIC Finance 2 Pty Limited	Residential development	**50**	50	**–**	–
Tucker Box Hotel Group	Hotel investment	**50**	50	**138.5**	121.5
Walsh Bay Partnership	Residential development	**50**	50	**1.6**	–
				537.1	**379.4**

1) This investment was sold during the year ended 30 June 2014.
2) Due to AASB 11 assessment, these investments have been reclassified from associates to joint ventures.
3) This entity entered into voluntary administration as of 4 May 2010.
4) This entity was deregistered on 5 September 2013.

b) Share of JVA commitments and contingent liabilities

Mirvac's share of its JVA commitments which have been approved but not yet provided for at year ended 30 June 2014 are set out below:

	2014 $m	2013 $m
Capital commitments	**–**	–
Total JVA commitments	**–**	**–**

14 Investments in JVA entities / continued

c) Summarised financial information for JVA

The tables below provide summarised financial information for those JVA of the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant JVA and not the Mirvac's share of those amounts.

i) Associates

Summarised consolidated SoFP 2014	Cash and cash equivalents $m	Other current assets $m	Total current assets $m	Total non-current assets $m	Current financial liabilities (excluding trade payables) $m	Other current liabilities $m	Total current liabilities $m	Non-current financial liabilities (excluding trade payables) $m	Other non-current liabilities $m	Total non-current liabilities $m	Net assets $m
Mindarie Keys Joint Venture	0.4	–	0.4	–	–	0.3	0.3	–	–	–	0.1
Mirvac Industrial Trust[1]	16.5	1.1	17.6	219.2	2.9	12.7	15.6	142.3	–	142.3	78.9
	16.9	**1.1**	**18.0**	**219.2**	**2.9**	**13.0**	**15.9**	**142.3**	**–**	**142.3**	**79.0**
2013											
Mindarie Keys Joint Venture	1.2	2.4	3.6	3.2	–	0.9	0.9	–	–	–	5.9
Mirvac Industrial Trust	13.3	1.9	15.2	229.1	3.0	14.4	17.4	150.9	–	150.9	76.0
	14.5	4.3	18.8	232.3	3.0	15.3	18.3	150.9	–	150.9	81.9

1) SoFP based on the latest publicly available financial statements as at 31 December 2013.

Reconciliation to carrying amounts 2014	Opening net assets 1 July $m	Profit for the year $m	Other compre-hensive income $m	Issue of equity $m	Distri-butions paid/ payable $m	Closing net assets 30 June $m	Group's share %	Group's share $m	Carrying amount $m
Mindarie Keys Joint Venture	5.9	3.5	–	–	(9.3)	0.1	15	–	–
Mirvac Industrial Trust[1]	76.0	(0.3)	3.2	–	–	78.9	14	11.0	0.5
	81.9	**3.2**	**3.2**	**–**	**(9.3)**	**79.0**		**11.0**	**0.5**
2013									
Mindarie Keys Joint Venture	6.1	0.5	–	–	(0.7)	5.9	15	0.9	0.5
Mirvac Industrial Trust[1]	67.7	3.0	7.0	–	(1.7)	76.0	14	10.6	–
	73.8	3.5	7.0	–	(2.4)	81.9		11.5	0.5

1) The investment was written down to $nil in 2009. The impairment on the loan to this investment was released during the year ended 30 June 2012. The Group did not recognised the full share of profit or loss in the investment since it has been fully impaired to $nil.

Summarised consolidated SoCI 2014	Revenue $m	Profit for the year $m	Other comprehensive income $m	Total comprehensive income $m	Distributions received from associates $m
Mindarie Keys Joint Venture	10.5	3.5	–	3.5	1.4
Mirvac Industrial Trust	17.3	(0.3)	3.2	2.9	0.3
	27.8	**3.2**	**3.2**	**6.4**	**1.7**
2013					
Mindarie Keys Joint Venture	1.9	0.5	–	0.5	0.1
Mirvac Industrial Trust	28.9	3.0	7.0	10.0	–
	30.8	3.5	7.0	10.5	0.1

Notes to the consolidated financial statements

14 Investments in JVA entities / continued

ii) Joint ventures

Summarised consolidated SoFP 2014	Cash and cash equivalents $m	Other current assets $m	Total current assets $m	Total non-current assets $m	Current financial liabilities (excluding trade payables) $m	Other current liabilities $m	Total current liabilities $m	Non-current financial liabilities (excluding trade payables) $m	Other non-current liabilities $m	Total non-current liabilities $m	Net assets $m
Ascot Chase Nominee Stages 3-5 Pty Ltd	26.7	8.3	35.0	15.3	11.7	4.5	16.2	36.9	(0.1)	36.8	(2.7)
Australian Centre for Life Long Learning	0.7	89.7	90.4	0.1	–	40.1	40.1	35.2	–	35.2	15.2
Australian Sustainable Forestry Investors 1 & 2	5.5	–	5.5	–	–	–	–	–	–	–	5.5
BAC Devco Pty Limited	–	–	–	–	–	–	–	–	–	–	–
BL Developments Pty Limited	35.1	5.1	40.2	35.4	–	0.7	0.7	–	(0.5)	(0.5)	75.4
City West Property Investments (No. 1 to 6) Trusts	0.3	4.4	4.7	112.4	–	0.1	0.1	–	–	–	117.0
Domaine Investment Trust	–	–	–	–	–	–	–	–	–	–	–
Ephraim Island Joint Venture	0.4	–	0.4	–	–	0.2	0.2	–	–	–	0.2
Fast Track Bromelton Pty Limited and Nakheel SPV Pty Limited	2.7	–	2.7	62.3	–	0.1	0.1	–	–	–	64.9
FreeSpirit Resorts Pty Limited	0.2	4.1	4.3	1.0	0.3	7.2	7.5	3.5	–	3.5	(5.7)
Googong Township Unit Trust	–	32.0	32.0	103.4	14.9	11.7	26.6	6.7	39.0	45.7	63.1
Green Square Consortium Pty Limited	1.5	1.5	3.0	16.7	4.8	11.4	16.2	–	0.4	0.4	3.1
HPAL Freehold Pty Limited	–	–	–	–	–	–	–	–	–	–	–
Infocus Infrastructure Management Pty Limited	2.1	0.1	2.2	–	–	0.2	0.2	–	–	–	2.0
Leakes Road Rockbank Unit Trust	1.0	–	1.0	32.0	–	1.1	1.1	–	3.3	3.3	28.6
Mirvac 8 Chifley Trust	0.2	0.4	0.6	347.6	–	0.5	0.5	–	–	–	347.7
Mirvac Lend Lease Village Consortium	4.3	–	4.3	–	–	2.1	2.1	–	–	–	2.2
Mirvac (Old Treasury) Trust	151.5	0.2	151.7	124.2	–	(0.2)	(0.2)	158.9	–	158.9	117.2
Mirvac Wholesale Residential Development Partnership Trust	35.0	69.0	104.0	108.1	–	9.7	9.7	76.7	–	76.7	125.7
MVIC Finance 2 Pty Limited	0.1	–	0.1	–	–	–	–	–	–	–	0.1
Tucker Box Hotel Group	4.8	7.2	12.0	423.6	2.8	7.5	10.3	146.2	1.1	147.3	278.0
Walsh Bay Partnership	–	0.6	0.6	–	–	2.6	2.6	–	–	–	(2.0)
	272.1	**222.6**	**494.7**	**1,382.1**	**34.5**	**99.5**	**134.0**	**464.1**	**43.2**	**507.3**	**1,235.5**
2013											
Ascot Chase Nominee Stages 3-5 Pty Ltd	1.3	17.3	18.6	21.6	13.7	0.3	14.0	27.0	–	27.0	(0.8)
Australian Centre for Life Long Learning	1.0	42.9	43.9	48.8	–	42.6	42.6	35.2	–	35.2	14.9
Australian Sustainable Forestry Investors 1 & 2	2.2	0.2	2.4	53.9	–	1.7	1.7	22.9	–	22.9	31.7
BAC Devco Pty Limited	–	–	–	–	–	–	–	–	–	–	–
BL Developments Pty Limited	25.1	15.1	40.2	39.9	–	2.3	2.3	–	3.3	3.3	74.5
City West Property Investments (No. 1 to 6) Trusts	0.4	3.5	3.9	111.3	–	–	–	–	–	–	115.2
Domaine Investment Trust	–	–	–	–	5.2	–	5.2	–	–	–	(5.2)
Ephraim Island Joint Venture	0.1	9.8	9.9	–	2.7	0.1	2.8	–	–	–	7.1
Fast Track Bromelton Pty Limited and Nakheel SPV Pty Limited	4.0	0.1	4.1	61.6	–	0.9	0.9	–	–	–	64.8
FreeSpirit Resorts Pty Limited	0.3	3.8	4.1	1.3	0.3	7.4	7.7	2.3	–	2.3	(4.6)
Googong Township Unit Trust	–	28.2	28.2	84.8	20.3	11.1	31.4	–	29.6	29.6	52.0
Green Square Consortium Pty Limited	3.0	0.2	3.2	3.3	4.7	1.7	6.4	–	0.1	0.1	–
HPAL Freehold Pty Limited	–	15.0	15.0	–	–	–	–	–	–	–	15.0
Infocus Infrastructure Management Pty Limited	1.7	0.1	1.8	–	–	0.6	0.6	–	–	–	1.2
Leakes Road Rockbank Unit Trust	1.1	–	1.1	30.5	–	1.8	1.8	–	1.5	1.5	28.3
Mirvac 8 Chifley Trust	1.0	1.6	2.6	277.1	–	1.0	1.0	194.5	–	194.5	84.2
Mirvac Lend Lease Village Consortium	4.3	–	4.3	–	–	2.0	2.0	–	–	–	2.3
Mirvac (Old Treasury) Trust	100.8	0.3	101.1	64.7	–	(0.2)	(0.2)	95.7	–	95.7	70.3
Mirvac Wholesale Residential Development Partnership Trust	12.2	152.5	164.7	181.1	132.5	12.7	145.2	80.6	–	80.6	120.0
MVIC Finance 2 Pty Limited	0.1	–	0.1	–	–	–	–	–	–	–	0.1
Tucker Box Hotel Group	5.1	6.5	11.6	397.1	3.8	7.4	11.2	143.7	9.7	153.4	244.1
Walsh Bay Partnership	–	–	–	–	–	0.1	0.1	–	–	–	(0.1)
	163.7	297.1	460.8	1,377.0	183.2	93.5	276.7	601.9	44.2	646.1	915.0

14 Investments in JVA entities / continued

Reconciliation to carrying amounts 2014	Opening net assets 1 July $m	Profit/(loss) for the year $m	Other comprehensive income $m	Issue/(return) of equity $m	Distributions paid/payable $m	Closing net assets 30 June $m	Group's share %	Group's share $m	Carrying amount $m
Ascot Chase Nominee Stages 3-5 Pty Ltd[1]	(0.8)	(1.9)	–	–	–	(2.7)	50	(1.4)	–
Australian Centre for Life Long Learning[2]	14.9	0.3	–	–	–	15.2	–	–	–
Australian Sustainable Forestry Investors 1 & 2[3]	31.7	(13.7)	–	(12.5)	–	5.5	60	3.3	2.3
BAC Devco Pty Limited	–	–	–	–	–	–	33	–	–
BL Developments Pty Limited[4]	74.5	0.9	–	–	–	75.4	50	37.7	30.9
City West Property Investments (No. 1 to 6) Trusts	115.2	1.8	–	–	–	117.0	50	58.5	58.2
Domaine Investment Trust	(5.2)	5.2	–	–	–	–	50	–	–
Ephraim Island Joint Venture	7.1	(2.0)	–	–	(4.9)	0.2	50	0.1	–
Fast Track Bromelton Pty Limited and Nakheel SPV Pty Limited[4]	64.8	0.1	–	–	–	64.9	50	32.5	27.4
FreeSpirit Resorts Pty Limited	(4.6)	(1.1)	–	–	–	(5.7)	25	(1.4)	–
Googong Township Unit Trust[5]	52.0	11.1	–	–	–	63.1	50	31.6	27.8
Green Square Consortium Pty Limited	–	0.1	–	3.0	–	3.1	50	1.6	1.5
HPAL Freehold Pty Limited[6]	15.0	(14.7)	–	(0.3)	–	–	–	–	–
Infocus Infrastructure Management Pty Limited	1.2	1.2	–	–	(0.4)	2.0	50	1.0	1.0
Leakes Road Rockbank Unit Trust	28.3	0.3	–	–	–	28.6	50	14.3	14.3
Mirvac 8 Chifley Trust[4]	84.2	12.9	–	250.6	–	347.7	50	173.9	157.3
Mirvac Lend Lease Village Consortium	2.3	(0.1)	–	–	–	2.2	50	1.1	0.9
Mirvac (Old Treasury) Trust[4]	70.3	3.5	–	45.7	(2.3)	117.2	50	58.6	53.6
Mirvac Wholesale Residential Development Partnership Trust[4]	120.0	25.0	–	(19.3)	–	125.7	20	25.1	21.8
MVIC Finance 2 Pty Limited	0.1	–	–	–	–	0.1	50	0.1	–
Tucker Box Hotel Group	244.1	58.7	–	–	(24.8)	278.0	50	139.0	138.5
Walsh Bay Partnership	(0.1)	–	–	(1.9)	–	(2.0)	50	(1.0)	1.6
	915.0	**87.6**	**–**	**265.3**	**(32.4)**	**1,235.5**		**574.6**	**537.1**

1) The investment is in an asset deficiency position and the Group has taken the amount to its liability on the consolidated SoFP.
2) The Group disposed of this investment during the year.
3) The investment has disposed of its assets and made a part repayment of capital to its investors. The remaining of the capital will be repaid in FY15. The Group is still holding part of the provision previously made against this investment. As a result, the carrying amount is less than Group's entitlement to the net asset of the investment.
4) The difference between the carrying amount and the Group's share in the net assets of its investment is a result of elimination due to the Group's transactions with its investment.
5) The difference between the carrying amount and the Group's share in the net assets of its investment is due to a different methodology on allocation of cost of goods sold upon settlements of project lots in the JV.
6) This investment was deregistered on 5 September 2013.

Notes to the consolidated financial statements

14 Investments in JVA entities / continued

Reconciliation to carrying amounts 2013	Opening net assets 1 July $m	Profit/ (loss) for the year $m	Other compre-hensive income $m	Issue/ (return) of equity $m	Distri-butions paid/ payable $m	Closing net assets 30 June $m	Group's share %	Group's share $m	Carrying amount $m
Ascot Chase Nominee Stages 3-5 Pty Ltd [1]	–	(0.8)	–	–	–	(0.8)	50	(0.4)	–
Australian Centre for Life Long Learning [2]	14.3	0.6	–	–	–	14.9	50	7.5	–
Australian Sustainable Forestry Investors 1 & 2 [3]	31.7	–	–	–	–	31.7	60	19.0	10.4
BAC Devco Pty Limited	–	–	–	–	–	–	33	–	–
BL Developments Pty Limited [4]	100.5	(19.0)	–	–	(7.0)	74.5	50	37.3	30.8
City West Property Investments (No. 1 to 6) Trusts	113.4	1.8	–	–	–	115.2	50	57.6	57.6
Domaine Investment Trust [5]	(5.2)	–	–	–	–	(5.2)	50	(2.6)	–
Ephraim Island Joint Venture [6]	19.9	(12.8)	–	–	–	7.1	50	3.6	2.7
Fast Track Bromelton Pty Limited and Nakheel SPV Pty Limited [4]	64.7	0.1	–	–	–	64.8	50	32.4	27.2
FreeSpirit Resorts Pty Limited	(4.4)	(0.2)	–	–	–	(4.6)	25	(1.2)	–
Googong Township Unit Trust	51.3	–	0.7	–	–	52.0	50	26.0	24.8
Green Square Consortium Pty Limited	–	–	–	–	–	–	50	–	–
HPAL Freehold Pty Limited [7]	15.1	(0.1)	–	–	–	15.0	50	7.5	–
Infocus Infrastructure Management Pty Limited	2.7	1.3	–	–	(2.8)	1.2	50	0.6	0.6
Leakes Road Rockbank Unit Trust	28.5	(0.2)	–	–	–	28.3	50	14.2	14.2
Mirvac 8 Chifley Trust [4]	44.2	0.7	–	39.3	–	84.2	50	42.1	38.4
Mirvac Lend Lease Village Consortium	2.2	0.1	–	–	–	2.3	50	1.2	0.8
Mirvac (Old Treasury) Trust [4]	–	1.4	–	69.3	(0.4)	70.3	50	35.2	30.2
Mirvac Wholesale Residential Development Partnership Trust [4]	143.8	(23.8)	–	–	–	120.0	20	24.0	20.2
MVIC Finance 2 Pty Limited	0.1	–	–	–	–	0.1	50	0.1	–
Quadrant Real Estate Advisors LLC [7]	0.3	6.8	(3.5)	(1.4)	(2.2)	–	–	–	–
Swanbourne Joint Venture [8]	7.7	3.1	–	–	(10.8)	–	–	–	–
Tucker Box Hotel Group	246.4	19.9	–	–	(22.2)	244.1	50	122.1	121.5
Walsh Bay Partnership	(0.9)	(0.3)	–	1.1	–	(0.1)	50	(0.1)	–
	876.3	(21.4)	(2.8)	108.3	(45.4)	915.0		426.1	379.4

1) The investment is in an asset deficiency position and the Group has taken the amount to its liability on the consolidated SoFP.
2) The Group has previously impaired this investment to nil and has not taken up any movements in share of profit or loss since.
3) The difference between the carrying amount and the Group's share in the investment's net assets is due to an impairment made to the investment in the prior years.
4) The difference between the carrying amount and the Group's share in the net assets of its investment is a result of elimination due to the Group's transactions with its investment.
5) The Group has previously impaired this investment to $nil.
6) The losses incurred in the investment during the year have already been reflected in the provision made to the investment in the prior years. No further losses were booked in this year.
7) The only asset in the investment is receivables from the investment partners where this has been previously booked as repayment of capital in the Group.
8) The partnership has been concluded during the year.

Summarised consolidated SoCI 2014	Revenue $m	Interest income $m	Deprec-iation and amorti-sation $m	Interest expense $m	Income tax expense $m	Profit/ (loss) for the year $m	Other compre-hensive income $m	Total compre-hensive income $m	Distri-butions received from joint ventures $m
Ascot Chase Nominee Stages 3-5 Pty Ltd	25.5	3.5	–	7.1	(0.8)	(1.9)	–	(1.9)	–
Australian Centre for Life Long Learning	0.3	–	–	–	–	0.2	–	0.2	–
Australian Sustainable Forestry Investors 1 & 2	2.1	0.1	–	1.2	–	0.2	–	0.2	–
BAC Devco Pty Limited	–	–	–	–	–	–	–	–	–
BL Developments Pty Limited	13.5	0.6	–	0.2	–	(0.5)	–	(0.5)	–
City West Property Investments (No. 1 to 6) Trusts	1.6	–	–	–	–	1.4	–	1.4	–
Domaine Investment Trust	–	–	–	–	–	–	–	–	–
Ephraim Island Joint Venture	8.4	–	–	(0.6)	–	(2.0)	–	(2.0)	2.4
Fast Track Bromelton Pty Limited and Nakheel SPV Pty Limited	0.1	0.1	–	–	–	0.1	–	0.1	–
FreeSpirit Resorts Pty Limited	10.2	–	–	–	–	(0.7)	–	(0.7)	–
Googong Township Unit Trust	72.8	0.2	0.1	0.6	–	11.1	–	11.1	–
Green Square Consortium Pty Limited	(1.4)	0.1	–	–	–	–	–	–	–
HPAL Freehold Pty Limited	–	–	–	–	–	–	–	–	–
Infocus Infrastructure Management Pty Limited	1.7	–	–	–	0.5	1.2	–	1.2	0.2
Leakes Road Rockbank Unit Trust	–	–	–	0.3	–	0.4	–	0.4	–
Mirvac 8 Chifley Trust	32.7	–	–	16.7	–	12.8	–	12.8	–
Mirvac Lend Lease Village Consortium	0.1	–	–	–	–	0.1	–	0.1	–
Mirvac (Old Treasury) Trust	3.5	3.0	–	–	–	3.5	–	3.5	1.2
Mirvac Wholesale Residential Development Partnership Trust	251.4	0.5	–	21.0	–	25.0	–	25.0	–
MVIC Finance 2 Pty Limited	–	–	–	–	–	–	–	–	–
Tucker Box Hotel Group	68.5	0.1	–	10.0	0.1	58.6	–	58.6	12.4
Walsh Bay Partnership	–	–	–	–	–	–	–	–	–
	491.0	**8.2**	**0.1**	**56.5**	**(0.2)**	**109.5**	**–**	**109.5**	**16.2**

14 Investments in JVA entities / continued

Summarised consolidated SoCI 2013	Revenue $m	Interest income $m	Deprec-iation and amorti-sation $m	Interest expense $m	Income tax expense $m	Profit/ (loss) for the year $m	Other compre-hensive income $m	Total compre-hensive income $m	Distri-butions received from joint ventures $m
Ascot Chase Nominee Stages 3-5 Pty Ltd	1.0	1.0	–	1.4	(0.3)	(0.8)	–	(0.8)	–
Australian Centre for Life Long Learning	1.4	–	–	–	–	0.6	–	0.6	–
Australian Sustainable Forestry Investors 1 & 2	3.7	0.1	–	1.8	–	1.1	–	1.1	–
BAC Devco Pty Limited	–	–	–	–	–	–	–	–	–
BL Developments Pty Limited	22.8	0.4	–	0.7	–	(19.0)	–	(19.0)	3.5
City West Property Investments (No. 1 to 6) Trusts	1.8	–	–	–	–	1.8	–	1.8	–
Domaine Investment Trust	–	–	–	–	–	–	–	–	–
Ephraim Island Joint Venture	19.7	–	–	1.9	–	(12.8)	–	(12.8)	–
Fast Track Bromelton Pty Limited and Nakheel SPV Pty Limited	0.1	0.1	–	–	–	0.1	–	0.1	–
FreeSpirit Resorts Pty Limited	15.7	–	–	–	–	(0.5)	–	(0.5)	–
Googong Township Unit Trust	0.1	0.1	–	–	(0.1)	–	–	–	–
Green Square Consortium Pty Limited	0.9	–	–	–	–	–	–	–	–
HPAL Freehold Pty Limited	–	–	–	–	–	–	–	–	–
Infocus Infrastructure Management Pty Limited	1.7	0.1	–	–	0.5	1.2	–	1.2	1.4
Leakes Road Rockbank Unit Trust	–	–	–	–	–	(0.2)	–	(0.2)	–
Mirvac 8 Chifley Trust	0.7	–	–	–	–	0.7	–	0.7	–
Mirvac Lend Lease Village Consortium	0.2	–	–	–	–	0.2	–	0.2	–
Mirvac (Old Treasury) Trust	2.1	0.6	–	–	–	2.1	–	2.1	0.2
Mirvac Wholesale Residential Development Partnership Trust	71.2	0.2	–	7.5	–	(28.7)	–	(28.7)	–
MVIC Finance 2 Pty Limited	–	–	–	–	–	–	–	–	–
Quadrant Real Estate Advisors LLC	15.4	–	0.2	0.6	–	3.0	–	3.0	1.2
Swanbourne Joint Venture	10.7	–	–	–	–	3.1	–	3.1	5.4
Tucker Box Hotel Group	33.2	0.2	–	11.3	–	20.0	–	20.0	11.1
Walsh Bay Partnership	–	–	–	–	–	–	–	–	–
	202.4	2.8	0.2	25.2	0.1	(28.1)	–	(28.1)	22.8

d) Reconciliation of the carrying amount of investments in JVA

i) Associates

	2014 $m	2013 $m
Movements in carrying amounts		
Balance 1 July	**0.5**	0.5
Distributions received/receivable	**(1.7)**	(0.1)
Share of profit from ordinary operating activities	**1.2**	0.1
Other	**0.5**	–
Balance 30 June	**0.5**	0.5

ii) Joint ventures

	2014 $m	2013 $m
Movements in carrying amounts		
Balance 1 July	**379.4**	356.9
Equity acquired	**151.3**	47.8
Equity sold	**–**	(2.3)
Repayment of capital	**(11.4)**	–
Investment impaired	**–**	(12.3)
Distributions received/receivable	**(16.2)**	(22.8)
Deferred revenue eliminated	**(12.3)**	(8.1)
Share of profit from ordinary operating activities	**45.7**	12.3
Transfers from investment in controlled entities	**–**	6.9
Other	**0.6**	1.0
Balance 30 June	**537.1**	379.4

14 Investments in JVA / continued

e) Investment in associates accounted for at fair value

Name of entity	Principal activities	Interest 2014 %	Interest 2013 %	2014 $m	2013 $m
JF Infrastructure Yield Fund	Infrastructure	**22**	22	**11.8**	12.6

For information about the methods and assumptions used in determining the fair value of other financial assets at fair value through profit or loss, refer to note 33.

f) Impairment of investments

In the year ended 30 June 2014, there was no impairment provision taken against the carrying value of the investments in JVA (2013: $12.3m). Investments in JVA are reviewed at the end of each reporting period for any impairment and written off to the extent that the future benefits are no longer probable and do not support the carrying value of the investment.

g) Investments in unconsolidated structured entities

Mirvac is not contractually obliged to provide financial support to its unconsolidated structured entities.

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

- Mirvac Industrial Trust;
- JF Infrastructure Yield Fund; and
- ASFI.

As Mirvac does not provide financial support the exposure of Mirvac is equal to the carrying value being $14.6m (2013: $23.0m).

15 Other financial assets

	2014 $m	2013 $m
Current		
Heritage Maintenance Annuity – Treasury Building Hotel	**52.0**	–
Total other financial assets	**52.0**	–
Non-current		
Convertible notes issued by Mirvac 8 Chifley Trust	**–**	97.2
Convertible notes issued by Mirvac (Old Treasury) Trust	**79.4**	47.9
Heritage Maintenance Annuity – Treasury Building Hotel	**–**	42.0
Total other financial assets	**79.4**	187.1

At 30 June 2014, the Group held $79.4m of convertible notes (2013: $145.1m), of which associated with funding Mirvac (Old Treasury) Trust joint venture was $79.4m (2013: $47.9m). The Group has an investment accounted for using the equity method in the issuing joint venture. Convertible notes have been issued to fund the development costs of investment property currently under construction held by the Group. Upon the agreed conversion date of each property, the convertible notes may be converted into equity held by the Group and the investment accounted for using the equity method will increase by the value of the convertible notes held. At 30 June 2014, $97.2m of convertible notes issued by Mirvac 8 Chifley Trust were converted into equity.

a) Fair value measurement

For information about the methods and assumptions used in determining the fair value of other financial assets refer to note 33.

16 Investment properties

	Date of acquisition	Book value 30 June 2014 $m	Book value 30 June 2013 $m	Capitalisation rate 30 June 2014 %	Capitalisation rate 30 June 2013 %	Discount rate 30 June 2014 %	Discount rate 30 June 2013 %	Date of last external valuation	Last external valuation $m
MPT and its controlled entities									
1 Castlereagh Street, Sydney NSW [1]	December 1998	**–**	71.0	**–**	7.63	**–**	9.25	June 2012	72.0
1 Darling Island, Pyrmont NSW	April 2004	**188.9**	178.2	**7.00**	7.00	**8.75**	9.00	December 2012	175.0
1 Woolworths Way, Bella Vista NSW [2]	August 2010	**250.0**	248.0	**7.75**	7.75	**8.88**	8.88	June 2013	248.0
1-47 Percival Road, Smithfield NSW	November 2002	**32.5**	30.5	**8.00**	8.25	**9.50**	9.75	December 2013	31.0
10 Julius Avenue, North Ryde NSW [1,2]	December 2009	**–**	51.2	**–**	8.50	**–**	9.50	June 2013	51.2
10-20 Bond Street, Sydney NSW (50% interest) [2]	December 2009	**192.8**	181.4	**6.63**	6.88	**8.50**	9.00	December 2013	188.0
101-103 Miller Street & Greenwood Plaza, North Sydney NSW (50% interest)	June 1994	**289.3**	272.0	**6.50-6.75**	6.75-7.00	**8.50-8.75**	9.00-9.25	December 2012	267.5
12 Julius Avenue, North Ryde NSW [1,2]	December 2009	**–**	23.5	**–**	8.50	**–**	9.50	June 2013	23.5
189 Grey Street, Southbank QLD	April 2004	**82.2**	78.6	**7.63**	7.63	**9.00**	9.25	December 2013	79.0
1900-2060 Pratt Boulevard, Chicago Illinois USA	December 2007	**36.0**	35.0	**7.25**	7.50	**8.50**	9.25	December 2013	36.0
191-197 Salmon Street, Port Melbourne VIC	July 2003	**77.5**	101.6	**9.75**	8.00	**10.00**	9.25	June 2014	77.5
210 George Street, Sydney NSW	May 2013	**26.0**	26.0	**7.75**	8.00	**8.75**	9.50	June 2014	26.0
220 George Street, Sydney NSW	May 2013	**57.0**	57.0	**8.00**	8.00	**8.75**	9.50	June 2014	57.0
271 Lane Cove Road, North Ryde NSW	April 2000	**31.4**	31.3	**8.25**	8.25	**9.25**	9.50	June 2014	31.4
275 Kent Street, Sydney NSW [2,3]	August 2010	**435.0**	830.0	**6.00**	6.75	**8.50**	9.00	June 2012	792.0
3 Rider Boulevard, Rhodes NSW [2]	December 2009	**89.1**	84.3	**8.00**	8.00	**8.75**	9.25	June 2013	84.3
33 Corporate Drive, Cannon Hill QLD [1,2]	August 2010	**–**	15.2	**–**	9.00	**–**	10.00	June 2013	15.2
340 Adelaide Street, Brisbane QLD [2,4]	December 2009	**55.3**	–	**8.75**	–	**9.25**	–	December 2012	60.0
367 Collins Street, Melbourne VIC [5]	November 2013	**228.0**	–	**7.00**	–	**8.75**	–	–	–
37 Pitt Street, Sydney NSW	May 2013	**68.0**	67.0	**8.00**	8.25	**8.75**	9.50	June 2014	68.0
38 Sydney Avenue, Forrest ACT [1]	June 1996	**–**	35.5	**–**	8.50	**–**	9.50	December 2012	35.5
40 Miller Street, North Sydney NSW	March 1998	**106.4**	105.5	**7.25**	7.25	**8.75**	9.25	June 2014	106.4
47-67 Westgate Drive, Altona North VIC [2]	December 2009	**19.1**	19.1	**9.50**	9.75	**9.75**	10.00	December 2013	19.1
477 Collins Street, Melbourne VIC [5]	November 2013	**72.0**	–	**7.50**	–	**8.75**	–	–	–
5 Rider Boulevard, Rhodes NSW	January 2007	**130.4**	126.9	**7.75**	8.00	**8.75**	9.25	December 2012	124.0
51 Pitt Street, Sydney NSW	May 2013	**26.0**	24.0	**8.00**	8.25	**8.75**	9.50	June 2014	26.0
54 Marcus Clarke Street, Canberra ACT	October 1987	**14.1**	14.7	**9.75**	9.75	**10.50**	10.50	December 2012	14.7
54-60 Talavera Road, North Ryde NSW [1,2]	August 2010	**–**	47.0	**–**	7.50	**–**	9.25	December 2012	47.0
55 Coonara Avenue, West Pennant Hills NSW [2]	August 2010	**70.0**	100.5	**9.50**	8.50	**10.00**	9.50	June 2014	70.0
6-8 Underwood Street, Sydney NSW	May 2013	**9.5**	9.0	**9.00**	8.25	**9.00**	9.50	June 2014	9.5
60 Marcus Clarke Street, Canberra ACT	September 1989	**48.5**	48.5	**8.75**	8.75	**9.50**	9.50	June 2013	48.5
60 Wallgrove Road, Eastern Creek NSW [5]	January 2014	**55.1**	–	**6.50-9.50**	–	**9.00-10.50**	–	June 2014	55.1
90 Collins Street, Melbourne VIC	May 2013	**175.5**	170.0	**6.75**	7.25	**8.75**	8.75	June 2014	175.5
Allendale Square, 77 St Georges Terrace, Perth WA	May 2013	**237.0**	231.0	**8.00**	8.25	**9.25**	9.50	June 2014	237.0
Aviation House, 16 Furzer Street, Phillip ACT	July 2007	**69.0**	68.6	**7.75**	7.75	**9.00**	9.50	December 2013	69.0
Bay Centre, Pirrama Road, Pyrmont NSW	June 2001	**115.0**	109.2	**7.50**	7.65	**8.75**	9.25	December 2013	110.0
Broadway Shopping Centre, Broadway NSW (50% interest)	January 2007	**280.0**	255.0	**6.00**	6.00	**8.75**	9.00	June 2014	280.0
Cherrybrook Village Shopping Centre, Cherrybrook NSW [2]	December 2009	**86.7**	84.6	**7.25**	7.25	**9.25**	9.25	June 2013	84.6
City Centre Plaza, Rockhampton QLD [2]	December 2009	**44.0**	49.0	**8.00**	8.00	**9.25**	9.50	June 2013	49.0
Como Centre, Cnr Toorak Road & Chapel Street, South Yarra VIC	August 1998	**168.3**	159.9	**8.00-8.36**	8.00-8.50	**9.00-11.00**	9.00-11.00	June 2013	159.9
Cooleman Court, Weston ACT [2]	December 2009	**52.0**	47.6	**7.50**	7.75	**9.00**	9.50	December 2013	53.0
Gippsland Centre, Sale VIC [1]	January 1994	**–**	48.5	**–**	8.50	**–**	9.50	December 2011	49.1
Harbourside Shopping Centre, Sydney, NSW [5]	January 2014	**252.0**	–	**6.75**	–	**8.75**	–	–	–
Hinkler Central, Bundaberg QLD	August 2003	**93.2**	92.0	**7.75**	7.75	**9.50**	9.50	December 2012	92.0
John Oxley Centre, 339 Coronation Drive, Milton QLD [1]	May 2002	**–**	56.1	**–**	9.00	**–**	10.00	December 2012	56.0
Kawana Shoppingworld, Buddina QLD	December 1993 (50%) & June 1998 (50%)	**299.8**	230.7	**6.50**	6.75	**9.00**	9.25	December 2013	255.0
Moonee Ponds Central, Moonee Ponds VIC [6]	May 2003 & February 2008	**67.0**	66.8	**7.75**	7.75-8.50	**9.00**	9.50-9.75	June 2014	67.0
Nexus Industry Park (Building 1), Lyn Parade, Prestons NSW	August 2004	**20.5**	19.2	**7.75**	8.00	**9.25**	9.25	June 2013	19.2
Nexus Industry Park (Building 2), Lyn Parade, Prestons NSW	August 2004	**13.1**	14.6	**7.75**	8.00	**9.25**	9.50	December 2012	14.4

16 Investment properties / continued

	Date of acquisition	Book value 30 June 2014 $m	Book value 30 June 2013 $m	Capitalisation rate 30 June 2014 %	Capitalisation rate 30 June 2013 %	Discount rate 30 June 2014 %	Discount rate 30 June 2013 %	Date of last external valuation	Last external valuation $m
Nexus Industry Park (Building 3), Lyn Parade, Prestons NSW	August 2004	**26.1**	25.3	**8.00**	8.00	**9.25**	9.25	June 2013	25.3
Nexus Industry Park (Building 4), Lyn Parade, Prestons NSW	August 2004	**38.2**	35.0	**7.50**	8.00	**9.25**	9.50	December 2013	35.8
Nexus Industry Park (Building 5), Lyn Parade, Prestons NSW	August 2004	**19.5**	17.1	**7.50**	8.00	**9.25**	9.50	December 2012	16.4
Orange City Centre, Orange NSW [1]	April 1993	**–**	48.0	**–**	8.50	**–**	9.75	December 2011	49.0
Orion Springfield Town Centre, Springfield QLD	August 2002	**138.8**	129.0	**6.75**	6.75	**9.25**	9.25	December 2012	128.0
Quay West Car Park, 109-111 Harrington Street, Sydney NSW	November 1989	**29.3**	30.5	**8.25**	8.50	**10.00**	10.00	June 2013	30.5
Rhodes Shopping Centre, Rhodes NSW (50% interest)	January 2007	**130.4**	125.0	**7.00**	7.00	**9.25**	9.25	June 2013	125.0
Riverside Quay, Southbank VIC	April 2002 & July 2003	**208.5**	194.7	**7.50-7.75**	7.75-8.00	**9.00-10.25**	9.25-10.00	December 2013	199.3
Royal Domain Centre, 380 St Kilda Road, Melbourne VIC	October 1995 (50%) & April 2001 (50%)	**127.7**	118.0	**8.00**	8.00	**9.00**	9.00	June 2013	118.0
Sirius Building, 23 Furzer Street, Phillip ACT	February 2010	**247.0**	246.0	**7.35**	7.50	**8.75**	9.50	December 2013	246.5
St Marys Village Centre, St Marys NSW	January 2003	**46.0**	44.0	**7.75**	7.75	**9.00**	9.00	December 2012	44.0
Stanhope Village, Stanhope Gardens NSW	November 2003	**101.6**	87.0	**7.25**	7.50	**9.00**	9.25	December 2013	97.0
Waverley Gardens Shopping Centre, Mulgrave VIC [1]	November 2002	**–**	135.7	**–**	7.75	**–**	9.50	December 2013	131.5
Mirvac Limited and its controlled entities									
Hoxton Distribution Park, Hoxton Park NSW (50% interest)	July 2010	**114.1**	104.1	**6.50**	7.25	**9.25**	9.25	December 2013	108.0
Total investment properties		**5,890.4**	5,954.7						
IPUC									
200 George Street, Sydney NSW (50% interest)	December 2012	**68.6**	44.1	**6.50**	6.50	**8.75**	8.75	December 2012	37.6
699 Bourke Street, Melbourne VIC (50% interest) [7]	November 2007 (50%) & May 2011 (50%)	**20.4**	–	**6.50**	–	**9.00**	–	–	–
Orion Springfield land, Springfield QLD	August 2002	**37.0**	30.8	**6.50-9.50**	6.50-9.50	**9.25-10.25**	9.25-10.25	December 2012	33.0
Total IPUC		**126.0**	74.9						
Total investment properties and IPUC		**6,016.4**	6,029.6						

1) Investment property disposed of or reclassified to held for sale during the year.
2) Date of acquisition represents business combination acquisition date.
3) 50 per cent of the investment property reclassified to held for sale during the year.
4) Previously classified as OOP.
5) Investment property acquired during the year.
6) Moonee Ponds Central (Stage II) and Moonee Ponds Central, Moonee Ponds VIC amalgamated during the year.
7) Transferred from inventories during the year.

a) Reconciliation of carrying amounts of investment properties

At fair value	Note	2014 $m	2013 $m
Balance 1 July		**6,029.6**	5,488.5
Additions		**215.5**	118.4
Acquisitions		**643.1**	619.0
Disposals		**(149.1)**	(142.4)
Net gain on fair value of investment properties [1]	35	**56.5**	55.6
Net loss on fair value of IPUC	35	**(7.7)**	(3.6)
Net (loss)/gain from foreign currency translation		**(0.9)**	3.0
Assets classified as held for sale	13	**(821.0)**	(81.3)
Transfers from inventories		**20.1**	–
Transfers from OOP	17	**60.0**	–
Amortisation of fitout incentives, leasing costs and rent incentive		**(29.7)**	(27.6)
Balance 30 June		**6,016.4**	6,029.6

1) FY13 is different to consolidated SoCI by $1.6m due to revaluation decrement to investment properties classified as OOP.

16 Investment properties / continued

b) Amounts recognised in the consolidated SoCI for investment properties

At fair value	**2014 $m**	2013 $m
Investment properties rental revenue	**650.9**	583.1
Investment property expenses	**(159.2)**	(136.6)
	491.7	446.5

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, 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 75 basis points above the respective property's CR.

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

ii) IPUC

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

AASB 13 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).

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	Gross market rent [1] $/sqm	Gross passing rent [2] $/sqm	Capitalisation rate %	Terminal yield %	Discount rate %
Office [3]	Level three	3,701.4	280-1,275	195-1,275	6.00-9.75	6.25-10.50	8.50-10.50
Industrial	Level three	405.6	50-260	50-290	7.25-9.50	7.75–9.75	8.50-9.75
Retail [3]	Level three	1,806.6	211-10,357	211-10,357	6.00-8.00	6.25-8.25	8.75-9.50
Other [5]	Level three	102.8	270-425 [4]	220-425 [4]	7.75-8.25	8.00-8.50	10.00-11.00

1) Estimated rent between arm's length parties if negotiated today, per square metre, per annum.
2) Current contracted rent, per square metre, per annum.
3) Includes IPUC.
4) Other represents the rate per a car space per month.
5) Includes a hotel which has been excluded from the passing and market rental calculation.

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 CR, terminal yield and discount rate, the lower the fair value.

e) Highest and best use

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

f) Non current assets pledged as security

There are no non-current assets pledged as security by the Group.

16 Investment properties / continued

g) Property portfolio

Mirvac's property portfolio is made up as follows:

	Note	**2014 $m**	2013 $m
Investment properties per consolidated SoFP		**6,016.4**	6,029.6
Properties classified as assets held for sale	13	**821.0**	81.3
OOP classified as PPE	17	**238.6**	306.7
		7,076.0	6,417.6

17 PPE

	Plant and equipment $m	OOP $m	Leased plant and equipment $m	Total $m
2014				
Balance 1 July	11.1	306.7	–	**317.8**
Revaluation decrement	–	(2.2)	–	**(2.2)**
Additions	3.2	–	0.5	**3.7**
Transfers to other assets[1]	–	(60.0)	–	**(60.0)**
Disposals	(0.2)	–	–	**(0.2)**
Depreciation expenses	(4.5)	(5.9)	–	**(10.4)**
Balance 30 June	9.6	238.6	0.5	**248.7**
2014				
Cost or fair value	32.5	276.6	0.5	**309.6**
Accumulated depreciation	(22.9)	(38.0)	–	**(60.9)**
Net book amount	9.6	238.6	0.5	**248.7**
2013				
Balance 1 July	12.7	294.7	–	307.4
Revaluation increment	–	19.5	–	19.5
Additions	3.6	–	–	3.6
Transfers to other assets	(0.7)	–	–	(0.7)
Depreciation expenses	(4.5)	(7.5)	–	(12.0)
Balance 30 June	11.1	306.7	–	317.8
2013				
Cost or fair value	40.1	341.4	–	381.5
Accumulated depreciation	(29.0)	(34.7)	–	(63.7)
Net book amount	11.1	306.7	–	317.8

1) Transfers out relates to 340 Adelaide Street, Brisbane QLD being reclassified as investment property as it no longer satisfies the criteria for OOP.

A reconciliation of the revaluation (decrement)/increment and the asset revaluation reserve ("ARR") is shown in note 24(d).

a) Fair value measurement and valuation basis of OOP

OOP is revalued by external valuers on a rotation basis with approximately one-half of the portfolio (including OOP) being valued annually. The basis of valuation of OOP is fair value; for information about the methods and assumptions used in determining the fair value of OOP, refer to note 16. The valuation basis is consistent with the approach taken for investment properties (refer to note 16(c)). Discount rates range from 8.50 to 10.50 per cent (2013: 8.75 to 10.25 per cent) and CR range from 6.00 to 9.50 per cent (2013: 6.00 to 9.75 per cent). The revaluation decrement net of applicable deferred income taxes was debited to the ARR in equity (refer to note 24(b)).

b) Historical cost of items carried at fair value

OOP	**2014 $m**	2013 $m
Balance 30 June	**210.6**	249.3

18 Intangible assets

	Management rights $m	Goodwill $m	Total $m
2014			
Balance 1 July	2.6	63.1	65.7
Impairment of goodwill	–	(24.5)	(24.5)
Derecognition of goodwill	–	(2.2)	(2.2)
Balance 30 June	**2.6**	**36.4**	**39.0**
2013			
Balance 1 July	2.6	63.1	65.7
Balance 30 June	2.6	63.1	65.7

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
2014			
Management rights – indefinite life[1]	–	2.6	2.6
Goodwill	36.4	–	36.4
Balance 30 June	**36.4**	**2.6**	**39.0**
2013			
Management rights – indefinite life[1]	–	2.6	2.6
Goodwill	63.1	–	63.1
Balance 30 June	63.1	2.6	65.7

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

b) Key assumptions used for value in use calculations for goodwill and other intangible assets
The recoverable amount of CGU 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] 2014 % pa**	**Discount rate 2014 % pa**	Growth rate[1] 2013 % pa	Discount rate 2013 % pa
Investment	**–[2]**	**8.9**	–[2]	9.5
Investment Management	**1.0**	**13.0**	1.0	13.0

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

The recoverable amount of intangible assets exceeds the carrying value at 30 June 2014. Management considers that for the carrying value to exceed the recoverable amount, there would have to be unreasonable changes to key assumptions. Management considers the chances of these changes occurring as unlikely.

c) Impairment of goodwill
Goodwill of $24.5m was recognised following the acquisition of the WOT on 4 August 2010. This goodwill was tested for impairment within the Investment CGU, in line with the policy detailed in note 1(j). During the year, the Group entered an unconditional contract to sell 50 per cent of 275 Kent Street, Sydney NSW. This investment property was the largest asset of WOT. The recoverable amount of goodwill for the CGU was tested using the value in use methodology, using the present value of future cash flows expected to be derived from the Investment CGU using a pre-tax discount rate. The major assumptions included the future cash flows of the property and the discount rate used. Due to the 50 per cent sale of the investment property, a significant reduction in the future cash flows in the Investment CGU has resulted in an impairment loss of $24.5m (2013: $nil) in the Investment CGU goodwill.

d) Impairment of intangible assets
There was no impairment of management rights (2013: $nil). Management rights are primarily held in relation to funds established or rights established by entities acquired by Mirvac. These funds are considered to be open-ended and therefore have no expiry.

19 Payables

	2014 $m	2013 $m
Current		
Trade payables	**79.0**	51.3
Employee benefits	**9.8**	9.4
Deferred revenue [1]	**128.0**	282.3
Accruals	**185.1**	142.1
Deferred payment for land	**55.2**	27.1
Other creditors	**45.8**	35.9
Amounts due to related entities	**2.2**	1.8
	505.1	549.9
Non-current		
Deferred revenue [1]	**24.5**	52.4
Deferred payment for land	**35.5**	85.0
Other creditors	**25.0**	11.5
	85.0	148.9

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

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

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

20 Borrowings

a) Borrowings

	Note	2014 $m	2013 $m
Current			
Unsecured			
Bank loans	20(a)(i)	**–**	172.1
Domestic MTN	20(a)(ii)	**200.0**	–
Secured			
Lease liabilities	20(a)(iii)	**2.9**	3.0
		202.9	175.1
Non-current			
Unsecured			
Bank loans	20(a)(i)	**975.2**	1,000.0
Domestic MTN	20(a)(ii)	**625.0**	575.0
Foreign MTN	20(a)(iv)	**914.3**	414.3
Secured			
Lease liabilities	20(a)(iii)	**0.2**	2.8
		2,514.7	1,992.1

i) Bank loans
Mirvac has unsecured bank facilities totalling $1,388.2m (2013: $1,560.0m). The facility contains three tranches: a $448.2m tranche maturing in September 2015, a $470.0m tranche maturing in September 2017 and a $470.0m tranche maturing in September 2018. The bilateral bank facility was repaid during the period (2013: $150.0m). 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 $825.0m (2013: $575.0m) of domestic MTN outstanding: $200.0m maturing in March 2015, $225.0m maturing in September 2016, $200.0m maturing in December 2017 and $200.0m maturing in September 2020. Mirvac issued a total of $250.0m during the year. Interest is payable either quarterly or semi-annually in arrears in accordance with the terms of the notes.

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

20 Borrowings / continued

iv) Foreign MTN

Mirvac has a total of $1,019.8m (US$735.0m and $135.0m) (2013: $512.9m) 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; and
- US$95.0m and $50.0m maturing in December 2025.

Mirvac issued a total of $506.8m in notes during the year. 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.

b) Financing arrangements

	2014 $m	2013 $m
Total facilities		
Bank loans	**1,388.2**	1,560.0
Domestic MTN	**825.0**	575.0
Foreign MTN	**914.3**	414.3
	3,127.5	2,549.3
Used at end of the reporting period		
Bank loans	**975.2**	1,172.1
Domestic MTN	**825.0**	575.0
Foreign MTN	**914.3**	414.3
	2,714.5	2,161.4
Unused at end of the reporting period		
Bank loans	**413.0**	387.9
Domestic MTN	**–**	–
Foreign MTN	**–**	–
	413.0	387.9

c) Fair value

	Carrying amount		Fair value	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Included in consolidated SoFP				
Non-traded financial liabilities				
Bank loans	**975.2**	1,172.1	**975.2**	1,172.1
Domestic MTN	**825.0**	575.0	**868.8**	575.0
Foreign MTN	**914.3**	414.3	**914.3**	414.3
Lease liabilities	**3.1**	5.8	**3.1**	5.8
	2,717.6	2,167.2	**2,761.4**	2,167.2

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

The carrying value of all borrowings except domestic MTN is considered to approximate their fair value and the impact to the fair value from the difference in the interest rates is considered immaterial. All borrowings are disclosed as level three in the fair value measurement hierarchy. For details on fair value hierarchy, refer to note 33.

i) Included in consolidated SoFP

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

21 Provisions

	2014 $m	2013 $m
Current		
Employee benefits – LSL	**8.4**	7.4
Dividends/distributions payable	**169.8**	164.9
	178.2	172.3
Non-current		
Asset retirement obligation	**0.3**	0.4
Employee benefits – LSL	**3.2**	3.2
	3.5	3.6

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

Dividends/distributions payable [1]	2014 $m	2013 $m
Balance 1 July	**164.9**	82.0
Interim and final dividends/distributions	**331.1**	308.8
Payments made	**(326.2)**	(225.9)
Balance 30 June	**169.8**	164.9
Asset retirement obligation [2]		
Balance 1 July	**0.4**	0.6
Recognition	**0.3**	–
Provision release	**(0.4)**	(0.2)
Balance 30 June	**0.3**	0.4

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

22 Other liabilities

	2014 $m	2013 $m
Monies held in trust	**0.2**	0.3

23 Contributed equity

a) Paid up equity

	2014 Securities m	2013 Securities m	2014 $m	2013 $m
Mirvac Limited – ordinary shares issued	**3,688.5**	3,659.9	**2,070.8**	1,765.2
MPT – ordinary units issued	**3,688.5**	3,659.9	**4,726.0**	4,980.1
Total contributed equity			**6,796.8**	6,745.3

b) Movements in paid up equity

Movements in paid up equity of Mirvac for the year ended 30 June 2014 and June 2013 were as follows:

	Issue date	Issue price	Note	m	Securities $m
Balance 1 July 2013				3,659.9	6,745.3
DRP securities issued	27 February 2014	$1.71		26.9	46.0
EEP securities issued	20 March 2014	$1.72	23(d)	0.4	0.7
LTP, LTIP and EIS securities converted, sold, vested or forfeited				1.3	5.3
Less: Transaction costs arising on issues of securities				–	(0.5)
Balance 30 June 2014				**3,688.5**	**6,796.8**
Balance 1 July 2012				3,412.0	6,334.7
Acquisition of GE portfolio		$1.69	23(c)	238.9	403.7
EEP securities issued	14 March 2013	$1.64	23(d)	0.4	0.7
LTP, LTIP and EIS securities converted, sold, vested or forfeited				8.6	13.4
Less: Transaction costs arising on issues of securities				–	(7.2)
Balance 30 June 2013				3,659.9	6,745.3

23 Contributed equity / continued

Ordinary securities

All ordinary securities were fully paid at 30 June 2014. Ordinary securities entitle the holder to participate in dividends/distributions and the proceeds on winding up of Mirvac in proportion to the number of and amount paid on the securities held. On a show of hands, every holder of ordinary securities present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each security is entitled to one vote.

c) Acquisition of GE portfolio

On 23 May 2013, Mirvac acquired a portfolio of office assets from GE, which was largely funded by a fully underwritten $400.0m (before costs) institutional placement of 236.7m securities at $1.69 per stapled security issued on 17 May 2013 and $3.7m Security Purchase Plan of 2.2m securities at $1.69 per stapled security issued on 24 June 2013.

d) LTP, LTIP, EIS and EEP issues

i) Current LTP

At 30 June 2014, 23.4m (2013: 23.3m) performance rights and nil (2013: nil) options were issued to participants under the plan. The number of issued rights and options is net of adjustments due to forfeiture of rights and options as a result of termination of employment. During the year, no performance rights (2013: 3.4m) and no options (2013: nil) vested.

ii) EEP

At 30 June 2014, 5.8m (2013: 5.4m) stapled securities have been issued to employees under the EEP.

iii) Superseded LTI and EIS plans

During the year, no securities were issued to employees of Mirvac Limited and its controlled entities under the superseded LTI plan and EIS (2013: nil). The total number of stapled securities issued to employees under the superseded LTI and EIS at 30 June 2014 was 3.8m (2013: 5.1m). The market price per ordinary stapled security at 30 June 2014 was $1.79 (2013: $1.61). Securities issued as part of the superseded LTI plan and EIS are not classified as ordinary securities, until such time as the vesting conditions are satisfied, employee loans are fully repaid or the employee leaves Mirvac.

e) Reconciliation of securities issued on the ASX

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

	2014 Securities m	2013 Securities m
Total ordinary securities disclosed	**3,688.5**	3,659.9
Securities issued under LTI plan and EIS	**3.8**	5.1
Total securities issued on the ASX	**3,692.3**	3,665.0

f) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 30.

g) DRP

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

h) Capital risk management

Refer to note 32 for details of Mirvac's capital risk management.

24 Reserves

a) Reserves

	2014 $m	2013 $m
ARR	**59.0**	65.8
Capital reserve	**(1.5)**	(0.3)
Foreign currency translation reserve	**(3.5)**	(3.8)
SBP reserve	**15.3**	10.5
NCI reserve	**7.6**	7.6
	76.9	79.8

24 Reserves / continued

b) Movement in reserves

	Note	2014 $m	2013 $m
ARR			
Balance 1 July		**65.8**	51.0
(Decrement)/increment on revaluation of OOP	24(d)	**(4.8)**	14.8
Transfers out to retained earnings	25	**(2.0)**	–
Balance 30 June		**59.0**	65.8
Capital reserve			
Balance 1 July		**(0.3)**	(0.2)
Transfers out to retained earnings	25	**(1.2)**	(0.1)
Balance 30 June		**(1.5)**	(0.3)
Foreign currency translation reserve			
Balance 1 July		**(3.8)**	(11.0)
Increase in reserve due to translation of foreign operations		**3.4**	9.5
Deferred tax	6(h)	**0.1**	(2.3)
Transfers due to deconsolidation of entity		**(3.2)**	–
Balance 30 June		**(3.5)**	(3.8)
SBP reserve			
Balance 1 July		**10.5**	16.8
Expense relating to SBP		**4.4**	(6.9)
Deferred tax	6(g)	**0.4**	0.6
Balance 30 June		**15.3**	10.5
NCI reserve			
Balance 1 July		**7.6**	7.6
Balance 30 June		**7.6**	7.6

c) Nature and purpose of reserves

i) ARR

The ARR is used to record increments and decrements on the revaluation of OOP. However, any decrement in excess of previous increments is expensed to the consolidated SoCI.

ii) Capital reserve

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

iii) Foreign currency translation reserve

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

iv) SBP reserve

The SBP reserve is used to recognise the fair value of securities issued under LTI plans, securities issued under the EEP and any deficit resulting from the sale of securities under LTI plans.

v) NCI reserve

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

d) Reconciliation of movements between PPE to ARR

	Note	2014 $m	2013 $m
Revaluation decrement/(increment) within PPE	17	**2.2**	(19.5)
Items adjusted to consolidated SoCI			
Items relating to OOP including fitout and lease amortisation		**2.6**	6.3
Revaluation shortfall booked to PPE but not to ARR		**–**	(1.6)
Balance transferred to ARR		**4.8**	(14.8)
Items adjusted directly to reserves			
Transfers out to retained earnings	25	**2.0**	–
Movement in ARR		**6.8**	(14.8)

25 Retained earnings

	Note	2014 $m	2013 $m
Balance 1 July		**(814.3)**	(644.2)
Profit for the year attributable to the stapled securityholders of Mirvac		**447.3**	139.9
Items in other comprehensive income recognised in directly in retained earnings			
– Movement in security based compensation		**(1.5)**	(1.3)
– Transfers due to deconsolidation of entity		**(1.2)**	–
– Transfers in from capital reserve	24(b)	**1.2**	0.1
– Transfers in from ARR due to retiring of OOP	24(d)	**2.0**	–
Dividends/distributions provided for or paid	26	**(331.1)**	(308.8)
Balance 30 June		**(697.6)**	(814.3)

26 Dividends/distributions

Ordinary stapled securities	2014 $m	2013 $m
Half yearly ordinary distributions paid/payable as follows:		
4.40 CPSS paid on 27 February 2014 (unfranked distribution)	**161.3**	–
4.20 CPSS paid on 25 January 2013 (unfranked distribution)	**–**	143.9
4.60 CPSS payable on 28 August 2014 (unfranked distribution)	**169.8**	–
4.50 CPSS paid on 26 July 2013 (unfranked distribution)	**–**	164.9
Total dividend/distribution 9.00 (2013: 8.70) CPSS	**331.1**	308.8

DRP was activated for the 31 December 2013 half yearly distribution but was deactivated for the 30 June 2014 half yearly distribution. Distributions paid and payable in cash or satisfied by the issue of stapled securities under the Group's DRP are as follows:

	2014 $m	2013 $m
Paid/payable in cash	**285.1**	308.8
Satisfied by the issue of stapled securities	**46.0**	–
	331.1	308.8

Franking credits available for subsequent years based on a tax rate of 30 per cent total $15.8m (2013: $15.7m on a tax rate of 30 per cent).

27 Controlled entities and deed of cross guarantee

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

a) Interests in controlled entities of Mirvac

	Country of establishment/ incorporation	Class of units/ shares	Equity holding 2014 %	2013 %
Name of entity				
107 Mount Street Head Trust	Australia	Units	**100**	100
107 Mount Street Sub Trust	Australia	Units	**100**	100
197 Salmon Street Pty Limited[1]	Australia	Ordinary	**100**	100
A.C.N. 087 773 859 Pty Limited[1]	Australia	Ordinary	**100**	100
A.C.N. 110 698 603 Pty Limited[1]	Australia	Ordinary	**100**	100
A.C.N. 150 521 583 Pty Limited[1]	Australia	Ordinary	**100**	100
A.C.N. 151 466 241 Pty Limited[1]	Australia	Ordinary	**100**	100
A.C.N. 165 515 515 Pty Limited[1,2]	Australia	Ordinary	**100**	–
Banksia Unit Trust	Australia	Units	**100**	100
CN Collins Pty Limited[1]	Australia	Ordinary	**100**	100
Domaine Investments Management Pty Limited	Australia	Ordinary	**50**	50
Fast Track Bromelton Pty Limited[1]	Australia	Ordinary	**100**	100
Ford Mirvac Unit Trust	Australia	Units	**100**	100
Fyfe Road Pty Limited[1]	Australia	Ordinary	**100**	100
Gainsborough Greens Pty Limited[1]	Australia	Ordinary	**100**	100
Hexham Project Pty Limited[1]	Australia	Ordinary	**100**	100
HIR Boardwalk Tavern Pty Limited[1]	Australia	Ordinary	**100**	100
HIR Golf Club Pty Limited[1]	Australia	Ordinary	**100**	100
HIR Golf Course Pty Limited[1]	Australia	Ordinary	**100**	100
HIR Property Management Holdings Pty Limited[1]	Australia	Ordinary	**100**	100
HIR Tavern Freehold Pty Limited[1]	Australia	Ordinary	**100**	100

27 Controlled entities and deed of cross guarantee / continued

a) Interests in controlled entities of Mirvac / continued

	Country of establishment/ incorporation	Class of units/ shares	2014 %	Equity holding 2013 %
Hoxton Park Airport Limited [1]	Australia	Ordinary	**100**	100
HPAL Holdings Pty Limited [1]	Australia	Ordinary	**100**	100
Industrial Commercial Property Solutions (Constructions) Pty Limited [1]	Australia	Ordinary	**100**	100
Industrial Commercial Property Solutions (Finance) Pty Limited [1]	Australia	Ordinary	**100**	100
Industrial Commercial Property Solutions (Holdings) Pty Limited [1]	Australia	Ordinary	**100**	100
Industrial Commercial Property Solutions (Queensland) Pty Limited [1]	Australia	Ordinary	**100**	100
Industrial Commercial Property Solutions Pty Limited [1]	Australia	Ordinary	**100**	100
JF ASIF Pty Limited [1]	Australia	Ordinary	**100**	100
Magenta Shores Finance Pty Limited [1]	Australia	Ordinary	**100**	100
Magenta Shores Unit Trust	Australia	Units	**100**	100
Magenta Unit Trust	Australia	Units	**100**	100
MFM US Real Estate Inc	United States	Ordinary	**100**	100
MGR US Real Estate Inc	United States	Ordinary	**100**	100
Mirvac (Beacon Cove) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac (Docklands) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac (Old Treasury Development Manager) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac (Old Treasury Hotel) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac (WA) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac (Walsh Bay) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac 8 Chifley Pty Limited	Australia	Ordinary	**50**	50
Mirvac Advisory Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Aero Company Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac AOP SPV Pty Limited [2]	Australia	Ordinary	**100**	–
Mirvac Blue Trust	Australia	Ordinary	**100**	100
Mirvac Capital Investments Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Capital Office Pty Limited [2]	Australia	Ordinary	**100**	–
Mirvac Capital Partners Limited [3]	Australia	Ordinary	**100**	100
Mirvac Capital Partners Investment Management Pty Limited [1,4]	Australia	Ordinary	**100**	100
Mirvac Capital Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Chifley Holdings Pty Limited	Australia	Ordinary	**100**	100
Mirvac Commercial Funding Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Commercial Sub SPV Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Constructions (Homes) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Constructions (QLD) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Constructions (SA) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Constructions (VIC) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Constructions (WA) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Constructions Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Design Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Developments Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Doncaster Pty Ltd [1]	Australia	Ordinary	**100**	100
Mirvac Elderslie Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac ESAT Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Finance Limited [1]	Australia	Ordinary	**100**	100
Mirvac Funds Limited [3]	Australia	Ordinary	**100**	100
Mirvac Funds Management Limited [3]	Australia	Ordinary	**100**	100
Mirvac George Street Holdings Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac George Street Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Green Trust	Australia	Units	**100**	100
Mirvac Group Finance Limited [1]	Australia	Ordinary	**100**	100
Mirvac Group Funding Limited [1]	Australia	Ordinary	**100**	100
Mirvac Harbourtown Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Harold Park Pty Ltd [1]	Australia	Ordinary	**100**	100
Mirvac Harold Park Trust	Australia	Units	**100**	100
Mirvac Holdings (WA) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Holdings Limited [1]	Australia	Ordinary	**100**	100
Mirvac Home Builders (VIC) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Homes (NSW) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Homes (QLD) Pty Limited [1]	Australia	Ordinary	**100**	100

27 Controlled entities and deed of cross guarantee / continued

a) Interests in controlled entities of Mirvac / continued

	Country of establishment/ incorporation	Class of units/ shares	**2014 %**	Equity holding 2013 %
Mirvac Homes (SA) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Homes (VIC) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Homes (WA) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Hotel Services Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac ID (Bromelton) Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac ID (Bromelton) Sponsor Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Industrial Developments Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac International (Middle East) No. 2 Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac International (Middle East) No. 3 Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac International No. 3 Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac JV's Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Kent Street Holdings Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Mandurah Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac National Developments Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Newcastle Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Old Treasury Holdings Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Pacific Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Parking Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Parklea Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Precinct 2 Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Procurement Pty Limited [1,5]	Australia	Ordinary	**100**	100
Mirvac Projects Dalley Street Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Projects George Street Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Projects Dalley Street Trust	Australia	Units	**100**	100
Mirvac Projects George Street Trust	Australia	Units	**100**	100
Mirvac Projects No. 2 Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Projects Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Properties Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Property Advisory Services Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Property Services Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Queensland Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Real Estate Debt Funds Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Real Estate Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac REIT Management Limited [3]	Australia	Ordinary	**100**	100
Mirvac Retail Head SPV Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Retail Sub SPV Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Rockbank Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Services Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac South Australia Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Spare Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Spring Farm Limited [1]	Australia	Ordinary	**100**	100
Mirvac SPV 1 Pty limited [1,6]	Australia	Ordinary	**100**	100
Mirvac Trademarks Pty Limited [2]	Australia	Ordinary	**100**	–
Mirvac Treasury Limited [1]	Australia	Ordinary	**100**	100
Mirvac Treasury No. 3 Limited [1]	Australia	Ordinary	**100**	100
Mirvac UK Limited [7]	United Kingdom	Ordinary	**–**	100
Mirvac UK Services Limited [7]	United Kingdom	Ordinary	**–**	100
Mirvac Victoria Pty Limited [1]	Australia	Ordinary	**100**	100
Mirvac Waterloo Pty Limited [2]	Australia	Ordinary	**100**	–
Mirvac Wholesale Funds Management Limited [1]	Australia	Ordinary	**100**	100
Mirvac Wholesale Industrial Developments Limited [1]	Australia	Ordinary	**100**	100
Mirvac Woolloomooloo Pty Limited [1]	Australia	Ordinary	**100**	100
MRV Hillsdale Pty Limited [1]	Australia	Ordinary	**100**	100
MWID (Brendale) Pty Limited [1]	Australia	Ordinary	**100**	100
MWID (Brendale) Unit Trust	Australia	Units	**100**	100
MWID (Mackay) Pty Limited [1]	Australia	Ordinary	**100**	100
Newington Homes Pty Limited [1]	Australia	Ordinary	**100**	100
Oakstand No. 15 Hercules Street Pty Limited [1]	Australia	Ordinary	**100**	100
Pigface Unit Trust	Australia	Units	**100**	100

27 Controlled entities and deed of cross guarantee / continued

a) Interests in controlled entities of Mirvac / continued

	Country of establishment/ incorporation	Class of units/ shares	Equity holding **2014** %	2013 %
Planned Retirement Living Pty Limited [1]	Australia	Ordinary	**100**	100
Rovno Pty Limited [2]	Australia	Ordinary	**100**	–
Spring Farm Finance Pty Limited [1]	Australia	Ordinary	**100**	100
Springfield Development Company Pty Limited [1]	Australia	Ordinary	**100**	100
SPV Magenta Pty Limited [1]	Australia	Ordinary	**100**	100
Suntrack Holdings Pty Limited [2]	Australia	Ordinary	**100**	–
Suntrack Property Trust [2]	Australia	Units	**100**	–
Taree Shopping Centre Pty Limited	Australia	Ordinary	**100**	100
TMT Finance Pty Limited [1]	Australia	Ordinary	**100**	100
Tucker Box Management Pty Limited [1,8]	Australia	Ordinary	**100**	100
b) Interests in controlled entities of MPT				
10-20 Bond Street Trust	Australia	Units	**100**	100
1900-2000 Pratt Inc.	USA	Ordinary	**100**	100
197 Salmon Street Trust	Australia	Units	**100**	100
275 Kent Street Holding Trust	Australia	Units	**100**	100
367 Collins Street Trust [2]	Australia	Units	**100**	–
367 Collins Street No. 2 Trust [2]	Australia	Units	**100**	–
380 St Kilda Road Trust [9]	Australia	Units	**100**	100
477 Collins Street No. 1 Trust [2]	Australia	Units	**100**	–
477 Collins Street No. 2 Trust [2]	Australia	Units	**100**	–
Australian Office Partnership Trust [2]	Australia	Units	**100**	–
Cannon Hill Office Trust	Australia	Units	**100**	100
Chifley Holding Trust	Australia	Units	**100**	100
George Street Holding Trust	Australia	Units	**100**	100
James Fielding Trust	Australia	Units	**100**	100
JF Infrastruture — Sustainable Equity Fund	Australia	Units	**100**	100
JF Property Trust [7]	Australia	Units	**–**	100
JFIF Victorian Trust	Australia	Units	**100**	100
JFM Hotel Trust	Australia	Units	**100**	100
Meridian Investment Trust No. 1	Australia	Units	**100**	100
Meridian Investment Trust No. 2	Australia	Units	**100**	100
Meridian Investment Trust No. 3	Australia	Units	**100**	100
Meridian Investment Trust No. 4	Australia	Units	**100**	100
Meridian Investment Trust No. 5	Australia	Units	**100**	100
Meridian Investment Trust No. 6	Australia	Units	**100**	100
Mirvac 210 George Street Trust	Australia	Units	**100**	100
Mirvac 220 George Street Trust	Australia	Units	**100**	100
Mirvac 90 Collins Street Trust	Australia	Units	**100**	100
Mirvac Allendale Square Trust	Australia	Units	**100**	100
Mirvac Bourke Street No.1 Sub-Trust [2]	Australia	Units	**100**	–
Mirvac Bourke Street No.2 Sub-Trust [2]	Australia	Units	**100**	–
Mirvac Broadway Sub-Trust	Australia	Units	**100**	100
Mirvac Capital Partners 1 Trust [10]	Australia	Units	**100**	100
Mirvac Collins Street Trust No.1 Sub-Trust [2]	Australia	Units	**100**	–
Mirvac Collins Street Trust No.2 Sub-Trust [2]	Australia	Units	**100**	–
Mirvac Commercial Trust [9]	Australia	Units	**100**	100
Mirvac Commercial No.1 Sub Trust [11]	Australia	Units	**100**	100
Mirvac Commercial No.3 Sub Trust	Australia	Units	**100**	100
Mirvac Funds Finance Pty Limited	Australia	Ordinary	**100**	100
Mirvac Funds Loan Note Pty Limited	Australia	Ordinary	**100**	100
Mirvac Glasshouse Sub-Trust	Australia	Units	**100**	100
Mirvac Group Funding No.2 Limited	Australia	Ordinary	**100**	100
Mirvac Group Funding No.3 Pty Limited	Australia	Ordinary	**100**	100
Mirvac Harbourside Sub Trust [2]	Australia	Units	**100**	–
Mirvac Industrial Fund	Australia	Units	**100**	100
Mirvac Industrial No. 1 Sub Trust [2]	Australia	Units	**100**	–

27 Controlled entities and deed of cross guarantee / continued

b) Interests in controlled entities of MPT / continued

	Country of establishment/ incorporation	Class of units/ shares	Equity holding **2014** **%**	2013 %
Mirvac Industrial No. 2 Sub Trust [2]	Australia	Units	**100**	–
Mirvac Office Trust	Australia	Units	**100**	100
Mirvac Pitt Street Trust	Australia	Units	**100**	100
Mirvac Property Trust No. 2 [7]	Australia	Units	**–**	100
Mirvac Real Estate Investment Trust	Australia	Units	**100**	100
Mirvac Retail Head Trust	Australia	Units	**100**	100
Mirvac Retail Sub-Trust No. 1	Australia	Units	**100**	100
Mirvac Retail Sub-Trust No. 2 [2]	Australia	Units	**100**	–
Mirvac Rhodes Sub-Trust	Australia	Units	**100**	100
North Ryde Office Trust [12]	Australia	Units	**–**	100
Old Wallgrove Road Trust [7]	Australia	Units	**–**	100
Old Treasury Holding Trust	Australia	Units	**100**	100
Pennant Hills Office Trust	Australia	Units	**100**	100
Property Performance Fund No. 3 [7]	Australia	Units	**–**	100
Property Performance Fund No. 4 [7]	Australia	Units	**–**	100
Property Performance Fund No. 5 [7]	Australia	Units	**–**	100
Springfield Regional Shopping Centre Trust	Australia	Units	**100**	100
The George Street Trust	Australia	Units	**100**	100
The Mulgrave Trust	Australia	Units	**100**	100
WOT CMBS Pty Ltd	Australia	Ordinary	**100**	100
WOT Holding Trust	Australia	Units	**100**	100
WOT Loan Note Pty Ltd	Australia	Ordinary	**100**	100
WOW Office Trust	Australia	Units	**100**	100

1) These subsidiaries have been granted relief as at 30 June 2014 from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by ASIC.
2) These entities were established/registered during the year ended 30 June 2014.
3) These entities are included in the deed of cross guarantee; however, they are still required to lodge separate financial statements.
4) Previously registered as Mirvac Platform Investment Management Pty Limited.
5) Previously registered as Mirvac International Pty Limited.
6) Previously registered as Mirvac International (Middle East) Pty Limited.
7) These entities were de-registered/wound up during the year ended 30 June 2014.
8) Previously registered as Mirvac Reserve Pty Limited.
9) One unit on issue held by Mirvac Limited as custodian for MPT.
10) Previously established as Mirvac Wholesale Office Platform Trust.
11) On 30 April 2014, 100 per cent of the units in this trust were exchanged for sale. Settlement occurred on 1 July 2014.
12) On 28 February 2014, 100 per cent of the units in this trust were sold.

c) Entities subject to class order

Certain wholly-owned companies incorporated in Australia are permitted to be parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned companies can be relieved from the requirements among other things to prepare a financial report and directors' report under class order 98/1418 (as amended) issued by ASIC. The entities included at 30 June 2014 are listed in note 27(a). Companies identified in note 27(a) as being included in the class order, are a "closed group" for the purpose of the class order, and as there are no other parties to the deed of cross guarantee that are controlled by the parent entity, they also represent the "extended closed group". As a condition of the class order, the companies have entered into a deed of cross guarantee. The effect of the deed is that Mirvac Limited has guaranteed to pay any deficiency in the event of winding up of a company in the closed group. The companies in the closed group also have given a similar guarantee in the event that Mirvac Limited is wound up. The consolidated SoCI, a summary of movement in consolidated retained earnings and the consolidated SoFP for the year ended 30 June 2014 of the entities which are members of the closed group are as follows:

27 Controlled entities and deed of cross guarantee / continued

Consolidated SoCI	2014 $m	2013 $m
Revenue from continuing operations		
Investment properties rental revenue	**16.4**	15.6
Investment management fee revenue	**33.1**	26.1
Development and construction revenue	**1,269.6**	820.5
Development management fee revenue	**15.9**	32.5
Interest revenue	**42.9**	10.3
Other revenue	**7.2**	9.6
Total revenue from continuing operations	**1,385.1**	914.6
Other income		
Net gain on fair value of investment properties	**7.5**	9.6
Share of net profit of JVA accounted for using the equity method	**9.4**	0.1
Gain on financial instruments	**7.3**	34.1
Foreign exchange gain	**7.2**	–
Net gain on sale of investment properties	**0.3**	–
Net gain on sale of PPE	**–**	0.1
Total other income	**31.7**	43.9
Total revenue from continuing operations and other income	**1,416.8**	958.5
Net loss on sale of PPE	**0.2**	–
Foreign exchange loss	**–**	44.1
Investment properties expenses	**4.9**	4.3
Cost of property development and construction	**1,038.0**	701.4
Employee benefits expenses	**104.5**	95.9
Depreciation and amortisation expenses	**4.5**	4.5
Impairment of loans, investments and inventories	**(1.2)**	432.4
Finance costs	**112.4**	81.0
Loss on financial instruments	**25.5**	–
Selling and marketing expenses	**24.4**	16.3
Other expenses	**53.9**	53.9
Profit/(loss) from continuing operations before income tax	**49.7**	(475.3)
Income tax (expense)/benefit	**(22.7)**	11.0
Profit/(loss) from continuing operations	**27.0**	(464.3)
Profit from discontinued operations (net of tax)	**–**	1.4
Profit/(loss) for the year	**27.0**	(462.9)

Summary of movement in consolidated retained earnings	2014 $m	2013 $m
Movement in retained earnings		
Balance 1 July	**(1,402.8)**	(938.7)
Profit/(loss) for the year	**27.0**	(462.9)
SBP	**(1.5)**	(1.2)
Transfer in from reserves	**4.6**	–
Balance 30 June	**(1,372.7)**	(1,402.8)

27 Controlled entities and deed of cross guarantee / continued

Consolidated SoFP	Note	2014 $m	2013 $m
Current assets			
Cash and cash equivalents		**86.2**	119.0
Receivables		**388.6**	466.8
Derivative financial assets		**9.2**	–
Inventories		**437.8**	530.6
Other assets		**14.9**	6.6
Other financial assets		**52.0**	–
Total current assets		**988.7**	1,123.0
Non-current assets			
Receivables		**1,440.3**	149.3
Inventories		**620.8**	628.0
Investments accounted for using the equity method		**189.7**	188.1
Derivative financial assets		**11.3**	0.7
Other financial assets		**317.2**	108.9
Investment properties		**114.1**	104.1
PPE		**10.0**	11.1
Intangible assets		**2.6**	2.6
Deferred tax assets		**343.7**	329.6
Total non-current assets		**3,049.7**	1,522.4
Total assets		**4,038.4**	2,645.4
Current liabilities			
Payables		**450.0**	463.1
Borrowings		**2.9**	60.4
Derivative financial liabilities		**13.0**	13.4
Provisions		**8.3**	7.4
Other liabilities		**0.2**	0.3
Total current liabilities		**474.4**	544.6
Non-current liabilities			
Payables		**109.1**	495.3
Borrowings		**2,500.6**	1,057.1
Derivative financial liabilities		**98.7**	60.4
Deferred tax liabilities		**144.3**	112.2
Provisions		**3.5**	3.6
Total non-current liabilities		**2,856.2**	1,728.6
Total liabilities		**3,330.6**	2,273.2
Net assets		**707.8**	372.2
Equity			
Contributed equity	23(a)	**2,070.8**	1,765.2
Reserves		**9.7**	9.8
Retained earnings		**(1,372.7)**	(1,402.8)
Total equity		**707.8**	372.2

28 Contingent liabilities

a) Contingent liabilities

The Group had contingent liabilities at 30 June 2014 in respect of the following:

	2014 $m	2013 $m
Bank guarantees and performance bonds issued by external parties in respect of certain performance obligations granted in the normal course of business.	**155.1**	129.4
Performance guarantees. The Group has provided guarantees to third parties in respect of the performance of entities within the Group. No material losses are anticipated in respect of these contractual obligations.	**1.2**	2.4
Claims for damages in respect of injury sustained due to health and safety issues have been made during the year. The potential effect of these claims indicated by legal advice is that if the claims were to be successful against the Group, they would result in a liability.	**1.0**	1.6

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

b) Guarantees

For information about guarantees given by entities within the Group, including the parent entity, refer to notes 27 and 37.

c) JVA

There are no contingent liabilities relating to JVA.

29 Commitments

a) Capital commitments

	2014 $m	2013 $m
Investment properties		
Not later than one year	**66.5**	70.7
Later than one year but not later than five years	**–**	28.1
Later than five years	**–**	–
	66.5	98.8
PPE		
Not later than one year	**–**	–
Later than one year but not later than five years	**–**	–
Later than five years	**–**	–
	–	–

b) Lease commitments

	2014 $m	2013 $m
Operating lease receivable[1]		
Future minimum rental revenues under non-cancellable operating property leases, are as follows:		
Not later than one year	**451.6**	430.9
Later than one year but not later than five years	**1,500.6**	1,498.6
Later than five years	**913.3**	1,130.3
	2,865.5	3,059.8
Operating lease payable		
Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are payable as follows:		
Not later than one year	**9.9**	9.5
Later than one year but not later than five years	**9.8**	18.6
Later than five years	**1.8**	2.2
	21.5	30.3

1) Excludes storeroom licences, telecommunications and car parking income.

29 Commitments / continued

	2014 $m	2013 $m
Finance leases		
Commitments in relation to finance leases are payable as follows:		
Not later than one year	**3.0**	3.3
Later than one year but not later than five years	**0.2**	2.9
Later than five years	**–**	–
Residual	**–**	–
Minimum lease payments	**3.2**	6.2
Less: Future finance charges	**(0.1)**	(0.4)
Lease liabilities	**3.1**	5.8

Mirvac leases various plant and equipment with a carrying value of $0.3m (2013: $nil) under finance leases expiring in less than five years.

30 Employee benefits

a) Employee benefits and related on-cost liabilities

Provision for employee benefits	**2014 $m**	2013 $m
Annual leave accrual	**9.8**	9.4
Current LSL	**8.4**	7.4
Non-current LSL	**3.2**	3.2
Aggregate employee benefit and related on-cost liabilities	**21.4**	20.0

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

b) Superannuation commitments

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

c) Employee security issues

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

d) LTI plans

i) EEP

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

Securities acquired under this plan are subject to a restriction on disposal until the earlier of three years after acquisition, or cessation of employment with the Group. Otherwise, holders enjoy the same rights and benefits as other holders of Mirvac's stapled securities. On termination, employees retain any securities granted to them. At 30 June 2014, 5,844,194 stapled securities (2013: 5,418,170) had been issued to employees under the EEP.

ii) Current plan – LTP

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

LTP grants are generally restricted to the executives who are most able to influence securityholder value. Executives are eligible, at the discretion of the HRC, to participate in the LTP. Non-Executive Directors are not eligible to participate in the LTP. Awards under this plan are made in the form of performance rights. Awards of options have also been made under this plan in previous years. A performance right is a right to acquire one fully paid stapled security in Mirvac provided a specified performance hurdle is met. No loans are made to participants under this plan.

The Board reviews the performance conditions annually to determine the appropriate hurdles based on Mirvac's strategy and prevailing market practice.

This year, the Board determined, on the recommendation of the HRC, the vesting outcome for half of the LTP awards made in the year ended 30 June 2014 will depend on Mirvac's TSR performance relative to the constituents of the comparison group, with the other half linked to Mirvac's ROE performance. TSR was chosen given that it is an objective measure of securityholder value creation, and given its wide level of understanding and acceptance by the various key stakeholders. ROE was chosen as the second performance condition because it is aligned to Mirvac's strategic drivers, in particular financial performance and capital efficiency. At 30 June 2014, 23,366,336 (2013: 23,338,483) performance rights and nil (2013: nil) options had been issued to participants under the LTP. The number of issued rights and options is net of adjustments due to forfeiture of rights and options as a result of termination of employment. A total of nil performance rights (2013: 3,435,582) and nil options (2013: nil) vested during the year ended 30 June 2014.

30 Employee benefits / continued

iii) Superseded plans

There are four old plans now closed for new grants with the introduction of the LTP:

ERP

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

EIS

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

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

LTIP

The LTIP was introduced in 2006 and approved by securityholders at the Group's 2006 AGM. At this time, loan-funded incentive plans were common for entities with stapled securities due to the prevailing tax rules. Participation in the plan was open to the CEO/MD, other Executive Directors, other executives and eligible employees. Participants were offered an interest-free loan which was applied to fund the acquisition of Mirvac's stapled securities at market value. The term of the loan is eight years. Any loan balance outstanding at the end of the eighth year must be repaid at that time. The loan is reduced annually by applying the post-tax amounts of any distributions paid by Mirvac to the outstanding principal. The loans are interest free and non-recourse over their term.

Two performance conditions had to be met before the securities vested in full: relative TSR and EPS growth. The satisfaction of each condition was given an equal weighting in terms of the total number of securities that may vest (that is, 50 per cent of the total securities held by a participant was subject to each performance condition). On vesting, 53.5 per cent of the original loan to fund the purchase of the vested securities was waived. The remaining balance of the loan will continue to be reduced by post-tax distributions until either the loan has been fully repaid or the eight year term expires, whichever occurs first. If a participant terminates their employment, any outstanding loans must be repaid in full immediately or the underlying securities will be forfeited.

EIP

The final loans under the EIP were offered during the year ended 30 June 2006. The amounts of the loans ranged from $50,000 to $800,000 with Mirvac holding security over the assets purchased with the loan proceeds. A progressively increasing forgiveness schedule applied which allowed the total loan balance to be forgiven if the employee remained employed on the final forgiveness date. The total outstanding loan balance under the EIP was $200,000 as at 1 July 2012. This amount was forgiven in accordance with the loan agreement during the year ended 30 June 2013. There are no outstanding loan amounts under the EIP as at 30 June 2014 and no further loans will be made under the EIP.

e) SBP expense

Total expenses arising from SBP transactions recognised during the year as part of employee benefits expenses were as follows:

	2014 $m	2013 $m
EEP	**0.7**	0.7
Current plan — LTP	**5.4**	3.4
Current plan — STI	**0.4**	–
	6.5	4.1

f) Fair value of SBP expense

i) EEP

The nature of the securities allotted under this plan is in substance similar to an option. The assessed fair value is taken to profit or loss as the securities vest immediately.

SBP inputs for the EEP issued during the year

	EEP
Grant date	20 March 2014
Security price at grant date	$1.72

ii) LTP

Fair value at grant date has been independently determined using an option pricing model that takes into account the exercise price, the term of the securities, the current price of the underlying securities, the expected volatility of the security price, the expected dividend/distribution yield and the risk-free interest rate for the term of the security. The fair value of the SBP expense is calculated using a Monte-Carlo simulation. Assumptions used for the fair value of SBP expense are as follows:

30 Employee benefits / continued

SBP inputs for the current LTP

In valuing rights linked to the relative TSR measure, the key inputs for the 2014 grant were as follows:

	Performance rights
Grant date	10 December 2013
Performance hurdle	Relative TSR and ROIC
Performance period start	1 July 2013
Performance testing date	1 July 2016
Security price at grant date	$1.62
Exercise price	$nil
Expected life	2.6 years
Volatility	20%
Risk-free interest rate (per annum)	2.92%
Dividend/distribution yield (per annum)	5.40%

31 Related parties

a) Controlled entities

Interests in controlled entities are set out in note 27.

b) KMP compensation

	2014 $m	2013 $m
Short term employment benefits	**11.0**	13.1
Post-employment benefits	**0.2**	0.2
SBP	**1.8**	0.8
Termination benefits	**–**	1.9
Other long term benefits	**0.1**	0.1
	13.1	16.1

Detailed remuneration disclosures are provided on pages 10 to 30 in the Remuneration report.

c) Transactions with other related parties

The following transactions occurred with related parties:

	2014 $'000	2013 $'000
Transactions with JVA		
Interest income	**17,764**	9,244
Project development fees	**807**	1,306
Management and service fees	**23,500**	12,358
Construction billings	**45,475**	166,325
Responsible entity fees	**7,609**	7,928

d) Outstanding balances in relation to transactions with related parties

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

	2014 $'000	2013 $'000
Current receivables		
JVA	**13,344**	25,159
Non-current receivables		
JVA	**32,489**	58,348

During the year, impairment of receivables due from related parties was recognised $2.0m (2013: $0.3m impairment released) and the expense in respect of impaired receivables due from related parties was recognised within impairment of loans, investments and inventories in the consolidated SoCI.

31 Related parties / continued

e) Loans to/from related parties

	2014 $m	2013 $m
Loans to directors and employees		
Balance 1 July	**10.0**	13.6
Loans advanced	**–**	–
Loan repayments received	**(6.3)**	(1.3)
Loan forgiveness	**(1.4)**	(2.3)
Balance 30 June	**2.3**	10.0
Amounts due from related parties		
Balance 1 July	**83.5**	81.6
Loans advanced	**1.3**	11.3
Loan repayments received	**(16.8)**	(10.6)
Impairment (recognised)/released	**(2.0)**	0.3
Transfers out	**(23.2)**	–
Interest charged	**3.0**	0.9
Balance 30 June	**45.8**	83.5

f) Terms and conditions of outstanding balances

Transactions relating to dividends/distributions are on the same terms and conditions that applied to other securityholders.

The terms of the tax funding agreement are set out as per note 6(d).

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

32 Financial risk management

Mirvac's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Mirvac's overall risk management program seeks to minimise potential adverse effects on the financial performance of Mirvac. The Group uses various derivative financial instruments to manage certain risk exposures, specifically in relation to interest rate and foreign exchange risks on borrowings. Derivatives are exclusively used for hedging purposes and are not held for trading or speculative purposes. Financial risk management is carried out by a central treasury department (Mirvac Group Treasury) under policies approved by the Board. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity. Mirvac Group Treasury identifies, evaluates, reports and manages financial risks in close cooperation with the Group's operating units in accordance with Board policy.

The Group holds the following financial instruments:

	Note	2014 $m	2013 $m
Financial assets			
Cash and cash equivalents	35	**97.8**	126.4
Receivables	8	**159.2**	214.0
Derivative financial assets	9	**27.0**	11.6
Other financial assets at fair value through profit or loss	11	**11.8**	12.6
Other financial assets	15	**131.4**	187.1
		427.2	551.7
Financial liabilities			
Payables	19	**590.1**	698.8
Borrowings	20	**2,717.6**	2,167.2
Derivative financial liabilities	9	**111.7**	73.8
		3,419.4	2,939.8

The carrying values of trade receivables (less impairment provision) and payables are assumed to approximate their fair values due to their short term nature. Derivative financial assets and liabilities are valued based upon valuation techniques (refer to note 33).

32 Financial risk management / continued

a) Market risk

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

i) Currency risk

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

- borrowings denominated in currencies other than Australian dollars which are predominately US dollars;
- investments in offshore operations which are located in the United States and New Zealand;
- receipts and payments which are denominated in other currencies; and
- foreign exchange risk on derivatives.

Mirvac manages its foreign exchange risk for its assets and liabilities denominated in other currencies by borrowing in the same currency as that in which the offshore business operates to form a natural hedge against the movement in exchange rates. Mirvac manages its foreign currency note borrowings with cross currency swaps which swap the obligations to pay fixed or floating US dollar principal and interest payments to floating Australian dollar interest payments. Cross currency swaps in place cover 100 per cent of the US dollar denominated note principal outstanding. These swaps have the same maturity profiles as the underlying note obligations. This removes exposure to interest rates in the US market while creating floating exposures in the domestic market that have been managed to meet Mirvac's target interest rate profile. The foreign currency exchange rate has been fixed for US$375.0m swaps to A$/US$ 0.7456 and US$360.0m swaps to A$/US$ 0.9429.

At 30 June 2014, the notional amounts and periods of expiry of the cross currency swap contracts for the Group were:

	2014 $m	2013 $m
Between two to three years	**368.9**	–
Between three to four years	**–**	368.9
Between four to five years	**134.1**	–
Greater than five years	**381.9**	134.1
	884.9	503.0

All swaps require settlement on a quarterly basis. Translation gains or losses on the net investment in foreign operations are recorded through the foreign currency translation reserve.

Sensitivity analysis

Cross currency swaps are in place to manage the foreign exchange exposure on the US dollar debt. These swaps have the same notional principal and maturity profiles as those of the underlying note obligations. Based upon current exposures, there is no material foreign exchange sensitivity in Mirvac.

ii) Interest rate risk

Mirvac's interest rate risk arises from long term borrowings, cash and cash equivalents (refer to note 35(a)), receivables and derivatives.

Borrowings

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

32 Financial risk management / continued

The following table sets out Mirvac's net exposure to interest rate risk by maturity periods. Exposures arise predominately from liabilities bearing variable interest rates as the Group intends to hold fixed rate liabilities to maturity.

	Floating interest rate $m	Fixed interest maturing in: 1 year or less $m	Over 1 to 2 year(s) $m	Over 2 to 3 years $m	Over 3 to 4 years $m	Over 4 to 5 years $m	Over 5 years $m	Total $m
2014								
Unsecured bank loans	975.2	–	–	–	–	–	–	**975.2**
Domestic MTN	–	200.0	–	225.0	200.0	200.0	–	**825.0**
Foreign MTN	779.3	–	–	10.0	–	–	125.0	**914.3**
Interest rate swaps	(650.0)	(150.0)	100.0	100.0	200.0	200.0	200.0	**–**
Lease liabilities	–	2.9	0.1	0.1	–	–	–	**3.1**
Total	**1,104.5**	**52.9**	**100.1**	**335.1**	**400.0**	**400.0**	**325.0**	**2,717.6**
2013								
Unsecured bank loans	1,172.1	–	–	–	–	–	–	1,172.1
Domestic MTN	–	–	200.0	–	225.0	150.0	–	575.0
Foreign MTN	404.3	–	–	–	10.0	–	–	414.3
Interest rate swaps	(500.0)	–	(150.0)	300.0	100.0	150.0	100.0	–
Lease liabilities	–	3.0	2.8	–	–	–	–	5.8
Total	1,076.4	3.0	52.8	300.0	335.0	300.0	100.0	2,167.2

Derivative instruments used by Mirvac

Mirvac enters into a variety of derivative instruments, although most commonly it uses interest rate swap agreements. Under the swap agreements, Mirvac agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Aside from swap agreements, bought and/or sold option agreements are used which allow rates to float between certain ranges and bank cancellable agreements are used which allow the relevant bank to cancel the agreement if certain conditions arise, the benefit of which is lower fixed rates. These derivatives are recorded in the consolidated SoFP at fair value in accordance with AASB 139. The fair value movements are recorded through the consolidated SoCI (refer to notes 4 and 5). Derivatives currently in place cover approximately 57.1 per cent (2013: 50.1 per cent) of the loan principal outstanding. The fixed interest rates range between 2.50 and 6.40 per cent (2013: 3.00 and 6.40 per cent) per annum. At 30 June 2014, the notional principal amounts, interest rates and periods of expiry of the interest rate swap contracts held by the Group were as follows:

	Floating to fixed				Fixed to floating			
	2014		2013		**2014**		2013	
	Interest rates % pa	**$m**	Interest rates % pa	$m	**Interest rates % pa**	**$m**	Interest rates % pa	$m
1 year or less	**–**	**–**	–	–	**8.25**	**150.0**	–	–
Over 1 to 2 year(s)	**4.75 – 5.50**	**100.0**	–	–	**–**	**–**	8.25	150.0
Over 2 to 3 years	**4.70**	**100.0**	3.00 – 5.50	300.0	**–**	**–**	–	–
Over 3 to 4 years	**2.50 – 6.40**	**400.0**	4.70	100.0	**5.50**	**200.0**	–	–
Over 4 to 5 years	**2.50 – 4.00**	**200.0**	3.35 – 6.40	300.0	**–**	**–**	5.50	150.0
Over 5 years	**3.49 – 4.00**	**200.0**	3.35	100.0	**–**	**–**	–	–
		1,000.0		800.0		**350.0**		300.0

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

Cash and cash equivalents

Cash held exposes Mirvac to cash flow interest rate risk.

32 Financial risk management / continued

Receivables

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

	Note	Floating interest rate $m	Fixed interest maturing in: 1 year or less $m	Over 1 to 2 year(s) $m	Over 2 to 3 years $m	Over 3 to 4 years $m	Over 4 to 5 years $m	Non-interest bearing $m	Total $m
2014									
Trade receivables	8	–	–	–	–	–	–	22.2	**22.2**
Related party receivables	8	–	5.8	11.2	15.1	–	–	13.7	**45.8**
Loans to directors and employees	8	–	–	–	–	–	–	2.3	**2.3**
Other receivables	8	16.2	3.1	4.9	–	–	–	64.7	**88.9**
		16.2	**8.9**	**16.1**	**15.1**	**–**	**–**	**102.9**	**159.2**
2013									
Trade receivables	8	–	–	–	–	–	–	25.3	25.3
Related party receivables	8	–	4.3	8.7	6.7	16.1	–	47.7	83.5
Loans to directors and employees	8	–	–	–	–	–	–	10.0	10.0
Other receivables	8	30.0	3.5	0.1	0.1	0.2	–	61.3	95.2
		30.0	7.8	8.8	6.8	16.3	–	144.3	214.0

Sensitivity analysis

Mirvac's interest rate risk exposure arises from long term borrowings, cash held with financial institutions and receivables. Based upon a 50 (2013: 50) basis point increase or decrease in Australian interest rates, the impact on profit after tax has been calculated taking into account all underlying exposures and related derivatives. This sensitivity has been selected as this is considered reasonable given the current level of both short term and long term interest rates.

The impact on the Group's result of a 50 (2013: 50) basis point increase in interest rates assuming no interest is capitalised would be a decrease in profit of $2.3m (2013: increase of $3.8m). The impact on Mirvac's result of a 50 (2013: 50) basis point decrease in interest rates would be an increase in profit of $1.5m (2013: decrease of $3.7m). The impact on the Group of a movement in US dollar interest rates would not be material to the profit of the Group.

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

iii) Price risk

The Group is exposed to equity price risk arising from an equity investment (refer to note 11). The equity investment is held for the purpose of selling in the near term. As this investment is not listed, the fund manager provides a unit price each six months. At the end of the year, if the unit price had been five per cent higher or lower, the effect on profit and on equity for the year would have been $0.6m (2013: $0.6m) higher or lower. This investment represents less than one per cent of Mirvac's net assets and therefore represents minimal risk to the Group. The amount recognised in profit or loss in relation to the equity investment held by the Group is disclosed in note 11.

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

b) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and will cause a financial loss. Mirvac has exposures to credit risk on cash and cash equivalents, receivables and derivative financial assets; the maximum exposure to credit risk is based on the total value of the Group's financial assets, net of any provision for impairment, as shown in note 8. To help manage this risk, the Group has a policy for establishing credit limits for the entities dealt with which is based on the size, previous trading experience of the entity or where available at reasonable cost, external credit ratings and/or reports. Based upon the information available, Mirvac may require collateral, such as bank guarantees or security deposits in relation to investment properties, leases or deposits taken on residential sales. Tenant receivables are reviewed throughout the year and if collection is deemed uncertain a provision is made.

Mirvac may also be subject to credit risk for transactions which are not included in the consolidated SoFP, such as when Mirvac provides a guarantee for another party. Details of the Group's contingent liabilities are disclosed in note 28. The credit risk arising from derivatives transactions and cash held with financial institutions exposes the Group if the contracting entity is unable to complete its obligations under the contracts. Mirvac's policy is to spread the amount of net credit exposure among major financial institutions which are rated the equivalent of A or above from the major rating agencies. Mirvac's net exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties. With regard to mezzanine loans, Mirvac monitors all loans advanced on a continuous basis. Formal procedures are in place, which include the regular review of each loan's status, monitoring of compliance with loan terms and conditions, consideration of historical performance and future outlook of borrowers for realisation. These procedures include the process for the realisation of loans, review and determination of the appropriate carrying value of investments and regular dialogue with the borrowers to ensure material issues are identified as they arise. Refer to note 8 for the management of credit risk relating to receivables.

32 Financial risk management / continued

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, the ability to close out market positions and the ability to raise funds through the issue of new securities through various means including placements and/or Mirvac's DRP. Mirvac prepares and updates regular forecasts of the Group's liquidity requirements to ensure that committed credit lines are kept available in order to take advantage of growth opportunities. Surplus funds are generally only invested in highly liquid instruments.

i) Financing arrangements

At 30 June 2014, Mirvac has a strong liquidity position with available undrawn facilities and cash of $510.8m. During the year, the Group completed the extension and increase of its unsecured syndicated bank facility and issued additional long-term capital markets debt.

ii) Maturities of financial liabilities

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

		Maturing in						
	Note	1 year or less $m	Over 1 to 2 year(s) $m	Over 2 to 3 years $m	Over 3 to 4 years $m	Over 4 to 5 years $m	Over 5 years $m	Total $m
2014								
Non-interest bearing								
Payables	19	505.1	42.1	7.4	–	–	35.5	**590.1**
Interest bearing								
Unsecured bank loans		24.7	290.6	22.4	339.1	392.3	–	**1,069.1**
Domestic MTN		257.0	40.5	256.5	217.0	11.5	217.3	**999.8**
Foreign MTN		47.8	48.1	342.9	32.9	135.9	639.7	**1,247.3**
Derivatives								
Net settled (interest rate swaps)		13.7	8.6	7.1	3.7	(0.5)	(0.8)	**31.8**
Fixed to floating swaps		(13.9)	(5.2)	(4.5)	(1.9)	–	–	**(25.5)**
Gross settled (cross currency swaps)								
– Outflow		13.3	14.1	378.8	4.7	136.7	–	**547.6**
– (Inflow)		(38.3)	(38.6)	(323.7)	(24.0)	(127.1)	(469.3)	**(1,021.0)**
		809.4	400.2	686.9	571.5	548.8	422.4	**3,439.2**
2013								
Non-interest bearing								
Payables	19	549.9	113.4	–	–	–	35.5	698.8
Interest bearing								
Unsecured bank loans		198.5	426.5	615.9	–	–	–	1,240.9
Domestic MTN		40.3	242.8	26.3	242.3	154.1	–	705.8
Foreign MTN		21.1	21.2	21.6	310.7	6.5	111.1	492.2
Derivatives								
Net settled (interest rate swaps)		13.0	11.1	4.9	2.2	(0.1)	(1.1)	30.0
Fixed to floating swaps		(10.2)	(11.8)	(2.8)	(2.1)	(0.8)	–	(27.7)
Gross settled (cross currency swaps)								
– Outflow		13.4	14.7	17.9	381.5	5.9	137.4	570.8
– (Inflow)		(21.1)	(21.2)	(21.6)	(310.7)	(6.5)	(111.1)	(492.2)
		804.9	796.7	662.2	623.9	159.1	171.8	3,218.6

d) Capital risk

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

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

At 30 June 2014, the gearing ratio (net debt including cross currency swaps to total tangible assets less cash) was 27.8 per cent (2013: 23.6 per cent). The Group's target gearing ratio is 20 to 30 per cent. This may be exceeded in order to take advantage of appropriate opportunities, such as acquisitions as they arise. To manage the Group's gearing ratio, a number of mechanisms are available. These may include adjusting the amount of dividends/distributions paid to securityholders, adjusting the number of securities on issue (via buy-backs), or the disposal of assets.

32 Financial risk management / continued

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

AFSL ratios and Queensland Building licences ratios were complied with at 30 June 2014. Mirvac also complied with all its borrowing covenant ratios at 30 June 2014. The gearing ratios were as follows:

	2014 $m	2013 $m
Net interest bearing debt less cash[1]	**2,722.2**	2,133.6
Total tangible assets less cash	**9,784.9**	9,054.3
Gearing ratio (%)	**27.8**	23.6

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

33 Fair value measurement of financial instruments

i) 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 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level one);
- inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level two); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level three).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2014 and 30 June 2013 on a recurring basis:

	Note	Level one $m	Level two $m	Level three $m	Total $m
2014					
Assets					
Other financial assets at fair value through profit or loss					
– unlisted securities	11	–	–	11.8	**11.8**
Other financial assets[1]	15	–	–	131.4	**131.4**
Derivatives used for hedging	9	–	27.0	–	**27.0**
		–	**27.0**	**143.2**	**170.2**
Liabilities					
Derivatives used for hedging	9	–	111.7	–	**111.7**
		–	**111.7**	**–**	**111.7**
2013					
Assets					
Other financial assets at fair value through profit or loss					
– unlisted securities	11	–	–	12.6	12.6
Other financial assets	15	–	–	187.1	187.1
Derivatives used for hedging	9	–	11.6	–	11.6
		–	11.6	199.7	211.3
Liabilities					
Derivatives used for hedging	9	–	73.8	–	73.8
		–	73.8	–	73.8

1) Primarily relates to convertible notes associated with funding Mirvac (Old Treasury) Trust joint venture $79.4m (2013: $47.9m). Convertible notes have been issued to fund the development costs of IPUC held by the Group and they will be converted into equity held by the Group at the end of the development. During the year, $97.2m of convertible notes issued by Mirvac 8 Chifley Trust was converted into equity.

There were no transfers between levels one, two and three for recurring fair value measurements during the 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.

ii) 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.

33 Fair value measurement of financial instruments / continued

Level two: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. 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 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.

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

The following table presents the changes in level three instruments for the year ended 30 June 2014 held by the Group:

	Unlisted securities $m	Other financial assets $m	Total $m
Balance 1 July 2012	12.7	51.5	64.2
Acquisitions	–	135.6	135.6
Capital distribution received	(0.1)	–	(0.1)
Balance 30 June 2013	12.6	187.1	199.7
Acquisitions	–	41.5	41.5
Equity conversion	–	(97.2)	(97.2)
Loss recognised in other income[1]	(0.8)	–	(0.8)
Balance 30 June 2014	**11.8**	**131.4**	**143.2**

1) Unrealised loss for the year included in gain on financial instruments that relate to assets held at the end of the year.

2014	**(0.8)**	**–**	**(0.8)**
2013	–	–	–

There were no transfers between the levels of the fair value hierarchy during the year. There were also no changes made to any of the valuation techniques applied as of 30 June 2013.

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.

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

For sensitivity analysis on level three unlisted securities, refer to note 32(a)(iii).

v) Fair value of other financial instruments

The carrying value of the other short term financial assets and financial liabilities being receivables and payables (set out in note 32(a)) is considered to approximate their fair value.

34 Remuneration of auditors

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

	2014 $000	2013 $000
a) Assurance services		
Audit services		
Audit and review of financial reports	**1,813.1**	1,827.9
Compliance services and regulatory returns	**308.2**	272.9
Total remuneration for assurance services	**2,121.3**	2,100.8
b) Taxation services		
Tax advice and compliance services	**123.9**	139.7
Total remuneration for taxation services	**123.9**	139.7
c) Advisory services		
Advisory services	**15.9**	7.8

35 Notes to the consolidated statement of cash flows

	Note	**2014 $m**	2013 $m
a) Reconciliation of cash			
Cash at the end of the year as shown in the consolidated statement of cash flows is the same as the consolidated SoFP, the detail of which follows:			
Cash at bank		**67.6**	115.1
Deposits at call		**30.2**	11.3
Cash and cash equivalents		**97.8**	126.4
b) Reconciliation of profit attributable to the stapled securityholders of Mirvac to net cash inflows from operating activities			
Profit attributable to the stapled securityholders of Mirvac	25	**447.3**	139.9
Share of net profit of JVA not received as dividends/distributions		**(46.9)**	(12.4)
Net loss on sale of investments		**–**	(1.0)
Net gain on fair value of investment properties	16	**(56.5)**	(54.0)
Net loss on fair value of IPUC	16	**7.7**	3.6
Net loss on sale of investment properties		**6.0**	2.7
Net loss/(gain) on sale of PPE		**0.2**	(0.1)
Depreciation and amortisation expenses	5	**29.6**	31.3
Impairment of loans, investments, inventories and goodwill	5	**23.3**	273.2
SBP expense		**6.5**	4.1
Net loss/(gain) on financial instruments		**23.3**	(33.0)
Net (gain)/loss on foreign exchange		**(7.5)**	45.4
JVA dividends/distributions received		**17.6**	23.6
Change in operating assets and liabilities, net of effects from purchase of controlled entities:			
– Increase in income taxes payable		**0.4**	0.4
– Decrease/(increase) in tax effected balances		**12.4**	(22.7)
– Decrease/(increase) in receivables		**53.7**	(67.9)
– Increase in inventories		**(33.1)**	(252.6)
– Increase in other assets/liabilities		**(12.3)**	(16.4)
– (Decrease)/increase in payables		**(73.3)**	322.2
– Increase/(decrease) in provisions for employee benefits		**0.9**	(0.4)
Net cash inflows from operating activities		**399.3**	385.9

36 Events occurring after the end of the year

On 1 July 2014, Mirvac completed the sale of a 50 per cent interest in 275 Kent Street, Sydney NSW to Blackstone. Blackstone has also exercised its call options over a portfolio of seven non-core assets, with settlement of the sale of the non-core assets occurring on the same date. Total consideration for the 50 per cent interest in 275 Kent Street, Sydney NSW and the non-core assets is $821.0m. Mirvac has provided vendor finance of $156.0m in relation to the sale of the non-core assets, at an initial coupon of 8.0 per cent per annum and for a maximum term of 48 months (under terms of the vendor financing agreement, Blackstone has the option to repay the loan after a minimum of 12 months) which will help to manage the dilutionary impact to earnings from the sale of the non-core assets. The sale provided a benefit to the headline gearing ratio of approximately five per cent.

36 Events occurring after the end of the year / continued

During the year ended 30 June 2014, Mirvac entered into a put and call option agreement to purchase a parcel of land at Lachlan Street Waterloo NSW ("Waterloo") and Hope Street Brisbane QLD ("Arthouse"). The purchase price for Waterloo was $37.0m and for Arthouse was $23.5m (comprising two stages). Board approvals were obtained prior to the year ended 30 June 2014, and all conditions precedent were met in relation to the acquisitions. The owners of each parcel of land agreed to grant Mirvac an option to purchase the property and Mirvac agreed that the owners may execute their put option if Mirvac does not exercise the call option. The option period to exercise for both projects was after 30 June 2014. On 1 July 2014, Mirvac exercised its call option in relation to the purchase of Waterloo and on 4 July 2014 in relation to Stage 1 of Arthouse. As the options were not exercisable at 30 June 2014, no liability was recognised by Mirvac as at 30 June 2014.

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

37 Parent entity financial information

a) Summary financial information

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

SoFP	Note	**2014 $m**	2013 $m
Current assets		**3,651.5**	3,638.1
Total assets		**4,012.5**	3,975.9
Current liabilities		**1,925.5**	1,847.5
Total liabilities		**1,925.9**	2,197.7
Equity			
Contributed equity	23	**2,070.8**	1,765.2
Reserves			
– SBP reserve		**15.3**	10.6
– Capital reserve		**(0.2)**	(0.2)
Retained earnings		**0.7**	2.6
		2,086.6	1,778.2
Loss for the year		**(0.5)**	(331.1)
Total comprehensive income		**(0.5)**	(331.1)

b) Guarantees entered into by the parent entity

The parent entity is party to a deed of cross guarantee, with members of the closed group. Further details are disclosed in note 27(c).

c) Contingent liabilities of the parent entity

The parent entity did not have any other contingent liabilities other than the item referred to in note 37(b) at 30 June 2014 or 30 June 2013.

d) Contractual commitments for the acquisition of PPE

The parent entity did not have any contractual commitments for the acquisition of PPE at 30 June 2014 or 30 June 2013.

Directors' declaration

In the Directors' opinion:

a) the financial statements and the notes set out on pages 44 to 110 are in accordance with the *Corporations Act 2001*, including:
   i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   ii) giving a true and fair view of the consolidated entity's financial position at 30 June 2014 and of its performance for the financial year ended on that date;

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

c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 27 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 27.

Note 1(b) confirms that the financial statements also comply with IFRS as issued by the IASB.

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

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

Susan Lloyd-Hurwitz

Susan Lloyd-Hurwitz
Director

Sydney
21 August 2014

Independent auditor's report to the members of Mirvac Limited

Report on the financial report

We have audited the accompanying financial report of Mirvac Limited (the company), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Mirvac Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Auditor's opinion
In our opinion:

a) the financial report of Mirvac Limited is in accordance with the *Corporations Act 2001*, including:
   i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
   ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the remuneration report included in pages 10 to 31 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion
In our opinion, the remuneration report of Mirvac Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
21 August 2014

Securityholder information

The information set out below was prepared at 31 July 2014 and applies to Mirvac's stapled securities (ASX code: MGR).
As at 31 July 2014, there were 3,692,279,772 stapled securities on issue.

Substantial securityholders
As disclosed in substantial holding notices lodged with the ASX at 31 July 2014:

Name	Date of change	Number of stapled securities	Percentage of issued equity % [1]
CBRE Clarion Securities LLC	30/06/2014	222,416,352	6.02
AMP Limited and its related bodies corporate	19/12/2013	223,299,116	6.09
BlackRock Group	13/09/2013	229,543,751	6.26
Commonwealth Bank of Australia Group	04/09/2013	221,251,669	6.04
The Vanguard Group, Inc	01/03/2010	186,167,992	6.21

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

Range of securityholders

Range	Number of holders	Number of securities
1 to 1,000	6,222	2,912,751
1,001 to 5,000	11,323	31,188,460
5,001 to 10,000	6,155	44,818,530
10,001 to 100,000	7,588	180,080,932
100,001 and over	329	3,433,279,099
Total number of securityholders	**31,617**	**3,692,279,772**

20 largest securityholders

Name	Number of stapled securities	Percentage of issued equity %
HSBC Custody Nominees (Australia) Limited	1,315,764,140	35.64
JP Morgan Nominees Australia Limited	739,390,968	20.03
National Nominees Limited	572,600,009	15.51
Citicorp Nominees Pty Limited	280,649,241	7.60
BNP Paribas Noms Pty Ltd <DRP>	183,634,909	4.97
AMP Life Limited	82,863,919	2.24
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	55,369,301	1.50
RBC Investor Services Australia Nominees Pty Limited <APN A/C>	13,761,273	0.37
Bond Street Custodians Limited <ENH Property Securities A/C>	9,776,142	0.26
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	9,243,169	0.25
RBC Investor Services Australia Nominees Pty Limited <PISelect>	6,439,060	0.17
Argo Investments Limited	6,000,551	0.16
National Nominees Limited <N A/C>	4,665,000	0.13
UBS Nominees Pty Ltd	4,655,000	0.13
BNP Paribas Noms (NZ) Ltd <DRP>	4,573,993	0.12
Yalaba Pty Ltd <The Yalaba A/C>	4,331,876	0.12
BNP Paribas Nominees Pty Ltd <Agency Lending Collateral>	4,249,000	0.12
HSBC Custody Nominees (Australia) Limited	4,205,485	0.11
UBS Wealth Management Australia Nominees Pty Ltd	4,140,401	0.11
Bond Street Custodians Limited <Property Securities A/C>	4,054,591	0.11
Total for 20 largest securityholders	3,310,368,028	89.65
Total other securityholders	381,911,744	10.35
Total stapled securities on issue	**3,692,279,772**	**100.00**

Number of securityholders holding less than a marketable parcel (being 276 securities at the closing market price of $1.815 on 31 July 2014): 2,093.

Voting rights
Subject to the Constitutions of Mirvac Limited and of MPT and to any rights or restrictions for the time being attached to any class or classes of shares, units or stapled securities:

- on a show of hands, each Member present in person or by proxy, attorney, or representative has one vote; and
- on a poll, each Member has:
  - in the case of a resolution of Mirvac Limited, one vote for each share in Mirvac Limited held; and
  - in the case of a resolution of MPT, one vote for each whole $1.00 of unit value in MPT held.

Glossary of acronyms

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AFS	Australian financial services
AGM	Annual General Meeting/General Meeting
ANZ	Australia and New Zealand Banking Group Limited
APES	Accounting Professional & Ethical Standards
ARCC	Audit, Risk and Compliance Committee
A-REIT	Australian Real Estate Investment Trust
ARR	Asset revaluation reserve
ARSN	Australian Registered Scheme Number
ASFI	Australian Sustainable Forestry Investors 1 & 2
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
CBD	Central business district
CCI	Consumer Confidence Index
CEO/MD	Chief Executive Officer/Managing Director
CFO	Chief Financial Officer
CGU	Cash generating unit
CMBS	Commercial mortgage backed securities
CPI	Consumer Price Index
CPSS	Cents per stapled security
CR	Capitalisation rate
DCF	Discounted cash flow
DRP	Dividend/distribution reinvestment plan
EEO	Energy Efficiency Opportunities Act 2006
EEP	Employee Exemption Plan
EIP	Executive Incentive Program
EIS	Employee Incentive Scheme
ELT	Executive Leadership Team
EPS	Earnings per stapled security
ERP	Executive Retention Plan
FBT	Fringe benefits tax
FTE	Full time equivalent
FY08	Year ended 30 June 2008
FY09	Year ended 30 June 2009
FY10	Year ended 30 June 2010
FY11	Year ended 30 June 2011
FY12	Year ended 30 June 2012
FY13	Year ended 30 June 2013
FY14	Year ended 30 June 2014
FY15	Year ending 30 June 2015
GST	Goods and services tax
HRC	Human Resources Committee
HSE&S	Health, safety, environment and sustainability
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPUC	Investment properties under construction
ISO	International Organization for Standardization
JVA	Joint ventures and associates
KMP	Key management personnel
KPI	Key performance indicators

LSL	Long service leave
LTI	Long term incentives
LTIP	Long Term Incentive Plan
LTP	Long Term Performance Plan
MAM	Mirvac Asset Management
MIM	Mirvac Investment Management
MGR	Mirvac Group (and ASX code)
MPT	Mirvac Property Trust
MTN	Medium term notes
NABERS	National Australian Built Environment Rating System
NCI	Non-controlling interests
NGER	National Greenhouse and Energy Reporting Act 2007
NPV	Net present value
NRV	Net realisable value
NTA	Net tangible assets
OOP	Owner-occupied properties
PPE	Property, plant and equipment
PwC	PricewaterhouseCoopers
ROA	Return on assets
ROE	Return on equity
ROIC	Return on invested capital
SBP	Security based payments
SoCI	Statement of comprehensive income
SoFP	Statement of financial position
SPP	Security purchase plan
SPV	Special Purpose Vehicle
STI	Short term incentives
TAC	Transport Accident Commission
TSR	Total securityholder return
WALE	Weighted average lease expiry
WOT	Westpac Office Trust

Directory

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

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

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

Directors
John Mulcahy (Chair)
Susan Lloyd-Hurwitz (CEO/MD)
Peter Hawkins
James Millar AM
John Peters
Elana Rubin

Company Secretaries
Natalie Allen
Sean Ward

Stapled security registry
Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Telephone +61 1800 356 444

Securityholder enquiries
Telephone +61 1800 356 444

Correspondence should be sent to:
Mirvac Group
C/- Link Market Services Limited
Locked Bag 14
Sydney South NSW 1235

Further investor information can be located in the Investor Centre tab on Mirvac's website at www.mirvac.com

Auditor
PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000

Annual General/General Meeting
Mirvac Group's 2014 AGM will be held at 10.00am (Australian Eastern Daylight Time) on Thursday, 20 November 2014 at the Swissotel Sydney, Level 8, 68 Market Street, Sydney NSW 2000.

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

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