

MGR | INTERIM REPORT

MIRVAC GROUP

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

by mirvac

INTERIM REPORT

For the half year ended 31 December 2013

01	Directors' report
07	Auditor's independence declaration
08	Financial statements
08	Consolidated statement of comprehensive income
09	Consolidated statement of financial position
10	Consolidated statement of changes in equity
11	Consolidated statement of cash flows
12	Notes to the consolidated financial statements
31	Directors' declaration
32	Independent auditor's review report to the members of Mirvac Limited
34	Glossary of acronyms

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).

This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Mirvac Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

The Directors of Mirvac Limited present their report, together with the consolidated report of Mirvac Group ("Mircac" or "Group") for the half year ended 31 December 2013. Mirvac comprises Mirvac Limited ("parent entity") and its controlled entities, which include Mirvac Property Trust ("MPT" or "Trust") and its controlled entities.

DIRECTORS

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

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

OPERATING AND FINANCIAL REVIEW

The statutory profit after tax attributable to the stapled securityholders of Mirvac for the half year ended 31 December 2013 was \$246.1m (December 2012: \$55.2m). The operating profit (profit before specific non-cash items and significant items) was \$200.2m (December 2012: \$194.2m).

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

The following table summarises key reconciling items between statutory profit after tax attributable to the stapled securityholders of Mirvac and operating profit. The operating profit information in the table has not been subject to any specific review procedures by the Group's auditor but has been extracted from note 3 of the accompanying financial statements for the half year ended 31 December 2013, which have been subject to review; refer to pages 32 and 33 for the auditor's review report on the financial statements.

	31 December 2013 \$m	31 December 2012 \$m
Profit attributable to the stapled securityholders of Mirvac	246.1	55.2
Specific non-cash items		
Net gain on fair value of investment properties	(70.7)	(68.8)
Net loss on fair value of investment properties under construction ("IPUC")	3.6	0.9
Net loss on fair value of derivative financial instruments and associated foreign exchange movements ¹	16.6	8.5
Security based payment expense ²	2.8	1.9
Depreciation of owner-occupied properties ³ ("OOP")	3.1	3.6
Straight-lining of lease revenue ⁴	(6.0)	(8.0)
Amortisation of lease fitout incentives ³	4.9	5.5
Net (gain)/loss on fair value of investment properties, derivatives and other specific non-cash items included in share of net profit of associates and joint ventures ⁵	(0.2)	2.4
Significant items		
Impairment of loans, investments and inventories	(0.9)	273.2
Net loss from sale of non-aligned assets ⁶	0.9	2.0
Tax effect		
Tax effect of non-cash and significant adjustments	—	(82.2)
Operating profit (profit before specific non-cash and significant items)	200.2	194.2

1) Total of Gain on financial instruments, Foreign exchange loss and 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 associates and joint ventures accounted for using the equity method in the consolidated SoCI.

6) Net loss on sale of investment properties in the consolidated SoCI.

FINANCIAL, CAPITAL MANAGEMENT AND OPERATIONAL HIGHLIGHTS

Key financial highlights for the half year ended 31 December 2013 were:

- profit attributable to the stapled securityholders of Mirvac increased significantly from \$55.2m (December 2012) to \$246.1m;
- operating profit after tax of \$200.2m¹ (December 2012: \$194.2m), representing 5.5 cents per stapled security ("CPSS");
- operating cash outflow of \$112.7m, a significant decrease on the prior period from reduced progress receipts in respect of 8 Chifley Square, Sydney and the restocking of Development inventories;
- gearing increased to 28.8 per cent² from 23.6 per cent at 30 June 2013 and has remained within the Group's target range of 20.0 to 30.0 per cent;
- half year distributions of \$161.3m, representing 4.4 CPSS; and
- net tangible assets ("NTA")³ per stapled security of \$1.65 from \$1.62 (June 2013).

Key capital management highlights for the half year ended 31 December 2013 were:

- 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 which will mature in September 2020; and
 - > issued \$50.0m of medium term notes which will mature in December 2017;
- maintained strong liquidity with \$800.9m of cash and undrawn committed bank facilities held;
- significantly increased the weighted average debt maturity to 4.8 years;
- reduced average borrowing costs slightly to 5.6 per cent per annum as at 31 December 2013 (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 half year ended 31 December 2013 were:

- acquired \$698.4m⁴ in key strategic assets in core locations across the office, retail, industrial and residential sectors⁵;
- maintained strong portfolio occupancy of 97.8 per cent within the MPT portfolio⁶;
- leased 91,251 square metres (6.2 per cent of net lettable area) within the MPT portfolio⁷;
- achieved strong levels of residential exchanged contracts of \$1,458.5m⁸;
- settled 1,032 residential lots, on track to achieve the financial year ending 30 June 2014 ("FY14") revised target of over 2,300 lots (previous target was over 2,200 lots); and
- the office portfolio achieved 4.76 Star NABERS average energy rating in December 2013, ahead of the June 2014 target of 4.75 Star NABERS average energy rating.

Outlook⁹

Whilst economic conditions remained challenging across the markets in which the Group operates, Mirvac's ongoing focus on building a strong and resilient business, means it is positioned well to perform across the business cycle.

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

Mirvac will continue to enhance its capabilities as a world-class Australian property group concentrating on a secure income stream from the Investment portfolio, and improving the return on invested capital achieved by the Development business.

DIVISIONAL HIGHLIGHTS

Investment

At 31 December 2013, Investment (comprising MPT and a small number of assets held by the Company) had \$7,169.9m¹⁰ invested capital across 69¹¹ 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: 64.2 per cent¹¹;
- retail: 23.5 per cent;
- industrial: 6.4 per cent; and
- other: 5.9 per cent¹².

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

2) Net debt (at foreign exchange hedged rate) excluding leases/(total tangible assets – cash).

3) NTA per stapled security, based on ordinary securities including Employee Incentive Scheme securities.

4) Pre-acquisition costs.

5) Settlement of Harbourside Shopping Centre, Sydney NSW occurred on 31 January 2014 and settlement of 60 Wallgrove Road, Eastern Creek NSW occurred on 30 January 2014.

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

7) Includes 8 Chifley Square, Sydney NSW.

8) Total exchanged pre-sales contracts as at 31 December 2013, adjusted for Mirvac's share of joint ventures, associates and Mirvac managed funds.

9) These future looking statements should be read in conjunction with future releases to the Australian Stock Exchange ("ASX").

10) Includes IPUC and indirect property investments.

11) 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.

12) Includes IPUC, indirect property investments, car park assets and a hotel.

DIRECTORS' REPORT

For the six months to 31 December 2013, MPT's statutory profit before tax was \$277.9m and operating profit before tax was \$210.6m.

While the global economic climate remained challenging, the Trust's earnings continued to be secured by a strong weighted average lease expiry ("WALE") profile of 5.0 years¹, 96.1 per cent of FY14 rent reviews being fixed or linked to the Consumer Price Index ("CPI"), and 74.6 per cent of revenue being derived from multinational, ASX listed and government tenants.

Key operational highlights for MPT for the half year ended 31 December 2013 were:

- achieved 3.3 per cent like-for-like net operating income growth;
- maintained high occupancy at 97.8 per cent²;
- total investment property revaluations provided a net uplift of \$69.2m³ (or 1.0 per cent) over the previous book value for the six months to 31 December 2013. On a like-for-like basis (excluding assets classified as held for sale and excluding acquisitions), the net uplift was \$85.9m (or 1.4 per cent);
- acquired two Melbourne CBD office assets (367 Collins Street and 477 Collins Street) for a total value of \$299.8m (pre-acquisition costs);
- exchanged contracts to purchase one Sydney CBD retail asset (Harbourside Shopping Centre, Sydney NSW, which settled on 31 January 2014) and one industrial asset (60 Wallgrove Road, Eastern Creek NSW, which settled on 30 January 2014) for a total value of \$307.0m (pre-acquisition costs). All acquisitions are aligned with Mirvac's strategy of acquiring quality assets in core locations with value add potential;
- exchanged contracts on one non-core industrial asset (54-60 Talavera Road, North Ryde NSW) realising \$48.0m in gross sale proceeds (sold above book value)⁴;
- exchanged contracts on two non-core retail assets (Orange City Centre, Orange NSW and Gippsland Centre, Sale VIC) realising \$100.0m in gross sale proceeds, representing a premium to book value⁴;
- completed 222 leasing deals over 91,251 square metres of net lettable area (6.2 per cent of net lettable area), with major leasing commitments at:
 - > 10-20 Bond Street, Sydney NSW: renewal of lease to Origin Energy (3,746 square metres) for a new five year lease term;
 - > 340 Adelaide Street, Brisbane QLD: renewal of lease for four years to Medibank Health Solutions (1,628 square metres);
 - > 90 Collins Street, Melbourne VIC: new lease to Lonsec Fiscal (1,139 square metres) for a eight year lease term;
 - > 47-67 Westgate Drive, Altona North VIC: two year extension of lease term to Pacific Brands (26,911 square metres); and
 - > 10 Julius Avenue, North Ryde NSW: 12 year extension of lease term to BOC (7,952 square metres);

– progressed with commercial developments as detailed in the Commercial highlights section in this Report and achieved the following leasing commitments at:

- > 8 Chifley Square, Sydney NSW: practical completion was achieved in July 2013. The building is now 97.0 per cent leased⁵;
- > 699 Bourke Street, Melbourne VIC: AGL increased its commitment from 15,000 square metres to 19,300 square metres, which accounted 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 progressing, incorporating a new Aldi supermarket and over 60 additional specialty stores, expanding the centre by approximately 9,000 square metres. The project is currently 81.4 per cent⁶ committed by net lettable area;
- > Stanhope Village, Stanhope Gardens NSW: commenced trading of Stage 3 (100.0 per cent leased) in August 2013. The project incorporated the extension of the Kmart mall and a new Aldi supermarket;
- > 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): the Stage 2 expansion of 31,545 square metres will include Coles, Target and Event Cinemas, mini majors and an additional 80 to 100 specialty tenants and commercial suites, as well as an extra 1,200 car parks.

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

- office portfolio achieved 4.76 Star NABERS average energy rating in December 2013, ahead of the June 2014 target of 4.75 Star NABERS average energy rating;
- received the Facilities Management Association Contribution to Energy Efficiency award for a second successive year for energy reductions across the office portfolio;
- 40 Miller Street, North Sydney NSW achieved a 5.0 Star NABERS energy rating, reducing energy intensity by 10.7 per cent;
- 12 Julius Avenue, North Ryde NSW achieved a 5.0 Star NABERS energy and 5.0 Star NABERS water rating; and
- 340 Adelaide Street, Brisbane QLD achieved a 4.0 Star NABERS water rating with a 33.0 per cent reduction in water consumption.

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

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

3) After adjustment for owner occupied buildings, the net uplift was \$67.1m.

4) Settlement of the disposals is expected to take place in March 2014.

5) As at 18 February 2014.

6) As at 31 January 2014.

Outlook¹

Global economic activity continues to show signs of improvement. Domestically, there has been a transition away from investment in the resources sector to the more interest rate sensitive parts of the economy. This has been accompanied by a softening in employment. However, strong expected returns, economic and political stability should maintain interest for office assets from investors. The office portfolio, with low vacancy rates, high average fixed rent increases, quality tenant profile, manageable expiry profile and long weighted average lease term, continues to be well positioned.

While retail conditions remain challenging, improving household wealth is resulting in less caution on discretionary retailing in key metropolitan markets. Despite this, dominant retail centres with non-discretionary spending focus are expected to continue to outperform. Some regional markets remain under pressure for sales performance, tenant demand and rental growth. The Group's retail assets, situated in core locations, should continue to provide secure returns.

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

- improving the quality of the portfolio via non-aligned asset sales and creating new product to be held for the long term;
- extracting the benefit of the Group's demonstrated competitive advantages in remaining strategically overweight in the office sector; and
- focusing on prime sub-regional, neighbourhood and CBD shopping centres located in growth markets.

Investment Management

Mirvac Investment Management ("MIM") comprises two business activities for segment reporting purposes:

- third party, listed and unlisted funds management (Mirvac Capital ("Capital")); and
- property asset management (Mirvac Asset Management ("MAM")).

For the half year ended 31 December 2013, MIM recorded a statutory profit before tax of \$2.8m and an operating profit before tax of \$4.1m.

Capital has a mandate to grow its \$1,100.0m in assets under management. Management is focused on the establishment of investment partnerships with strategically aligned domestic and international institutional investors to co-invest alongside Mirvac in office, industrial, retail and residential assets and development projects.

At 31 December 2013, Capital managed four wholesale funds:

- Mirvac Wholesale Residential Development Partnership ("MWRDP");
- Tucker Box Hotel Group;
- JF Infrastructure Yield Fund; and
- Australian Sustainable Forestry Investors.

Capital also managed two retail funds:

- Mirvac Development Fund – Meadow Springs; and
- Mirvac Development Fund – Seascapes.

MIM also manages the ASX listed Mirvac Industrial Trust (ASX: MIX).

MAM provides asset management services primarily for the MPT portfolio. MAM currently manages 68 properties.

Outlook¹

As noted above, Capital will seek to expand its assets under management, the focus being on the establishment and growth of investment partnerships with strategically aligned institutional investors seeking to co-invest in new Mirvac managed real estate assets and development projects.

MAM will also 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 31 December 2013, Development had \$1,775.5m of invested capital.

For the half year ended 31 December 2013, Development's statutory profit before tax was \$26.2m and operating profit before tax was \$26.2m.

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:

Apartments:

- Rhodes Pinnacle, Rhodes NSW: completed construction in September 2013 with 100 per cent now settled (233 settled contracts);
- ERA, Chatswood NSW: construction progressing ahead of schedule with practical completion expected in early 2014, with 100 per cent sold (294 exchanged contracts);
- Harold Park, Glebe NSW: achieved strong sales with 99.7 per cent of Precinct 1, 97.3 per cent of Precinct 2 and 82.9 per cent of Precinct 3 sold (297,179 and 286 exchanged contracts respectively); and
- Yarra's Edge, Docklands VIC: construction on track at Array, with 78.5 per cent sold (161 exchanged contracts). Array is expected to be completed in 2015.

Masterplanned Communities:

- Elizabeth Hills NSW: continued strong sales with 95.3 per cent of released lots sold (506 settled and exchanged contracts);
- Alex Avenue NSW: continued strong sales with 98.8 per cent of released lots sold (177 exchanged contracts);
- Googong NSW: continued strong sales with 90.8 per cent of released lots sold (414 settled and exchanged contracts); and
- Enclave VIC: construction progressing on program with 61.4 per cent of the total project sold or 100 per cent of total released lots sold (143 settled and exchanged contracts).

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

DIRECTORS' REPORT

In addition to this strong sales momentum, Mirvac completed sales on two long-dated projects, Newbury Estate, Stanhope Gardens NSW and Middleton Grange NSW, as well as completing the englobo sale of the provisioned project, Spring Farm NSW.

For the half year ended 31 December 2013, Development's residential pipeline totalled 31,368 lots which was supplemented by the acquisition of a number of key projects that will contribute significantly to Development's future pipeline, including:

- Bondi NSW: acquisition of an on-strategy 'inner-ring' development site for an apartment project in Sydney's eastern suburbs. On completion, this project will comprise in excess of 200 apartment lots (subject to obtaining planning approvals);
- Baldivis WA: acquisition of a masterplanned community site of approximately 380 lots in the southern growth corridor of Perth. Settlements are currently forecast to occur in early FY17; and
- Osprey Waters, Bridgewater WA: acquisition from MWRDP of the development rights over a portion of the Bridgewater development site in Mandurah WA. The transaction will provide approximately 270 lots to be delivered from FY14 to FY19.

For the half year ended 31 December 2013, Development settled 1,032 residential lots and had secured future income of \$1,458.5m¹ through residential exchange pre-sales contracts.

State based lot settlements by product for the half year ended 31 December 2013 were as follows:

State	Apartments	Masterplanned Communities	Total
NSW	233	459	692
QLD	64	83	147
VIC	20	60	80
WA	4	109	113
Total	321	711	1,032

Commercial

Mirvac's commercial development activities include office, retail and industrial projects. For the half year ended 31 December 2013, Mirvac's office development pipeline had an end value of \$3,100.0m on a 100 per cent ownership basis.

Key operational highlights for Commercial for the half year ended 31 December 2013 were outlined in the MPT highlights section of this Report. Key development milestones and sustainability highlights were:

- 8 Chifley Square, Sydney NSW: practical completion was achieved in July 2013. The project demonstrates the benefits 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 a 6.0 Star Green Star Office Design V2 rating and is expected to achieve a 5.0 Star NABERS energy rating;

- 200 George Street, Sydney NSW: demolition of existing structures was complete with the excavation works and harvesting of existing sandstone underway. Completion is forecast 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 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;
- Treasury Building, Perth WA: construction progressing with ground works complete. 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;
- Stanhope Village, Stanhope NSW: Stage 3 officially opened in August 2013. Development Approval for the Stage 4 extension, including additional specialty tenancies and a casual dining area, was granted, with construction due to commence in early 2014;
- Kawana Shopping Centre, Buddina QLD: commenced construction on Stage 4 which includes expanding the centre by approximately 9,000 square metres; and
- Orion Springfield Town Centre, Springfield QLD (Pad Sites): construction complete and all tenants trading. The Pad Sites provide a gross lettable area of 5,108 square metres.

Outlook²

The outlook for capital city residential markets remains mixed by location. Whilst there has not been a material uplift in demand to date and purchasers remain cautious, the stronger underlying economic fundamentals should result in further improvement in the residential property market over time, with the trend towards medium density living continuing, particularly in the south eastern states.

Development remains focused on:

- continuing to improve key metrics including return on invested capital (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 the Group's 2013 Annual Report.

1) Total exchanged pre-sales contracts as at 31 December 2013, adjusted for Mirvac's share of joint ventures, associates and Mirvac managed funds.

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

Group risks

For the half year ended 31 December 2013, 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. As announced on 9 May 2013, as part of Mirvac's strategic review of each business unit, the Group established clear and targeted directional mandates for all areas of operation. 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.

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 64.2 per cent¹ of the MPT portfolio. MPT's office portfolio metrics comprising a long WALE of 5.0 years², high occupancy of 96.1 per cent³ and strong like-for-like rent growth of 3.4 per cent, demonstrate Mirvac's ability to maintain a strong and robust portfolio through the cycles of demand. The Group seeks to manage uncertainty around commercial office demand in a number of ways including substantial pre-letting of commercial development in advance of construction (for example, the AGL pre-commitment of 100.0 per cent of the lettable area at 699 Bourke Street, Melbourne, announced in November 2013) and by partially selling down commercial developments in advance of completion (for example, Treasury Building, Perth and 200 George Street, Sydney);
- retail: as detailed in the outlook section for Investment, the current low retail sales growth environment continues to place pressure on retailers. With 23.5 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 1.2 per cent of the total portfolio's gross rent; 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, which is currently at 54.4 per cent of the portfolio, further mitigates this risk, as do pre-sales.

MATTERS SUBSEQUENT TO THE END OF THE HALF YEAR

On 19 February 2014 the Group announced it had signed a relationship deed with US based financial services organisation TIAA-CREF. Under the Deed, TIAA-CREF has an exclusive first right to acquire 50 per cent of co-investment opportunities in prime-grade Australian office assets sourced or developed by Mirvac for the next three years. The exclusive first right will apply to stable assets and development opportunities acquired by Mirvac after 19 February 2014, but not to Mirvac's existing portfolio, acquisitions of additional interests in assets under pre-existing rights, or future assets acquired as part of a portfolio transaction. Mirvac and TIAA-CREF will each hold a 50 per cent interest in assets acquired under the Alliance. The financial effects of this transaction have not been brought to account at 31 December 2013. Any assets acquired under the agreement will be accounted for in the future periods to which they relate.

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

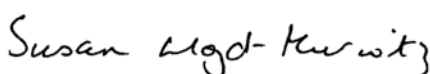
AUDITOR'S INDEPENDENCE DECLARATION

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

ROUNDING OF AMOUNTS

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

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



Susan Lloyd-Hurwitz

Director

Sydney

20 February 2014

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.

AUDITOR'S INDEPENDENCE DECLARATION



As lead auditor for the review of Mirvac Limited for the half year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
20 February 2014

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 31 December 2013

	Note	31 December 2013 \$m	31 December 2012 \$m
Revenue from continuing operations			
Investment properties rental revenue	10(b)	316.5	287.9
Investment management fee revenue		6.4	4.5
Development and construction revenue		518.7	317.3
Development management fee revenue		12.2	9.7
Interest revenue		11.4	9.1
Dividend and distribution revenue		—	0.4
Other revenue		3.4	6.1
Total revenue from continuing operations		868.6	635.0
Other income			
Net gain on fair value of investment properties		70.7	68.8
Share of net profit of associates and joint ventures accounted for using the equity method	9	16.6	7.3
Gain on financial instruments		22.9	0.1
Foreign exchange gain		—	7.6
Total other income		110.2	83.8
Total revenue from continuing operations and other income		978.8	718.8
Net loss on fair value of IPUC		3.6	0.9
Net loss on sale of investment properties		0.9	2.0
Net loss on sale of property, plant and equipment		0.1	—
Foreign exchange loss		39.5	—
Investment properties expenses	10(b)	74.8	62.9
Cost of property development and construction		470.0	277.9
Employee benefits expenses		39.2	33.7
Depreciation and amortisation expenses		14.5	15.7
Impairment of loans, investments and inventories		(0.9)	273.2
Finance costs	4	56.1	39.1
Loss on financial instruments		—	16.2
Selling and marketing expenses		13.4	12.0
Other expenses		21.3	17.0
Profit/(loss) from continuing operations before income tax		246.3	(31.8)
Income tax (expense)/benefit		(0.2)	87.0
Profit for the half year		246.1	55.2
Other comprehensive income for the half year			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations, net of tax		1.7	(0.5)
<i>Items that will not be reclassified to profit or loss</i>			
Increment on revaluation of property, plant and equipment		4.1	5.1
Deferred tax on share based payments expense		—	0.4
Other comprehensive income for the half year, net of tax		5.8	5.0
Total comprehensive income for the half year		251.9	60.2
Profit for the half year is attributable to the stapled securityholders of Mirvac		246.1	55.2
Total comprehensive income for the half year is attributable to the stapled securityholders of Mirvac		251.9	60.2
Earnings per stapled security for profit attributable to the stapled securityholders of Mirvac			
		Cents	Cents
Basic earnings per security	5	6.7	1.6
Diluted earnings per security	5	6.7	1.6

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	31 December 2013 \$m	30 June 2013 \$m
Current assets			
Cash and cash equivalents	18	58.2	126.4
Receivables		123.7	93.7
Derivative financial assets	7	6.4	—
Inventories	6	588.0	559.9
Other financial assets at fair value through profit or loss	7	12.8	12.6
Other assets		19.1	17.5
Assets classified as held for sale	8	148.0	81.3
Total current assets		956.2	891.4
Non-current assets			
Receivables		124.4	120.3
Inventories	6	914.8	903.3
Investments accounted for using the equity method	9	386.1	379.9
Derivative financial assets	7	17.3	11.6
Other financial assets	7	207.6	187.1
Investment properties	10	6,392.2	6,029.6
Property, plant and equipment		258.8	317.8
Intangible assets	11	65.7	65.7
Deferred tax assets		314.2	339.7
Total non-current assets		8,681.1	8,355.0
Total assets		9,637.3	9,246.4
Current liabilities			
Payables		284.1	549.9
Borrowings	12	2.9	175.1
Derivative financial liabilities	7	11.9	13.4
Provisions		169.3	172.3
Other liabilities		0.6	0.3
Total current liabilities		468.8	911.0
Non-current liabilities			
Payables		172.0	148.9
Borrowings	12	2,742.8	1,992.1
Derivative financial liabilities	7	51.2	60.4
Deferred tax liabilities		94.1	119.6
Provisions		3.7	3.6
Total non-current liabilities		3,063.8	2,324.6
Total liabilities		3,532.6	3,235.6
Net assets		6,104.7	6,010.8
Equity			
Contributed equity	13	6,747.0	6,745.3
Reserves		85.8	79.8
Retained earnings		(728.1)	(814.3)
Equity, reserves and retained earnings attributable to the stapled securityholders of Mirvac		6,104.7	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 half year ended 31 December 2013

	Note	Attributable to the stapled securityholders of Mirvac			Total \$m
		Contributed equity \$m	Reserves \$m	Retained earnings \$m	
Balance 1 July 2013		6,745.3	79.8	(814.3)	6,010.8
Profit for the half year		—	—	246.1	246.1
Other comprehensive income for the half year		—	5.8	—	5.8
Total comprehensive income for the half year		—	5.8	246.1	251.9
Long term performance ("LTP"), long term incentives plan ("LTIP") and employee incentive scheme ("EIS") securities converted, sold, vested or forfeited		2.1	—	—	2.1
Contributions of equity, net of transaction costs		(0.4)	—	—	(0.4)
Security based payment transactions		—	2.2	—	2.2
Security based compensation		—	—	(0.6)	(0.6)
Dividends/distributions provided for or paid	14	—	—	(161.3)	(161.3)
Transfers due to derecognition of OOP		—	(2.0)	2.0	—
Total transactions with owners in their capacity as owners		1.7	0.2	(159.9)	(158.0)
Balance 31 December 2013		6,747.0	85.8	(728.1)	6,104.7
Balance 1 July 2012		6,334.7	64.2	(644.2)	5,754.7
Profit for the half year		—	—	55.2	55.2
Other comprehensive income for the half year		—	5.0	—	5.0
Total comprehensive income for the half year		—	5.0	55.2	60.2
LTI and EIS securities converted, sold, vested or forfeited		11.9	—	—	11.9
Security based payment transactions		—	(8.1)	—	(8.1)
Security based compensation		—	—	(0.7)	(0.7)
Dividends/distributions provided for or paid	14	—	—	(143.9)	(143.9)
Total transactions with owners in their capacity as owners		11.9	(8.1)	(144.6)	(140.8)
Balance 31 December 2012		6,346.6	61.1	(733.6)	5,674.1

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2013

	Note	31 December 2013 \$m	31 December 2012 \$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		665.0	755.6
Payments to suppliers and employees (inclusive of goods and services tax)		(718.1)	(652.3)
		(53.1)	103.3
Interest received		6.7	7.3
Associates and joint ventures dividends/distributions received		8.8	8.1
Borrowing costs paid		(75.1)	(68.5)
Net cash (outflows)/inflows from operating activities	18(b)	(112.7)	50.2
Cash flows from investing activities			
Payments for property, plant and equipment		(1.6)	(1.8)
Proceeds from sale of property, plant and equipment		0.1	—
Payments for investment properties		(381.0)	(37.5)
Proceeds from sale of investment properties		81.2	103.1
Proceeds from loans to related entities		—	0.1
Payments for loans to unrelated entities		(12.9)	(22.1)
Proceeds from loans to unrelated entities		3.1	7.2
Contributions to associates and joint ventures		(21.0)	(21.7)
Proceeds from associates and joint ventures		1.3	9.8
Proceeds from sale of disposal group		—	11.8
Net cash (outflows)/inflows from investing activities		(330.8)	48.9
Cash flows from financing activities			
Proceeds from borrowings		2,282.0	1,495.8
Repayments of borrowings		(1,741.4)	(1,521.6)
Contributions of equity, net of transaction costs	13(b)	(0.4)	—
Dividends/distributions paid		(164.9)	(82.0)
Net cash inflows/(outflows) from financing activities		375.3	(107.8)
Net decrease in cash and cash equivalents		(68.2)	(8.7)
Cash and cash equivalents at the beginning of the half year		126.4	77.3
Cash and cash equivalents at the end of the half year	18(a)	58.2	68.6

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This condensed consolidated interim report for the half year reporting period ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The financial statements of Mirvac consist of the consolidated financial statements of Mirvac Limited (the parent entity) and its controlled entities, which include MPT and its controlled entities. A Mirvac stapled security comprises one Mirvac Limited share "stapled" to one MPT unit to create a single listed security traded on the ASX. The stapled securities cannot be traded or dealt with separately.

This condensed consolidated interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Mirvac during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

a) Changes in accounting policy

Mirvac changed some of its accounting policies as the result of new or revised accounting standards which became effective from the annual reporting period commencing on 1 July 2013. The affected policies and standards are:

- Principles of consolidation – new standards AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*; and
- Accounting for employee benefits – revised AASB 119 *Employee Benefits*.

Other new standards that are applicable for the first time for the December 2013 half year report are AASB 13 *Fair Value Measurement*, AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*. These standards have introduced new disclosures for the interim report but did not affect the Group's accounting policies or any of the amounts recognised in the financial statements.

i) Principles of consolidation – subsidiaries and joint arrangements

AASB 10 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*. Under the new principles, 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 over the entity.

The Group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities 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, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. 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 interests in associates have been reclassified as interests in joint ventures; however, there is no material impact to the Group's SoFP during the interim reporting period.

The accounting for the Group's joint ventures has not changed as a result of the adoption of AASB 11. The Group continues to recognise its interests in joint ventures by using the equity method. Under this method, the interests are initially recognised in the consolidated SoFP at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

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 AASB 119 *Employee Benefits* 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 change the measurement of these obligations, as the obligations are now measured on a discounted basis. However, the impact of this change was immaterial.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

i) AASB 9 *Financial Instruments*

This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. 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 derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

There are no other standards with effective dates in the future that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

c) Basis of preparation

i) *Consolidated financial statements*

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

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

a) Critical judgements in applying Mirvac's accounting policies

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

i) *Revenue recognition*

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

ii) *Cost of goods sold*

Inventories are expensed as cost of goods sold upon sale. Management uses its judgement in determining the apportionment of cost of goods sold, through either unit entitlement or percentage of revenue, the quantum of cost of goods sold, which includes both costs incurred to date and forecast final costs, and the nature of cost of goods sold, which may include acquisition costs, 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 net realisable value ("NRV"). Through the use of project feasibility assessments, which are based on the most reliable evidence available at the time, and incorporate both quantitative and qualitative factors, such as estimated selling rates and costs to complete, judgement is made concerning estimated NRV, which, in some cases, has resulted in the establishment of a provision.

iv) *Investment properties and OOP*

Mirvac is required to make a judgement to determine whether a property qualifies as an investment property or property, plant and equipment 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 property, plant and equipment.

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 fair values of derivatives reported at the end of the reporting period may differ if there is volatility in market rates, indexes, equity prices or foreign exchange rates in future periods.

vi) *Security based payment transactions*

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

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

vii) *Recognition of deferred tax assets*

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

b) *Key sources of estimation uncertainty*

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

i) *Inventories*

The NRV of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and costs to sell. Such estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the reporting period. The key assumptions require the use of management judgement and are reviewed quarterly. During the half year, no provision for loss on inventories was taken (December 2012: \$242.9m) 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 cash generating units ("CGU") to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from each CGU and a suitable discount rate in order to calculate the net present value ("NPV"). The carrying amount of goodwill at the end of the reporting period was \$63.1m (June 2013: \$63.1m). There was no impairment loss recognised during the half year (December 2012: \$nil).

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

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

iv) *Fair value of investments not traded in active markets*

The fair value of investments not traded in an active market is determined by the unit price as advised by the fund manager. The unit price is determined by NPV calculations using future cash flows and an appropriate post-tax discount rate. The carrying value of investments not traded in an active market determined using the above techniques and assumptions at the end of the reporting period was \$12.8m (June 2013: \$12.6m) and is disclosed as other financial assets at fair value through profit or loss.

v) *Valuation of investment properties and owner-occupied properties*

Mirvac uses judgement in respect of the fair values of investment properties and owner-occupied properties. Investment properties and owner-occupied properties are revalued by external valuers on a rotation basis with approximately one-half of the portfolio being valued annually. Investment properties which are not subject to an external valuation at the end of the reporting period are fair valued internally by management. The assumptions used in the estimations of fair values include expected future market rentals, discount rates, market prices and economic conditions. The reported fair values of investment properties and owner-occupied properties 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 owner-occupied properties be sold) may be higher or lower than the most recent valuation. This is particularly relevant in periods of market illiquidity or uncertainty. The carrying value at the end of the reporting period for investment properties was \$6,392.2m (June 2013: \$6,029.6m) and owner-occupied properties \$248.7m (June 2013: \$306.7m). Details on investment properties are provided in note 10.

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 discounted cash flow ("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 \$3.6m during the period (December 2012: \$0.9m). The carrying value of \$83.4m (June 2013: \$74.9m) at the end of the reporting period is included in investment properties (refer to note 10).

vii) *Valuation of security based payment transactions*

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

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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.

ix) *Estimated future taxable profits*

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

Mirvac's operating and financial performance is influenced by a variety of general economic and business conditions, which are outside the control of Mirvac, including the level of inflation, interest rates, exchange rates, commodity prices, ability to access funding, oversupply and demand conditions and government fiscal, monetary and regulatory policies. A change in any of the assumptions used in the 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 Executive Leadership Team ("ELT") that are used to make strategic decisions. The ELT considers the business from both a product, and within Australia a geographic perspective. Each division prepares an executive finance report on a monthly basis; this is a detailed report that summarises the following:

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

The ELT assesses the performance of the segments based on a number of measures, both financial and non-financial, which include a measure of operating profit; the use of capital; and success in delivering against 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 associates, joint ventures and residential development funds.

b) **Inter-segment transfers**

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

c) **Elimination**

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

d) **Comparative information**

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

e) **Operating profit**

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

f) **Segment liabilities**

The amounts provided to the ELT with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segment. 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 half year provided more than 10 per cent of the Group's revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SEGMENTAL INFORMATION (CONTINUED)

Half year ended 31 December 2013	Investment \$m	Investment Management \$m	Development \$m	Unallocated \$m	Elimination \$m	Consolidated SoCI \$m
Revenue from continuing operations						
Investment properties rental revenue	313.9	2.6	—	—	—	316.5
Investment management fee revenue	—	6.4	—	—	—	6.4
Development and construction revenue	—	—	530.6	—	(11.9)	518.7
Development management fee revenue	—	—	11.9	—	0.3	12.2
Interest revenue	7.6	0.4	2.7	0.9	(0.2)	11.4
Other revenue	—	1.8	1.0	0.8	(0.2)	3.4
Inter-segment revenue	11.1	8.5	12.8	2.3	(34.7)	—
Total revenue from continuing operations	332.6	19.7	559.0	4.0	(46.7)	868.6
Net gain on fair value of investment properties	72.8	—	—	—	(2.1)	70.7
Share of net profit of associates and joint ventures accounted for using the equity method	10.6	(0.7)	6.5	0.2	—	16.6
Gain/(loss) on financial instruments	(1.8)	—	—	24.7	—	22.9
Total other income	81.6	(0.7)	6.5	24.9	(2.1)	110.2
Total revenue from continuing operations and other income	414.2	19.0	565.5	28.9	(48.8)	978.8
Net loss on fair value on IPUC	3.6	—	—	—	—	3.6
Net loss on sale of investment properties	0.9	—	—	—	—	0.9
Net loss on sale of property, plant and equipment	—	—	0.1	—	—	0.1
Foreign exchange loss	0.6	—	—	38.9	—	39.5
Investment properties expenses	79.6	1.0	—	—	(5.8)	74.8
Cost of property development and construction	—	—	482.4	—	(12.4)	470.0
Employee benefits expenses	—	11.1	5.4	22.7	—	39.2
Depreciation and amortisation expenses	10.1	0.2	1.2	1.0	2.0	14.5
Impairment of loans, investments and inventories	—	—	—	(0.9)	—	(0.9)
Finance costs	35.3	0.3	28.8	2.3	(10.6)	56.1
Selling and marketing expenses	—	0.1	13.2	0.1	—	13.4
Other expenses	6.2	3.5	8.2	9.4	(6.0)	21.3
Profit/(loss) from continuing operations before income tax	277.9	2.8	26.2	(44.6)	(16.0)	246.3
Income tax expense	—	—	—	—	—	(0.2)
Profit attributable to the stapled securityholders of Mirvac						246.1

Half year ended 31 December 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	277.9	2.8	26.2	(44.6)	(16.0)	(0.2)	246.1
Specific non-cash items							
Net gain on fair value of investment properties	(72.8)	—	—	—	2.1	—	(70.7)
Net loss on fair value of IPUC	3.6	—	—	—	—	—	3.6
Net loss on fair value of derivative financial instruments and associated foreign exchange movements ¹	2.4	—	—	14.2	—	—	16.6
Security based payment expense ²	—	—	—	2.8	—	—	2.8
Depreciation of OOP ³	—	—	—	—	3.1	—	3.1
Straight-lining of lease revenue ⁴	(6.0)	—	—	—	—	—	(6.0)
Amortisation of lease fitout incentives ³	6.0	—	—	—	(1.1)	—	4.9
Net (gain)/loss on fair value of investment properties, derivatives and other specific non-cash items included in share of net profit of associates and joint ventures ⁵	(1.4)	1.3	—	(0.1)	—	—	(0.2)
Significant items							
Impairment of loans, investments and inventories	—	—	—	(0.9)	—	—	(0.9)
Net loss from sale of non-aligned assets ⁶	0.9	—	—	—	—	—	0.9
Tax effect							
Tax effect of non-cash and significant adjustments	—	—	—	—	—	—	—
Operating profit/(loss) (profit before specific non-cash and significant items)	210.6	4.1	26.2	(28.6)	(11.9)	(0.2)	200.2

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

6) Net loss on sale of investment properties in the consolidated SoCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SEGMENTAL INFORMATION (CONTINUED)

Half year ended 31 December 2012	Investment \$m	Investment Management \$m	Development \$m	Unallocated \$m	Elimination \$m	Consolidated SoCI \$m
Revenue from continuing operations						
Investment properties rental revenue	285.3	2.6	—	—	—	287.9
Investment management fee revenue	—	5.5	—	—	(1.0)	4.5
Development and construction revenue	—	—	317.3	—	—	317.3
Development management fee revenue	—	—	9.9	—	(0.2)	9.7
Interest revenue	3.3	0.6	2.5	3.0	(0.3)	9.1
Dividend and distribution revenue	0.4	—	—	—	—	0.4
Other revenue	(0.2)	1.7	1.0	3.6	—	6.1
Inter-segment revenue	20.5	7.7	1.6	—	(29.8)	—
Total revenue from continuing operations	309.3	18.1	332.3	6.6	(31.3)	635.0
Net gain on fair value of investment properties	63.7	—	—	—	5.1	68.8
Share of net profit of associates and joint ventures accounted for using the equity method	5.7	0.8	0.7	0.1	—	7.3
Gain on financial instruments	0.1	—	—	—	—	0.1
Foreign exchange gain	0.3	—	—	7.3	—	7.6
Total other income	69.8	0.8	0.7	7.4	5.1	83.8
Total revenue from continuing operations and other income	379.1	18.9	333.0	14.0	(26.2)	718.8
Net loss on fair value on IPUC	0.9	—	—	—	—	0.9
Net loss on sale of investment properties	2.0	—	—	—	—	2.0
Investment properties expenses	67.3	2.2	—	—	(6.6)	62.9
Cost of property development and construction	—	—	277.9	—	—	277.9
Employee benefits expenses	—	8.7	8.2	16.8	—	33.7
Depreciation and amortisation expenses	11.1	0.2	1.2	0.8	2.4	15.7
Impairment of loans, investments and inventories	—	—	273.2	—	—	273.2
Finance costs	23.5	8.8	23.5	0.2	(16.9)	39.1
(Gain)/loss on financial instruments	(0.6)	—	—	16.8	—	16.2
Selling and marketing expenses	—	0.3	11.4	0.3	—	12.0
Other expenses	3.9	2.9	2.8	13.6	(6.2)	17.0
Profit/(loss) from continuing operations before income tax	271.0	(4.2)	(265.2)	(34.5)	1.1	(31.8)
Income tax benefit						87.0
Profit attributable to the stapled securityholders of Mirvac						55.2

Half year ended 31 December 2012	Investment \$m	Investment Management \$m	Development \$m	Unallocated \$m	Elimination \$m	Tax \$m	Consolidated \$m
Profit/(loss) attributable to the stapled securityholders of Mirvac	271.0	(4.2)	(265.2)	(34.5)	1.1	87.0	55.2
Specific non-cash items							
Net gain on fair value of investment properties	(63.7)	—	—	—	(5.1)	—	(68.8)
Net loss on fair value of IPUC	0.9	—	—	—	—	—	0.9
Net (gain)/loss on fair value of derivative financial instruments and associated foreign exchange movements ¹	(1.0)	—	—	9.5	—	—	8.5
Security based payments expense ²	—	—	—	1.9	—	—	1.9
Depreciation of OOP ³	—	—	—	—	3.6	—	3.6
Straight-lining of lease revenue ⁴	(8.0)	—	—	—	—	—	(8.0)
Amortisation of lease fitout incentives ³	6.7	—	—	—	(1.2)	—	5.5
Net loss on fair value of investment properties, derivatives and other specific non-cash items included in share of net profit of associates and joint ventures ⁵	1.6	0.8	—	—	—	—	2.4
Significant items							
Impairment of loans, investments and inventories	—	—	273.2	—	—	—	273.2
Net loss from sale of non-aligned assets ⁶	2.0	—	—	—	—	—	2.0
Tax effect							
Tax effect of non-cash and significant adjustments	—	—	—	—	—	(82.2)	(82.2)
Operating profit/(loss) (profit before specific non-cash and significant items)	209.5	(3.4)	8.0	(23.1)	(1.6)	4.8	194.2

1) Total of Gain on financial instruments, Foreign exchange gain and (Gain)/loss on financial instruments 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 associates and joint ventures accounted for using the equity method in the consolidated SoCI.

6) Net loss on sale of investment properties in the consolidated SoCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SEGMENTAL INFORMATION (CONTINUED)

	Investment \$m	Investment Management \$m	Development \$m	Unallocated \$m	Elimination \$m	Consolidated SoFP/SoCI \$m
31 December 2013						
Total assets	7,336.0	43.1	2,189.3	1,370.8	(1,301.9)	9,637.3
Total liabilities	1,645.9	7.5	454.1	2,655.1	(1,230.0)	3,532.6
Investments in associates and joint ventures	212.7	5.8	219.7	2.5	(54.6)	386.1
Acquisitions of investments and property, plant and equipment	404.1	0.2	3.0	0.9	—	408.2
Depreciation and amortisation expenses	10.1	0.2	1.2	1.0	2.0	14.5
31 December 2012						
Total assets	6,805.4	55.2	1,856.0	351.4	(749.0)	8,319.0
Total liabilities	770.4	8.4	425.4	2,222.7	(782.0)	2,644.9
Investments in associates and joint ventures	152.1	8.1	220.8	2.4	(36.2)	347.2
Acquisitions of investments and property, plant and equipment	54.6	0.4	1.0	0.6	—	56.6
Depreciation and amortisation expenses	11.1	0.2	1.2	0.8	2.4	15.7

4 FINANCE COSTS

	31 December 2013 \$m	31 December 2012 \$m
Interest and finance charges paid/payable net of provision release	58.0	62.2
Amount capitalised	(17.7)	(37.1)
Interest capitalised in current and prior years expensed this period net of provision release	10.6	12.4
Borrowing costs amortised	5.2	1.6
Total finance costs	56.1	39.1

5 EARNINGS PER STAPLED SECURITY

	31 December 2013 Cents	31 December 2012 Cents
Earnings per stapled security		
Basic earnings per stapled security	6.7	1.6
Diluted earnings per stapled security ¹	6.7	1.6
Basic and diluted earnings¹	\$m	\$m
Profit attributable to the stapled securityholders of Mirvac used in calculating earnings per security	246.1	55.2
Weighted average number of securities used as denominator¹	Number m	Number m
Weighted average number of securities used in calculating basic earnings per security	3,660.0	3,418.5
Adjustment for calculation of diluted earnings per security		
Securities issued under EIS	4.9	6.1
Weighted average number of securities used in calculating diluted earnings per security	3,664.9	3,424.6

1) Diluted securities include securities issued under 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 INVENTORIES

	31 December 2013 \$m	30 June 2013 \$m
Current ¹		
<i>Development projects</i>		
Cost of acquisition	248.3	167.1
Development costs	379.1	448.6
Borrowing costs capitalised during development	79.5	69.7
Provision for loss	(119.0)	(125.5)
	587.9	559.9
<i>Construction work in progress (amount due from customers for contract work)</i>		
Contract costs incurred and recognised profits less recognised losses	92.0	68.5
Progress billings	(91.9)	(68.5)
	0.1	—
Total current inventories	588.0	559.9
Non-current ¹		
<i>Development projects</i>		
Cost of acquisition	659.2	674.5
Development costs	299.5	277.6
Borrowing costs capitalised during development	141.9	154.9
Provision for loss	(185.8)	(203.7)
Total non-current inventories	914.8	903.3
Aggregate carrying amount of inventories		
Current	588.0	559.9
Non-current	914.8	903.3
Total inventories	1,502.8	1,463.2

1) Lower of cost and NRV.

During the half year, there was no expense in relation to inventories that were carried in excess of the NRV.

7 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

a) Fair value hierarchy

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level one);
- inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level two); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level three).

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2013 and 30 June 2013 on a recurring basis:

	Level one \$m	Level two \$m	Level three \$m	Total \$m
At 31 December 2013				
Assets				
Other financial assets at fair value through profit or loss				
– unlisted securities	—	—	12.8	12.8
Other financial assets ¹	—	—	207.6	207.6
Derivatives used for hedging	—	23.7	—	23.7
	—	23.7	220.4	244.1
Liabilities				
Derivatives used for hedging	—	63.1	—	63.1
	—	63.1	—	63.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

	Level one \$m	Level two \$m	Level three \$m	Total \$m
At 30 June 2013				
Assets				
Other financial assets at fair value through profit or loss				
– unlisted securities	—	—	12.6	12.6
Other financial assets ¹	—	—	187.1	187.1
Derivatives used for hedging	—	11.6	—	11.6
	—	11.6	199.7	211.3
Liabilities				
Derivatives used for hedging	—	73.8	—	73.8
	—	73.8	—	73.8

1) Primarily relates to convertible notes associated with funding two joint ventures, Mirvac 8 Chifley Trust \$97.2m (June 2013: \$97.2m) and Mirvac (Old Treasury) Trust \$58.4m (June 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.

There were no transfers between levels one, two and three for recurring fair value measurements during the half year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2013.

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

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

In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level three. This is the case for unlisted securities and other financial assets.

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

The following table presents the changes in level three instruments for the half year ended 31 December 2013 held by the Group:

	Unlisted securities \$m	Other financial assets \$m	Total \$m
Balance 1 July 2013	12.6	187.1	199.7
Acquisitions	—	20.5	20.5
Gain recognised in other income ¹	0.2	—	0.2
Balance 31 December 2013	12.8	207.6	220.4

1) Unrealised gain for the half year included in gain on financial instruments that relates to assets held at the end of the half year

There were no transfers between the levels of the fair value hierarchy in the six months to 31 December 2013. There were also no changes made to any of the valuation techniques applied as of 30 June 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

Sensitivity on changes in fair value of level three financial instruments

For level three unlisted securities, the impact of an increase/decrease in unlisted security unit price on the Group's profit for the half year and on equity if the unit price had been five per cent higher or lower would have been \$0.6m (June 2013: \$0.6m) higher or lower.

d) Fair value of other financial instruments

The carrying value of the other financial assets and financial liabilities is considered to approximate their fair value.

8 ASSETS CLASSIFIED AS HELD FOR SALE

	31 December 2013 \$m	30 June 2013 \$m
Non-current assets held for sale		
54-60 Talavera Road, North Ryde NSW ¹	48.0	—
Gippsland Centre, Sale VIC ¹	50.5	—
Orange City Centre, Orange NSW ¹	49.5	—
Manning Mall, Taree NSW ²	—	31.8
Logan Megacentre, Logan QLD ³	—	49.5
	148.0	81.3

1) Settlements expected to take place in March 2014.

2) Settlement occurred on 11 July 2013.

3) Settlement occurred on 9 August 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.

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	31 December 2013 \$m	30 June 2013 \$m ¹
Consolidated SoFP			
Investments accounted for using the equity method			
Investments in associates	15	0.3	0.5
Investments in joint ventures	16	385.8	379.4
		386.1	379.9
		31 December 2013 \$m	31 December 2012 \$m¹
Consolidated SoCI			
Share of net profit of associates and joint ventures accounted for using the equity method			
Investments in associates		0.3	—
Investments in joint ventures		16.3	7.3
		16.6	7.3

1) The comparative figures have been adjusted to reflect the reclassification of associates to joint ventures due to the assessment of AASB 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INVESTMENT PROPERTIES

	Date of acquisition	31 Dec 2013 \$m	Book value 30 Jun 2013 \$m	31 Dec 2013 %	Capitalisation rate 30 Jun 2013 %	31 Dec 2013 %	Discount rate 30 Jun 2013 %	Date of last external valuation	Last external valuation \$m
MPT and its controlled entities									
1 Castlereagh Street, Sydney NSW	Dec 1998	69.4	71.0	7.63	7.63	9.25	9.25	Jun 2012	72.0
1 Darling Island, Pyrmont NSW	Apr 2004	185.0	178.2	7.00	7.00	8.75	9.00	Dec 2012	175.0
1 Woolworths Way, Bella Vista NSW ¹	Aug 2010	250.0	248.0	7.75	7.75	8.88	8.88	Jun 2013	248.0
1-47 Percival Road, Smithfield NSW	Nov 2002	31.0	30.5	8.00	8.25	9.50	9.75	Dec 2013	31.0
10 Julius Avenue, North Ryde NSW ¹	Dec 2009	51.4	51.2	8.18	8.50	9.18	9.50	Jun 2013	51.2
10-20 Bond Street, Sydney NSW (50% interest) ¹	Dec 2009	187.6	181.4	6.63	6.88	8.50	9.00	Dec 2013	188.0
101-103 Miller Street & Greenwood Plaza, North Sydney NSW (50% interest)	Jun 1994	284.3	272.0	6.50-6.75	6.75-7.00	8.75-9.00	9.00-9.25	Dec 2012	267.5
12 Julius Avenue, North Ryde NSW ¹	Dec 2009	21.3	23.5	8.50	8.50	9.50	9.50	Jun 2013	23.5
189 Grey Street, Southbank QLD	Apr 2004	79.0	78.6	7.63	7.63	9.00	9.25	Dec 2013	79.0
1900-2060 Pratt Boulevard, Chicago Illinois USA	Dec 2007	36.0	35.0	7.25	7.50	8.50	9.25	Dec 2013	36.0
191-197 Salmon Street, Port Melbourne VIC	Jul 2003	97.3	101.6	8.25	8.00	9.25	9.25	Jun 2012	102.5
210 George Street, Sydney NSW	May 2013	26.0	26.0	8.00	8.00	9.50	9.50	—	—
220 George Street, Sydney NSW	May 2013	57.0	57.0	8.00	8.00	9.50	9.50	—	—
271 Lane Cove Road, North Ryde NSW	Apr 2000	31.4	31.3	8.25	8.25	9.50	9.50	Jun 2012	31.3
275 Kent Street, Sydney NSW ¹	Aug 2010	855.0	830.0	6.75	6.75	8.50	9.00	Jun 2012	792.0
3 Rider Boulevard, Rhodes NSW ¹	Dec 2009	86.5	84.3	8.00	8.00	9.00	9.25	Jun 2013	84.3
33 Corporate Drive, Cannon Hill QLD ¹	Aug 2010	15.2	15.2	9.00	9.00	10.00	10.00	Jun 2013	15.2
340 Adelaide Street, Brisbane QLD ^{1,2}	Dec 2009	58.1	—	8.75	—	9.25	—	Dec 2012	60.0
367 Collins Street, Melbourne VIC ³	Nov 2013	227.9	—	7.00	—	8.50	—	—	—
37 Pitt Street, Sydney NSW	May 2013	67.0	67.0	8.25	8.25	9.50	9.50	—	—
38 Sydney Avenue, Forrest ACT	Jun 1996	35.5	35.5	8.50	8.50	9.50	9.50	Dec 2012	35.5
40 Miller Street, North Sydney NSW	Mar 1998	105.6	105.5	7.25	7.25	9.00	9.25	Jun 2012	103.6
47-67 Westgate Drive, Altona North VIC ¹	Dec 2009	19.1	19.1	9.50	9.75	9.75	10.00	Dec 2013	19.1
477 Collins Street, Melbourne VIC ³	Nov 2013	72.0	—	7.50	—	8.75	—	—	—
5 Rider Boulevard, Rhodes NSW	Jan 2007	126.9	126.9	8.00	8.00	9.00	9.25	Dec 2012	124.0
51 Pitt Street, Sydney NSW	May 2013	24.0	24.0	8.25	8.25	9.50	9.50	—	—
54 Marcus Clarke Street, Canberra ACT	Oct 1987	15.0	14.7	9.75	9.75	10.50	10.50	Dec 2012	14.7
54-60 Talavera Road, North Ryde NSW ^{1,4}	Aug 2010	—	47.0	—	7.50	—	9.25	Dec 2012	47.0
55 Coonara Avenue, West Pennant Hills NSW ¹	Aug 2010	100.5	100.5	8.50	8.50	9.50	9.50	Dec 2012	100.5
6-8 Underwood Street, Sydney NSW	May 2013	9.0	9.0	8.25	8.25	9.50	9.50	—	—
60 Marcus Clarke Street, Canberra ACT	Sep 1989	48.5	48.5	8.75	8.75	9.50	9.50	Jun 2013	48.5
90 Collins Street, Melbourne VIC	May 2013	171.0	170.0	7.00	7.25	8.50	8.75	—	—
Allendale Square, 77 St Georges Terrace, Perth WA	May 2013	235.7	231.0	8.13	8.25	9.25	9.50	—	—
Aviation House, 16 Furzer Street, Phillip ACT	Jul 2007	69.0	68.6	7.75	7.75	9.50	9.50	Dec 2013	69.0
Bay Centre, Pirrama Road, Pyrmont NSW	Jun 2001	110.0	109.2	7.50	7.65	8.75	9.25	Dec 2013	110.0
Broadway Shopping Centre, Broadway NSW (50% interest)	Jan 2007	261.0	255.0	6.00	6.00	9.00	9.00	Jun 2012	245.0
Cherrybrook Village Shopping Centre, Cherrybrook NSW ¹	Dec 2009	86.0	84.6	7.25	7.25	9.25	9.25	Jun 2013	84.6
City Centre Plaza, Rockhampton QLD ¹	Dec 2009	47.0	49.0	8.00	8.00	9.50	9.50	Jun 2013	49.0
Como Centre, Cnr Toorak Road & Chapel Street, South Yarra VIC	Aug 1998	165.0	159.9	8.00-8.50	8.00-8.50	9.00-11.00	9.00-11.00	Jun 2013	159.9
Cooleman Court, Weston ACT ¹	Dec 2009	53.0	47.6	7.50	7.75	9.00	9.50	Dec 2013	53.0
Gippsland Centre, Sale VIC ⁴	Jan 1994	—	48.5	—	8.50	—	9.50	Dec 2011	49.1
Hinkler Central, Bundaberg QLD	Aug 2003	91.5	92.0	7.75	7.75	9.50	9.50	Dec 2012	92.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INVESTMENT PROPERTIES (CONTINUED)

	Date of acquisition	31 Dec 2013 \$m	Book value 30 Jun 2013 \$m	31 Dec 2013 %	Capitalisation rate 30 Jun 2013 %	31 Dec 2013 %	Discount rate 30 Jun 2013 %	Date of last external valuation	Last external valuation \$m
John Oxley Centre, 339 Coronation Drive, Milton QLD	May 2002	53.7	56.1	9.00	9.00	10.00	10.00	Dec 2012	56.0
Kawana Shoppingworld, Buddina QLD	Dec 1993 (50%) & Jun 1998 (50%)	255.0	230.7	6.50	6.75	9.00	9.25	Dec 2013	255.0
Moonee Ponds Central (Stage II), Moonee Ponds VIC	Feb 2008	38.0	41.5	8.50	8.50	9.75	9.75	Jun 2012	40.0
Moonee Ponds Central, Moonee Ponds VIC	May 2003	28.9	25.3	7.75	7.75	9.50	9.50	Jun 2012	25.5
Nexus Industry Park (Building 1), Lyn Parade, Prestons NSW	Aug 2004	19.9	19.2	8.00	8.00	9.25	9.25	Jun 2013	19.2
Nexus Industry Park (Building 2), Lyn Parade, Prestons NSW	Aug 2004	14.7	14.6	8.00	8.00	9.50	9.50	Dec 2012	14.4
Nexus Industry Park (Building 3), Lyn Parade, Prestons NSW	Aug 2004	25.9	25.3	8.00	8.00	9.25	9.25	Jun 2013	25.3
Nexus Industry Park (Building 4), Lyn Parade, Prestons NSW	Aug 2004	35.8	35.0	8.00	8.00	9.25	9.50	Dec 2013	35.8
Nexus Industry Park (Building 5), Lyn Parade, Prestons NSW	Aug 2004	18.0	17.1	8.00	8.00	9.25	9.50	Dec 2012	16.4
Orange City Centre, Orange NSW ⁴	Apr 1993	—	48.0	8.50	8.50	9.50	9.75	Dec 2011	49.0
Orion Springfield Town Centre, Springfield QLD	Aug 2002	138.6	129.0	6.75	6.75	9.25	9.25	Dec 2012	128.0
Quay West Car Park, 109-111 Harrington Street, Sydney NSW	Nov 1989	30.6	30.5	8.50	8.50	10.00	10.00	Jun 2013	30.5
Rhodes Shopping Centre, Rhodes NSW (50% interest)	Jan 2007	128.2	125.0	7.00	7.00	9.25	9.25	Jun 2013	125.0
Riverside Quay, Southbank VIC	Apr 2002 & Jul 2003	199.3	194.7	7.75	7.75-8.00	9.00-10.25	9.25-10.00	Dec 2013	199.3
Royal Domain Centre, 380 St Kilda Road, Melbourne	Oct 1995 (50%) & Apr 2001 (50%)	124.6	118.0	8.00	8.00	9.00	9.00	Jun 2013	118.0
Sirius Building, 23 Furzer Street, Phillip ACT	Feb 2010	246.5	246.0	7.35	7.50	9.00	9.50	Dec 2013	246.5
St Marys Village Centre, St Marys NSW	Jan 2003	44.9	44.0	7.75	7.75	9.00	9.00	Dec 2012	44.0
Stanhope Village, Stanhope Gardens NSW	Nov 2003	97.0	87.0	7.25	7.50	9.00	9.25	Dec 2013	97.0
Waverley Gardens Shopping Centre, Mulgrave VIC	Nov 2002	139.5	135.7	7.75	7.75	9.50	9.50	Dec 2013	139.5
Mirvac Limited and its controlled entities									
Hoxton Distribution Park, Hoxton Park NSW (50% interest)	Jul 2010	108.0	104.1	7.25	7.50	9.25	9.25	Dec 2013	108.0
Total investment properties		6,308.8	5,954.7						
IPUC									
200 George Street, Sydney NSW (50% interest)	Dec 2012	52.6	44.1	6.50	6.50	8.75	8.75	Dec 2012	37.6
Orion Springfield land, Springfield QLD	Aug 2002	30.8	30.8	6.50-9.50	6.50-9.50	9.25-10.25	9.25-10.25	Dec 2012	33.0
Total IPUC		83.4	74.9						
Total investment properties and IPUC		6,392.2	6,029.6						

1) Date of acquisition represents business combination acquisition date.

2) Previously classified as OOP.

3) Investment property acquired during the period.

4) Investment property disposed of or reclassified to held for sale during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INVESTMENT PROPERTIES (CONTINUED)

a) Reconciliation of carrying amounts of investment properties

At fair value	Note	31 December 2013 \$m	30 June 2013 \$m
Balance 1 July		6,029.6	5,488.5
Additions		79.9	118.4
Acquisitions		316.6	619.0
Disposals		(0.6)	(142.4)
Net gain on fair value of investment properties	18	70.7	55.6
Net loss on fair value of IPUC	18	(3.6)	(3.6)
Net gain from foreign currency translation		1.4	3.0
Assets classified as held for sale		(148.0)	(81.3)
Transfers from property, plant and equipment		59.9	—
Amortisation of fitout incentives, leasing costs and rent incentive		(13.7)	(27.6)
Balance 31 December/30 June		6,392.2	6,029.6

b) Amounts recognised in profit or loss for investment properties

	31 December 2013 \$m	31 December 2012 \$m
Investment properties rental revenue	316.5	287.9
Investment property expenses	(74.8)	(62.9)
	241.7	225.0

c) Valuation basis

i) Investment properties

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

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

DCF: DCF projections derived from contracted rents, market rents, operating costs, lease incentives, lease fees, capital expenditure and future income on vacant space are discounted at a rate to arrive at a value. The discount rate is a market assessment of the risk associated with the cash flows, and the nature, location and tenancy profile of the property relative to returns from alternative investments, 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 are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INVESTMENT PROPERTIES (CONTINUED)

d) Property portfolio

Mirvac's property portfolio is made up as follows:

	31 December 2013 \$m	30 June 2013 \$m
Investment properties per consolidated SoFP	6,392.2	6,029.6
Properties classified as assets held for sale	148.0	81.3
Owner-occupied properties classified as property, plant and equipment	248.7	306.7
	6,788.9	6,417.6

11 INTANGIBLE ASSETS

	Management rights \$m	Goodwill \$m	Total \$m
Balance 1 July 2013 and 31 December 2013	2.6	63.1	65.7
Balance 1 July 2012 and 30 June 2013	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
Management rights – indefinite life ¹	—	2.6	2.6
Goodwill	63.1	—	63.1
Balance 31 December 2013	63.1	2.6	65.7
Management rights – indefinite life ¹	—	2.6	2.6
Goodwill	63.1	—	63.1
Balance 30 June 2013	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 interest.

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 cost 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 post-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.

	Growth rate ¹ 31 December 2013 % pa	Discount rate 31 December 2013 % pa	Growth rate ¹ 30 June 2013 % pa	Discount rate 30 June 2013 % pa
CGU				
Investment	— ²	9.5	— 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 31 December 2013. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INTANGIBLE ASSETS (CONTINUED)

c) Impairment of goodwill

There was no impairment of goodwill during the half year (December 2012: \$nil).

d) Impairment of management rights

There was no impairment of management rights during the half year (December 2012: \$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.

12 BORROWINGS

	Note	31 December 2013 \$m	30 June 2013 \$m
Current			
<i>Unsecured</i>			
Bank loans	12(a)(i)	—	172.1
<i>Secured</i>			
Lease liabilities	12(a)(iii)	2.9	3.0
		2.9	175.1
Non-current			
<i>Unsecured</i>			
Bank loans	12(a)(i)	957.3	1,000.0
Domestic medium term notes ("MTN")	12(a)(ii)	825.0	575.0
Foreign MTN	12(a)(iv)	959.2	414.3
<i>Secured</i>			
Lease liabilities	12(a)(iii)	1.3	2.8
		2,742.8	1,992.1

a) Borrowings

i) Bank loans

Mirvac has unsecured bank facilities totalling \$1,700.0m (June 2013: \$1,560.0m). The facility contains three tranches: a \$680.0m tranche maturing in September 2015, a \$510.0m tranche maturing in September 2017 and a \$510.0m tranche maturing in September 2018. The bilateral bank facility was repaid during the period (June 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 (June 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 half 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.

iv) Foreign MTN

Mirvac has a total of \$1,019.8m (US\$735.0m and \$135.0m) (June 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 half 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 BORROWINGS (CONTINUED)

b) Financing arrangements

	31 December 2013 \$m	30 June 2013 \$m
Total facilities		
Bank loans	1,700.0	1,560.0
Domestic MTN	825.0	575.0
Foreign MTN	959.2	414.3
	3,484.2	2,549.3
Used at end of the reporting period		
Bank loans	957.3	1,172.1
Domestic MTN	825.0	575.0
Foreign MTN	959.2	414.3
	2,741.5	2,161.4
Unused at end of the reporting period		
Bank loans	742.7	387.9
Domestic MTN	—	—
Foreign MTN	—	—
	742.7	387.9

13 CONTRIBUTED EQUITY

a) Paid up equity

	31 December 2013 Securities m	30 June 2013 Securities m	31 December 2013 \$m	30 June 2013 \$m
Mirvac Limited – ordinary shares issued	3,660.4	3,659.9	2,065.8	1,765.2
MPT – ordinary units issued	3,660.4	3,659.9	4,681.2	4,980.1
Total contributed equity			6,747.0	6,745.3

b) Movements in paid up equity

Movements in paid up equity of Mirvac for the half year ended 31 December 2013 were as follows:

	m	Securities \$m
Balance 1 July 2013	3,659.9	6,745.3
LTP, LTIP and EIS securities converted, sold, vested or forfeited	0.5	2.1
Less: Transaction costs arising on issues of securities	—	(0.4)
Balance 31 December 2013	3,660.4	6,747.0

c) Reconciliation of securities issued on the ASX

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

	31 December 2013 Securities m	30 June 2013 Securities m
Total ordinary securities disclosed	3,660.4	3,659.9
Securities issued under LTI plan and EIS	4.6	5.1
Total securities issued on the ASX	3,665.0	3,665.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 DIVIDENDS/DISTRIBUTIONS

	31 December 2013 \$m	31 December 2012 \$m
Ordinary stapled securities		
Half yearly ordinary distributions payable/paid as follows:		
4.40 CPSS payable on 27 February 2014 (unfranked distribution)	161.3	—
4.20 CPSS paid on 25 January 2013 (unfranked distribution)	—	143.9
Total dividend/distribution 4.40 (December 2012: 4.20) CPSS	161.3	143.9

In November 2013, the Group announced the distribution reinvestment plan would be reactivated for the December 2013 half year distribution. Distributions payable in cash or to be satisfied by issue of securities under the Group's distribution reinvestment plan are as follows:

	31 December 2013 \$m	31 December 2012 \$m
Payable in cash	115.2	143.9
To be satisfied by the issue of securities	46.1	—
Total dividend/distribution	161.3	143.9

15 INVESTMENTS IN ASSOCIATES

Associates accounted for using the equity method

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

Name of entity	Principal activities	31 December 2013 %	Interest 30 June 2013 %	31 December 2013 \$m	Carrying value 30 June 2013 \$m
Mindarie Keys Joint Venture ¹	Residential development	15	15	0.3	0.5
Mirvac Industrial Trust ²	Listed property investment trust	14	14	—	—
				0.3	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 owned less than 20 per cent of the voting or potential voting power due to the fact that it has significant influence over this entity, as a controlled entity of the Group is the responsible entity for the fund.

16 INVESTMENTS IN JOINT VENTURES

Joint ventures accounted for using the equity method

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

Name of entity	Principal activities	31 December 2013 %	Interest 30 June 2013 %	31 December 2013 \$m	Carrying value 30 June 2013 \$m
Ascot Chase Nominee Stages 3-5 Pty Ltd	Residential development	50	50	—	—
Australian Centre for Life Long Learning	Non-residential development	50	50	—	—
Australian Sustainable Forestry Investors 1&2 ¹	Forestry and environmental asset manager	60	60	8.8	10.4
BAC Devco Pty Limited ^{1,2}	Non-residential development	33	33	—	—
BL Developments Pty Ltd	Residential development	50	50	30.8	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVESTMENTS IN JOINT VENTURES (CONTINUED)

Name of entity	Principal activities	31 December 2013 %	Interest 30 June 2013 %	31 December 2013 \$m	Carrying value 30 June 2013 \$m
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	0.7	2.7
Fast Track Bromelton Pty Limited and Nakheel SPV Pty Limited	Non-residential development	50	50	27.3	27.2
FreeSpirit Resorts Pty Limited ¹	Property investment	25	25	—	—
Googong Township Unit Trust	Residential development	50	50	25.3	24.8
Green Square Consortium Pty Limited	Residential development	50	50	1.4	—
HPAL Freehold Pty Limited ³	Non-residential development	—	50	—	—
Infocus Infrastructure Management Pty Limited	Property investment	50	50	0.7	0.6
Leakes Road Rockbank Unit Trust	Residential development	50	50	14.4	14.2
Mirvac 8 Chifley Trust	Property investment	50	50	27.2	38.4
Mirvac Lend Lease Village Consortium	Residential development	50	50	0.8	0.8
Mirvac (Old Treasury) Trust	Property investment	50	50	38.2	30.2
Mirvac Wholesale Residential Development Partnership Trust	Residential development	20	20	26.1	20.2
Tucker Box Hotel Group	Hotel investment	50	50	125.0	121.5
Walsh Bay Partnership	Residential development	50	50	0.9	—
				385.8	379.4

1) Due to AASB 11 assessment, these investments have been reclassified from associates to joint ventures.

2) This entity entered into voluntary administration as of 4 May 2010.

3) This entity was deregistered on 5 September 2013.

17 CONTINGENT LIABILITIES

a) Contingent liabilities

The Group had contingent liabilities at 31 December 2013 in respect of the following:

	31 December 2013 \$m	30 June 2013 \$m
Bank guarantees and performance bonds issued by external parties in respect of certain performance obligations granted in the normal course of business.	135.8	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.	2.4	2.4
Claims for damages in respect of injury sustained due to health and safety issues have been made during the half year. The potential effect of these claims indicated by legal advice is that if the claims were to be successful against the Group, they would result in a liability.	1.7	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) Associates and joint ventures

There are no contingent liabilities relating to associates and joint ventures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	31 December 2013 \$m	31 December 2012 \$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 on hand		—	—
Cash at bank		58.0	68.3
Deposits at call		0.2	0.3
Cash and cash equivalents		58.2	68.6
b) Reconciliation of profit attributable to the stapled securityholders of Mirvac to net cash (outflows)/inflows from operating activities			
Profit attributable to the stapled securityholders of Mirvac		246.1	55.2
Share of net profit of associates and joint ventures not received as dividends/distributions		(16.6)	(7.3)
Net gain on fair value of investment properties	10	(70.7)	(68.8)
Net loss on fair value of IPUC	10	3.6	0.9
Net loss on sale of investment properties		0.9	2.0
Net loss on sale of property, plant and equipment		0.1	—
Depreciation and amortisation expenses		14.5	15.7
Impairment of loans, investments and inventories		(0.9)	273.2
Security based payment expense		2.8	1.9
Net (gain)/loss on financial instruments		(22.9)	16.1
Net loss/(gain) on foreign exchange		39.5	(7.6)
Associates and joint ventures dividends/distributions received		8.8	8.1
Change in operating assets and liabilities, net of effects from purchase of controlled entities:			
– Increase in income taxes payable		—	0.4
– Decrease in tax effected balances		—	(88.4)
– Increase in receivables		(34.4)	(12.9)
– Increase in inventories		(17.5)	(148.9)
– Decrease/(increase) in other assets/liabilities		0.9	(3.6)
– (Decrease)/increase in payables		(267.8)	14.6
– Increase/(decrease) in provisions for employee benefits		0.9	(0.4)
Net cash (outflows)/inflows from operating activities		(112.7)	50.2

19 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

On 19 February 2014 the Group announced it had signed a relationship deed with US based financial services organisation TIAA-CREF. Under the Deed, TIAA-CREF has an exclusive first right to acquire 50 per cent of co-investment opportunities in prime-grade Australian office assets sourced or developed by Mirvac for the next three years. The exclusive first right will apply to stable assets and development opportunities acquired by Mirvac after 19 February 2014, but not to Mirvac's existing portfolio, acquisitions of additional interests in assets under pre-existing rights, or future assets acquired as part of a portfolio transaction. Mirvac and TIAA-CREF will each hold a 50 per cent interest in assets acquired under the Alliance. The financial effects of this transaction have not been brought to account at 31 December 2013. Any assets acquired under the agreement will be accounted for in the future periods to which they relate.

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

DIRECTORS' DECLARATION

In the Directors' opinion:

- a) the financial statements and the notes set out on pages 08 to 30 are in accordance with the *Corporations Act 2001*, including:
 - i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii) giving a true and fair view of the consolidated entity's financial position at 31 December 2013 and of its performance for the financial half year ended on that date; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Susan Lloyd-Hurwitz
Director

Sydney
20 February 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mirvac Limited



Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mirvac Limited, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Mirvac Group (the consolidated entity). The consolidated entity comprises both Mirvac Limited (the company) and the entities it controlled during that half-year, including Mirvac Funds Limited as responsible entity for Mirvac Property Trust and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mirvac Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

PricewaterhouseCoopers, ABN 52 780 433 757

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

DX 77 Sydney, Australia

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

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mirvac Limited



Independence

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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

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

Matthew Lunn
Partner

Sydney
20 February 2014

GLOSSARY OF ACRONYMS

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AFL	Available for lease
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
CGU	Cash generating units
CPI	Consumer Price Index
CPSS	Cents per stapled security
CR	Capitalisation rate
DCF	Discounted cash flow
EIS	Employee Incentive Scheme
ELT	Executive Leadership Team
FY13	Year ended 30 June 2013
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPUC	Investment properties under construction
KPI	Key performance indicators
LLC	Limited Liability Company
LTI	Long term incentives
MAM	Mirvac Asset Management
MIM	Mirvac Investment Management
MPT	Mirvac Property Trust
MTN	Medium term notes
NCI	Non-controlling interest
NLA	Net lettable area
NPV	Net present value
NRV	Net realisable value
NTA	Net tangible assets
OOP	Owner-occupied properties
PwC	PricewaterhouseCoopers
Q1	First quarter
ROIC	Return on invested capital
SoCI	Statement of comprehensive income
SoFP	Statement of financial position
WALE	Weighted average lease expiry