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MIRVAC PROPERTY TRUST ANNUAL REPORT 2016

mirvac

Mirvac Property Trust Annual Report
For the year ended 30 June 2016

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

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The Directors of Mirvac Funds Limited (ABN 70 002 561 640, AFSL 233121), the Responsible Entity of Mirvac Property Trust ("MPT" or "Trust") present their report, together with the consolidated report of MPT and its controlled entities ("consolidated entity") for the year ended 30 June 2016.

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

Responsible Entity

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

Directors

The following persons were Directors of Mirvac Funds Limited during the whole of the year and up to the date of this report, unless otherwise stated:
- John Mulcahy
- Susan Lloyd-Hurwitz
- Christine Bartlet
- Peter Hawkins
- Samantha Mostyn
- James M. Millar AM
- John Peters
- Elana Rubin.

Principal activities

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

OPERATING AND FINANCIAL REVIEW

FINANCIAL, CAPITAL MANAGEMENT AND OPERATIONAL HIGHLIGHTS

Key financial highlights for the year ended 30 June 2016:

- profit attributable to the stapled unitholders of MPT $978.3m from $582.9m (June 2015), driven by substantial property revaluation uplifts;
- operating cash inflow of $384.9m;
- distributions of $366.5m, representing 9.9 cpsu; and
- net tangible assets per stapled unit of $1.74 up from $1.57 (June 2015).

Key capital management highlights for the year ended 30 June 2016:

The consolidated entity's capital structure is monitored at the Group level. Key capital management highlights relating to the Group for the year ended 30 June 2016 include:

- increased available liquidity to $1.2bn of cash and undrawn committed bank facilities held, as a result of proceeds from non-core asset disposals;
- issued A$536m of US Private Placement Notes (USPP), with maturities across tenors of 11, 12 and 15 years. The issue is expected to settle in September 2016;
- weighted average debt maturity reduced slightly to 4.0 years; however, this is expected to increase to over 5.0 years post USPP issuance;
- average borrowing costs increased slightly to 5.0 per cent per annum at 30 June 2016 due to the repayment of lower cost short-term bank debt (including margins and line fees); and
- gearing of 21.9 per cent, at the lower end of the Group's target range of 20 to 30 per cent;
- continued to comfortably meet all debt covenants.

FINANCIAL, CAPITAL MANAGEMENT AND OPERATIONAL HIGHLIGHTS (continued)

Key operational highlights for the year ended 30 June 2016:

- maintained high occupancy of 98.2 per cent[1], with a long WALE of 5.6years[2];
- achieved like-for-like net operating income growth of 0.5 per cent;
- disposed of over $599.2m of assets with the sale of Como Centre, Melbourne VIC; 16 Furzer Street, Woden ACT; and 3 and 5 Rider Boulevarde, Sydney NSW demonstrating the consolidated entity's ability to flex with the cycle and dispose of non-aligned assets at the top of the cycle; and
- total asset revaluations provided an uplift of $500.4m for the 12 months to 30 June 2016
- acquired $337.6m of key strategic assets across office, industrial and retail. Including Toombul Shopping Centre, Nundah QLD, 26-38 Harcourt Road, Altona VIC and CBA site, Australian Technology Park, Redfern NSW (33.3% interest).

Market outlook[3]

Strong business conditions in Sydney and Melbourne continue to result in solid net absorption levels, with prime vacancy rates tightening over the past six months. Tenant demand in Brisbane is positive, driven by the government and education sectors, while there have been small levels of negative contraction in Perth, as larger mining firms continue to consolidate space options.

Risk

While tenant demand for office space remains challenging in Brisbane and Perth, Mirvac's overweight position to Sydney and Melbourne, where 79 per cent of Mirvac's office portfolio is located, means it is well-placed against this backdrop. The office portfolio metrics, comprising a long WALE of 5.6 years and solid occupancy of 98.2 per cent, also demonstrate Mirvac's ability to maintain a strong and robust portfolio through the cycles of demand.

Interests in the Trust

	2016 Units m	2015 Units m
Total ordinary stapled units issued	3,699.0	3,694.3
Stapled units issued under long term incentive plan (LTI) and EIS	2.6	3.3
Total stapled units issued	3,701.6	3,697.6

Refer to note E2 of the financial statements for a reconciliation of the interests in the consolidated entity issued during the financial year.

Environmental regulations

The consolidated entity and its business operations are subject to compliance with both Commonwealth and State environment protection legislation and is satisfied that adequate policies and procedures are in place to ensure the consolidated entities' compliance with the applicable legislation. In addition, the consolidated entity is also subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007* and *Building Energy Efficiency Disclosure Act 2010*. The consolidated entity is not aware of any incidents that have resulted in material non-compliance with environmental regulations during the financial year.

More information on Mirvac's sustainability strategy, actions and performance for the year ended 30 June 2016 can be found in our Sustainability report available in October 2016 on Mirvac's website at: http://www.mirvac.com/Sustainability/Sustainability-Reports/.

1. By area, including equity accounted investments and owner-occupied properties, and excluding assets held for sale and assets held for development.
2. By income, including equity accounted investments and owner-occupied properties, and excluding assets held for sale and assets held for development.
3. These future looking statements should be read in conjunction with future releases to the ASX.

Instruments held by Directors

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

Director	Mirvac stapled securities	Interests in securities of related entities or related body corporate
John Mulcahy (indirect)	25,000	-
Susan Lloyd-Hurwitz (direct)	584,665	-
- performance rights	4,781,776	-
Christine Bartlett (direct)	25,000	-
Peter Hawkins (direct and indirect)	596,117	-
Samantha Mostyn (direct)	15,000	-
James M. Millar AM (indirect)	40,714	-
John Peters (indirect)	30,000	
Elana Rubin (direct)	34,343	-

During the year ended 30 June 2009, Mirvac introduced a security acquisition plan for Non-Executive Directors whereby they could sacrifice a portion of their Directors' fees each month and use them to acquire additional Mirvac stapled securities. No Non-Executive Directors acquired securities under this plan during the year ended 30 June 2016 (2015: nil). However, securities purchased in previous years continue to be held in the plan.

Non-audit services

From time to time, the consolidated entity may engage its external auditor, PricewaterhouseCoopers, to perform services additional to their statutory audit duties. Details of the amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services provided during the year ended 30 June 2016 are set out in note H6 to the financial statements.

In accordance with the advice received from the ARCC, the Board is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

Net current asset deficiency

As at 30 June 2016, the Trust is in a net current liability position of $330.9m. The Trust repays its borrowings with excess cash, but had access to $1,002.3m of unused borrowing facilities at 30 June 2016. Accordingly, the Directors of the Responsible Entity expect that the Trust will have sufficient cash flows to meet all financial obligations as and when they fall due.

Significant changes in the state of affairs

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

Matters subsequent to the end of the year

As announced on 29 October 2015 the consolidated entity has acquired a 49.9 per cent interest in East Village, Zetland NSW for $154.7m. The acquisition was made by unit acquisition in the Joynton North Property Trust and is equity accounted. The transaction completed on 1 July 2016. Also completing on 1 July was the acquisition of 274 Victoria Road, Rydalmere NSW for $47.6m and a 50 per cent interest in 80 Bay St Glebe, NSW for $11.4m

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

Insurance of officers

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

Fees paid to the Responsible Entity or its associates

Fees paid to the Responsible Entity out of Trust property during the year were $12.3m (2015: $10.4m). Fees charged by the Responsible Entity represent recovery of costs. No fees were paid out of Trust property to the Directors of the Responsible Entity during the year. Fees paid to the Responsible Entity and its associates out of Trust property during the year are disclosed in note H4 to the financial statements.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7 and forms part of the Directors' Report.

Rounding of amounts

The amounts in the financial statements have been rounded off to the nearest tenth of a million (m) dollars in accordance with the ASIC Corporations Instrument 2016/191.

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

Susan Lloyd-Hurwitz

Susan Lloyd-Hurwitz
Director

Sydney
16 August 2016

Auditor's Independence Declaration

As lead auditor for the audit of Mirvac Property Trust for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

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

JReilly

Jane Reilly
Partner
PricewaterhouseCoopers

Sydney
16 August 2016

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

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

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

Mirvac Funds Limited
Level 28
200 George Street
Sydney NSW 2000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on pages 3 to 6, both of which are not part of these financial statements.

The financial statements were authorised for issue by the Directors on 16 August 2016. The Directors have the power to amend and reissue the financial statements.

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

Mirvac Property Trust and its controlled entities
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2016

	Note	**2016 $m**	2015 $m
Revenue	B2	**594.7**	627.3
Other income			
Net revaluation gains from investment properties and investment properties under construction	C1	**500.4**	139.8
Share of net profit of joint ventures and associates	C2	**96.3**	60.6
Net gain on sale of assets	B2	**42.0**	16.3
Total other income		**638.7**	216.7
Total revenue and other income		**1,233.4**	844.0
Investment properties expenses and outgoings		**156.8**	152.1
Amortisation expenses		**23.8**	21.6
Finance costs	B3	**52.3**	64.8
Loss on foreign exchange and financial instruments	B3	**6.4**	10.2
Other expenses		**15.1**	11.8
Profit before income tax		**979.0**	583.5
Income tax expense	B5	**(0.7)**	(0.6)
Profit for the year attributable to stapled unitholders		**978.3**	582.9
Other comprehensive income that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	E3	**0.7**	3.5
Other comprehensive income for the year		**0.7**	3.5
Total comprehensive income for the year attributable to stapled unitholders		**979.0**	586.4
Earnings per stapled unit for profit for the year attributable to stapled unitholders		**Cents**	**Cents**
Basic earnings per stapled unit	H2	**26.5**	15.8
Diluted earnings per stapled unit	H2	**26.4**	15.8

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

Mirvac Property Trust and its controlled entities
Consolidated Statement of Financial Position
As at 30 June 2016

	Note	2016 $m	2015 $m
Current assets			
Cash and cash equivalents		**28.5**	20.2
Receivables	F1	**21.2**	17.0
Other financial assets	F2	**2.2**	11.3
Other assets		**10.9**	7.9
Total current assets		**62.8**	56.4
Non-current assets			
Receivables	F1	**2.8**	2.9
Investments in joint ventures and associates	C2	**574.0**	415.1
Other financial assets	F2	**151.7**	264.6
Investment properties	C1	**7,060.7**	6,475.9
Intangible assets	F3	**42.8**	42.8
Total non-current assets		**7,832.0**	7,201.3
Total assets		**7,894.7**	7,257.7
Current liabilities			
Payables	F4	**201.1**	198.1
Provisions	F5	**192.6**	181.2
Total current liabilities		**393.7**	379.3
Non-current liabilities			
Borrowings	D2	**1,030.7**	1,026.9
Total non-current liabilities		**1,030.7**	1,026.9
Total liabilities		**1,424.4**	1,406.2
Net assets		**6,470.4**	5,851.5
Equity			
Contributed equity	E2	**4,765.0**	4,758.6
Reserves	E3	**11.1**	10.4
Retained earnings		**1,694.3**	1,082.5
Total equity attributable to the stapled unitholders		**6,470.4**	5,851.5

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

Mirvac Property Trust and its controlled entities
Consolidated Statement of Changes in Equity
For the year ended 30 June 2016

	Note	Attributable to stapled unitholders of MPT			
		Contributed equity $m	Reserves $m	Retained earnings $m	Total Equity $m
Balance 30 June 2014		4,752.1	6.9	847.2	5,606.2
Profit for the year		-	-	582.9	582.9
Other comprehensive income for the year		-	3.5	-	3.5
Total comprehensive income for the year		-	3.5	582.9	586.4
Transactions with owners in their capacity as owners					
Employee Exemption Plan (EEP) units issued	E2	0.8	-	-	0.8
Long term performance plan(LTP), long term incentive plan (LTIP) and EIS stapled units converted, sold, vested or forfeited	E2	5.7	-	-	5.7
Distributions	E1	-	-	(347.6)	(347.6)
Total transactions with owners in their capacity as owners		6.5	-	(347.6)	(341.1)
Balance 30 June 2015		4,758.6	10.4	1,082.5	5,851.5
Profit for the year		-	-	978.3	978.3
Other comprehensive income for the year		-	0.7	-	0.7
Total comprehensive income for the year		**-**	**0.7**	**978.3**	**979.0**
Transactions with owners in their capacity as owners					
Employee Exemption Plan securities issued	E2	0.8	-	-	0.8
Long term performance plan, long term incentive plan and EIS stapled units converted, sold, vested or forfeited	E2	5.6	-	-	5.6
Distributions	E1	-	-	(366.5)	(366.5)
Total transactions with owners in their capacity as owners		6.4	-	(366.5)	(360.1)
Balance 30 June 2016		4,765.0	11.1	1,694.3	6,470.4

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

Mirvac Property Trust and its controlled entities
Consolidated Statement of Cash Flows
For the year ended 30 June 2016

	Note	2016 $m	2015 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**625.8**	661.3
Payments to suppliers and employees (inclusive of goods and services tax)		**(230.8)**	(216.7)
		395.0	444.6
Interest received		**17.6**	16.2
Distributions received from joint ventures and associates		**31.9**	26.7
Interest paid		**(58.9)**	(76.9)
Income tax paid		**(0.7)**	(0.6)
Net cash inflows from operating activities	H5	**384.9**	410.0
Cash flows from investing activities			
Payments for investment properties		**(696.1)**	(792.4)
Proceeds from sale of investment properties		**647.1**	1,333.0
Loans provided to unrelated parties		**8.7**	(2.9)
Repayment of loans provided to unrelated parties		**38.5**	-
Contributions to joint ventures and associates		**(0.3)**	(11.8)
Payments for other financial assets		**(26.5)**	(16.3)
Proceeds from other financial assets		**0.3**	0.5
Net cash (outflows)/inflows from investing activities		**(28.3)**	510.1
Cash flows from financing activities			
Repayments of borrowings		**-**	(215.1)
Proceeds from loans from entities related to Responsible Entity		**936.0**	1,292.9
Repayments of loans to entities related to Responsible Entity		**(933.7)**	(1,649.0)
Proceeds for issued units		**4.5**	0.8
Distributions paid		**(355.1)**	(336.2)
Net cash outflows from financing activities		**(348.3)**	(906.6)
Net increase in cash and cash equivalents		**8.3**	13.5
Cash and cash equivalents at the beginning of the year		**20.2**	6.7
Cash and cash equivalents at the end of the year		**28.5**	20.2

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

A BASIS OF PREPARATION

Mirvac – stapled securities

A Mirvac stapled security comprises one Mirvac Limited share 'stapled' to one unit in Mirvac Property Trust (MPT) to create a single listed security traded on the Australian Stock Exchange (ASX). The stapled securities cannot be traded or dealt with separately. Mirvac Limited (the deemed parent entity) and Mirvac Funds Limited (as responsible entity for MPT) have common directors and operate as Mirvac Group. Mirvac Limited and MPT have a Deed of Cooperation to recharge each other on a cost recovery basis, where permitted by law, to maintain the best interests of Mirvac as a whole.

The stapled security structure will cease to operate on the first of:
- Mirvac Limited or MPT resolving by special resolution in a general meeting, and in accordance with its Constitution, to terminate the stapled security structure; or
- Mirvac Limited or MPT commencing winding up.

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

Mirvac Limited and MPT remain separate legal entities in accordance with the *Corporations Act 2001.* For accounting purposes, Mirvac Limited has been deemed the parent entity of Mirvac Group.

Statement of compliance

These consolidated financial statements are general purpose financial statements. They have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and *International Financial Reporting Standards (IFRS)* as issued by the International Accounting Standards Board (IASB).

The consolidated entity is a for-profit entity for the purpose of preparing the financial statements.

Basis of preparation

These financial statements have been prepared on a going concern basis, using historical cost conventions except for:
- investment properties, investment properties under construction, derivative financial instruments and other financial assets and financial liabilities which have been measured at fair value; and
- assets held for sale which are measured at lower of carrying value and fair value less costs to sell.

All figures in the financial statements are presented in Australian dollars and have been rounded off to the nearest tenth of a million dollars in accordance with ASIC Corporations Instrument 2016/191, unless otherwise indicated.

Where necessary, comparative information has been restated to conform to the current year's disclosures.

Critical accounting estimates and judgements.

The preparation of financial statements requires estimation and judgement. The areas involving a higher degree of estimation or judgement are discussed in the following notes:

	Note		Note
Revenue	B2	Fair value measurement of financial instruments	D4
Investment properties	C1	Goodwill	F3
Investments in joint ventures and associates	C2		

New and amended standards adopted by the consolidated entity

The new and amended standards adopted by the consolidated entity for the year ended 30 June 2016 have not had a significant impact on the current period, any prior period and are not likely to have a significant impact in future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Trust. The Trust's assessment of the impact of these new standards and interpretations is set out below:

(a) AASB 9 *Financial Instruments* (effective for financial years commencing on or after 1 January 2018, with early adoption permitted)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The consolidated entity does not expect any impact on the consolidated entity's accounting for financial instruments. The consolidated entity has not yet decided when to adopt AASB 9.

(b) AASB 15 *Revenue from Contracts with Customers* (effective for financial years commencing on or after 1 January 2018, with early adoption permitted)

AASB 15 is based on the principle that revenue is recognised when control of a good or service is transferred to a customer. AASB 15 will not impact on investment properties rental revenue, as the revenue is accounted for under AASB 117 *Leases*. The standard is unlikely to have a material impact on development and construction revenue as the performance obligation is delivering the completed product. The consolidated entity has not yet decided when to adopt AASB 15.

(c) AASB 16 *Leases* (effective for financial years commencing on or after 1 January 2019, with early adoption permitted)

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard will predominantly affect lessees, bringing all major leases on balance sheet. As the consolidated entity operates mainly as a lessor, the standard is not expected to impact the consolidated entity's accounting for leases significantly. The consolidated entity has not yet decided when to adopt AASB 16.

B RESULTS FOR THE YEAR

This section explains the results and performance of the consolidated entity, including detailed breakdowns and analysis.

B1 SEGMENT INFORMATION

Following the comprehensive revision of the Group's operating model, effective 1 July 2015, the consolidated entity is a single segment for reporting to the Executive Leadership Team. The Executive Leadership Team are the chief operating decision makers of the consolidated entity.

The consolidated entity operates predominantly in Australia. No single customer in the current or prior year provided more than 10 per cent of the consolidated entity's revenue.

B2 REVENUE

The consolidated entity's revenue is principally property rental revenue. Property rental revenue comes from holding properties as investment properties and earning rental yields over time.

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade allowances and duties and taxes paid. The consolidated entity recognises revenue when it can be reliably measured and payment is probable.

Property rental revenue is recognised on a straight line basis over the term of the lease net of any incentives.

B2 REVENUE

	2016 $m	2015 $m
Revenue		
Property rental revenue	**576.3**	602.9
Interest revenue	**17.4**	22.0
Other revenue	**1.0**	2.4
Total revenue	**594.7**	627.3
Net gain on sale of assets		
Net gain on sale of investments in joint ventures and associates	**-**	10.2
Net gain on sale of investment properties	**42.0**	6.1
Total net gain on sale of assets	**42.0**	16.3

B3 EXPENSES

Investment properties expenses and outgoings

Expenses and outgoings include rates and taxes and are recognised on an accruals basis.

	2016 $m	2015 $m
Profit before income tax includes the following specific expenses:		
Interest paid/payable	**58.9**	68.8
Borrowing costs capitalised	**(6.6)**	(4.0)
Total finance costs	**52.3**	64.8
Foreign exchange loss on borrowings	**0.7**	6.6
Loss on revaluation of units in unlisted funds	**5.7**	0.5
Total loss on foreign exchange and financial instruments	**6.4**	7.1

B4 EVENTS OCCURRING AFTER THE END OF THE YEAR

As announced on 29 October 2015 the consolidated entity has acquired a 49.9 per cent interest in East Village, Zetland NSW for $154.7m. The acquisition was made by unit acquisition in the Joynton North Property Trust and is equity accounted. The transaction completed on 1 July 2016. Also completing on 1 July was the acquisition of 274 Victoria Road, Rydalmere NSW for $47.6m and a 50 per cent interest in 80 Bay St Glebe, NSW for $11.4m

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

B5 INCOME TAX

Most of the consolidated entity's profit is earned by trusts which are not subject to taxation. Income from the trusts is instead attributed to unitholders who pay income tax at their marginal tax rates.

Tax allowances for depreciation are distributed to the stapled unitholders as a tax deferred component of the distribution.

The Trust has a controlled entity based in the USA which is subject to Federal and State taxes in the USA. The tax expense relates to the USA controlled entity.

	2016 $m	2015 $m
Current tax expense in the USA	**0.7**	0.6
Total income tax expense	**0.7**	0.6

C PROPERTY AND DEVELOPMENT ASSETS

This section includes investment properties, investments in joint venture arrangements and assets held for sale. It represents the core assets of the business and drives the value of the consolidated entity.

C1 INVESTMENT PROPERTIES

The consolidated entity holds a property portfolio for long term rental yields and capital appreciation. Depending on the specific arrangements for each property, they are classified as investment properties or properties held through joint ventures and associates.

Investment properties

Investment properties are properties owned by the consolidated entity. Investment properties include investment properties under construction, which will become investment properties once construction is completed.

The consolidated entity accounts for its investment properties at fair value and revaluations are recognised as other income. The fair value movements are non-cash and do not affect the consolidated entity's distributable income.

Judgement in fair value estimation

Fair value is based on the highest and best use of an asset - for all of the consolidated entity's property portfolio, the existing use is its highest and best use.

The fair values of properties are calculated using a combination of market sales comparison, discounted cash flow and capitalisation rate. To assist with calculating reliable estimates, the consolidated entity uses external valuers on a rotational basis. Approximately half of the portfolio is externally valued each year with management internally estimating the fair value of the remaining properties.

The fair values are a best estimate but may differ to the actual sales price if the properties were to be sold. The key judgements for each valuation method are explained below:

Market sales comparison: Utilises recent sales of comparable properties, adjusted for any differences including the nature, location and lease profile;

Discounted cash flow (DCF): Projects a series of cash flows over the property's life and a terminal value, discounted using a discount rate to give the present value.

The projected cash flows incorporate expected rental income (based on contracts or market rates), operating costs, lease incentives, lease fees, capital expenditure, and a terminal value from selling the property. The terminal value is calculated by applying the terminal yield to the net market income. The discount rate is a market rate reflecting the risk associated with the cash flows, the nature, location and tenancy profile of the property relative to comparable investment properties and other asset classes; and

Capitalisation rate: Capitalises the fully-leased net income for a property into perpetuity at an appropriate capitalisation rate.

The fully-leased net income is based on contracted rents, market rents, operating costs and future income on vacant space. The capitalisation rate reflects the nature, location and tenancy profile of the property together with current market evidence and sales of comparable properties.

There generally is not an active market for investment properties under construction so fair value is measured using DCF or residual valuations. DCF valuations for investment properties under construction are as described above but also consider the costs and risks of completing construction and letting the property.

Residual: Estimates the value of the completed project, less the remaining development costs which include construction, finance costs and an allowance for developer's risk and profit. This valuation is then discounted back to the present value.

The key inputs and sensitivity to changes are explained below.

Lease incentives

The carrying amount of investment properties includes lease incentives provide to customers. Lease incentives are deferred and recognised on a straight line basis over the lease term as a reduction of property rental income.

C1 INVESTMENT PROPERTIES (continued)

Reconciliation of carrying amount of investment properties

	2016 Total $m	2015 Total $m
Balance 1 July	**6,475.9**	6,141.1
Expenditure capitalised	**382.9**	320.3
Acquisitions	**337.6**	550.6
Disposals	**(599.2)**	(650.9)
Net revaluation gains from fair value adjustments	**500.4**	139.8
Exchange differences on translation of foreign operations	**1.5**	8.1
Amortisation of lease fitout incentives, leasing costs and rent incentives	**(38.4)**	(33.1)
Balance 30 June	**7,060.7**	6,475.9
Total investment properties	6,892.7	6,297.1
Total investment properties under construction	168.0	178.8

Fair value measurement and valuation basis

Investment properties are measured as Level 3 financial instruments. Refer to note D4 for explanation of the levels of fair value measurement.

The DCF, capitalisation rate and residual valuation methods all use unobservable inputs in determining fair value; ranges of the inputs are included below:

Sector		Inputs used to measure fair value				
	Level 3 Fair value $m	Net market income $/sqm	10 year compound annual growth rate %	Capitalisation rate %	Terminal yield %	Discount rate %
2016						
Office[1]	3,820.9	325-1,590	Nil-3.75	5.38-9.50	5.75-10.00	7.13-9.50
Industrial	578.8	52-225	2.5-3.5	6.50-7.75	7.00-8.00	7.75-8.25
Retail	2,661.0	225-1,524	3.0-4.4	5.25-7.00	5.50-7.25	7.75-9.00
2015						
Office[1]	3,791.7	205-1,003	1.88-4.10	6.00-9.50	6.25-10.00	8.00-12.00
Industrial	529.3	15-345	2.33-3.30	7.25-9.50	7.50-9.75	8.50-9.75
Retail	2,154.9	221-1,341	2.6-4.4	6.00-7.75	6.25-8.00	8.50-9.00

1) Includes investment properties under construction.

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

Future committed operating lease receipts

Property rental revenue is accounted for as operating leases. The revenue and expenses are recognised in the consolidated SoCI on a straight line basis over the lease term. Payments for operating leases are made net of any lease incentives.

The future receipts are shown as undiscounted contractual cash flows.

	2016 $m	2015 $m
Future operating lease receipts as a lessor		
Within one year	**416.8**	471.6
Between one and five years	**1,329.5**	1,346.7
Later than five years	**1,071.8**	750.1
Total future operating lease receipts as a lessor	**2,818.1**	2,568.4

C2 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

A joint venture is an arrangement where Mirvac has joint control over the activities and joint rights to the net assets.

An associate is an entity where the consolidated entity has significant influence, but not control or joint control. Refer to note G1 for details on how the consolidated entity decides if it controls an entity.

The consolidated entity initially records joint ventures and associates (JVA) at the cost of the investment and subsequently accounts for them using the equity method. Under the equity method, the consolidated entity's share of the JVA's profit or loss is added to or deducted from the carrying amount each year. Distributions received or receivable are recognised by reducing the carrying amount of the JVA.

When transactions between consolidated entity and its JVA create an unrealised gain, the consolidated entity eliminates the unrealised gain relating to the consolidated entity's proportional interest in the JVA. Unrealised losses are eliminated in the same way unless there is evidence of impairment, in which case the loss is realised.

Judgement in testing for impairment of investments in JVA

JVA are tested for impairment at the end of each year, and impaired if necessary, by comparing the carrying amount to the recoverable amount. The recoverable amount is calculated as the estimated present value of future dividends to be received from the JVA and from its ultimate disposal.

At 30 June 2016, none of the investments in JVA are considered to be impaired (2015: none).

	2016 $m	2015 $m
Consolidated SoFP		
Investments in joint ventures	**574.0**	415.1
Total investments in JVA	**574.0**	415.1
Consolidated SoCI		
Share of net profit of joint ventures	**96.3**	60.7
Share of net loss of associates	**-**	(0.1)
Total share of net profit of JVA	**96.3**	60.6

All JVA are established or incorporated in Australia. The table below provides summarised financial information for those JVA that are material to the consolidated entity. All three are joint ventures: the consolidated entity does not have any individually material associates.

The information below reflects the total amounts presented in the financial statements of the relevant JVA and not the Group's share, unless otherwise stated. The information has been amended to reflect any unrealised gains or losses on transactions between Mirvac and its JVA.

C2 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

	Mirvac 8 Chifley Trust		Mirvac (Old Treasury) Trust		Tucker Box Hotel Group		Other joint ventures		Total	
	2016 $m	2015 $m	**2016 $m**	2015 $m	**2016 $m**	2015 $m	**2016 $m**	2015 $m	**2016 $m**	2015 $m
Principal activities	Investment property		Investment property		Hotel investment		Various			
Summarised SoFP										
Cash and cash equivalents	**0.2**	2.5	**5.6**	66.3	**3.3**	1.2	-	0.2	**9.1**	70.2
Other current assets	**2.1**	0.5	**1.6**	0.1	**6.9**	6.7	-	-	**10.6**	7.3
Total current assets	**2.3**	3.0	**7.2**	66.4	**10.2**	7.9	-	0.2	**19.7**	77.5
Total non-current assets	**411.5**	379.2	**408.6**	264.4	**506.8**	472.5	-	-	**1,326.9**	1,116.1
Current financial liabilities (excluding trade payables)	**-**	-	**2.2**	-	**9.2**	1.7	-	-	**11.4**	1.7
Other current liabilities	**2.5**	3.0	**4.8**	(1.6)	**2.3**	7.9	-	-	**9.6**	9.3
Total current liabilities	**2.5**	3.0	**7.0**	(1.6)	**11.5**	9.6	-	-	**21.0**	11.0
Non-current financial liabilities (excluding trade payables)	**-**	-	**-**	191.4	**169.8**	153.7	-	-	**169.8**	345.1
Other non-current liabilities	**-**	-	**-**	-	**0.8**	0.9	-	-	**0.8**	0.9
Total non-current liabilities	**-**	-	**-**	191.4	**170.6**	154.6	-	-	**170.6**	346.0
Net assets	**411.3**	379.2	**408.8**	141.0	**334.9**	316.2	-	0.2	**1,154.5**	836.8
Consolidated entity's share of net assets (%)	**50**	50	**50**	50	**49**	49				
Consolidated entity's share of net assets ($)	**205.6**	189.6	**204.3**	70.5	**164.1**	154.9	**-**	0.1	**574.0**	415.1
Carrying amount in SoFP	**205.6**	189.6	**204.3**	70.5	**164.1**	154.9	**-**	0.1	**574.0**	415.1

	Mirvac 8 Chifley Trust		Mirvac (Old Treasury) Trust		Tucker Box Hotel Group		Other joint ventures		Total	
	2016 $m	2015 $m	**2016 $m**	2015 $m	**2016 $m**	2015 $m	**2016 $m**	2015 $m	**2016 $m**	2015 $m
Summarised SoCI										
Revenue	**59.9**	57.8	**95.4**	4.2	**56.4**	74.1	**-**	-	**211.7**	136.1
Interest income	**-**	-	**0.6**	3.4	**0.1**	0.1	**-**	-	**0.7**	3.5
Depreciation and amortisation	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Interest expense		-	**-**	-	**7.4**	8.0	**-**	-	**7.4**	8.0
Income tax expense		-	**-**	-	**-**	0.1	**-**	-	**-**	0.1
Profit after tax	**55.5**	53.7	**91.4**	4.2	**46.7**	64.0	**-**	-	**193.6**	121.9
Other comprehensive income	**-**	-	**-**	-	**-**	-	**-**	-	**-**	262.6
Total comprehensive income	**55.5**	53.7	**91.4**	4.2	**46.7**	64.0	**-**	**-**	**193.6**	**262.6**
Distributions received/receivable from JVAs	**11.7**	11.1	**7.7**	1.9	**13.9**	13.3	**-**	3.2	**33.4**	29.5

Capital expenditure commitments

At 30 June 2016, the consolidated entity's share of its JVA's capital commitments which have been approved but not yet provided for was $nil (2015: $79.6m).

D CAPITAL STRUCTURE AND RISKS

This section outlines the market, credit and liquidity risks that the consolidated entity is exposed to and how it manages these risks. Capital comprises unitholders' equity and net debt (borrowings less cash).

D1 CAPITAL MANAGEMENT

The consolidated entity's objectives when managing capital are to safeguard Group's ability to continue as a going concern, so that it can provide returns to unitholders and aims to address the credit, liquidity and market risks whilst also meeting the Group's strategic objectives.

The consolidated entity's capital structure is monitored at the Group level. The Group seeks to maintain an investment grade credit rating of BBB+ to reduce the cost of capital and diversify its sources of debt capital. The Group's target gearing ratio is between 20 and 30%. At 30 June 2016, the net gearing ratio was 21.9% (2015: 24.3%).

If the Group wishes to change its gearing ratio, it could adjust its dividends/distributions, issue new equity (or buy back shares), or sell property to repay borrowings.

At 30 June 2016, the Group was in compliance with all regulatory and debt covenant ratios.

D2 BORROWINGS AND LIQUIDITY

The consolidated entity borrows using loans from related parties.

There are two loan facilities from related parties totalling $2,033.0m (2015: $2,031.9m):
- a $2,000.0m facility which can be drawn in Australian or US dollars and expires on 18 December 2023. Interest accrues at the related party's cost of financing from their borrowing facilities, calculated including associated derivatives.
- a $US24.6m facility which expires on 7 December 2017. Interest accrues at USD LIBOR plus 1.25% p.a.
- at 30 June 2016, $1,002.3m (2015: $1,005.0m) was undrawn on the facilities.

Borrowings are initially recognised at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest rate method. The fair value of borrowings is considered to approximate their carrying amount as the interest rates are variable.

The table below details the carrying amount and fair value of borrowings of Mirvac. These amounts do not represent the facilities of the consolidated entity but are relevant to the consolidated entity as this profile determines the facilities used to calculate the related party's cost of funds, which are then used as a basis for the interest on the consolidated entity's borrowings from the related party.

	2016				2015			
	Current $m	Non-current $m	Total Carrying amount $m	Total Fair Value $m	Current $m	Non-current $m	Total Carrying amount $m	Total Fair Value $m
Unsecured								
Bank loans	**-**	**867.4**	**867.4**	**867.0**	-	920.2	920.2	920.2
Bonds	**604.0**	**1,343.6**	**1,947.6**	**2,090.0**	-	1,713.4	1,713.4	1,812.7
	604.0	**2,211.0**	**2,815.0**	**2,957.0**	-	2,633.7	2,633.9	2,733.2
Undrawn bank facilities			**833.0**				388.8	

	2016						2015					
	Floating interest rate	Fixed interest maturing in:				Total	Floating interest rate	Fixed interest maturing in:				Total
		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years			Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Loans from related party	**1,030.7**	**-**	**-**	**-**	**-**	**1,030.7**	1,026.9	-	-	-	-	1,026.9

D2 BORROWINGS AND LIQUIDITY (continued)

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

	2016						2015					
	Floating interest rate	Fixed interest maturing in:					Floating interest rate	Fixed interest maturing in:				
		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Unsecured bank loans	867.5	-	-	-	-	**867.5**	920.2	-	-	-	-	920.2
Bonds	1,079.7	235.0	200.0	200.0	125.0	**1,839.7**	953.4	-	235.0	400.0	125.0	1,713.4
Interest rate swaps	(1,300.0)	-	100.0	500.0	700.0	-	(1,100.0)	100.0	-	400.0	600.0	-
Total	647.2	235.0	300.0	700.0	825.0	**2,707.2**	773.6	100.0	235.0	800.0	725.0	2,633.6

The fair value of the bank loans is considered to approximate their carrying amount; although some loans have fixed interest rates, the impact is immaterial. The fair value of the bonds is calculated as the expected future cash flows discounted by the relevant current market rates.

D3 FINANCIAL RISK MANAGEMENT

The consolidated entity's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. The consolidated entity seeks to minimise the potential impact of these financial risks on financial performance, for example by using derivative financial instruments to protect against interest rate and foreign exchange risk

Financial risk management is carried out by a central treasury department (Mirvac Group Treasury) under policies approved by the Board. The Board provides overall risk management principles and policies covering specific areas. Mirvac Group Treasury identifies, evaluates, reports and manages financial risks in close cooperation with the consolidated entity in accordance with Board policy.

A summary of the Group's key risks identified, exposures and management of exposures is detailed in the table below:

Risk	Definition	Exposures arising from	Management of exposures
Market risk - interest rate	The risk that the fair value or cash flows of financial instruments will fluctuate due to changes in market interest rates.	• Borrowings issued at variable rates • Derivatives	• The loans from related party have variable interest rates which are mainly based on the related party's cost of borrowing. • The related party manages cash flow interest rate risk through some borrowings at fixed rates and also using derivatives to convert some variable rate borrowings to fixed rate exposures. • Mirvac does not manage the fair value risk for debt instruments from interest rates as it does not have an impact on the cash flows paid by the business. • Refer to note D2 for details on the interest rate exposure for borrowings.
Market risk - foreign exchange	The risk that the fair value of a financial commitment, asset or liability will fluctuate due to changes in foreign exchange rates.	• Bonds denominated in US dollars • Receipts and payments which are denominated in other currencies	• Foreign currency borrowings as a natural hedge for foreign operations. • The consolidated entity's exposure to foreign exchange risk is insignificant.
Market risk – price	The risk that the fair value of other financial assets at fair value through profit or loss fluctuate due to changes in the underlying share/unit price.	• Other financial assets at fair value through profit or loss, with any resultant gain or loss recognised in other comprehensive income	• The consolidated entity is exposed to minimal price risk and so does not manage the exposures.

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D3 FINANCIAL RISK MANAGEMENT (continued)

Risk	Definition	Exposures arising from	Management of exposures
Credit risk	The risk that a counterparty will not make payments to the consolidated entity as they fall due.	• Cash and cash equivalents • Receivables • Derivative financial assets • Other financial assets	• Setting credit limits and obtaining collateral as security (where appropriate). • Diversified trading spread across large financial institutions with investment grade credit ratings. • Regularly monitoring the exposure to each counterparty and their credit ratings • Refer to note F2 for details on credit risk exposure on receivables. The consolidated entity deems the exposure to credit risk as immaterial for all other classes of financial assets and liabilities.
Liquidity risk	The risk that the consolidated entity will not be able to meet its obligations as they fall due.	• Payables • Borrowings • Derivative financial liabilities	• Regular forecasts of the consolidated liquidity requirements. Surplus funds are only invested in highly liquid instruments. • Availability of cash, marketable securities and committed credit facilities. • At 30 June 2016, the consolidated entity has minimal liquidity risk due to there being no current borrowings (2015: $nil) and access to undrawn facilities of $1,002.3m (2015: $1,005.0m).

Market risk - interest rate risk

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

Sensitivity analysis

This sensitivity analysis shows the impact on profit after tax and equity if Australian interest rates and USD:AUD exchange rates changed by 50 basis points (bp).

Total impact on profit after tax and equity	2016		2015	
	50 bp ⇧ $m	50 bp ⇩ $m	50 bp ⇧ $m	50 bp ⇩ $m
Changes in:				
Australian interest rates	**$6.2m decrease**	**$6.2m increase**	$6.5m decrease	$6.5m increase
USD:AUD exchange rate	**Immaterial**	**Immaterial**	Immaterial	immaterial

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

Liquidity risk

Maturities of financial liabilities

The consolidated entity's maturity of financial liabilities is provided in the following table. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2016					2015				
	Maturing in:					Maturing in:				
	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m	Total $m	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m	Total $m
Payables	201.1	-	-	-	**201.1**	198.1	-	-	-	198.1
Borrowings	18.6	42.3	55.9	1,060.0	**1,176.8**	21.0	22.7	115.0	1,138.4	1,297.0
	219.7	42.3	55.9	1,060.0	**1,377.9**	219.1	22.7	11.5	1,138.4	1,495.1

D4 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The consolidated entity measures various financial assets and liabilities at fair value which, in some cases, may be subjective and depend on the inputs used in the calculations. The different levels of measurement are described below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: not traded in an active market but calculated with significant inputs coming from observable market data; and
- Level 3: significant inputs to the calculation that are not based on observable market data (unobservable inputs).

The consolidated entity holds no Level 1 or Level 2 financial instruments.

The methods and assumptions used to estimate the fair value of financial instruments are as follows:

Other financial assets

Other financial assets includes unlisted securities, convertible notes receivable and loan notes. The carrying value of other financial assets is equal to the fair value, refer to note F2 for further details.

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

The fair value of convertible notes receivable and loan notes is calculated based on the expected cash inflows. Expected cash inflows are determined based on the development management agreement and vendor financing agreement with fixed repayment terms based on fixed interest rate and agreed project costs.

The following table summarises the financial instruments measured and recognised at fair value on a recurring a basis:

		2016				2015			
	Note	**Level 1 $m**	**Level 2 $m**	**Level 3 $m**	**Total $m**	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets carried at fair value									
Units in unlisted funds	F2	**-**	**-**	23.5	**23.5**	-	-	11.3	11.3
Other financial assets	F2	**-**	**-**	130.4	**130.4**	-	-	264.6	264.6
		-	**-**	153.9	**153.9**	-	-	275.9	275.9

The following table presents a reconciliation of the carrying value of Level 3 instruments (excluding investment properties which are shown in note C1):

	2016		2015	
	Unlisted securities $m	**Other financial assets $m**	Unlisted securities $m	Other financial assets $m
Balance 1 July	11.3	264.6	11.8	79.4
Acquisitions	26.6	-	-	185.2
Loss on revaluation recognised in loss on foreign exchange and financial instruments	(5.7)	-	(0.5)	-
Conversion to equity	-	(95.7)	-	-
Repayment	-	(38.5)	-	-
Return of capital	(8.7)	-	-	-
Balance 30 June	**23.5**	**130.4**	11.3	264.6

E EQUITY

This section includes distributions, unitholders' equity and reserves. It represents how the consolidated entity raised equity from unitholders (equity) in order to finance activities both now and in the future.

E1 DISTRIBUTIONS

Half yearly ordinary distributions paid/payable per stapled security were as follows:

	Distribution (cents)	Date paid / payable	Total amount $m
Distributions for the year ended 30 June 2016			
31 December 2015	4.70	29 Feb 2016	**174.0**
30 June 2016	5.20	30 Aug 2016	**192.5**
Total distribution	**9.90**		**366.5**
Distributions for the year ended 30 June 2015			
31 December 2014	4.50	26 Feb 2015	166.4
30 June 2015	4.90	26 Aug 2015	181.2
Total distribution	**9.40**		347.6

E2 CONTRIBUTED EQUITY

Ordinary units are classified as equity. Each ordinary unit entitles the holder to receive distributions when declared, and one vote per unit at securityholders' meetings and polls and to proceeds on wind up of the consolidated entity in proportion to the number of units held.

When new units or options are issued, the directly attributable incremental costs are deducted from equity.

Movements in paid up equity

	2016		2015	
Consolidated	**No. units m**	**Units $m**	No. units m	Units $m
Balance 1 July	3,694.3	4,758.6	3,688.5	4,752.1
Stapled units issued under EEP	0.5	0.8	0.4	0.8
LTP, LTIP and EIS stapled units converted, sold, vested or forfeited	4.2	5.6	5.4	5.7
Balance 30 June	**3,699.0**	**4,765.0**	3,694.3	4,758.6

The number of stapled units issued as listed on the ASX at 30 June 2016 was 3,702.0m (2015: 3,697.6m) which includes 2.6m of stapled units issued under the LTI plan and EIS (2015: 3.3m). Units issued to employees under the Mirvac employee LTI plan and EIS are accounted for as options and are recognised, by Mirvac Group in the share based payments reserve, not in contributed equity.

LTP, LTIP, EIS and EEP issues

Current LTP
At 30 June 2016, 27.4m (2015: 26.6m) performance rights and nil (2015: nil) options were issued to participants under the plan. The number of issued rights and options is net of adjustments due to forfeiture of rights and options as a result of termination of employment. During the year, no performance rights (2015: nil) and no options (2015: nil) vested.

EEP
At 30 June 2016, 6.8m (2015: 6.2m) stapled units have been issued to employees under the EEP.

Superseded LTI and EIS plans
During the year, no stapled units were issued to employees of Mirvac Limited and its controlled entities under the superseded LTI plan and EIS (2015: nil). The total number of stapled securities owned by employees under the superseded LTI and EIS at 30 June 2016 was 2.6 (2015: 3.3m) and the market price was $2.00 (2015: $1.85).

E3 RESERVES

Foreign currency translation reserve

The consolidated entity has a controlled entity which holds an investment property in the USA and its functional currency is US dollars. The assets and liabilities are translated to Australian dollars using the exchange rate at the end of the year; income and expenses are translated using an average exchange rate for the year. All exchange differences are recognised in other comprehensive income and the foreign currency translation reserve.

Non-controlling interests (NCI) reserve

The NCI reserve was used to record the discount received on acquiring the non-controlling interest in Mirvac Real Estate Investment Trust during December 2009.

$m	Capital Reserve	Foreign currency translation reserve	NCI Reserve	Total Reserves
Balance 1 July 2014	(1.4)	1.5	6.8	**6.9**
Foreign currency translation differences	-	3.5	-	3.5
Balance 30 June 2015	(1.4)	5.0	6.8	**10.4**
Foreign currency translation differences	-	0.7	-	0.7
Balance 30 June 2016	**(1.4)**	**5.7**	**6.8**	**11.1**

F OPERATING ASSETS AND LIABILITIES

F1 RECEIVABLES

Receivables are initially recognised at fair value. Receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment if required. Due to the short term nature of current receivables, their carrying amount (less impairment provision) is assumed to be the same as their fair value. For the majority of the non-current receivables, the carrying amount is also not significantly different to their fair value.

Collectability of receivables is reviewed on an ongoing basis. A provision for impairment is recognised when there is objective evidence that collection of the receivable is doubtful. The provision is calculated as the difference between the carrying amount and the estimated future repayments, discounted at the effective interest rate where relevant. Receivables which are known to be uncollectable are written off.

	2016			2015		
	Gross $m	Provision for Impairment $m	Net $m	Gross $m	Provision for Impairment[1] $m	Net $m
Current						
Trade receivables	**3.5**	**(0.5)**	**3.0**	3.1	(0.4)	2.7
Accrued income	**13.5**	**-**	**13.5**	9.2	-	9.2
Other receivables	**4.7**	**-**	**4.7**	5.1	-	5.1
Total current receivables	**21.6**	**(0.5)**	**21.2**	17.4	(0.4)	17.0
Non-current						
Other receivables	**2.8**	**-**	**2.8**	2.9	-	2.9
Total non-current receivables	**2.8**	**-**	**2.8**	2.9	-	2.9
Total receivables	**24.4**	**(0.5)**	**24.0**	20.3	(0.4)	19.9

		Days past due					
	Not past due	1 - 30	31 - 60	61 - 90	91 - 120	Over 120	Total
2015							
Total receivables	18.1	1.3	0.3	0.2	0.2	0.2	20.3
Provision for impairment	-	-	-	(0.1)	(0.1)	(0.2)	(0.4)
2016							
Total receivables	22.4	1.2	0.3	0.2	0.1	0.2	24.4
Provision for impairment	-	-	-	(0.1)	(0.1)	(0.3)	(0.5)

The consolidated entity does not have any significant credit risk exposure to a single customer. The consolidated entity holds collateral over receivables of $123.7m (2015: $114.1m). The collateral held equals the carrying amount of the relevant receivables. Refer to note D4 for further details on the consolidated entity's exposure to, and management of, credit risk.

F2 OTHER ASSETS

Units in unlisted funds

The Group may hold units in unlisted funds which do not give Mirvac control, as explained in note G1, or significant influence, as explained in note C1. These units are accounted for at fair value. Dividends received are recognised in revenue and any changes in fair value are recognised in the gain or loss on foreign exchange and financial instruments in the consolidated SoCI.

Units in unlisted funds are traded in inactive markets and therefore the fair value is estimated based on the value of the underlying assets held by the funds. The underlying assets of the funds are valued by external valuers based on market sales comparison and/or discounted cash flows. Refer to note C1 for details of these valuation methods.

Convertible notes

Convertible notes were issued by Mirvac (Old Treasury) Trust, a joint venture, of the consolidated entity to fund the joint ventures' investment properties under construction. On 30 November 2015, these convertible notes have been converted into equity and the consolidated entity's investment in the joint venture has increased by the value of the convertible notes held.

F2 OTHER ASSETS (continued)

Loan notes

Loan notes of $156.0m were issued as partial payment for the sale of non-aligned assets during the 2015 financial year. The movement in the loan balance during the year represents repayment of interest capitalised in the prior year and partial repayment of principle in accordance with the loan agreement.

Refer to note D4 for information about the methods and assumptions used in determining the fair value of convertible notes and loan notes.

Impairment

Collectability of other financial assets is reviewed on the same basis as receivables. Refer to note F1 for details.

	2016 $m	2015 $m
Current		
Units in unlisted fund	**2.2**	11.3
Total current other financial assets	**2.2**	11.3
Non-current		
Convertible notes issued by related parties	**-**	95.7
Loan notes issued by unrelated parties	**130.4**	168.9
Units in unlisted fund	**21.3**	-
Total non-current other financial assets	**151.7**	264.6

F3 GOODWILL

	2016 $m	2015 $m
Balance 1 July	**42.8**	42.8
Balance 30 June	**42.8**	42.8

Impairment testing

Goodwill is tested annually for impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which goodwill is monitored for internal management purposes and allocated to cash generating units (CGU). The allocation is made to groups of CGU identified according to operating segments.

An asset is impaired if the recoverable amount, calculated as the value in use and the fair value less cost to sell, is less than its carrying amount.

Key assumptions used for value in use calculations for goodwill

The CGU of the consolidated entity is investment property, the value in use is the discounted present value of estimated cash flows from net rental revenue that the CGU will generate. The cash flow projections are based on forecasts covering a 10 year period. AASB 136 *Impairment of Assets* recommends that cash flow projections should cover a maximum period of five years, unless a longer period can be justified. As the cash flow projections used for budgeting and forecasting are based on long term, predictable and quantifiable leases, with renewal assumptions based on sector and industry experience, management is comfortable that a 10 year cash flow projection is more appropriate. The key assumptions used to determine the forecast cash flows include net market rent, capital expenditure, capitalisation rate, growth rate, discount rate and market conditions. 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 consolidated entity operates.

The growth rate applied beyond the initial period is noted in the table below. The growth rate does not exceed the long term average growth rate for each CGU.

F3 GOODWILL (continued)

	Growth rate 30 June 2016 % pa	Discount rate 30 June 2016 % pa	Growth rate 30 June 2015 % pa	Discount rate 30 June 2015 % pa
Mirvac Property Trust	**-**	**7.5**	-	8.5

No intangible assets were impaired in 2016 (2015: nil).

The Directors and management have considered reasonably possible changes to the key assumptions and have not identified any reasonably possible changes that could cause an impairment.

F4 PAYABLES

	Notes	2016 $m	2015 $m
Trade payables		**37.3**	45.8
Rent in advance		**17.8**	18.6
Other accruals		**25.2**	9.5
Other creditors		**7.4**	1.7
Amounts due to entities related to Responsible Entity	H4	**113.4**	122.5
Total payables		**201.1**	198.1

F5 PROVISIONS

A provision is made for the amount of any distribution declared at or before the end of the year but not distributed by the end of the year. Refer to note E1 for further details.

	2016 $m	2015 $m
Distributions payable		
Balance 1 July	**181.2**	169.8
Interim and final distributions declared	**366.5**	347.6
Payments made	**(355.1)**	(336.2)
Balance 30 June	**192.6**	181.2

G CONSOLIDATED ENTITY STRUCTURE

This section provides information on how the consolidated entity's structure affects its financial position and performance.

G1 CONTROLLED ENTITIES

Controlled entities

The consolidated financial statements of the consolidated entity incorporate the assets, liabilities and results of all controlled entities. Controlled entities are all entities over which the consolidated entity has power to direct the activities of the entity and an exposure to and ability to influence its variable returns from its involvement with the entity.

Controlled entities are fully consolidated from the date of control is obtained until the date that control ceases. Intercompany transactions and balances are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred.

Structured entities

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

If the consolidated entity does not control a structured entity but has significant influence it is treated as an associate. Refer to note C2.

Funds and trusts

The consolidated entity invests in a number of funds and trusts which invest in real estate as investment properties. The investees finance their operations through borrowings and through equity issues. The consolidated entity determines whether it controls or has significant influence over these funds and trusts as discussed above.

The following entities were wholly owned and incorporated in Australia and controlled by MPT during the current and prior years unless noted otherwise:

10-20 Bond Street Trust
1900-2000 Pratt Inc.[1]
197 Salmon Street Trust
275 Kent Street Holding Trust
367 Collins Street Trust
367 Collins Street No. 2 Trust
380 St Kilda Road Trust[2]
477 Collins Street No. 1 Trust
477 Collins Street No. 2 Trust
Australian Office Partnership Trust
Chifley Holding Trust
Eveleigh Trust[3]
Eveleigh Trust 1[3,5]
Eveleigh Trust 2[3,5]
Eveleigh Trust 3[3,6]
George Street Holding Trust
James Fielding Trust
JF Infrastructure - Sustainable Equity Fund
JFIF Victorian Trust
JFM Hotel Trust
Meridian Investment Trust No. 1
Meridian Investment Trust No. 2
Meridian Investment Trust No. 3
Meridian Investment Trust No. 4
Meridian Investment Trust No. 5
Meridian Investment Trust No. 6
Mirvac 90 Collins Street Trust
Mirvac Allendale Square Trust
Mirvac Altona Trust No. 1[3]
Mirvac Altona Trust No. 2[3]
Mirvac Bay Street Trust[3]
Mirvac Bourke Street No.1 Sub-Trust
Mirvac Bourke Street No.2 Sub-Trust
Mirvac Broadway Sub-Trust
Mirvac Capital Partners 1 Trust
Mirvac Collins Street Trust No.1 Sub-Trust
Mirvac Collins Street Trust No.2 Sub-Trust
Mirvac Commercial Trust[2]
Mirvac Commercial No.3 Sub Trust
Mirvac Funds Finance Pty Limited
Mirvac Glasshouse Sub-Trust
Mirvac Group Funding No.2 Pty Limited[7]
Mirvac Group Funding No.3 Pty Limited
Mirvac Harbourside Sub Trust
Mirvac Industrial Fund
Mirvac Industrial No. 1 Sub Trust
Mirvac Industrial No. 2 Sub Trust[4]
Mirvac Pitt Street Trust
Mirvac Property Trust No.3
Mirvac Property Trust No.4
Mirvac Property Trust No.5
Mirvac Property Trust No.6
Mirvac Property Trust No.7
Mirvac Real Estate Investment Trust
Mirvac Retail Head Trust
Mirvac Retail Sub-Trust No. 1
Mirvac Retail Sub-Trust No. 2
Mirvac Retail Sub-Trust No. 3

G1 CONTROLLED ENTITIES (continued)

Mirvac Retail Sub-Trust No. 4
Mirvac Rhodes Sub-Trust
Mirvac Rydalmere Trust No. 1[3]
Mirvac Rydalmere Trust No. 2[3]
Mirvac Smail Street Trust[3]
Mirvac Toombul Trust No. 1[3]
Mirvac Toombul Trust No. 2[3]
Nike Holding Trust[3]
Old Treasury Holding Trust
Pennant Hills Office Trust
Springfield Regional Shopping Centre Trust
The George Street Trust
The Mulgrave Trust

1. This entity was established in the USA.
2. One unit on issue held by Mirvac Limited as custodian for MPT.
3. This entity was established during the year ended 30 June 2016.
4. On 16 May 2016 100% of the units in this trust was sold to Mirvac Projects Pty Limited.
5. On 2 October 2015, 100% of the units in this trusts were sold to an external party.
6. These entities were deregistered/wound up during the year ended 30 June 2016.
7. During the year the entity's status was amended to proprietary limited.

G2 PARENT ENTITY

The financial information for the parent entity, MPT, has been prepared on the same basis as the consolidated Financial Statements, except as set out below:

Investments in controlled entities and JVA – carried at cost. The parent entity recognises income from JVA when dividends/distributions become receivable, rather than recognising a share of net profit.

Parent entity	2016 $m	2015 $m
Current assets	**951.5**	535.0
Total assets	**7,614.6**	7,009.0
Current liabilities	**503.0**	425.2
Total liabilities	**1,508.6**	1,427.1
Equity		
Contributed equity	**4,765.0**	4,758.6
Reserves	**7.6**	7.6
Retained earnings	**1,333.5**	815.7
Total equity	**6,106.1**	5,581.9
Profit for the year	**884.2**	341.1
Total comprehensive income	**884.2**	341.1

MPT and a controlled entity are joint borrowers under the loan facilities from a related party explained in note D2. MPT, Mirvac Limited and a number of their controlled entities are party to a guarantee deed poll to guarantee the joint borrowers.

At 30 June 2016, the parent entity did not provide any other guarantees (2015: $nil), have any contingent liabilities (2015: $nil), or any capital commitments (2015: $nil).

H OTHER INFORMATION

This section provides additional required disclosures that are not covered in the previous sections.

H1 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that may become payable depending on a future event or a present obligation that is not probably to require payment/cannot be reliably measured. A provision is not recognised for contingent liabilities.

The consolidated entity had contingent liabilities at 30 June 2016 in respect of the following:

	2016 $m	2015 $m
Health and safety claims	**0.7**	0.8

The consolidated entity has no contingent liabilities relating to joint ventures and associates.

H2 EARNINGS PER STAPLED UNIT

Basic earnings per stapled unit (EPU) is calculated by dividing:
i) the profit attributable to stapled unitholders; by
ii) the weighted average number of ordinary units (WANOU) outstanding during the year.

Diluted EPU adjusts the WANOU to take into account dilutive potential ordinary securities from security based payments.

	2016	2015
Earnings per stapled unit		
Basic EPU (cents)	**26.5**	15.8
Diluted EPU (cents)	**26.4**	15.8
Profit attributable to stapled unitholders ($m) used to calculate basic and diluted EPU	**978.3**	582.9
WANOU used in calculating basic EPU (m)	**3,696.8**	3,693.1
WANOU used in calculating diluted EPU (m)	**3,699.9**	3,696.6

H3 KEY MANAGEMENT PERSONNEL

Key management personnel (KMP) compensation

KMP are employed by an entity controlled by Mirvac Limited. Payments made from the consolidated entity to Mirvac Limited and its controlled entities do not include any amounts directly attributable to the compensation of KMP. The total payments made to Mirvac Limited and its controlled entities are shown in n

Equity instrument disclosures relating to KMP

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

	Balance 1 July 2015[1]	Changes[2]	Balance 30 June 2016	Value 30 June 2016 $	Minimum security holding guideline $	Date securityholding to be attained
Susan Lloyd-Hurwitz	54,456	530,209	584,665	1,181,023	1,500,000	Nov 2017
John Carfi	248,036	11,083	259,119	523,420	350,000	Jul 2019
Brett Draffen	954,718	164,486	1,119,204	2,260,792	475,000	Jul 2017
Shane Gannon	-	36,297	36,297	73,320	450,000	Dec 2018
Campbell Hanan	-	-	-	-	400,000	Feb 2021
Susan MacDonald	114,399	205,316	319,715	645,824	350,000	Jul 2019

1. Opening balance includes any Mirvac securities acquired by the Executive KMP on vesting of the LTI award where the period ended on 30 June 2015.
2. Changes include additions/disposals resulting from first or final disclosure of a KMP and vesting of performance rights where the performance period ended on 30 June 2016.

H3 KEY MANAGEMENT PERSONNEL (continued)

Equity instrument disclosures relating to KMP (continued)

Options
No options (that is a right to acquire a security upon payment of an exercise price) were granted as remuneration during FY16 and no unvested or unexercised options are held by Executive KMP as at 30 June 2016.

Performance rights held during the year

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

		LTI		Deferred STI		
	Balance 1 July 2015	Rights issued	Rights relating to perf period ending 30 June 2016	Rights vested/ forfeited	Rights issued	Balance 30 June 2016
Susan Lloyd-Hurwitz	3,161,689	1,470,500	(1,470,500)	(115,095)	264,682	3,311,276
John Carfi	471,012	411,764	(61,922)	-	92,227	913,081
Brett Draffen	1,028,829	558,823	(345,171)	(64,232)	178,807	1,357,056
Shane Gannon	821,935	529,411	(223,367)	(36,297)	135,517	1,227,199
Campbell Hanan	-	-	-	-	-	-
Susan MacDonald	433,154	228,758	(205,882)	-	92,227	548,257

1. Opening balance excludes any performance rights where the performance period ended 30 June 2015.

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

Executive KMP	Grant date	Number of rights granted	Value at granted date[1] $	Vesting date	Vested Number of rights vested	% of total grant	Value of vested rights[1] $	Lapsed Number of rights lapsed	% of total grant	Value of rights lapsed[1] $
Susan Lloyd-Hurwitz	10 Dec 13	1,470,500	1,106,551	30 Jun 16	691,135	47%	520,079	779,365	53%	586,472
	19 Sep 14	115,095	188,756	19 Sep 15	115,095	100%	188,756	-	0%	-
	19 Sep 14	115,094	178,396	19 Sep 16	-		-	-		-
	17 Dec 14	1,461,000	1,015,395	30 Jun 17	-		-	-		-
	18 Sep 15	132,341	213,069	18 Sep 16	-		-	-		-
	18 Sep 15	132,341	201,158	18 Sep 17	-		-	-		-
	7 Dec 15	1,470,500	1,143,314	30 Jun 18	-		-	-		-
Total		4,896,871	4,046,639		806,230		708,835	779,365		586,472
John Carfi	10 Dec 13	61,922	46,596	30 Jun 16	29,103	47%	21,900	32,819	53%	24,696
	17 Dec 14	409,090	284,318	30 Jun 17	-		-	-		-
	18 Sep 15	46,114	74,244	18 Sep 16	-		-	-		-
	18 Sep 15	46,113	70,092	18 Sep 17	-		-	-		-
	7 Dec 15	411,764	320,147	30 Jun 18	-		-	-		-
Total		975,003	795,397		29,103		21,900	32,819		24,696
Brett Draffen	10 Dec 13	345,171	259,741	30 Jun 16	162,230	47%	122,078	182,941	53%	137,663
	19 Sep 14	64,232	105,340	19 Sep 15	64,232	100%	105,340	-	0%	-
	19 Sep 14	64,232	99,560	19 Sep 16	-		-	-		-
	17 Dec 14	555,194	385,860	30 Jun 17	-		-	-		-
	18 Sep 15	89,404	143,940	18 Sep 16	-		-	-		-
	18 Sep 15	89,403	135,893	18 Sep 17	-		-	-		-
	7 Dec 15	558,823	434,485	30 Jun 18	-		-	-		-
Total		1,766,459	1,564,819		226,462		227,418	182,941		137,663
Shane Gannon	10 Dec 13	223,367	168,084	30 Jun 16	104,982	47%	78,999	118,385	53%	89,085
	19 Sep 14	36,297	59,527	19 Sep 15	36,297	100%	59,527	-	0%	-
	19 Sep 14	36,297	56,260	19 Sep 16	-		-	-		-
	17 Dec 14	525,974	365,552	30 Jun 17	-		-	-		-
	18 Sep 15	67,759	109,092	18 Sep 16	-		-	-		-
	18 Sep 15	67,758	102,992	18 Sep 17	-		-	-		-
	7 Dec 15	529,411	411,617	30 Jun 18	-		-	-		-
Total		1,486,863	1,273,124		141,279		138,526	118,385		89,085
Susan MacDonald	10 Dec 13	205,882	154,926	30 Jun 16	96,764	47%	72,815	109,118	53%	82,111
	17 Dec 14	227,272	157,954	30 Jun 17	-		-	-		-
	18 Sep 15	46,114	74,244	18 Sep 16	-		-	-		-
	18 Sep 15	46,113	70,092	18 Sep 17	-		-	-		-
	7 Dec 15	228,758	177,859	30 Jun 18	-		-	-		-
Total		754,139	635,075		96,764		72,815	109,118		82,111

1. The calculation of the value of performance rights used the fair value as determined at the time of grant. For the LTI grants subject to ROIC performance, the initial accounting treatment assumes 50 per cent vesting which is reflected in the above valuation

H4 RELATED PARTIES

The Responsible Entity

The Responsible Entity of the Trust is Mirvac Funds Limited, an entity incorporated in New South Wales and ultimately controlled by Mirvac Limited.

As outlined in the Explanatory Memorandum dated 4 May 1999, Mirvac Funds Limited charges MPT Responsible Entity fees on a cost recovery basis. Fees charged by Mirvac Funds Limited for the year ended 30 June 2016 were $12.3m (2015: $10.4m).

Transactions with related parties

	Note	2016 $'000	2015 $'000
Investment property rental revenue from entities related to Responsible Entity		**9,684**	8,213
Other income		**-**	2,000
Fees paid to Responsible Entity		**(12,337)**	(10,395)
Interest paid to entities related to Responsible Entity		**(58,452)**	(59,913)
Property management fee expense paid to entities related to Responsibility Entity		**(12,337)**	(12,509)
Capital expenditure paid/payable to entities related to Responsible Entity		**(482,777)**	(243,542)
Amounts due to entities related to Responsible Entity	F4	**113,400**	122,534
Loans from related party	D2	**1,030,734**	1,026,925

Transactions between the consolidated entity and related parties were made on commercial terms and conditions.

Transactions between Mirvac and its JVA were made on commercial terms and conditions. Distributions received from JVA were on the same terms and conditions that applied to other unitholders.

H5 RECONCILIATION OF PROFIT TO OPERATING CASH FLOW

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes cash at bank and short term deposits at call.

	2016 $m	2015 $m
Profit for the year attributable to stapled unitholders	**978.3**	582.9
Revaluation of investment properties and investment properties under construction	**(501.3)**	(139.8)
Amortisation expenses	**38.4**	21.6
Lease incentives	**(19.4)**	(5.0)
Net loss on financial instruments	**5.7**	7.1
Net loss on foreign exchange	**0.6**	3.1
Net gain on sale of investment properties	**(42.0)**	(16.3)
Share of net profit of joint ventures and associates	**(64.4)**	(33.9)
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	**(4.9)**	3.2
Increase in other assets	**(7.1)**	(8.5)
Increase/(decrease) in payables	**1.0**	(4.4)
Net cash flow from operating activities	**384.9**	410.0

H6 AUDITORS' REMUNERATION

	2016 $000	2015 $000
Audit services		
Audit and review of financial reports	**554.0**	537.9
Compliance services and regulatory returns	**170.1**	191.1
Total auditors' remuneration	**724.1**	729.0

In the Directors' opinion:

(a) the financial statements and notes set out on pages 8 to 35 are in accordance with the *Corporations Act 2001*, including:

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

   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

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

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

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

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

Susan Lloyd-Hurwitz

Susan Lloyd-Hurwitz
Director

Sydney
16 August 2016

Independent auditor's report to the members of Mirvac Property Trust

Report on the financial report

We have audited the accompanying financial report of Mirvac Property Trust (the registered scheme), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the consolidated entity. The consolidated entity comprises the registered scheme and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

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

Auditor's opinion
In our opinion:

(a) the financial report of Mirvac Property Trust is in accordance with the *Corporations Act 2001,* including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in the basis of preparation note.

PricewaterhouseCoopers

Jane Reilly
Partner

Sydney
16 August 2016

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