MIRVAC GROUP

report

1H15 INTERIM REPORT

by mirvac

Mirvac Group

Interim Report

For the half year ended 31 December 2014

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

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 2014 and any public announcements made by Mirvac Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Directors' report

The Directors of Mirvac Limited present their report, together with the consolidated report of Mirvac Group ("Mirvac" or "Group") for the half year ended 31 December 2014. 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
- Susan Lloyd-Hurwitz
- Christine Bartlett (appointed 1 December 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 2014 was $279.0m (December 2013: $246.1m). The operating profit (profit before specific non-cash items and significant items) was $231.2m (December 2013: $200.2m).

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 2014, which have been subject to review; refer to page 31 for the auditor's review report on the financial statements.

	31 December 2014 $m	31 December 2013 $m
Profit attributable to the stapled securityholders of Mirvac	**279.0**	246.1
Specific non-cash items		
Net gain on fair value of investment properties and IPUC	**(50.8)**	(67.1)
Net loss on fair value of derivative financial instruments and associated foreign exchange movements [1]	**13.4**	16.6
Security based payment ("SBP") expense [2]	**1.8**	2.8
Depreciation of owner-occupied properties ("OOP") [3]	**3.0**	3.1
Straight-lining of lease revenue [4]	**(2.5)**	(6.0)
Amortisation of lease fitout incentives [3]	**4.7**	4.9
Net gain on fair value of investment properties, derivatives and other specific non-cash items included in share of net profit of joint ventures and associates ("JVA") [5]	**(9.0)**	(0.2)
Significant items		
Impairment of loans, investments and inventories	**(0.1)**	(0.9)
Net (gain)/loss from sale of non-aligned assets [6]	**(4.4)**	0.9
Tax effect		
Tax effect of non-cash and significant adjustments [7]	**(3.9)**	–
Operating profit (profit before specific non-cash and significant items)	**231.2**	200.2

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 JVA accounted for using the equity method in the consolidated SoCI.
6) Total of Net gain on sale of investments and Net loss on sale of investment properties in the consolidated SoCI.
7) Included in Income tax expense in the consolidated SoCI.

Directors' report

Financial, capital management and operational highlights

Key financial highlights for the half year ended 31 December 2014 were:

- profit attributable to the stapled securityholders of Mirvac increased from $246.1m (December 2013) to $279.0m;
- operating profit after tax increased 15.5 per cent to $231.2m [1] (December 2013: $200.2m), representing 6.3 cents per stapled security ("CPSS"). This was due to a higher earnings contribution from the Development division in the period, driven by strong settlements in NSW;
- operating cash inflow of $275.5m, a significant improvement due to the timing of residential lot settlements in the period, and an increase in fund through arrangements in commercial development projects, such as 200 George Street, Sydney NSW;
- gearing of 25.0 per cent [2] from 27.8 per cent at 30 June 2014, which has remained within the Group's target range of 20.0 to 30.0 per cent;
- distributions of $166.4m, representing 4.5 CPSS; and
- net tangible assets ("NTA") [3] per stapled security of $1.69 up from $1.66 (June 2014).

Key capital management highlights for the half year ended 31 December 2014 were:

- maintained strong liquidity with $768.3m of cash and undrawn committed bank facilities held;
- restructured the Group's syndicated bank loan on more favourable terms, including covenants, and increased its facility from three tranches to four. The revised facility is now $1,400.0m (June 2014: $1,388.2m), with $450.0m maturing in 2015, $350.0m maturing in 2017, $300.0m maturing in 2018 and $300.0m maturing in 2019;
- maintained weighted average debt maturity at 4.3 years;
- maintained average borrowing costs at 5.6 per cent per annum (including margins and line fees); and
- continued to meet all debt covenants.

Key operational highlights for the half year ended 31 December 2014 were:

- acquired $527.0m [4] of key strategic assets in the Investment portfolio, including a retail asset at Birkenhead Point Outlet Centre, Sydney NSW and a portfolio of industrial assets from Altis Real Estate Equity Partnership Fund No. 1 ("Altis");
- acquired $274.2m of residential projects in key locations, and acquired Leighton Properties Pty Limited's 50.0 per cent interest in the Green Square Consortium;
- entered into an agreement with unlisted property fund manager ISPT Pty Ltd ("ISPT") for the sale of a 50.0 per cent interest in 2 Riverside Quay, Melbourne VIC, for a total consideration of $106.0m [5]. ISPT will fund 50.0 per cent of the total development costs throughout the construction period;
- entered into a conditional agreement for the disposal of City Centre Plaza, Rockhampton QLD;
- maintained solid portfolio occupancy of 96.9 per cent [6] within the Investment portfolio;
- leased 54,311 square metres (4.0 per cent of net lettable area) within the Investment portfolio;
- achieved a 5.13 Star NABERS average energy rating for the office portfolio, in line with Mirvac's *This Changes Everything* strategy to reduce carbon emissions;
- settled 1,251 residential lots; and
- reached strong levels of residential exchanged pre-sales contracts of $1,301.4m [7].

Outlook [8]

While there have been signs of improvement in select property markets, the overall domestic economy has continued at a sub-trend pace. Despite this, Mirvac's strategy to establish a strong and resilient business, supported by a deliberate weighting to Australia's largest and strongest performing economy (NSW), means that it is well positioned to perform across the business cycle.

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

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

Divisional Highlights

Investment

At 31 December 2014, Investment (comprising MPT and a small number of assets held by the Company) had $7,205.2m [9,10] of invested capital across 60 [10,11] 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 [10] was:

- office: 56.7 per cent [11];
- retail: 29.0 per cent;
- industrial: 5.8 per cent; and
- other: 8.5 per cent [12].

For the half year ended 31 December 2014, Investment's statutory profit before tax was $270.2m and operating profit before tax was $212.0m. Investment's earnings continued to be secured by a strong weighted average lease expiry ("WALE") profile of 4.5 years [13], 91.4 per cent of FY15 rent reviews being fixed or linked to the Consumer Price Index ("CPI") at an average of 3.8 per cent, and 66.1 per cent of revenue being derived from multinational, ASX listed and government tenants.

1) Excludes specific non-cash items, significant items and related taxation.
2) Net debt (at foreign exchange hedged rate) excluding leases/(total tangible assets – cash).
3) NTA per stapled security, based on ordinary securities including Employee Incentive Scheme ("EIS") securities.
4) Pre-transaction costs.
5) The sale price is calculated on the basis of rents determined under the PwC Agreement for Lease, Wilson and MPT car parking leases, and the target net annual rents for the residual unlet space. Settlement occurred in February 2015.
6) By area, excludes assets held for sale and indirect property investments, and includes 8 Chifley, Sydney NSW.
7) Adjusted for Mirvac's share of joint ventures, associates and Mirvac managed funds.
8) These future looking statements should be read in conjunction with future releases to the Australian Securities Exchange ("ASX").
9) Includes IPUC, indirect property investments and 8 Chifley, Sydney NSW.
10) Excludes assets held for sale.
11) Includes 8 Chifley, Sydney NSW; although not a direct property asset, it is treated as an investment accounted for using the equity method.
12) Includes IPUC, indirect property investments, car park assets and hotel.
13) By income, includes 8 Chifley, Sydney NSW and excludes assets held for sale and indirect property investments.

Divisional Highlights / continued

Key operational highlights for Investment for the half year ended 31 December 2014 included:

- achieved 3.6 per cent like-for-like net operating income growth;
- maintained high occupancy at 96.9 per cent [1];
- total investment property revaluations provided a net uplift of $52.8m [2] (or 0.8 per cent) over the previous book value, for the six months to 31 December 2014. On a like-for-like basis (excluding assets classified as held for sale and excluding acquisitions), the net uplift was $66.0m (or 1.1 per cent);
- acquired Birkenhead Point Outlet Centre, Sydney NSW, including an adjoining car parking facility and marina, for a total consideration of $310.0m [3];
- exchanged contracts to purchase a portfolio of assets from Altis for a total consideration of $213.9m [4], in line with Mirvac's strategy to acquire quality assets in key locations with value add potential;
- completed 178 leasing deals over 54,311 square metres of net lettable area (4.0 per cent of net lettable area);
- achieved 100.0 per cent leasing at 8 Chifley, Sydney NSW, with Quantium increasing their office space requirement to 5,346 square metres from 4,780 square metres;
- proactively managed Investment's lease expiry profile for FY15, with lease expiries reducing to 7.9 per cent from 13.7 per cent [5] as at 30 June 2014; and
- key development highlights are outlined in the Commercial highlights section in this report. Key leasing achievements for assets under development included:
  - 2 Riverside Quay, Melbourne VIC: signed an agreement for lease with PwC for 81.7 per cent of the total lettable office area, for an initial 12 year term;
  - Stanhope Village, Stanhope Gardens NSW: progressed with leasing of the Stage 4 expansion, which will incorporate a new casual dining precinct, with 97.4 per cent of additional lettable area secured at 31 December 2014; and
  - Orion Springfield Central, Springfield QLD: progressed with leasing of the Stage 2 expansion of approximately 32,000 square metres, with 68.2 per cent pre-leased as at 31 December 2014.

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

- achieved a 5.13 Star NABERS average energy rating for the office portfolio, in line with our *This Changes Everything* strategy to reduce carbon emissions;
- 23 Furzer Street, Phillip ACT achieved the first 6.0 Star NABERS energy rating for a major office building without the use of GreenPower. The property has reduced energy consumption by 32.4 per cent since 2011;
- 60 Marcus Clarke Street, Canberra ACT achieved a 4.0 Star NABERS Energy rating, up from 3.0 Star NABERS Energy rating, and reduced energy intensity by 21.4 per cent;
- installed Mirvac's first large scale solar PV system, with an 80 kilowatt solar array at 23 Furzer Street, Phillip ACT, which will see a reduction of approximately 100 tonnes of greenhouse gas emissions per annum; and
- received the NSW Green Globes 10-year Sustainability Award for demonstrating long term environmental achievements and successful program delivery and outcomes between 2004 and 2014.

Outlook [6]

Global economic activity continues to be mixed, with improving momentum in the US, sustained weakness in Europe and Japan and cooling growth in China. Domestically, the economy has recorded slightly below-trend growth, impacted by significant falls in commodity prices and the wind-down of resource construction activity. However, sizeable falls in the Australian dollar, a sustained period of low interest rates and strong investor demand for prime assets are providing support for activity in the office, retail and industrial sectors. The office portfolio, with high occupancy, embedded rental increases, quality tenant covenant and strong weightings to Australia's largest office markets, Sydney and Melbourne CBD, continues to be well positioned. Conditions in the retail sector have been divergent throughout Australia, with mixed levels of consumer confidence and soft household income growth. Despite these challenging conditions, Mirvac's retail assets, predominantly situated in metropolitan locations, should continue to benefit from their exposure to solid catchments in urban markets, particularly in Sydney where 66.7 per cent [7] of the portfolio is located. Demand for industrial assets has been moderate over the past year and broadly meeting the levels of new supply. The industrial portfolio, with minimal vacancy and a long WALE of 8.2 years [8], continues to provide steady income to the Group.

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

- creating and buying prime CBD office assets and prime-grade industrial assets to be held for the long term;
- improving the quality of the portfolio via non-aligned asset sales;
- shopping centres located in the CBD and key metropolitan growth markets, and leveraging Mirvac's integrated model to unlock value in existing retail assets with development and expansion opportunity; and
- creating prime-grade industrial assets and acquiring industrial sites with future development opportunities to be held for the long term.

Investment Management

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

For the half year ended 31 December 2014, MIM recorded a statutory profit before tax of $4.0m and an operating profit before tax of $3.4m.

At 31 December 2014, Capital managed three wholesale funds: Mirvac Wholesale Residential Development Partnership; Tucker Box Hotel Group; JF Infrastructure Yield Fund; as well as two retail funds: Mirvac Development Fund – Seascapes, and Mirvac Development Fund – Meadow Springs. Capital also acted as investment manager for the Australian Office Alliance.

1) By area, excludes assets held for sale and indirect property investments, and includes 8 Chifley, Sydney NSW.
2) After adjustment for OOP, the net uplift was $50.8m, including IPUC.
3) Settlement of Birkenhead Point Outlet Centre, Sydney NSW occurred on 1 December 2014.
4) The agreement included a nomination provision for a third party to acquire 34-44 Jonal Drive, Cavan SA, and adjoining land, which was exercised prior to settlement of the portfolio. Settlement of the third party sale occurred in December, 2014. Settlement of the portfolio of assets occurred in January 2015.
5) By income, includes 8 Chifley, Sydney NSW and excludes assets held for sale and indirect property investments.
6) These future looking statements should be read in conjunction with future releases to the ASX.
7) By book value.
8) By income, excluding assets under development, based on MPT's ownership.

Divisional Highlights / continued

Prior to 3 December 2014, MIM was also responsible for the ASX listed Mirvac Industrial Trust (ASX: MIX). On 3 December 2014, Mirvac announced that all MIX units were transferred to AustFunding Pty Limited, a subsidiary of the Goldman Sachs Group Inc., as part of the Scheme Implementation Agreement that was entered into on 19 September 2014.

MAM provides asset management services primarily for the MPT portfolio. MAM currently manages 66 properties.

Outlook[1]

Capital remains focused on establishing investment partnerships with strategically aligned domestic and international institutional investors to co-invest alongside Mirvac in office, industrial, retail and residential assets and development projects.

MAM will also continue to provide asset management services in accordance with growth in the MPT and Capital portfolios and in assets owned by third parties where there are common interests.

Development

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

At 31 December 2014, Development had $1,696.1m of invested capital.

For the half year ended 31 December 2014, Development's statutory profit before tax and operating profit before tax were $60.9m.

Residential

The business unit continued to deliver quality residential product in the Group's core metropolitan markets of Sydney, Melbourne, Brisbane and Perth, with new release projects primarily targeted at or around the medium price point, and in key strategic locations. Highlights across Apartments and Masterplanned Communities include:

Apartments:

- Harold Park, Glebe NSW: achieved strong sales with 87.5 per cent of Precinct 4 and 100.0 per cent of Precinct 6 pre-sold (140 and 84 exchanged contracts respectively);
- Green Square NSW: achieved strong sales with 100.0 per cent of Stage 1 and 90.6 per cent of Stage 2 pre-sold (174 and 58 exchanged contracts respectively);
- Yarra's Edge, Docklands VIC: construction on track at Array with 85.9 per cent of lots pre-sold. Array is expected to commence settlements in the second half of FY15;
- Waterfront, Unison, QLD: released Stages 1 and 2, with 80.6 per cent of Stage 1 pre-sold (116 exchanged contracts); and
- Art House, South Brisbane QLD: project acquired in late FY14, with 41.3 per cent of the first release pre-sold (78 exchanged contracts).

Masterplanned Communities:

- Elizabeth Point NSW: continued strong sales with 100.0 per cent of released lots sold (245 settled and exchanged contracts);
- Elizabeth Hills NSW: progressing strongly with 99.5 per cent of the total project sold (648 settled and exchanged contracts);
- Alex Avenue NSW: continued strong sales with 99.6 per cent of released lots sold (235 settled and exchanged contracts);
- Googong NSW: continued strong sales with 94.2 per cent of released lots sold (773 settled and exchanged contracts); and
- Enclave, Ascot Vale VIC: construction progressing on program with 97.9 per cent of the total project sold (236 settled and exchanged contracts).

In addition to this strong sales momentum, Mirvac completed the englobo sale of Precinct 8 at Gainsborough Greens, QLD.

For the half year ended 31 December 2014, Development's residential pipeline totalled 31,396 lots which was supplemented by the acquisition of a number of key residential projects that will contribute to Development's future earnings, including:

- Sydney Olympic Park, Homebush NSW: entered into a project delivery agreement to develop an apartment site in Sydney's iconic Olympic Park precinct, with the potential to deliver over 400 lots;
- Claremont on the Park, Claremont WA: acquisition of an apartment site in the urban renewal area of Claremont Oval, with the potential to deliver approximately 230 lots;
- Marsden Park NSW: entered into a project delivery agreement to develop a masterplanned community site within Sydney's North-West Growth Centre, with the potential to deliver over 1,200 lots;
- Gledswood Hills, NSW: acquisition of a masterplanned community site with the potential to deliver approximately 570 lots;
- Georges Cove Marina, Moorebank NSW: entered into a project delivery agreement to develop a masterplanned community site located within Sydney's South West Growth precinct with the potential to deliver approximately 180 homes;
- Jack Road, Cheltenham VIC: acquisition of a masterplanned community site in the bayside suburb of Cheltenham, with the potential to deliver approximately 180 lots; and
- Darien Street, Bridgeman Downs QLD: acquisition of a masterplanned community site with the potential to deliver approximately 120 land lots.

For the half year ended 31 December 2014, Development settled 1,251 residential lots and had secured future income of $1,301.4m[2] through residential exchanged pre-sales contracts.

1) These future looking statements should be read in conjunction with future releases to the ASX.
2) Adjusted for Mirvac's share of joint ventures, associates and Mirvac managed funds.

Divisional Highlights / continued

State based lot settlements by product for the half year ended 31 December 2014 were as follows:

State	Apartments	Masterplanned Communities	Total
NSW	479	344	823
QLD	5	170	175
VIC	1	85	86
WA	5	162	167
Total	**490**	**761**	**1,251**

Commercial

Mirvac's commercial development activities include office, retail and industrial projects. For the half year ended 31 December 2014, Mirvac's office development pipeline had an estimated end value of $3,365.4m on a 100.0 per cent ownership basis.

Key leasing highlights for Commercial for the half year ended 31 December 2014 were outlined in the MPT highlights section of this Report. Key development milestones were:

- 200 George Street, Sydney NSW: demolition and excavation works complete with the concrete core at Level 18 and the concrete slabs at Level 12. The project remains on track, with completion expected in FY16. The office tower is designed to achieve a 5.0 Star NABERS energy rating and a 5.0 Star Green Star rating;
- 699 Bourke Street, Melbourne VIC: base building handed over to AGL in December 2014, in line with expectations. AGL is forecast to complete their fit-out by mid-2015. The A-grade office building with premium-grade services is designed to achieve a 6.0 Star NABERS energy rating and a 5.0 Star Green Star rating;
- 2 Riverside Quay, Melbourne VIC: commenced construction in July 2014, with completion expected in FY17. A 4.5 Stars NABERS energy rating and a 5.0 Star Green Star Office Design rating are being targeted;
- Treasury Building, Perth WA: progressed construction with the structure completed to Level 32. The A-grade office tower is located on the landmark site of the Old Treasury building 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 Gardens NSW: progressed with the Stage 4 expansion, which will include additional specialty tenancies and a casual dining area. The redeveloped centre is expected to open in mid-2015;
- Orion Springfield Central, Springfield QLD: construction progressed on the Stage 2 expansion, providing an addition of approximately 32,000 square metres. The project is due for completion in the second half of FY16; and
- Kawana Shoppingworld, Buddina QLD: achieved practical completion of Stage 4 in July 2014, incorporating a new ALDI supermarket and over 60 additional specialty stores, expanding the centre by approximately 9,000 square metres.

Outlook[1]

The outlook for capital city residential markets remains mixed by location. A low interest rate environment should continue to support residential activity, particularly in NSW, albeit with softer price growth expectations. All major states have recorded solid levels of population growth, although this has slowed in Queensland and Western Australia. New South Wales, and Sydney in particular, are benefiting from an accelerated population growth and a strong economy. Demand for modern, higher density living supported by amenity and infrastructure is expected to continue, particularly in the south eastern states.

Development remains focused on:

- continuing to improve key metrics including return on invested capital towards 12.0 per cent by FY17;
- strategically restocking the development pipeline in line with strategic mandates targeted to deliver average gross margins of 18.0 per cent to 22.0 per cent; and
- ensuring strong levels of pre-sales to secure the outlook of future earnings.

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 2014 Annual Report.

Group risks

For the half year ended 31 December 2014, the Group continued to review both internal and external risks which have the potential to affect the Group's targeted financial outcomes and to implement strategies to minimise their impact. Further information on the material risks identified for each of the Investment and Development divisions is outlined below. 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, compliance with health, safety and environment regulations as well as broader economic conditions.

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

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 56.7 per cent[1] of the MPT portfolio. MPT's office portfolio metrics comprising a long WALE of 4.5 years[2], solid occupancy of 94.7 per cent[3] and strong like-for-like rent growth of 3.8 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 and by partially selling down commercial developments in advance of completion;
- retail: as detailed in the outlook section for Investment, the current below-trend retail sales growth environment continues to place pressure on retailers. With 29.0 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 key metropolitan markets, and a diversified tenancy mix, where no single specialty retailer contributes greater than 1.6 per cent of the total portfolio's gross rent;
- industrial: as detailed in the outlook section for Investment, continuing investor demand for prime grade industrial assets in key locations is resulting in compressed capitalisation rates. As a result, Mirvac's industrial portfolio has experienced a contraction of its weighted average capitalisation rate of 20 basis points since 30 June 2014[4], to 7.4 per cent. Mirvac continues to focus on properties with long lease terms and secure cash flow profiles, such as Hoxton Distribution Park, Hoxton Park NSW, which will benefit from the increase in investor demand and continue to provide steady returns; and
- residential: as detailed in the outlook section for Development, Australia's residential market varies from state to state (and within states) with growth in some markets expected to eclipse a more moderate performance in others. Despite the breadth of market, the Development division remains focused on the right product in the right location, diversifying risk across residential sub-markets, across Australia and between Apartments and Masterplanned Communities. Weighting to key growth markets such as NSW further mitigates this risk, as do pre-sales.

Net current asset deficiency

As at 31 December 2014, the Group was in a net current liability position of $217.6m. This included $200.0m related to the domestic medium term notes ("MTN") due to mature in March 2015. At 31 December 2014, the Group had undrawn facilities of $726.7m out of which the domestic MTN can be repaid. In addition included within the current payables was deferred revenue of $231.1m; this liability will be extinguished by release to revenue primarily on completion of Treasury Building, Perth WA and not by payment of cash.

Matters subsequent to the end of the half year

During the period, Mirvac entered into an agreement to acquire a portfolio of industrial assets from Altis. This acquisition was settled on 15 January 2015, when four industrial assets were acquired for $213.9m (excluding acquisition costs of $12.3m).

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

Auditor's independence declaration

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

Rounding of amounts

Mirvac is an entity of the kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission ("ASIC"), relating to the rounding off of amounts in the Directors' report and financial statements. Amounts in the Directors' report and financial statements have been rounded off to the nearest tenth of a million ("m") dollars in accordance with that Class Order.

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

Susan Lloyd-Hurwitz

Susan Lloyd-Hurwitz
Director

Sydney
12 February 2015

1) Includes 8 Chifley, Sydney NSW; although not a direct property asset, it is accounted for as an investments accounted for using the equity method.
2) By income, includes 8 Chifley, Sydney NSW.
3) By area, includes 8 Chifley, Sydney NSW.
4) Includes assets held for sale at 30 June 2014.

Auditor's independence declaration

As lead auditor for the review of Mirvac Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

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

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
12 February 2015

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Consolidated statement of comprehensive income

For the half year ended 31 December 2014

	Note	**31 December 2014 $m**	31 December 2013 $m
Revenue from continuing operations			
Investment properties rental revenue	10(b)	**301.9**	316.5
Investment management fee revenue		**6.6**	6.4
Development and construction revenue		**577.5**	518.7
Development management fee revenue		**3.4**	12.2
Interest revenue		**14.3**	11.4
Dividend and distribution revenue		**0.2**	–
Other revenue		**5.1**	3.4
Total revenue from continuing operations		**909.0**	868.6
Other income			
Net gain on fair value of investment properties and IPUC		**50.8**	67.1
Share of net profit of JVA accounted for using the equity method	9	**29.0**	16.6
Gain on financial instruments		**139.1**	22.9
Net gain on sale of investments		**9.5**	–
Total other income		**228.4**	106.6
Total revenue from continuing operations and other income		**1,137.4**	975.2
Net loss on sale of investment properties		**5.1**	0.9
Net loss on sale of property, plant and equipment ("PPE")		**–**	0.1
Foreign exchange loss		**125.6**	39.5
Investment properties expenses	10(b)	**67.3**	74.8
Cost of property development and construction		**438.6**	470.0
Employee benefits expenses		**50.3**	39.2
Depreciation and amortisation expenses		**14.8**	14.5
Impairment of loans, investments and inventories	16(b)	**(0.1)**	(0.9)
Finance costs	4	**75.1**	56.1
Loss on financial instruments		**26.9**	–
Selling and marketing expenses		**22.8**	13.4
Other expenses		**25.9**	21.3
Profit from continuing operations before income tax		**285.1**	246.3
Income tax expense		**(6.1)**	(0.2)
Profit for the half year		**279.0**	246.1
Other comprehensive income for the half year			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations, net of tax		**7.5**	1.7
Items that will not be reclassified to profit or loss			
Increment on revaluation of OOP		**4.6**	4.1
Other comprehensive income for the half year		**12.1**	5.8
Total comprehensive income for the half year		**291.1**	251.9
Profit for the half year attributable to the stapled securityholders of Mirvac		**279.0**	246.1
Total comprehensive income for the half year attributable to the stapled securityholders of Mirvac		**291.1**	251.9
Earnings per stapled security ("EPS") for profit attributable to the stapled securityholders of Mirvac		**Cents**	Cents
Basic EPS	5	**7.56**	6.72
Diluted EPS	5	**7.55**	6.71

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 2014

	Note	**31 December 2014 $m**	30 June 2014 $m
Current assets			
Cash and cash equivalents	16(a)	**41.6**	97.8
Receivables		**75.3**	98.7
Derivative financial assets	7	**4.3**	15.7
Inventories	6	**475.3**	598.1
Other financial assets at fair value through profit or loss	7	**12.2**	11.8
Other financial assets	7	**52.0**	52.0
Other assets		**29.5**	22.7
Assets classified as held for sale	8	**61.8**	821.0
Total current assets		**752.0**	1,717.8
Non-current assets			
Receivables		**52.0**	60.5
Inventories	6	**1,119.8**	859.1
Investments accounted for using the equity method	9	**555.4**	537.6
Derivative financial assets	7	**125.3**	11.3
Other financial assets	7	**252.1**	79.4
Investment properties	10	**6,471.6**	6,016.4
PPE		**250.7**	248.7
Intangible assets	11	**39.0**	39.0
Deferred tax assets		**386.0**	351.9
Total non-current assets		**9,251.9**	8,203.9
Total assets		**10,003.9**	9,921.7
Current liabilities			
Payables		**572.3**	505.1
Borrowings	12	**201.3**	202.9
Derivative financial liabilities	7	**14.6**	13.0
Provisions		**181.2**	178.2
Other liabilities		**0.2**	0.2
Total current liabilities		**969.6**	899.4
Non-current liabilities			
Payables		**112.6**	85.0
Borrowings	12	**2,333.1**	2,514.7
Derivative financial liabilities	7	**87.8**	98.7
Deferred tax liabilities		**173.9**	144.3
Provisions		**23.4**	3.5
Total non-current liabilities		**2,730.8**	2,846.2
Total liabilities		**3,700.4**	3,745.6
Net assets		**6,303.5**	6,176.1
Equity			
Contributed equity	13	**6,803.0**	6,796.8
Reserves		**86.5**	76.9
Retained earnings		**(586.0)**	(697.6)
Equity, reserves and retained earnings attributable to the stapled securityholders of Mirvac		**6,303.5**	6,176.1

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

Consolidated statement of changes in equity

For the half year ended 31 December 2014

	Note	Attributable to the stapled securityholders of Mirvac Contributed equity $m	Reserves $m	Retained earnings $m	Total $m
Balance 1 July 2014		**6,796.8**	**76.9**	**(697.6)**	**6,176.1**
Profit for the half year		–	–	279.0	279.0
Other comprehensive income for the half year		–	12.1	–	12.1
Total comprehensive income for the half year		**–**	**12.1**	**279.0**	**291.1**
Long Term Incentive Plan ("LTIP"), long term incentives ("LTI") and EIS securities converted, sold, vested or forfeited		6.2	–	–	6.2
SBP transactions		–	(2.5)	–	(2.5)
Security based compensation		–	–	(1.0)	(1.0)
Dividends/distributions provided for or paid	14	–	–	(166.4)	(166.4)
Total transactions with owners in their capacity as owners		**6.2**	**(2.5)**	**(167.4)**	**(163.7)**
Balance 31 December 2014		**6,803.0**	**86.5**	**(586.0)**	**6,303.5**
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 Plan ("LTP"), LTIP and EIS securities converted, sold, vested or forfeited		2.1	–	–	2.1
Contributions of equity, net of transaction costs		(0.4)	–	–	(0.4)
SBP 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

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 2014

	Note	**31 December 2014 $m**	31 December 2013 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,117.8**	665.0
Payments to suppliers and employees (inclusive of goods and services tax)		**(795.1)**	(718.1)
		322.7	(53.1)
Interest received		**10.4**	6.7
Dividends/distributions received from JVA		**14.7**	8.8
Dividends/distributions received		**0.2**	–
Borrowing costs paid		**(72.5)**	(75.1)
Net cash inflows/(outflows) from operating activities	16(b)	**275.5**	(112.7)
Cash flows from investing activities			
Payments for PPE		**(1.8)**	(1.6)
Proceeds from sale of PPE		**–**	0.1
Payments for investment properties		**(516.2)**	(381.0)
Proceeds from sale of investment properties		**660.0**	81.2
Payments for loans to unrelated entities		**–**	(12.9)
Proceeds from loans to unrelated entities		**8.7**	3.1
Contributions to JVA		**(21.5)**	(21.0)
Proceeds from JVA		**4.7**	1.3
Proceeds from sale of investments		**11.5**	–
Net cash inflows/(outflows) from investing activities		**145.4**	(330.8)
Cash flows from financing activities			
Proceeds from borrowings		**354.9**	2,282.0
Repayments of borrowings		**(662.2)**	(1,741.4)
Contributed equity raising costs		**–**	(0.4)
Dividends/distributions paid		**(169.8)**	(164.9)
Net cash (outflows)/inflows from financing activities		**(477.1)**	375.3
Net decrease in cash and cash equivalents		**(56.2)**	(68.2)
Cash and cash equivalents at the beginning of the half year		**97.8**	126.4
Cash and cash equivalents at the end of the half year	16(a)	**41.6**	58.2

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

Notes to the consolidated financial statements

1 Summary of significant accounting policies

This condensed consolidated interim report for the half year reporting period ended 31 December 2014 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 2014 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.

Net current asset deficiency

As at 31 December 2014, the Group was in a net current liability position of $217.6m. This included $200.0m related to the domestic MTN due to mature in March 2015. At 31 December 2014, the Group had undrawn facilities of $726.7m out of which the domestic MTN can be repaid. In addition included within the current payables was deferred revenue of $231.1m; this liability will be extinguished by release to revenue primarily on completion of Treasury Building, Perth WA and not by payment of cash.

a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period; however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There will be some changes to the disclosure in the 30 June 2015 annual report as a consequence of these amendments.

In June 2013, the AASB issued Interpretation 21 *Levies*, which provides guidance on accounting for an obligation to pay a levy. The interpretation covers amounts imposed on entities by governments in accordance with legislation, such as land tax and payroll tax, but not income taxes, and applies to annual reporting periods beginning on or after 1 January 2014. Under the new rules, a liability to pay a levy must be recognised when the 'obligating event' occurs, which is the event that triggers the obligation to pay the levy. The Group did not have to change its accounting policies as a result of this interpretation.

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 2018 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 will be no impact on the Group's accounting for financial assets as they are all currently recognised in the consolidated SoCI.

ii) AASB 15 Revenue from Contracts with Customers

The new standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer so the notion of control replaces the notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts. It requires reporting entities to provide users of financial statements with more informative, relevant disclosures. The standard will have no impact on revenue recognition within the Investment segment, as the revenue is accounted for under AASB 117 *Leases*. With respect to the residential development business, the standard is unlikely to have a material impact as the performance obligation is the delivering of the completed product. The Group is in the process of assessing any implications for other segments of the business.

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.

2 Critical accounting judgements and estimates / continued

iii) Provision for loss on inventories

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

iv) Investment properties and OOP

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

v) Fair value estimation

Where financial assets and liabilities are carried at fair value, the fair value is based on assumptions of future events and involves significant estimates. The 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) SBP transactions

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

vii) Recognition of deferred tax assets

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

b) Key sources of estimation uncertainty

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

i) Inventories

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

ii) Impairment of goodwill

Mirvac annually tests whether goodwill has suffered any impairment. Determining whether goodwill is impaired requires an estimation of the value in use of the 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 $36.4m (June 2014: $36.4m). There was no impairment loss recognised during the half year (December 2013: $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 is $12.2m (June 2014: $11.8m) and is disclosed as other financial assets at fair value through profit or loss.

v) Valuation of investment properties and OOP

Mirvac uses judgement in respect of the fair values of investment properties and OOP. Investment properties and OOP are revalued by external valuers on a rotation basis with approximately one-half of the portfolio being valued annually. Investment properties which are not subject to an external valuation at the end of the reporting period are fair valued internally by management. The assumptions used in the estimations of fair values include expected future market rentals, discount rates, market prices and economic conditions. The reported fair values of investment properties and OOP reflect the market conditions at the end of the reporting period. While this represents the best estimation of fair value at the reporting date, actual sale prices achieved (should the investment properties and OOP be sold) may be higher or lower than the most recent valuation. This is particularly relevant in periods of market illiquidity or uncertainty. The carrying value at the end of the reporting period for investment properties was $6,471.6m (June 2014: $6,016.4m) and OOP $241.1m (June 2014: $238.6m). 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 gain on fair value of IPUC was $1.3m during the period (December 2013: net loss of $3.6m). The carrying value of $225.1m (June 2014: $126.0m) at the end of the reporting period is included in investment properties (refer to note 10).

2 Critical accounting judgements and estimates / continued

vii) Valuation of SBP transactions

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

viii) Valuation of derivatives and other financial instruments

Mirvac uses judgement in selecting the appropriate valuation technique for financial instruments not quoted in an active market. Valuation of derivative financial instruments involves assumptions based on quoted market rates adjusted for specific features of the instrument. The valuations of any financial instrument may change in the event of market volatility. The valuation techniques are discussed in detail at note 7 and have been developed in compliance with requirements of AASB 139 Financial Instruments: Recognition and Measurement.

ix) Estimated future taxable profits

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

Mirvac's operating and financial performance is influenced by a variety of general economic and business conditions, which are outside the control of Mirvac, including the level of inflation, interest rates, exchange rates, commodity prices, ability to access funding, oversupply and demand conditions and government fiscal, monetary and regulatory policies. A change in any of the assumptions used in the 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 KPI. 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 JVA including Mirvac 8 Chifley Trust.

ii) Investment Management

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

iii) Development

The division's primary operations are property development and construction of residential, office, industrial and retail development projects throughout Australia. In addition, project management fees are received from the management of development and construction projects on behalf of JVA 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. 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 2014	Investment $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	**Consolidated SoCI $m**
Revenue from continuing operations						
Investment properties rental revenue	298.4	3.5	–	–	–	**301.9**
Investment management fee revenue	–	6.6	–	–	–	**6.6**
Development and construction revenue	–	–	577.5	–	–	**577.5**
Development management fee revenue	–	–	3.4	–	–	**3.4**
Interest revenue	10.7	0.4	2.6	0.7	(0.1)	**14.3**
Dividend and distribution revenue	0.2	–	–	–	–	**0.2**
Other revenue	0.8	1.9	3.1	0.1	(0.8)	**5.1**
Inter-segment revenue	3.4	9.9	20.4	25.6	(59.3)	**–**
Total revenue from continuing operations	313.5	22.3	607.0	26.4	(60.2)	**909.0**
Net gain on fair value of investment properties and IPUC	52.8	–	–	–	(2.0)	**50.8**
Share of net profit of JVA accounted for using the equity method	26.7	0.9	1.3	0.1	–	**29.0**
Gain on financial instruments	0.4	–	–	138.7	–	**139.1**
Net gain on sale of investments	9.5	–	–	–	–	**9.5**
Total other income	89.4	0.9	1.3	138.8	(2.0)	**228.4**
Total revenue from continuing operations and other income	402.9	23.2	608.3	165.2	(62.2)	**1,137.4**
Net loss on sale of investment properties	5.1	–	–	–	–	**5.1**
Foreign exchange loss	2.2	–	–	123.4	–	**125.6**
Investment properties expenses	72.2	1.1	–	–	(6.0)	**67.3**
Cost of property development and construction	–	–	458.9	–	(20.3)	**438.6**
Employee benefits expenses	–	12.9	10.6	26.8	–	**50.3**
Depreciation and amortisation expenses	10.6	0.3	0.9	1.1	1.9	**14.8**
Impairment of loans, investments and inventories	–	–	–	(0.1)	–	**(0.1)**
Finance costs	33.3	–	42.0	25.6	(25.8)	**75.1**
Loss on financial instruments	2.3	–	–	24.6	–	**26.9**
Selling and marketing expenses	–	–	22.8	–	–	**22.8**
Other expenses	7.0	4.9	12.2	9.1	(7.3)	**25.9**
Profit/(loss) from continuing operations before income tax	270.2	4.0	60.9	(45.3)	(4.7)	**285.1**
Income tax expense						**(6.1)**
Profit attributable to the stapled securityholders of Mirvac						**279.0**

3 Segmental information / continued

Half year ended 31 December 2014	Investment $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	Tax $m	Consolidated $m
Profit/(loss) attributable to the stapled securityholders of Mirvac	270.2	4.0	60.9	(45.3)	(4.7)	(6.1)	**279.0**
Specific non-cash items							
Net gain on fair value of investment properties and IPUC	(52.8)	–	–	–	2.0	–	**(50.8)**
Net loss on fair value of derivative financial instruments and associated foreign exchange movements [1]	4.1	–	–	9.3	–	–	**13.4**
SBP expense [2]	–	–	–	1.8	–	–	**1.8**
Depreciation of OOP [3]	–	–	–	–	3.0	–	**3.0**
Straight-lining of lease revenue [4]	(2.5)	–	–	–	–	–	**(2.5)**
Amortisation of lease fitout incentives [3]	5.8	–	–	–	(1.1)	–	**4.7**
Net gain on fair value of investment properties, derivatives and other specific non-cash items included in share of net profit of JVA [5]	(8.4)	(0.6)	–	–	–	–	**(9.0)**
Significant items							
Impairment of loans, investments and inventories	–	–	–	(0.1)	–	–	**(0.1)**
Net gain from sale of non-aligned assets [6]	(4.4)	–	–	–	–	–	**(4.4)**
Tax effect							
Tax effect of non-cash and significant adjustments [7]	–	–	–	–	–	(3.9)	**(3.9)**
Operating profit/(loss) (profit before specific non-cash and significant items)	**212.0**	**3.4**	**60.9**	**(34.3)**	**(0.8)**	**(10.0)**	**231.2**

1) Total of Gain on financial instruments, Foreign exchange loss and 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 JVA accounted for using the equity method in the consolidated SoCI.
6) Total of Net gain on sale of investments and Net loss on sale of investment properties in the consolidated SoCI.
7) Included in Income tax expense in the consolidated SoCI.

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 and IPUC	69.2	–	–	–	(2.1)	67.1
Share of net profit of JVA accounted for using the equity method	10.6	(0.7)	6.5	0.2	–	16.6
Gain on financial instruments	(1.8)	–	–	24.7	–	22.9
Total other income	78.0	(0.7)	6.5	24.9	(2.1)	106.6
Total revenue from continuing operations and other income	410.6	19.0	565.5	28.9	(48.8)	975.2

3 Segmental information / continued

Half year ended 31 December 2013	Investment $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	Consolidated SoCI $m
Total revenue from continuing operations and other income	410.6	19.0	565.5	28.9	(48.8)	975.2
Net loss on sale of investment properties	0.9	–	–	–	–	0.9
Net loss on sale of PPE	–	–	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 and IPUC	(69.2)	–	–	–	2.1	–	(67.1)
Net loss on fair value of derivative financial instruments and associated foreign exchange movements [1]	2.4	–	–	14.2	–	–	16.6
SBP 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 on fair value of investment properties, derivatives and other specific non-cash items included in share of net profit of JVA [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 [7]	–	–	–	–	–	–	–
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, Foreign exchange loss and 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 JVA accounted for using the equity method in the consolidated SoCI.
6) Total of Net gain on sale of investments and Net loss on sale of investment properties in the consolidated SoCI.
7) Included in Income tax expense in the consolidated SoCI.

3 Segmental information / continued

	Investment $m	Investment Management $m	Development $m	Unallocated $m	Elimination $m	**Consolidated SoFP/SoCI $m**
31 December 2014						
Total assets	7,556.4	46.7	2,234.2	1,513.9	(1,347.3)	**10,003.9**
Total liabilities	1,621.8	7.5	741.3	2,525.6	(1,195.8)	**3,700.4**
Investments in JVA	390.2	0.9	216.5	2.8	(55.0)	**555.4**
Acquisitions of investments and PPE	484.7	0.2	3.9	1.0	(1.7)	**488.1**
Depreciation and amortisation expenses	10.6	0.3	0.9	1.1	1.9	**14.8**
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 JVA	212.7	5.8	219.7	2.5	(54.6)	386.1
Acquisitions of investments and PPE	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

4 Finance costs

	31 December 2014 $m	31 December 2013 $m
Interest and finance charges paid/payable net of provision release	**65.4**	58.0
Amount capitalised	**(19.3)**	(17.7)
Interest capitalised in current and prior years expensed this period net of provision release	**27.7**	10.6
Borrowing costs amortised	**1.3**	5.2
Total finance costs	**75.1**	56.1

5 EPS

	31 December 2014 Cents	31 December 2013 Cents
Earnings per stapled security		
Basic EPS	**7.56**	6.72
Diluted EPS[1]	**7.55**	6.71
Basic and diluted earnings[1]	**$m**	$m
Profit attributable to the stapled securityholders of Mirvac used in calculating EPS	**279.0**	246.1
Weighted average number of securities used as denominator[1]	**Number m**	Number m
Weighted average number of securities used in calculating basic EPS	**3,692.0**	3,660.0
Adjustment for calculation of diluted EPS Securities issued under EIS	**3.7**	4.9
Weighted average number of securities used in calculating diluted EPS	**3,695.7**	3,664.9

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.

6 Inventories

	31 December 2014 $m	30 June 2014 $m
Current[1]		
Development projects		
Acquisition costs	**97.3**	202.1
Development costs	**373.0**	362.6
Borrowing costs capitalised during development	**39.0**	62.8
Provision for loss	**(34.0)**	(29.4)
	475.3	598.1
Construction work in progress (amount due from customers for contract work)		
Contract costs incurred and recognised profits less recognised losses	**–**	126.0
Progress billings	**–**	(126.0)
Total current inventories	**475.3**	598.1

6 Inventories / continued

	31 December 2014 $m	30 June 2014 $m
Non-current[1]		
Development projects		
Acquisition costs	**757.7**	609.4
Development costs	**363.4**	283.0
Borrowing costs capitalised during development	**131.7**	120.4
Provision for loss	**(133.0)**	(153.7)
Total non-current inventories	**1,119.8**	859.1
Aggregate carrying amount of inventories		
Current	**475.3**	598.1
Non-current	**1,119.8**	859.1
Total inventories	**1,595.1**	1,457.2

1) Lower of cost and NRV.

During the half year, there was no amount (December 2013: $nil) expensed 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 2014 and 30 June 2014 on a recurring basis:

	Level one $m	Level two $m	Level three $m	**Total $m**
At 31 December 2014				
Assets				
Other financial assets at fair value through profit or loss				
– unlisted securities	–	–	12.2	**12.2**
Other financial assets[1]	–	–	304.1	**304.1**
Derivatives used for hedging	–	129.6	–	**129.6**
	–	**129.6**	**316.3**	**445.9**
Liabilities				
Derivatives used for hedging	–	102.4	–	**102.4**
	–	**102.4**	**–**	**102.4**
At 30 June 2014				
Assets				
Other financial assets at fair value through profit or loss				
– unlisted securities	–	–	11.8	11.8
Other financial assets[1]	–	–	131.4	131.4
Derivatives used for hedging	–	27.0	–	27.0
	–	27.0	143.2	170.2
Liabilities				
Derivatives used for hedging	–	111.7	–	111.7
	–	111.7	–	111.7

1) Primarily relates to convertible notes associated with funding Mirvac (Old Treasury) Trust joint venture $90.0m (June 2014: $79.4m). 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. Also included is the vendor financing arrangement with Blackstone $162.1m (June 2014: $nil) which relates to partial non-receipt of funds from sale relating to sale of non-aligned assets and heritage maintenance annuity $52.0m (June 2014: $52.0m).

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 2014.

7 Fair value measurement of financial instruments / continued

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

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

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

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

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

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

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

The following table presents the changes in level three instruments for the half year ended 31 December 2014 held by the Group:

	Unlisted securities $m	Other financial assets $m	Total $m
Balance 1 July 2014	**11.8**	**131.4**	**143.2**
Acquisitions	–	172.7	172.7
Gains recognised in other income [1]	0.4	–	0.4
Balance 31 December 2014	**12.2**	**304.1**	**316.3**
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	0.4	–	0.4

There were no transfers between the levels of the fair value hierarchy in the six months to 31 December 2014. There were also no changes made to any of the valuation techniques applied as of 30 June 2014.

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 2014: $0.6m) higher or lower.

d) Fair value of other financial instruments

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

8 Assets classified as held for sale

	Note	31 December 2014 $m	30 June 2014 $m
Non-current assets held for sale			
2 Riverside Quay, Southbank VIC (50% interest)[1]		**13.6**	–
City Centre Plaza, Rockhampton QLD[2]		**48.2**	–
1 Castlereagh Street, Sydney NSW		**–**	69.4
10 Julius Avenue, North Ryde NSW		**–**	51.4
12 Julius Avenue, North Ryde NSW		**–**	21.3
275 Kent Street, Sydney NSW (50% interest)		**–**	435.0
33 Corporate Drive, Cannon Hill QLD		**–**	15.2
38 Sydney Avenue, Forrest ACT		**–**	35.5
339 Coronation Drive, Milton QLD		**–**	53.7
Waverley Gardens Shopping Centre, Mulgrave VIC		**–**	139.5
	10(a)	**61.8**	821.0

1) The settlement was completed in February 2015.
2) The sale is subject to a put and call option and the call is expected to be made in June 2015.

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 in JVA

	Note	31 December 2014 $m	30 June 2014 $m
Consolidated SoFP			
Investments accounted for using the equity method			
Investments in associates	9(a)(i)	**–**	0.5
Investments in joint ventures	9(a)(ii)	**555.4**	537.1
		555.4	537.6

	31 December 2014 $m	31 December 2013 $m
Consolidated SoCI		
Share of net profit of JVA accounted for using the equity method		
Investments in associates	**(0.5)**	0.3
Investments in joint ventures	**29.5**	16.3
	29.0	16.6

a) Details of Mirvac's JVA

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

i) Associates

		Interest		Carrying value	
Name of entity	Principal activities	**31 December 2014 %**	30 June 2014 %	**31 December 2014 $m**	30 June 2014 $m
Mindarie Keys Joint Venture[1]	Residential development	**–**	15	**–**	–
Mirvac Industrial Trust[2]	Listed property investment trust	**–**	14	**–**	0.5
Total				**–**	0.5

1) This investment was wound up during the period.
2) This investment was sold on 3 December 2014.

Notes to the consolidated financial statements

9 Investments in JVA / continued

ii) Joint ventures

Name	Principal activities	Interest 31 December 2014 %	Interest 30 June 2014 %	Carrying value 31 December 2014 $m	Carrying value 30 June 2014 $m
Ascot Chase Nominee Stages 3-5 Pty Ltd	Residential development	**50**	50	**–**	–
Australian Sustainable Forestry Investors 1&2	Forestry and environmental asset manager	**60**	60	**0.1**	2.3
BAC Devco Pty Limited[1]	Non-residential development	**33**	33	**–**	–
BL Developments Pty Limited	Residential development	**50**	50	**30.8**	30.9
City West Property Investments (No.1) Trust	Non-residential development	**50**	50	**9.8**	9.7
City West Property Investments (No.2) Trust	Non-residential development	**50**	50	**9.8**	9.7
City West Property Investments (No.3) Trust	Non-residential development	**50**	50	**9.8**	9.7
City West Property Investments (No.4) Trust	Non-residential development	**50**	50	**9.8**	9.7
City West Property Investments (No.5) Trust	Non-residential development	**50**	50	**9.8**	9.7
City West Property Investments (No.6) Trust	Non-residential development	**50**	50	**9.8**	9.7
Domaine Investment Trust	Non-residential development	**50**	50	**–**	–
Ephraim Island Joint Venture	Residential development	**50**	50	**–**	–
Fast Track Bromelton Pty Limited and Nakheel SPV Pty Limited	Non-residential development	**50**	50	**27.3**	27.4
FreeSpirit Resorts Pty Limited	Investment property	**25**	25	**–**	–
Googong Township Unit Trust	Residential development	**50**	50	**29.0**	27.8
Green Square Consortium Pty Limited[2]	Residential development	**–**	50	**–**	1.5
Harold Park Real Estate Unit Trust[3]	Real estate agency	**50**	–	**0.2**	–
Infocus Infrastructure Management Pty Limited	Investment property	**50**	50	**0.8**	1.0
Leakes Road Rockbank Unit Trust	Residential development	**50**	50	**14.1**	14.3
Mirvac 8 Chifley Trust	Investment property	**50**	50	**169.0**	157.3
Mirvac Lend Lease Village Consortium	Residential development	**50**	50	**0.9**	0.9
Mirvac (Old Treasury) Trust	Investment property	**50**	50	**61.5**	53.6
Mirvac Wholesale Residential Development Partnership Trust	Residential development	**20**	20	**17.9**	21.8
MVIC Finance 2 Pty Limited	Residential development	**50**	50	**–**	–
Tucker Box Hotel Group	Hotel investment	**50**	50	**140.6**	138.5
Walsh Bay Partnership	Residential development	**50**	50	**4.4**	1.6
				555.4	537.1

1) This entity is in voluntary administration.
2) The remaining 50 per cent interest was acquired by Mirvac on 11 August 2014 and this entity is now a controlled entity.
3) This entity was established on 2 October 2014.

10 Investment properties

	Date of acquisition	Book value 31 Dec 2014 $m	Book value 30 Jun 2014 $m	Capitalisation rate 31 Dec 2014 %	Capitalisation rate 30 Jun 2014 %	Discount rate 31 Dec 2014 %	Discount rate 30 Jun 2014 %	Date of last external valuation	Last external valuation $m
MPT and its controlled entities									
1 Darling Island, Pyrmont NSW	Apr 2004	**188.9**	188.9	**7.00**	7.00	**8.25**	8.75	Dec 2014	188.9
1 Woolworths Way, Bella Vista NSW[1]	Aug 2010	**250.0**	250.0	**7.75**	7.75	**8.50**	8.88	Jun 2013	248.0
1-47 Percival Road, Smithfield NSW	Nov 2002	**35.4**	32.5	**7.75**	8.00	**9.25**	9.50	Dec 2013	31.0
10-20 Bond Street, Sydney NSW (50% interest)[1]	Dec 2009	**198.4**	192.8	**6.35**	6.63	**8.13**	8.50	Dec 2013	188.0
101-103 Miller Street & Greenwood Plaza, North Sydney NSW (50% interest)	Jun 1994	**300.0**	289.3	**6.25-6.37**	6.50-6.75	**8.25-8.75**	8.50-8.75	Dec 2014	300.0
189 Grey Street, Southbank QLD	Apr 2004	**83.4**	82.2	**7.63**	7.63	**8.75**	9.00	Dec 2013	79.0
1900-2060 Pratt Boulevard, Chicago Illinois USA	Dec 2007	**42.4**	36.0	**7.25**	7.25	**8.50**	8.50	Dec 2013	36.0
191-197 Salmon Street, Port Melbourne VIC	Jul 2003	**77.5**	77.5	**9.75**	9.75	**10.00**	10.00	Jun 2014	77.5
210 George Street, Sydney NSW	May 2013	**26.0**	26.0	**7.75**	7.75	**8.75**	8.75	Jun 2014	26.0
220 George Street, Sydney NSW	May 2013	**57.0**	57.0	**8.00**	8.00	**8.75**	8.75	Jun 2014	57.0
271 Lane Cove Road, North Ryde NSW	Apr 2000	**31.6**	31.4	**8.25**	8.25	**9.25**	9.25	Jun 2014	31.4

Notes to the consolidated financial statements

10 Investment properties / continued

	Date of acquisition	Book value 31 Dec 2014 $m	Book value 30 Jun 2014 $m	Capitalisation rate 31 Dec 2014 %	Capitalisation rate 30 Jun 2014 %	Discount rate 31 Dec 2014 %	Discount rate 30 Jun 2014 %	Date of last external valuation	Last external valuation $m
275 Kent Street, Sydney NSW (50% interest)[1,2]	Aug 2010	**435.5**	435.0	**6.00**	6.00	**8.50**	8.50	Jun 2012	792.0
3 Rider Boulevard, Rhodes NSW[1]	Dec 2009	**88.4**	89.1	**8.00**	8.00	**8.75**	8.75	Dec 2014	88.4
340 Adelaide Street, Brisbane QLD[1]	Dec 2009	**55.0**	55.3	**8.75**	8.75	**8.75**	9.25	Dec 2014	55.0
367 Collins Street, Melbourne VIC	Nov 2013	**233.3**	228.0	**7.00**	7.00	**8.50**	8.75	–	–
37 Pitt Street, Sydney NSW	May 2013	**68.0**	68.0	**8.00**	8.00	**8.75**	8.75	Jun 2014	68.0
40 Miller Street, North Sydney NSW	Mar 1998	**105.5**	106.4	**7.25**	7.25	**8.75**	8.75	Jun 2014	106.4
47-67 Westgate Drive, Altona North VIC[1]	Dec 2009	**19.1**	19.1	**9.50**	9.50	**9.75**	9.75	Dec 2013	19.1
477 Collins Street, Melbourne VIC	Nov 2013	**72.0**	72.0	**7.50**	7.50	**8.75**	8.75	–	–
5 Rider Boulevard, Rhodes NSW	Jan 2007	**133.0**	130.4	**7.75**	7.75	**8.75**	8.75	Dec 2014	133.0
51 Pitt Street, Sydney NSW	May 2013	**26.0**	26.0	**8.00**	8.00	**8.75**	8.75	Jun 2014	26.0
54 Marcus Clarke Street, Canberra ACT	Oct 1987	**12.9**	14.1	**9.75**	9.75	**9.75**	10.50	Dec 2014	12.9
55 Coonara Avenue, West Pennant Hills NSW[1]	Aug 2010	**70.0**	70.0	**9.50**	9.50	**10.00**	10.00	Jun 2014	70.0
6-8 Underwood Street, Sydney NSW	May 2013	**9.5**	9.5	**9.00**	9.00	**9.00**	9.00	Jun 2014	9.5
60 Marcus Clarke Street, Canberra ACT	Sep 1989	**48.5**	48.5	**8.75**	8.75	**9.50**	9.50	Jun 2013	48.5
60 Wallgrove Road, Eastern Creek NSW	Jan 2014	**55.1**	55.1	**6.00-9.00**	6.50-9.50	**9.00-10.00**	9.00-10.50	Jun 2014	55.1
90 Collins Street, Melbourne VIC	May 2013	**181.7**	175.5	**6.75**	6.75	**8.50**	8.75	Jun 2014	175.5
Allendale Square, 77 St Georges Terrace, Perth WA	May 2013	**237.0**	237.0	**8.00**	8.00	**9.25**	9.25	Jun 2014	237.0
Aviation House, 16 Furzer Street, Phillip ACT	Jul 2007	**68.0**	69.0	**7.75**	7.75	**9.00**	9.00	Dec 2013	69.0
Bay Centre, Pirrama Road, Pyrmont NSW	Jun 2001	**121.5**	115.0	**7.25**	7.50	**8.50**	8.75	Dec 2013	110.0
Birkenhead Point Outlet Centre, Drummoyne NSW[3]	Dec 2014	**311.1**	–	**6.25-9.00**	–	**8.75-10.50**	–	–	–
Broadway Shopping Centre, Broadway NSW (50% interest)[4]	Jan 2007	**286.8**	280.0	**6.00**	6.00	**8.75**	8.75	Jun 2014	280.0
Cherrybrook Village Shopping Centre, Cherrybrook NSW[1]	Dec 2009	**87.5**	86.7	**7.25**	7.25	**9.25**	9.25	Jun 2013	84.6
City Centre Plaza, Rockhampton QLD[1,5]	Dec 2009	**–**	44.0	**7.25**	8.00	**8.50**	9.25	Jun 2013	49.0
Como Centre, Cnr Toorak Road & Chapel Street, South Yarra VIC	Aug 1998	**168.5**	168.3	**8.00-8.50**	8.00-8.36	**8.75-9.25**	9.00-11.00	Jun 2013	159.9
Cooleman Court, Weston ACT[1]	Dec 2009	**52.6**	52.0	**7.50**	7.50	**9.00**	9.00	Dec 2013	53.0
Harbourside Shopping Centre, Sydney NSW	Jan 2014	**255.0**	252.0	**6.50**	6.75	**9.00**	8.75	Dec 2014	255.0
Hinkler Central, Bundaberg QLD	Aug 2003	**99.0**	93.2	**7.25**	7.75	**9.00**	9.50	Dec 2014	99.0
Kawana Shoppingworld, Buddina QLD	Dec 1993 (50%) & Jun 1998 (50%)	**311.0**	299.8	**6.25**	6.50	**8.75**	9.00	Dec 2014	311.0
Moonee Ponds Central, Moonee Ponds VIC	May 2003 & Feb 2008	**68.0**	67.0	**7.75**	7.75	**9.00**	9.00	Jun 2014	67.0
Nexus Industry Park (Building 1) Lyn Parade, Prestons NSW	Aug 2004	**20.1**	20.5	**7.75**	7.75	**9.25**	9.25	Jun 2013	19.2
Nexus Industry Park (Building 2), Lyn Parade, Prestons NSW	Aug 2004	**13.5**	13.1	**7.50**	7.75	**9.25**	9.25	Dec 2014	13.5
Nexus Industry Park (Building 3), Lyn Parade, Prestons NSW	Aug 2004	**26.1**	26.1	**7.75**	8.00	**9.25**	9.25	Jun 2013	25.3
Nexus Industry Park (Building 4), Lyn Parade, Prestons NSW	Aug 2004	**38.3**	38.2	**7.50**	7.50	**9.25**	9.25	Dec 2013	35.8
Nexus Industry Park (Building 5), Lyn Parade, Prestons NSW	Aug 2004	**19.8**	19.5	**7.50**	7.50	**9.25**	9.25	Dec 2014	19.8
Orion Springfield Town Centre, Springfield QLD	Aug 2002	**143.0**	138.8	**6.50**	6.75	**9.00**	9.25	Dec 2014	143.0
Quay West Car Park, 109-111 Harrington Street, Sydney NSW	Nov 1989	**29.7**	29.3	**8.00**	8.25	**10.00**	10.00	Jun 2013	30.5
Rhodes Shopping Centre, Rhodes NSW (50% interest)	Jan 2007	**138.8**	130.4	**6.75**	7.00	**9.00**	9.25	Jun 2013	125.0
Riverside Quay, Southbank VIC[6]	Apr 2002 & Jul 2003	**191.4**	208.5	**7.50**	7.50-7.75	**9.00**	9.00-10.25	Dec 2013	199.3

10 Investment properties / continued

	Date of acquisition	Book value 31 Dec 2014 $m	Book value 30 Jun 2014 $m	Capitalisation rate 31 Dec 2014 %	Capitalisation rate 30 Jun 2014 %	Discount rate 31 Dec 2014 %	Discount rate 30 Jun 2014 %	Date of last external valuation	Last external valuation $m
Royal Domain Centre, 380 St Kilda Road Melbourne	Oct 1995 (50%) & Apr 2001 (50%)	**134.7**	127.7	**7.50**	8.00	**8.50**	9.00	Jun 2013	118.0
Sirius Building, 23 Furzer Street, Phillip ACT	Feb 2010	**250.2**	247.0	**7.25**	7.35	**8.75**	8.75	Dec 2013	246.5
St Marys Village Centre, St Marys NSW	Jan 2003	**47.0**	46.0	**7.25**	7.75	**9.00**	9.00	Dec 2014	47.0
Stanhope Village, Stanhope Gardens NSW	Nov 2003	**108.6**	101.6	**7.00**	7.25	**9.00**	9.00	Dec 2013	97.0
Mirvac Limited and its controlled entities									
Hoxton Distribution Park, Hoxton Park NSW (50% interest)	Jul 2010	**115.2**	114.1	**6.50**	6.50	**9.25**	9.25	Dec 2013	108.0
Total investment properties		**6,246.5**	5,890.4						
IPUC									
2 Riverside Quay, Southbank VIC (50% interest)[6]	Apr 2002	**17.1**	–	**6.00-6.50**	–	**8.00-9.00**	–	–	–
200 George Street, Sydney NSW (50% interest)	Dec 2012	**92.9**	68.6	**6.25**	6.50	**8.00**	8.75	Dec 2014	92.9
699 Bourke Street, Melbourne VIC (50% interest)	Nov 2007 (50%) & May 2011 (50%)	**41.7**	20.4	**6.25**	6.50	**8.75**	9.00	–	–
Orion Springfield land, Springfield QLD	Aug 2002	**73.4**	37.0	**6.50-9.50**	6.50-9.50	**9.25-10.25**	9.25-10.25	Dec 2014	73.4
Total IPUC		**225.1**	126.0						
Total investment properties and IPUC		**6,471.6**	6,016.4						

1) Date of acquisition represents business combination acquisition date.
2) Last external valuation represents 100 per cent interest, prior to sale of 50 per cent interest on 1 July 2014. No external valuation since June 2012, as sale price on 1 July 2014 taken as fair value.
3) Investment property acquired during the period.
4) Includes 52-60 Francis Street, Glebe NSW (50% interest), acquired December 2014.
5) Investment property disposed of or reclassified to held for sale during the period.
6) 50 per cent of 2 Riverside Quay, Southbank VIC has been transferred to assets held for sale during the period. The remaining 50 per cent was reclassified as IPUC.

a) Reconciliation of carrying amounts of investment properties

At fair value	Note	31 December 2014 $m	30 June 2014 $m
Balance 1 July		**6,016.4**	6,029.6
Additions		**144.2**	215.5
Acquisitions		**331.2**	643.1
Disposals		**–**	(149.1)
Net gain on fair value of investment properties and IPUC	16(b)	**50.8**	48.8
Net gain/(loss) from foreign currency translation		**5.8**	(0.9)
Assets classified as held for sale	8	**(61.8)**	(821.0)
Transfers from inventories		**–**	20.1
Transfers from OOP		**–**	60.0
Amortisation of fitout incentives, leasing costs and rent incentive		**(15.0)**	(29.7)
Balance 31 December/30 June		**6,471.6**	6,016.4

b) Amounts recognised in profit or loss for investment properties

	31 December 2014 $m	31 December 2013 $m
Investment properties rental revenue	**301.9**	316.5
Investment property expenses	**(67.3)**	(74.8)
	234.6	241.7

10 Investment properties / continued

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 is in the range of an additional nil to 75 basis points above the respective property's CR.

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

ii) IPUC

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

d) Property portfolio

Mirvac's property portfolio is made up as follows:

	Note	**31 December 2014 $m**	30 June 2014 $m
Investment properties per consolidated SoFP	10(a)	**6,471.6**	6,016.4
Properties classified as assets held for sale	8	**61.8**	821.0
OOP classified as PPE		**241.1**	238.6
		6,774.5	7,076.0

11 Intangible assets

	Management rights	Goodwill $m	Total $m
Balance 1 July 2014 and 31 December 2014	**2.6**	**36.4**	**39.0**
Balance 1 July 2013	2.6	63.1	65.7
Impairment of goodwill	–	(24.5)	(24.5)
Derecognition of goodwill	–	(2.2)	(2.2)
Balance 30 June 2014	2.6	36.4	39.0

a) Allocation of intangible assets by operating segment

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

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

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

11 Intangible assets / continued

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

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

CGU	**Growth rate [1] 31 December 2014 % pa**	**Discount rate 31 December 2014 % pa**	Growth rate [1] 30 June 2014 % pa	Discount rate 30 June 2014 % pa
Investment	**– [2]**	**8.9**	– [2]	8.9
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 2014. Management considers that for the carrying value to exceed the recoverable amount, there would have to be unreasonable changes to key assumptions. Management considers the chances of these changes occurring as unlikely.

c) Impairment of goodwill

There was no impairment of goodwill during the half year (December 2013: $nil).

d) Impairment of management rights

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

12 Borrowings

	Note	**31 December 2014 $m**	30 June 2014 $m
Current			
Unsecured			
Domestic MTN	12(a)(ii)	**200.0**	200.0
Secured			
Lease liabilities	12(a)(iii)	**1.3**	2.9
		201.3	202.9
Non-current			
Unsecured			
Bank loans	12(a)(i)	**673.3**	975.2
Domestic MTN	12(a)(ii)	**625.0**	625.0
Foreign MTN	12(a)(iv)	**1,034.6**	914.3
Secured			
Lease liabilities	12(a)(iii)	**0.2**	0.2
		2,333.1	2,514.7

a) Borrowings

i) Bank loans

Mirvac has unsecured bank facilities totalling $1,400.0m (June 2014: $1,388.2m). The facility contains four tranches: a $450.0m tranche maturing in September 2015, a $350.0m tranche maturing in September 2017, a $300.0m tranche maturing in September 2018 and a $300.0m tranche maturing in September 2019. 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 2014: $825.0m) 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. 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.

12 Borrowings / continued

iv) Foreign MTN

Mirvac has a total of $1,019.8m (US$735.0m and $135.0m) (June 2014: $1,019.8m) US Private Placement notes outstanding. The notes mature as follows:

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

Interest is payable semi-annually in arrears for all notes. Some of the notes were issued with fixed and floating rate coupons payable in US dollars and swapped back to Australian dollar floating rate coupons through cross currency swaps and interest rate swaps.

b) Financing arrangements

	31 December 2014 $m	30 June 2014 $m
Total facilities		
Bank loans	**1,400.0**	1,388.2
Domestic MTN	**825.0**	825.0
Foreign MTN	**1,034.6**	914.3
	3,259.6	3,127.5
Used at end of the reporting period		
Bank loans	**673.3**	975.2
Domestic MTN	**825.0**	825.0
Foreign MTN	**1,034.6**	914.3
	2,532.9	2,714.5
Unused at end of the reporting period		
Bank loans	**726.7**	413.0
Domestic MTN	**–**	–
Foreign MTN	**–**	–
	726.7	413.0

c) Fair value

	Carrying amount		Fair value	
	31 December 2014 $m	30 June 2014 $m	**31 December 2014 $m**	30 June 2014 $m
Included in consolidated SoFP				
Non-traded financial liabilities				
Bank loans	**673.3**	975.2	**673.3**	975.2
Domestic MTN	**825.0**	825.0	**872.4**	868.8
Foreign MTN	**1,034.6**	914.3	**1,034.6**	914.3
Lease liabilities	**1.5**	3.1	**1.5**	3.1
	2,534.4	2,717.6	**2,581.8**	2,761.4

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

The carrying value of all borrowings except domestic MTN is considered to approximate their fair value and the impact to the fair value from the difference in the interest rates is considered immaterial. All borrowings are disclosed as level three in the fair value measurement hierarchy. For details on fair value hierarchy, refer to note 7.

i) Included in consolidated SoFP

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

Notes to the consolidated financial statements

13 Contributed equity

a) Paid up equity

	31 December 2014 Securities m	30 June 2014 Securities m	31 December 2014 $m	30 June 2014 $m
Mirvac Limited – ordinary shares issued	**3,693.8**	3,688.5	**2,071.6**	2,070.8
MPT – ordinary units issued	**3,693.8**	3,688.5	**4,731.4**	4,726.0
Total contributed equity			**6,803.0**	6,796.8

b) Movements in paid up equity

Movements in paid up equity of Mirvac for the half year ended 31 December 2014 were as follows:

	Securities m	$m
Balance 1 July 2014	3,688.5	6,796.8
LTIP, LTI and EIS securities converted, sold, vested or forfeited	5.3	6.2
Balance 31 December 2014	**3,693.8**	**6,803.0**

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 2014 Securities m	30 June 2014 Securities m
Total ordinary securities disclosed	**3,693.8**	3,688.5
Securities issued under LTI plans and EIS	**3.4**	3.8
Total securities issued on the ASX	**3,697.2**	3,692.3

14 Dividends/distributions

Ordinary stapled securities	31 December 2014 $m	31 December 2013 $m
Half yearly ordinary distributions paid/payable as follows:		
4.50 CPSS payable on 26 February 2015 (unfranked distribution)	**166.4**	–
4.40 CPSS paid on 27 February 2014 (unfranked distribution)	**–**	161.3
Total dividend/distribution 4.50 (December 2013: 4.40) CPSS	**166.4**	161.3

Distribution reinvestment plan ("DRP") was activated for the 31 December 2013 half yearly distribution but was deactivated for the 30 June 2014 half yearly distribution and remains inactive.

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

	31 December 2014 $m	31 December 2013 $m
Payable in cash	**166.4**	115.2
To be satisfied by the issue of securities	**–**	46.1
	166.4	161.3

15 Contingent liabilities

a) Contingent liabilities

The Group had contingent liabilities at 31 December 2014 in respect of the following:

	31 December 2014 $m	30 June 2014 $m
Bank guarantees and performance bonds issued by external parties in respect of certain performance obligations granted in the normal course of business.	**166.4**	155.1
Performance guarantees. The Group has provided guarantees to third parties in respect of the performance of entities within the Group. No material losses are anticipated in respect of these contractual obligations.	**1.2**	1.2
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.	**1.2**	1.0

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

b) JVA

There are no contingent liabilities relating to JVA.

16 Notes to the consolidated statement of cash flows

	Note	**31 December 2014 $m**	31 December 2013 $m
a) Reconciliation of cash			
Cash at the end of the half year as shown in the consolidated statement of cash flows is the same as the consolidated SoFP:			
Cash at bank		**41.4**	58.0
Deposits at call		**0.2**	0.2
Cash and cash equivalents		**41.6**	58.2
b) Reconciliation of profit attributable to the stapled securityholders of Mirvac to net cash inflows/(outflows) from operating activities			
Profit attributable to the stapled securityholders of Mirvac		**279.0**	246.1
Share of net profit of JVA not received as dividends/distributions		**(29.0)**	(16.6)
Net gain on fair value of investment properties and IPUC	10(a)	**(50.8)**	(67.1)
Net loss on sale of investment properties		**5.1**	0.9
Net loss on sale of PPE		**–**	0.1
Depreciation and amortisation expenses		**14.8**	14.5
Impairment of loans, investments and inventories		**(0.1)**	(0.9)
SBP expense		**1.8**	2.8
Net gain on financial instruments		**(112.2)**	(22.9)
Net loss on foreign exchange		**125.6**	39.5
JVA dividends/distributions received		**14.7**	8.8
Net gain on sale of investments		**(9.5)**	–
Change in operating assets and liabilities, net of effects from purchase of controlled entities:			
– Increase in tax effected balances		**7.1**	–
– Decrease/(increase) in receivables		**20.4**	(34.4)
– Increase in inventories		**(73.9)**	(17.5)
– (Increase)/decrease in other assets/liabilities		**(9.6)**	0.9
– Increase/(decrease) in payables		**91.6**	(267.8)
– Increase in provisions for employee benefits		**0.5**	0.9
Net cash inflows/(outflows) from operating activities		**275.5**	(112.7)

17 Events occurring after the end of the reporting period

During the period, Mirvac entered into an agreement to acquire a portfolio of industrial assets from Altis. This acquisition was settled on 15 January 2015, when four industrial assets were acquired for $213.9m (excluding acquisition costs of $12.3m).

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 29 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 2014 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

Susan Lloyd-Hurwitz
Director

Sydney
12 February 2015

Independent auditor's review report

to the members of Mirvac Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mirvac Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement 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 the Company and the entities it controlled during that half-year, including Mirvac Funds Limited as responsible entity for Mirvac Property Trust (the 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 Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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 the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independent auditor's review report

to the members of Mirvac Limited

pwc

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 the Company 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 2014 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

Matthew Lunn
Partner

Sydney
12 February 2015

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
DRP Dividend/distribution reinvestment plan
EIS Employee Incentive Scheme
ELT Executive Leadership Team
EPS Earnings per stapled security
IAS International Accounting Standards
IASB International Accounting Standards Board
IFRS International Financial Reporting Standards
IPUC Investment properties under construction
JVA Joint ventures and associates
KPI Key performance indicators
LLC Limited Liability Company
LTI Long Term Incentives
LTIP Long Term Incentive Plan
LTP Long Term Performance Plan
MAM Mirvac Asset Management
MIM Mirvac Investment Management
MPT Mirvac Property Trust
MTN Medium term notes
NCI Non-controlling interests
NLA Net lettable area
NPV Net present value
NRV Net realisable value
NTA Net tangible assets
OOP Owner-occupied properties
PPE Property, plant and equipment
PwC PricewaterhouseCoopers
Q1 First quarter
ROIC Return on invested capital
SBP Security based payments
SoCI Statement of comprehensive income
SoFP Statement of financial position
WALE Weighted average lease expiry