by mirvac

MIRVAC PROPERTY TRUST
AND ITS CONTROLLED ENTITIES

INTERIM REPORT

FOR THE HALF YEAR
ENDED 31 DECEMBER 2011

INTERIM REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

The consolidated entity comprises 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 2011 and any public announcements made by Mirvac Property Trust during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

COVER IMAGE: 275 KENT STREET, SYDNEY, NSW

The Directors of Mirvac Funds Limited (ABN 70 002 561 640), the Responsible Entity of Mirvac Property Trust ("MPT" or "Trust"), present their report, together with the consolidated report of MPT and its controlled entities ("consolidated entity") for the half year ended 31 December 2011.

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

RESPONSIBLE ENTITY

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

DIRECTORS

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

James MacKenzie
Nicholas Collishaw
Marina Darling (appointed as a Director on 23 January 2012)
Peter Hawkins
James Millar
Penny Morris (retired as a Director on 17 November 2011)
John Mulcahy
John Peters (appointed as a Director on 17 November 2011)
Elana Rubin.

REVIEW OF OPERATIONS AND ACTIVITIES

The statutory profit after tax attributable to the stapled unitholders of MPT for the half year ended 31 December 2011 was $248.2m (December 2010: $276.9m). The operating profit (profit before specific non-cash and significant items) was $207.1m (December 2010: $198.5m).

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 consolidated entity.

The following table summarises key reconciling items between statutory profit after tax attributable to the stapled unitholders of MPT and operating profit. The operating profit information included in the table below has not been subject to any specific review procedures by the consolidated entity's auditor but has been extracted from note 3 of the accompanying financial statements for the half year ended 31 December 2011, which have been subject to review, refer to pages 26 and 27 for the auditor's review report on the financial statements.

	31 December 2011 $m	31 December 2010 $m
Profit attributable to the stapled unitholders of MPT	**248.2**	276.9
Specific non-cash items		
Net (gain) on fair value of investment properties	**(74.6)**	(78.2)
Net loss/(gain) on fair value of investment properties under construction ("IPUC")	**3.6**	(5.6)
Net loss/(gain) on fair value of derivative financial instruments and foreign exchange movements	**23.7**	(14.8)
Straight-lining of lease revenue	**(6.9)**	(7.6)
Amortisation of lease fitout incentives	**5.9**	5.4
Net loss/(gain) on fair value of investment properties, derivatives and other specific non-cash items included in share of net profit of associates and joint ventures	**8.2**	(1.5)
Significant items		
Impairment of goodwill	**–**	7.1
Net (gain) on sale of non-aligned assets	**(1.0)**	–
Business combination transaction costs	**–**	16.8
Operating profit (profit before specific non-cash items and significant items)	**207.1**	198.5

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Key financial highlights for the half year ended 31 December 2011 included:

- profit attributable to the stapled unitholders of MPT of $248.2m;
- operating profit of $207.1m [1], representing 6.1 cents per stapled unit;
- increase in net tangible assets ("NTA") per stapled unit to $1.62 [2] from $1.59 at 30 June 2011;
- total assets of $6,447.1m;
- net gain of $74.6m in revaluations of the investment property portfolio;
- net loss of $3.6m in revaluations of the IPUC portfolio; and
- distributions of $136.6m, representing 4.0 cents per stapled unit.

The consolidated entity had a total portfolio value of $5,815.3m, with investments in 66 direct property assets, covering the office, retail, industrial and hotel sectors, as well as investments in other funds managed by Mirvac. The asset allocation for MPT's invested capital is as follows:

- office: 58.7 per cent;
- retail: 27.5 per cent; and
- other: 13.8 per cent.

Key operational highlights for the consolidated entity for the half year ended 31 December 2011 included:

- achieved 3.3 per cent like-for-like net operating income growth;
- disposed of three non-core assets, realising $127.0m in gross sale proceeds; and
- secured leasing commitments at key office developments:
  - at 10-20 Bond Street, Sydney, NSW, resulting in commitments to the building, totalling 90.0 per cent; and
  - at 8 Chifley Square, Sydney, NSW secured first lease with Corrs Chambers Westgarth for 42 per cent of net lettable area.

Occupancy in the Trust remained solid at 96.4 per cent [3], with a weighted average lease expiry of approximately 5.9 years.

The consolidated entity's earnings continue to be secure, with 67.3 per cent of the year ending 30 June 2012 ("FY12") rent reviews being fixed or linked to the Consumer Price Index ("CPI"), and 70.7 per cent of revenue derived from multinational, Australian Securities Exchange ("ASX") listed and government tenants.

Outlook

The consolidated entity remains focused on providing secure passive income to the Group, whilst improving the quality of the portfolio via acquisitions. The consolidated entity continues to be strategically overweight in the office sector. In spite of some softening in white collar employment created by uncertain financial market conditions, the office portfolio is well placed with a weighted average lease expiry of 6.0 years [3], a high quality portfolio and strong tenant covenants. The consolidated entity also maintains a focus on prime sub-regional shopping centres located in high growth markets. Despite the subdued retail environment, the consolidated entity's portfolio is comprised of shopping centres that are primarily driven by non-discretionary spend.

CAPITAL POSITION AND FUNDING

The consolidated entity's capital structure is monitored at the Group level. Key capital position highlights relating to the Group for the half year ended 31 December 2011 included:

- no debt maturities in 2012;
- $140.0m of debt maturing in January 2013;
- over $490.0m in cash and undrawn committed debt facilities on hand;
- conservative gearing at 27.4 per cent [4];
- extended the maturity of a $150.0m bilateral facility from April 2013 to November 2014;
- the Group repaid the $505.0m of commercial mortgage backed securities ("CMBS") acquired as part of the acquisition of Westpac Office Portfolio ("WOP");
- the Group's weighted average debt maturity is currently 3.5 years;
- the Group's average borrowing costs have increased slightly to 7.42 per cent per annum including margins and line fee;
- Mirvac comfortably met its covenants; and
- maintained its BBB credit rating from Standard & Poor's.

1) Excludes specific non-cash items and significant items.
2) NTA per stapled security based on ordinary securities excluding Employee Incentive Scheme ("EIS") securities.
3) By area, excluding assets under development.
4) Net debt (at FX hedged rate) excluding leases/(total tangible assets – cash).

Outlook

The volatility created by the European debt crisis and subsequent disruption to global financial markets has resulted in a significant increase to bank funding costs over the past six months.

There will be limited impact of these events on the Group's borrowing costs for 12 months or more, allowing time for conditions to stabilise before any refinancing is required.

The Group remains focused on managing its capital position prudently by monitoring and accessing diversified sources of capital, including both domestic and international markets to ensure it can continue to meet its strategic objectives without increasing its overall risk profile.

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 04.

ROUNDING OF AMOUNTS

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

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

Nicholas Collishaw
Director

Sydney
21 February 2012

As lead auditor for the review of Mirvac Property Trust for the half year ended 31 December 2011, 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 Property Trust and the entities it controlled during the period.

Matthew Lunn
Partner

PricewaterhouseCoopers

Sydney
21 February 2012

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Note	**31 December 2011 $m**	31 December 2010 $m
Revenue from continuing operations			
Investment properties rental revenue	8(b)	**276.0**	259.6
Interest revenue		**36.3**	38.6
Distribution revenue		**0.2**	0.5
Other revenue		**1.9**	–
Total revenue from continuing operations		**314.4**	298.7
Other income			
Net gain on fair value of investment properties		**74.6**	78.2
Net (loss)/gain on fair value of IPUC		**(3.6)**	5.6
Share of net profit of associates and joint ventures accounted for using the equity method	7	**0.3**	–
(Loss)/gain on financial instruments		**(23.0)**	11.9
Foreign exchange (loss)/gain		**(0.7)**	2.9
Net gain/(loss) on sale of investment properties		**1.0**	(0.7)
Total other income		**48.6**	97.9
Total revenue from continuing operations and other income		**363.0**	396.6
Investment properties expenses	8(b)	**(65.4)**	(61.1)
Amortisation expenses		**(8.9)**	(7.8)
Impairment of goodwill		**–**	(7.1)
Finance costs	4	**(43.3)**	(37.6)
Business combination transaction costs		**–**	(16.8)
Other expenses		**(3.4)**	(4.3)
Profit from continuing operations before income tax		**242.0**	261.9
Income tax expense		**(0.1)**	(0.3)
Profit from continuing operations		**241.9**	261.6
Profit from discontinued operations		**6.3**	15.3
Profit for the half year		**248.2**	276.9

As a result of the decision to dispose of the Group's Hotel Management business and various associated investments, the results of these operations have been included under Profit from discontinued operations. The comparative figures have been adjusted. Refer to note 6 for further information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Note	**31 December 2011 $m**	31 December 2010 $m
Profit for the half year		**248.2**	276.9
Other comprehensive income for the half year			
Increment on revaluation of property, plant and equipment		**8.3**	–
Exchange differences on translation of foreign operations		**0.4**	(0.8)
Other comprehensive income for the half year		**8.7**	(0.8)
Total comprehensive income for the half year		**256.9**	276.1
Profit for the half year is attributable to:			
– Stapled unitholders of MPT		**248.2**	276.9
		248.2	276.9
Total comprehensive income for the half year is attributable to:			
– Stapled unitholders of MPT		**256.9**	276.1
		256.9	276.1
Earnings per stapled unit for profit from continuing operations attributable to the stapled unitholders of MPT		**Cents**	Cents
Basic earnings per unit	5	**7.10**	8.20
Diluted earnings per unit	5	**7.08**	8.17
Earnings per stapled unit for profit attributable to the stapled unitholders of MPT		**Cents**	Cents
Basic earnings per unit	5	**7.28**	8.20
Diluted earnings per unit	5	**7.26**	8.17

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 2011

	Note	**31 December 2011 $m**	30 June 2011 $m
Current assets			
Cash and cash equivalents	16	**3.9**	536.2
Receivables		**523.4**	621.5
Other financial assets at fair value through profit or loss		**12.7**	19.2
Other assets		**8.4**	13.7
		548.4	1,190.6
Assets classified as held for sale	6	**257.0**	3.4
Total current assets		**805.4**	1,194.0
Non-current assets			
Receivables		**9.4**	10.7
Investments accounted for using the equity method	7	**11.6**	249.0
Derivative financial assets		**–**	3.3
Other financial assets		**17.2**	–
Investment properties	8	**5,534.0**	5,474.0
Intangible assets	9	**69.5**	69.5
Total non-current assets		**5,641.7**	5,806.5
Total assets		**6,447.1**	7,000.5
Current liabilities			
Payables		**113.5**	146.2
Borrowings	10	**–**	505.0
Provisions		**68.3**	75.2
Total current liabilities		**181.8**	726.4
Non-current liabilities			
Payables		**21.4**	20.2
Borrowings	10	**614.2**	763.7
Derivative financial liabilities		**29.0**	9.9
Total non-current liabilities		**664.6**	793.8
Total liabilities		**846.4**	1,520.2
Net assets		**5,600.7**	5.480.3
Equity			
Contributed equity	11	**5,105.6**	5,105.5
Reserves		**38.7**	30.0
Retained earnings		**456.4**	344.8
Equity, reserves and retained earnings attributable to the stapled unitholders of MPT		**5,600.7**	5,480.3
Total equity		**5,600.7**	5,480.3

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 2011

	Note	Attributable to the stapled unitholders of MPT			
		Contributed equity $m	Reserves $m	Retained earnings $m	Total $m
Balance 1 July 2011		5,105.5	30.0	344.8	5,480.3
Profit for the half year		–	–	248.2	248.2
Other comprehensive income for the half year		–	8.7	–	8.7
Total comprehensive income for the half year		–	8.7	248.2	256.9
Long term incentives ("LTI") and Employee Incentive Scheme ("EIS") units converted, sold, vested or forfeited		0.1	–	–	0.1
Distributions provided for or paid	12	–	–	(136.6)	(136.6)
Total transactions with owners in their capacity as owners		0.1	–	(136.6)	(136.5)
Balance 31 December 2011		**5,105.6**	**38.7**	**456.4**	**5,600.7**
Balance 1 July 2010		4,905.9	7.2	126.7	5,039.8
Profit for the half year		–	–	276.9	276.9
Other comprehensive income for the half year		–	(0.8)	–	(0.8)
Total comprehensive income for the half year		–	(0.8)	276.9	276.1
Contributions of equity, net of transaction costs		186.0	–	–	186.0
LTI and EIS units converted, sold, vested or forfeited		1.9	–	–	1.9
Distributions provided for or paid	12	–	–	(136.6)	(136.6)
Total transactions with owners in their capacity as owners		187.9	–	(136.6)	51.3
Balance 31 December 2010		5,093.8	6.4	267.0	5,367.2

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 2011

	Note	**31 December 2011 $m**	31 December 2010 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**296.7**	286.7
Payments to suppliers (inclusive of goods and services tax)		**(90.4)**	(96.4)
		206.3	190.3
Interest received		**38.3**	35.3
Associates and joint ventures distributions received		**10.3**	6.4
Borrowing costs paid		**(48.8)**	(41.2)
Income tax paid		**(0.1)**	(0.3)
Net cash inflows from operating activities	16(b)	**206.0**	190.5
Cash flows from investing activities			
Payments for investment properties		**(188.9)**	(41.9)
Proceeds from sale of investment properties and assets classified as held for sale		**123.2**	119.0
Proceeds from loans to entities related to Responsible Entity		**100.0**	81.8
Proceeds from sale of investments		**24.5**	–
Proceeds from other financial assets at fair value through profit or loss		**1.7**	–
Acquisition of controlled entities, net of cash acquired		**–**	(213.2)
Net cash inflows/(outflows) from investing activities		**60.5**	(54.3)
Cash flows from financing activities			
Proceeds from borrowings		**170.3**	820.0
Repayments of borrowings		**(825.6)**	(619.7)
Proceeds from issue of stapled units		**–**	1.9
Distributions paid as part of business combination		**–**	(8.0)
Distributions paid		**(143.5)**	(133.6)
Net cash (outflows)/inflows from financing activities		**(798.8)**	60.6
Net (decrease)/increase in cash and cash equivalents		**(532.3)**	196.8
Cash and cash equivalents at the beginning of the half year		**536.2**	345.9
Cash and cash equivalents at the end of the half year	16(a)	**3.9**	542.7

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This condensed consolidated interim report for the half year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The financial statements of the consolidated entity consist of the consolidated financial statements of MPT and its controlled entities. A Mirvac stapled security comprises one Mirvac Limited share "stapled" to one MPT unit to create a single listed entity 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 2011 and any public announcements made by MPT 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.

a) Impact of standards issued but not yet applied by MPT

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (effective 1 July 2012) In September 2011, the Australian Accounting Standards Board ("AASB") made an amendment to AASB 101 *Presentation of Financial Statements* which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the consolidated statement of comprehensive income or the consolidated statement of financial position in the current or future periods. The consolidated entity intends to adopt the new standard from 1 July 2012.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013) In July 2011, the AASB decided to remove the individual key management personnel disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act 2001* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) and Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7 Financial Instruments: Disclosures) (effective 1 January 2014 and 1 January 2013 respectively) In December 2011, the International Accounting Standards Board ("IASB") made amendments to the application guidance in IAS 32 *Financial Instruments: Presentation*, to clarify some of the requirements for offsetting financial assets and financial liabilities in the consolidated statement of financial position. These amendments are effective from 1 January 2014. They are unlikely to affect the accounting for any of the entity's current offsetting arrangements. However, the IASB has also introduced more extensive disclosure requirements into IFRS 7 which will apply from 1 January 2013. The AASB is expected to make equivalent changes to AASB 132 *Financial Instruments: Presentation* and AASB 7 *Financial Instruments: Disclosures* shortly. When they become applicable, the consolidated entity will have to provide a number of additional disclosures in relation to its offsetting arrangements. The consolidated entity intends to apply the new rules for the first time from 1 July 2013.

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

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

On 16 December 2011, the Group announced that it had entered into contracts for the sale of its Hotel Management business and various associated investments following a strategic review of this business. These assets form a disposal group and are accounted for as discontinued operations.

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 MPT's accounting policies

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

i) 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.

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) Impairment of goodwill

The consolidated entity 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 entity to estimate the future cash flows expected to arise from each CGU and a suitable discount rate in order to calculate the net present value ("NPV"). The carrying amount of goodwill at the end of the reporting period was $69.5m (June 2011: $69.5m). There was no impairment loss recognised during the half year (December 2010: $7.1m).

ii) 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 indication that the investment may be impaired. In determining the value in use of the investment, the consolidated entity 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.

iii) 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 the NPV calculations using future cash flows and an appropriate post-tax discount rate. The carrying value at the end of the reporting period of investments not traded in an active market determined using the above techniques and assumptions was $12.7m (June 2011: $19.2m) and was disclosed as other financial assets at fair value through profit or loss.

iv) Valuation of investment properties

The consolidated entity uses judgement in respect of the fair values of investment properties. Investment properties are revalued by external valuers on a rotation basis with approximately one-half of the portfolio being valued annually. Investment properties which are not subject to an external valuation at the end of the reporting period are fair valued internally by management. The assumptions used in the estimations of fair values include expected future market rentals, discount rates, market prices and economic conditions. The reported fair values of investment properties 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 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 $5,534.0m (June 2011: $5,474.0m).

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

b) Key sources of estimation uncertainty (continued)

v) Valuation of IPUC

IPUC are valued at fair value. There are generally no active markets for IPUC and fair value is considered to be the estimated market price that would be paid for the partially completed property, reflecting the expectations of market participants of the value of the property when complete less deductions for the estimated costs to complete with appropriate adjustments for risk and profit. The fair value is determined on the basis of either discounted cash flow ("DCF") or residual methods. Both methods require consideration of the project risks which are relevant to the development process, including but not limited to construction and letting risks. The estimated value of future assets is based on the expected future income from the project, using current yields of similar completed properties. The net loss on fair value of IPUC was $3.6m (December 2010: net gain of $5.6m) during the period. The carrying value of $33.0m at the end of the reporting period (June 2011: $108.0m) was included in investment properties (refer to note 8).

vi) Valuation of derivatives and other financial instruments

The consolidated entity 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.

3 SEGMENTAL INFORMATION

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise financing and other borrowing costs, indirect investments, and other income and expenses. The consolidated entity operates predominately in one geographic segment, Australia.

Segment results are now reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM that makes strategic decisions for the consolidated entity has been identified as the Chief Executive Officer, Investment ("CEOI"). The CEOI allocates resources to and assesses the performance of the operating segments of the consolidated entity. Net operating income is considered a key indicator of analysis when evaluating the consolidated entity's ability to pay distributions to stapled unitholders.

a) Description of business segments

Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns.

The main business segments of the consolidated entity are the investment in properties which are leased to third parties for the following uses:

- office
  office accommodation;
- retail
  retail accommodation;
- industrial
  factories and other industrial use accommodation;
- other
  hotel and car park facilities accommodation; and
- unallocated
  not attributed directly to one of the above segments.

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) Comparative information

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

d) 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 consolidated entity.

e) Segment liabilities

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

f) Geographical analysis

The consolidated entity operates predominately in Australia.

g) Customer analysis

In total, 70 per cent of the consolidated entity's revenue is derived from Australian Government, ASX listed and multinational tenants. In the current period, Westpac – St George provides 12.5 per cent of the consolidated entity's revenue (December 2010: Westpac provided 13.7 per cent and the Australian Government provided 10.1 per cent of the consolidated entity's revenue).

h) Disposal group and discontinued operations

The segment note presents the results of the consolidated entity in a format consistent with that of both previous periods and management reporting. An additional column has been presented which details the impact of the reallocation of the results of the disposal group to discontinued operations. Refer to note 6 for more information.

3 SEGMENTAL INFORMATION (CONTINUED)

Half year ended 31 December 2011	Office $m	Retail $m	Industrial $m	Other $m	Unallocated $m	**Total inc. discontinued operations $m**	Discontinued operations[1] $m	**Consolidated SoCI $m**
Investment properties rental revenue	159.4	91.8	18.2	6.6	–	**276.0**	–	**276.0**
Investment properties expenses	(36.4)	(33.3)	(3.1)	(1.5)	–	**(74.3)**	–	**(74.3)**
Net property income	123.0	58.5	15.1	5.1	–	**201.7**	–	**201.7**
Interest revenue	–	–	–	–	36.3	**36.3**	–	**36.3**
Distribution revenue	–	–	–	–	0.2	**0.2**	–	**0.2**
Other revenue	–	–	–	–	1.9	**1.9**	–	**1.9**
Share of net profit of associates and joint ventures accounted for using the equity method	–	–	–	–	6.6	**6.6**	(6.3)	**0.3**
Net gain on fair value of investment properties	58.6	13.8	(0.4)	2.6	–	**74.6**	–	**74.6**
Finance costs	–	–	–	–	(43.3)	**(43.3)**	–	**(43.3)**
Net loss on fair value of IPUC	(3.6)	–	–	–	–	**(3.6)**	–	**(3.6)**
Loss on financial instruments	–	–	–	–	(23.0)	**(23.0)**	–	**(23.0)**
Foreign exchange loss	–	–	–	–	(0.7)	**(0.7)**	–	**(0.7)**
Net gain/(loss) on sale of investment properties	–	1.6	(0.1)	–	(0.5)	**1.0**	–	**1.0**
Other expenses	–	–	–	–	(3.4)	**(3.4)**	–	**(3.4)**
Profit/(loss) from continuing operations before income tax	178.0	73.9	14.6	7.7	(25.9)	**248.3**	(6.3)	**242.0**
Income tax expense	–	–	–	–	(0.1)	**(0.1)**	–	**(0.1)**
Profit/(loss) from continuing operations	178.0	73.9	14.6	7.7	(26.0)	**248.2**	(6.3)	**241.9**
Profit from discontinued operations	–	–	–	–	–	**–**	6.3	**6.3**
Profit/(loss) attributable to the stapled unitholders of MPT	178.0	73.9	14.6	7.7	(26.0)	**248.2**	–	**248.2**

1) Reclassification of the results of the assets that form part of the disposal group. Refer to note 6 for further information.

Half year ended 31 December 2011	Office $m	Retail $m	Industrial $m	Other $m	Unallocated $m	**Total $m**
Profit/(loss) attributable to the stapled unitholders of MPT	178.0	73.9	14.6	7.7	(26.0)	**248.2**
Specific non-cash items						
Net (gain)/loss on fair value of investment properties	(58.6)	(13.8)	0.4	(2.6)	–	**(74.6)**
Net loss on fair value of IPUC	3.6	–	–	–	–	**3.6**
Net loss on fair value of derivative financial instruments and associated foreign exchange movements	–	–	–	–	23.7	**23.7**
Straight-lining of lease revenue	(6.6)	–	(0.3)	–	–	**(6.9)**
Amortisation of lease fitout incentives	4.9	0.7	0.3	–	–	**5.9**
Net loss on fair value of investment properties, derivatives and other specific non-cash items included in share of net loss of associates and joint ventures	–	–	–	–	8.2	**8.2**
Significant items						
Net (gain)/loss on sale of non-aligned assets	–	(1.6)	0.1	–	0.5	**(1.0)**
Operating profit (profit before specific non-cash items and significant items)	121.3	59.2	15.1	5.1	6.4	**207.1**
Operating profit						
Investment properties rental revenue[1]	152.8	91.8	17.9	6.6	–	**269.1**
Investment properties expenses	(31.5)	(32.6)	(2.8)	(1.5)	–	**(68.4)**
Net property income	121.3	59.2	15.1	5.1	–	**200.7**
Interest revenue	–	–	–	–	36.3	**36.3**
Distribution revenue	–	–	–	–	0.2	**0.2**
Other revenue	–	–	–	–	1.9	**1.9**
Share of net profit of associates accounted for using the equity method	–	–	–	–	14.7	**14.7**
Finance costs	–	–	–	–	(43.3)	**(43.3)**
Other expenses	–	–	–	–	(3.4)	**(3.4)**
Operating profit (profit before specific non-cash items and significant items)	**121.3**	**59.2**	**15.1**	**5.1**	**6.4**	**207.1**

1) Investment properties rental revenue reconciles to that in the consolidated statement of comprehensive income after adjusting for straight-lining of lease revenue.

3 SEGMENTAL INFORMATION (CONTINUED)

Half year ended 31 December 2010	Office $m	Retail $m	Industrial $m	Other $m	Unallocated $m	Total inc. discontinued operations $m	Discontinued operations [1] $m	Consolidated SoCI $m
Investment properties rental revenue	139.3	96.0	18.7	5.6	–	259.6	–	259.6
Investment properties expenses	(31.4)	(33.1)	(3.0)	(1.4)	–	(68.9)	–	(68.9)
Net property income	107.9	62.9	15.7	4.2	–	190.7	–	190.7
Interest revenue	–	–	–	–	38.6	38.6	–	38.6
Distribution revenue	–	–	–	–	0.5	0.5	–	0.5
Share of net profit of associates accounted for using the equity method	–	–	–	–	15.3	15.3	(15.3)	–
Net gain on fair value of investment properties	66.1	6.7	1.2	4.2	–	78.2	–	78.2
Net (loss)/gain on fair value of IPUC	(0.9)	6.0	0.5	–	–	5.6	–	5.6
Gain on financial instruments	–	–	–	–	11.9	11.9	–	11.9
Foreign exchange gain	–	–	–	–	2.9	2.9	–	2.9
Net loss on sale of investment properties	–	–	–	–	(0.7)	(0.7)	–	(0.7)
Finance costs	–	–	–	–	(37.6)	(37.6)	–	(37.6)
Impairment of goodwill	–	(7.1)	–	–	–	(7.1)	–	(7.1)
Business combination transaction costs	(15.0)	–	(1.8)	–	–	(16.8)	–	(16.8)
Other expenses	–	–	–	–	(4.3)	(4.3)	–	(4.3)
Profit from continuing operations before income tax	158.1	68.5	15.6	8.4	26.6	277.2	(15.3)	261.9
Income tax expense	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Profit from continuing operations	158.1	68.5	15.6	8.4	26.3	276.9	(15.3)	261.6
Profit from discontinued operations	–	–	–	–	–	–	15.3	15.3
Profit attributable to the stapled unitholders of MPT	158.1	68.5	15.6	8.4	26.3	276.9	–	276.9

1) Reclassification of the results of the assets that form part of the disposal group. Refer to note 6 for further information.

Half year ended 31 December 2010	Office $m	Retail $m	Industrial $m	Other $m	Unallocated $m	Total $m
Profit attributable to the stapled unitholders of MPT	158.1	68.5	15.6	8.4	26.3	276.9
Specific non-cash items						
Net gain on fair value of investment properties	(66.1)	(6.7)	(1.2)	(4.2)	–	(78.2)
Net loss/(gain) on fair value of IPUC	0.9	(6.0)	(0.5)	–	–	(5.6)
Net gain on fair value of derivative financial instruments and associated foreign exchange movements	–	–	–	–	(14.8)	(14.8)
Straight-lining of lease revenue	(7.1)	–	(0.5)	–	–	(7.6)
Amortisation of lease fitout incentives	4.3	1.0	0.1	–	–	5.4
Net gain on fair value of investment properties, derivatives and other specific non-cash items included in share of net loss of associates and joint ventures	–	–	–	–	(1.5)	(1.5)
Significant items						
Impairment of goodwill	–	7.1	–	–	–	7.1
Business combination transaction costs	15.0	–	1.8	–	–	16.8
Operating profit (profit before specific non-cash items and significant items)	105.1	63.9	15.3	4.2	10.0	198.5

3 SEGMENTAL INFORMATION (CONTINUED)

Half year ended 31 December 2010 (continued)	Office $m	Retail $m	Industrial $m	Other $m	Unallocated $m	Total $m
Operating profit						
Investment properties rental revenue [1]	132.2	96.0	18.2	5.6	–	252.0
Investment properties expenses	(27.1)	(32.1)	(2.9)	(1.4)	–	(63.5)
Net property income	105.1	63.9	15.3	4.2	–	188.5
Interest revenue	–	–	–	–	38.6	38.6
Distribution revenue	–	–	–	–	0.5	0.5
Share of net profit of associates accounted for using the equity method	–	–	–	–	13.8	13.8
Net loss on sale of non-aligned assets	–	–	–	–	(0.7)	(0.7)
Finance costs	–	–	–	–	(37.6)	(37.6)
Other expenses	–	–	–	–	(4.3)	(4.3)
Income tax expense	–	–	–	–	(0.3)	(0.3)
Operating profit (profit before specific non-cash items and significant items)	105.1	63.9	15.3	4.2	10.0	198.5

1) Investment properties rental revenue reconciles to that in the consolidated statement of comprehensive income after adjusting for straight-lining of lease revenue.

	Office $m	Retail $m	Industrial $m	Other $m	Unallocated $m	**Total inc. discontinued operations $m**	Disposal group [1] $m	**Consolidated SoFP/SoCI $m**
31 December 2011								
Total assets	3,431.3	1,608.3	396.6	97.8	913.1	**6,447.1**	–	**6,447.1**
Total liabilities	7.5	7.5	13.4	–	818.0	**846.4**	–	**846.4**
Investments in associates and joint ventures	–	–	–	–	265.2	**265.2**	(253.6)	**11.6**
Acquisitions of investment properties including capital expenditures	32.1	132.8	8.6	0.2	–	**173.7**	–	**173.7**
Amortisation expenses	6.6	2.0	0.3	–	–	**8.9**	–	**8.9**
31 December 2010								
Total assets	3,243.3	1,686.9	372.9	92.7	1,514.8	6,910.6	–	6,910.6
Total liabilities	11.0	12.3	6.0	–	1,514.1	1,543.4	–	1,543.4
Investments in associates	–	–	–	–	213.2	213.2	–	213.2
Acquisitions of investment properties including capital expenditures	1,083.9	7.3	121.5	0.2	–	1,212.9	–	1,212.9
Amortisation expenses	5.6	1.9	0.3	–	–	7.8	–	7.8

1) Reclassification of the assets and liabilities that form part of the disposal group are reclassified for the current reporting period to assets held for sale. For the comparative period only items included in the consolidated statement of comprehensive income are restated, for the prior period, the consolidated statement of financial position is not restated. Refer to note 6 for further information.

4 FINANCE COSTS

	31 December 2011 $m	31 December 2010 $m
Interest and finance charges paid/payable	**42.3**	36.9
Borrowing costs amortised	**1.0**	0.7
	43.3	37.6

5 EARNINGS PER STAPLED UNIT

	31 December 2011 Cents	31 December 2010 Cents
Earnings per stapled unit		
Basic earnings per stapled unit		
From continuing operations	**7.10**	8.20
From discontinued operations[1]	**0.18**	–
Total basic earnings per stapled unit attributable to the stapled unitholders of MPT	**7.28**	8.20
Diluted earnings per stapled unit[2]		
From continuing operations	**7.08**	8.17
From discontinued operations[1]	**0.18**	–
Total diluted earnings per stapled unit attributable to the stapled unitholders of MPT	**7.26**	8.17
	$m	$m
Basic and diluted earnings per stapled unit		
Profit attributable to the stapled unitholders of MPT used in calculating earnings per unit	**248.2**	276.9

Weighted average number of units used as denominator[2]	**Number m**	Number m
Weighted average number of units used in calculating basic earnings per unit	**3,409.4**	3,376.6
Adjustment for calculation of diluted earnings per unit		
Units issued under EIS	**7.6**	11.5
Weighted average number of units used in calculating diluted earnings per unit	**3,417.0**	3,388.1

1) Includes the results of the disposal group. Refer to note 6 for further information.
2) Diluted units do not include the options and rights issued under the current LTI plan as the exercise of these equity instruments is contingent on conditions during the vesting period.

6 ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

a) Discontinued operations

On 16 December 2011, the Group announced that it had entered into contracts for the sale of its Hotel Management business and various associated investments following a strategic review of this business. The consolidated entity's 49 per cent interest in Tucker Box Hotel Group is not part of this contract for sale, however, due to the current intention to ultimately dispose of this investment, it has been included as an asset held for sale.

b) Assets classified as held for sale

	Note	**31 December 2011 $m**	30 June 2011 $m
Disposal group held for sale			
Investments accounted for using the equity method		**253.6**	–
Non-current assets held for sale			
Investment properties	8(d)	**3.4**	3.4

6 ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

c) Financial performance and cash flow information

The financial performance and cash flow information for the discontinued operations presented for the six months ended 31 December 2011 and 31 December 2010 were as follows:

	31 December 2011 $m	31 December 2010 $m
Revenue and other income	**6.3**	15.3
Profit before income tax	**6.3**	15.3
Profit from discontinued operations	**6.3**	15.3
Profit attributable to the stapled unitholders of MPT from:		
Continuing operations	**241.9**	261.6
Discontinued operations	**6.3**	15.3
	248.2	276.9
Cash flows from discontinued operations		
Net cash inflow from operating activities	**9.1**	5.7
Net increase in cash and cash equivalents from discontinued operations	**9.1**	5.7

i) Details of the sale

Settlement of the disposal has not yet occurred. This is expected to occur prior to 30 June 2012.

7 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	**31 December 2011 $m**	30 June 2011 $m
Consolidated statement of financial position			
Investments accounted for using the equity method			
Investments in associates	13	**4.2**	249.0
Investments in joint ventures	14	**7.4**	–
		11.6	249.0

	31 December 2011 $m	31 December 2010 $m
Consolidated statement of comprehensive income		
Share of net profit of associates and joint ventures accounted for using equity method		
Investments in associates	**0.3**	–

8 INVESTMENT PROPERTIES

	Date of acquisition	Book value 31 Dec 2011 $m	Book value 30 Jun 2011 $m	Capitalisation rate 31 Dec 2011 %	Capitalisation rate 30 Jun 2011 %	Discount rate 31 Dec 2011 %	Discount rate 30 Jun 2011 %	Date of last external valuation	Last external valuation $m
1 Castlereagh Street, Sydney NSW	December 1998	**71.7**	72.8	**7.50**	7.50	**9.50**	9.50	June 2010	68.0
1 Darling Island, Pyrmont NSW	April 2004	**175.0**	175.0	**7.00**	7.00	**9.25**	9.25	December 2010	175.0
1 Hugh Cairns Avenue, Bedford Park SA [2]	August 2010	**17.9**	17.8	**9.50**	9.50	**10.00**	10.00	June 2011	17.8
1 Woolworths Way NSO, Bella Vista NSW [2]	August 2010	**250.7**	250.0	**7.75**	7.75	**9.25**	9.25	June 2011	250.0
10 Julius Avenue, North Ryde NSW [2]	December 2009	**53.7**	53.1	**8.50**	8.50	**9.25**	9.25	June 2011	53.1
101-103 Miller Street & Greenwood Plaza, North Sydney NSW (50% interest)	June 1994	**248.8**	242.0	**6.75-7.00**	6.75-7.00	**9.00-9.25**	9.00-9.25	December 2010	238.5
10-20 Bond Street, Sydney NSW (50% interest) [2]	December 2009	**162.0**	125.0	**6.88**	7.50	**9.00**	9.50	December 2011	162.0
12 Julius Avenue, North Ryde NSW [2]	December 2009	**23.8**	23.4	**8.50**	8.50	**9.25**	9.25	June 2011	23.4
1-47 Percival Road, Smithfield NSW	November 2002	**28.3**	28.1	**8.25**	8.25	**9.75**	9.75	December 2011	28.3
189 Grey Street, Southbank QLD	April 2004	**73.0**	72.5	**7.63**	7.75	**9.25**	9.25	December 2011	73.0
19 Corporate Drive, Cannon Hill QLD [2]	August 2010	**24.1**	24.0	**8.75**	8.75	**9.75**	9.75	June 2011	24.0
190 George Street, Sydney NSW	August 2003	**40.0**	35.5	**8.00**	8.75	**9.50**	9.50	December 2011	40.0
1900-2060 Pratt Boulevard, Chicago Illinois USA	December 2007	**28.1**	28.9	**7.50**	8.00	**9.25**	9.75	December 2011	28.1
191-197 Salmon Street, Port Melbourne VIC	July 2003	**102.5**	102.3	**7.75**	7.75	**9.50**	9.25	June 2010	100.0
200 George Street, Sydney NSW	October 2001	**27.5**	26.2	**8.00**	8.25	**9.50**	9.50	December 2011	27.5
271 Lane Cove Road, North Ryde NSW	April 2000	**33.4**	32.5	**8.00**	8.00	**9.50**	9.50	June 2010	33.0
275 Kent Street, Sydney NSW [2]	August 2010	**766.0**	750.0	**6.75**	6.75	**8.75**	8.75	December 2010	745.0
3 Rider Boulevard, Rhodes NSW [2]	December 2009	**79.8**	76.4	**8.00**	8.00	**9.25**	9.25	June 2011	76.4
32 Sargents Road, Minchinbury NSW [2,4]	December 2009	**23.5**	23.5	**8.75**	8.75	**9.50**	9.50	June 2011	23.5
33 Corporate Drive, Cannon Hill QLD [2]	August 2010	**16.5**	16.5	**9.00**	9.00	**9.75**	9.75	June 2011	16.5
340 Adelaide Street, Brisbane QLD [2]	December 2009	**59.7**	57.0	**9.00**	9.00	**10.00**	10.00	December 2010	56.0
38 Sydney Avenue, Forrest ACT	June 1996	**35.0**	35.1	**8.50**	8.50	**9.50**	9.50	December 2010	35.0
40 Miller Street, North Sydney NSW	March 1998	**101.2**	98.0	**7.25**	7.25	**9.25**	9.25	June 2010	93.5
47-67 Westgate Drive, Altona North VIC [2,4]	December 2009	**19.1**	19.1	**9.50**	9.75	**9.75**	10.00	December 2011	19.1
5 Rider Boulevard, Rhodes NSW [6]	September 2011	**122.0**	–	**7.63**	–	**9.13**	–	March 2011	117.6
52 Huntingwood Drive, Huntingwood NSW [2,4]	December 2009	**22.0**	22.0	**8.50**	8.50	**9.75**	9.75	June 2011	22.0
54 Marcus Clarke Street, Canberra ACT	October 1987	**16.4**	16.1	**9.50**	9.50	**9.75**	9.75	December 2010	15.8
54-60 Talavera Road, North Ryde NSW [2]	August 2010	**45.7**	45.5	**7.50**	7.50	**9.50**	9.50	December 2010	45.0
55 Coonara Avenue, West Pennant Hills NSW [2]	August 2010	**103.0**	102.6	**8.50**	8.50	**9.50**	9.50	December 2010	99.0
60 Marcus Clarke Street, Canberra ACT	September 1989	**49.1**	49.0	**8.75**	8.75	**9.50**	9.50	June 2011	49.0
64 Biloela Street, Villawood NSW [4]	February 2004	**19.1**	19.1	**10.50**	10.50	**10.75**	10.75	June 2011	19.1
Aviation House, 16 Furzer Street, Phillip ACT	July 2007	**70.3**	69.8	**7.50**	7.50	**9.25**	9.25	June 2010	67.0
Ballina Central, Ballina NSW [3]	December 2004	**–**	28.0	**–**	8.75	**–**	9.50	June 2011	28.0
Bay Centre, Pirrama Road, Pyrmont NSW	June 2001	**103.5**	111.0	**7.65**	7.50	**9.25**	9.25	December 2011	103.5
Broadway Shopping Centre, Broadway NSW (50% interest)	January 2007	**231.5**	227.5	**6.25**	6.25	**9.00**	9.00	June 2010	221.5
Cherrybrook Village Shopping Centre, Cherrybrook NSW [2]	December 2009	**79.0**	78.5	**7.50**	7.50	**9.50**	9.50	June 2011	78.5
City Centre Plaza, Rockhampton QLD [2]	December 2009	**48.2**	48.0	**8.00**	8.00	**9.75**	9.75	June 2011	48.0
Como Centre, Cnr Toorak Road & Chapel Street, South Yarra VIC	August 1998	**152.2**	150.0	**7.75-8.75**	8.00-8.75	**9.25-9.75**	9.30-10.00	June 2011	150.0
Cooleman Court, Weston ACT [2]	December 2009	**46.0**	43.0	**7.75**	7.75	**9.50**	9.50	December 2011	46.0
Gippsland Centre, Sale VIC	January 1994	**49.1**	50.3	**8.25**	8.25	**9.50**	9.50	December 2011	49.1
Hinkler Central, Bundaberg QLD	August 2003	**91.0**	89.5	**7.75**	7.75	**9.50**	9.50	March 2011	89.5
John Oxley Centre, 339 Coronation Drive, Milton QLD	May 2002	**53.3**	52.5	**9.00**	9.00	**10.00**	10.00	March 2011	52.5
Kawana Shoppingworld, Buddina QLD	December 1993 (50%) June 1998 (50%)	**209.7**	203.7	**6.75**	6.75	**9.25**	9.25	December 2011	209.7

8 INVESTMENT PROPERTIES (CONTINUED)

	Date of acquisition	Book value 31 Dec 2011 $m	Book value 30 Jun 2011 $m	Capitalisation rate 31 Dec 2011 %	Capitalisation rate 30 Jun 2011 %	Discount rate 31 Dec 2011 %	Discount rate 30 Jun 2011 %	Date of last external valuation	Last external valuation $m
Logan Megacentre, Logan QLD	October 2005	**60.0**	60.5	**9.25**	9.25	**10.25**	10.25	December 2010	61.5
Metcentre & 60 Margaret Street, Sydney NSW (50% interest)	August 1998	**220.2**	217.6	**6.50-7.00**	6.50-7.00	**9.00-9.25**	9.00-9.25	December 2010	217.5
Moonee Ponds Central (Stage II), Moonee Ponds VIC	February 2008	**40.3**	40.0	**8.50**	8.50	**9.75**	9.75	June 2010	39.0
Moonee Ponds Central, Moonee Ponds VIC	May 2003	**25.0**	24.0	**7.75**	7.75	**9.50**	9.50	June 2010	22.8
Nexus Industry Park (Building 1), Lyn Parade, Prestons NSW	August 2004	**18.1**	17.9	**8.25**	8.25	**9.50**	9.50	June 2011	17.9
Nexus Industry Park (Building 2), Lyn Parade, Prestons NSW	August 2004	**12.5**	12.3	**8.50**	8.50	**9.75**	9.75	March 2011	12.3
Nexus Industry Park (Building 3), Lyn Parade, Prestons NSW	August 2004	**23.6**	23.5	**8.25**	8.25	**9.50**	9.50	June 2011	23.5
Nexus Industry Park (Building 4), Lyn Parade, Prestons NSW [5]	August 2004	**31.4**	–	**8.25**	–	**9.50**	–	–	–
Nexus Industry Park (Building 5), Lyn Parade, Prestons NSW	August 2004	**14.3**	14.8	**8.50**	8.50	**9.75**	9.75	December 2010	14.8
Orange City Centre, Orange NSW	April 1993	**49.0**	49.5	**8.50**	8.25	**10.00**	9.25	December 2011	49.0
Orion Springfield Town Centre, Springfield QLD	August 2002	**129.0**	130.0	**6.75**	6.75	**9.25**	9.25	December 2010	136.0
Peninsula Lifestyle, Mornington VIC [3]	December 2003	**–**	44.0	**–**	9.75	**–**	10.25	December 2010	45.0
Quay West Car Park, 109-111 Harrington Street, Sydney NSW	November 1989	**29.3**	29.2	**8.50**	8.50	**10.00**	10.00	June 2011	29.2
Rhodes Shopping Centre, Rhodes NSW (50% interest)	January 2007	**111.5**	110.0	**7.00**	7.00	**9.25**	9.25	June 2011	110.0
Riverside Quay, Southbank VIC	April 2002 & July 2003	**176.0**	170.0	**7.75-8.00**	7.75-8.25	**9.25-10.00**	9.25-10.25	December 2011	176.0
Royal Domain Centre, 380 St Kilda Road, Melbourne VIC	October 1995 (50%) April 2001 (50%)	**106.9**	107.0	**8.00**	8.00	**9.00**	9.25	June 2011	107.0
Sirius Building, 23 Furzer Street, Phillip ACT	February 2010	**236.5**	234.9	**7.25**	7.25	**9.25**	9.25	June 2010	225.0
St Marys Village Centre, St Marys NSW	January 2003	**43.0**	43.0	**7.75**	7.75	**9.50**	9.50	December 2010	43.0
Stanhope Village, Stanhope Gardens NSW	November 2003	**70.5**	66.0	**7.50**	7.75	**9.25**	9.25	December 2011	70.5
Taree City Centre, Taree NSW [2,3]	December 2009	**–**	53.0	**–**	8.13	**–**	9.50	June 2011	53.0
Waverley Gardens Shopping Centre, Mulgrave VIC	November 2002	**131.5**	128.0	**7.75**	7.75	**9.50**	9.25	December 2011	131.5
Total investment properties		**5,501.0**	5,366.0						
IPUC									
4 Dalley Street & Laneway, Sydney NSW	March 2004	**–**	2.3	**6.63**	6.75	**9.00**	9.25	December 2011	–
8 Chifley Square, Sydney NSW [1,2]	October 2009	**–**	49.0	**–**	6.50	**–**	9.25	December 2010	36.5
Nexus Industry Park (Building 4), Lyn Parade, Prestons NSW [5]	August 2004	**–**	23.7	**–**	7.88	**–**	9.50	December 2010	9.0
Orion Springfield land, Springfield QLD	August 2002	**33.0**	33.0	**6.50-9.25**	6.50-9.25	**9.25-10.75**	9.25-10.75	December 2010	33.0
Total IPUC		**33.0**	108.0						
Total investment properties and IPUC		**5,534.0**	5,474.0						

1) 50 per cent of entity holding IPUC sold during the half year and reclassifed to joint ventures.
2) Date of acquisition represents business combination acquisition date.
3) Investment property disposed of during the half year.
4) Investment property subject to conditional agreement for sale as at 31 December 2011.
5) IPUC completed during the half year and held as investment property.
6) Investment property acquired during the half year.

8 INVESTMENT PROPERTIES (CONTINUED)

a) Reconciliation of carrying amounts of investment properties

At fair value	31 December 2011 $m	30 June 2011 $m
Balance 1 July	**5,474.0**	4,212.3
Additions	**173.7**	134.8
Additions resulting from business combination	**–**	1,152.7
Net gain on fair value	**71.0**	114.0
Net gain/(loss) from foreign currency translation	**1.6**	(6.6)
Assets classified as held for sale or disposal	**(125.2)**	(111.4)
Sale of asset and transfer to equity accounted investments	**(49.0)**	–
Amortisation of lease fitout incentives, leasing costs and lease incentive	**(12.1)**	(21.8)
Balance 31 December/30 June	**5,534.0**	5,474.0

b) Amounts recognised in profit or loss for investment properties

	31 December 2011 $m	31 December 2010 $m
Investment properties rental revenue	**276.0**	259.6
Investment properties expenses	**(65.4)**	(61.1)
	210.6	198.5

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. The consolidated entity's terminal CR are in the range of an additional nil to 75 basis points above the respective property's CR.

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

ii) IPUC

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

d) Property portfolio

The consolidated entity's property portfolio was made up as follows:

	Note	31 December 2011 $m	30 June 2011 $m
Investment properties per consolidated statement of financial position		**5,534.0**	5,474.0
Properties classified as assets held for sale	6(b)	**3.4**	3.4
		5,537.4	5,477.4

9 INTANGIBLE ASSETS

	31 December 2011 $m	30 June 2011 $m
Balance 1 July	**69.5**	49.9
Acquisition of controlled entities	**–**	26.7
Impairment	**–**	(7.1)
Balance 31 December/30 June	**69.5**	69.5

a) Allocation of goodwill by business segments
A segment level summary of the goodwill allocations is presented below:

	Office $m	Retail $m	Industrial $m	Other $m	Unallocated $m	Total $m
Goodwill	44.5	–	7.6	–	17.4	69.5
Balance 31 December 2011	**44.5**	**–**	**7.6**	**–**	**17.4**	**69.5**
Goodwill	44.5	–	7.6	–	17.4	69.5
Balance 30 June 2011	44.5	–	7.6	–	17.4	69.5

b) Key assumptions used for value in use calculations
Goodwill is allocated to the consolidated entity's CGUs identified according to business segments.

The recoverable amount of CGUs is determined using the higher of fair value less costs to sell, and its value in use. The value in use calculation is based on financial forecasts approved by management covering a five year period. For each business segment CGU, no forecast growth rate is assumed as the value in use calculations are based on forecast cash flows from existing investment properties and other investments. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

CGU	Growth rate[1] 31 December 2011 % pa	Discount rate 31 December 2011 % pa	Growth rate[1] 30 June 2011 % pa	Discount rate 30 June 2011 % pa
Office	**–**	**10**	–	10
Retail	**–**	**10**	–	10
Industrial	**–**	**10**	–	10
Other	**–**	**10**	–	10

1) The value in use calculation is based on financial forecasts approved by management. No forecast growth rate is assumed as the value in use calculations are based on forecast cash flows from existing investment properties.

The recoverable amount of goodwill exceeds the carrying value at 31 December 2011. 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 recognised during the half year (December 2010: $7.1m).

10 BORROWINGS

	Note	31 December 2011 $m	30 June 2011 $m
Current			
Secured			
CMBS	10(a)(iii)	**–**	505.0
		–	505.0
Non-current			
Unsecured			
Bank loans	10(a)(i)	**414.2**	563.7
Domestic medium term notes ("MTN")	10(a)(ii)	**200.0**	200.0
		614.2	763.7

10 BORROWINGS (CONTINUED)

a) Borrowings

i) Unsecured bank loans

Mirvac has unsecured bank facilities totalling $1,880.0m (June 2011: $1,927.5m). Mirvac has two syndicated facilities; the first contains one tranche: $140.0m tranche maturing in January 2013. The second facility contains three tranches: a $530.0m tranche maturing in January 2014, a $530.0m tranche maturing in January 2015 and a $530.0m tranche maturing in January 2016. There is also a bilateral bank facility of $150.0m (June 2011: $150.0m) maturing in November 2014. Subject to compliance with the terms, each of these bank loan facilities may be drawn at any time. The consolidated entity had drawn down $414.2m under these facility as at 31 December 2011 (June 2011: $563.7m).

ii) Domestic MTN

The consolidated entity has a total of $200.0m (June 2011: $200.0m) of domestic MTN outstanding, being $200.0m maturing in March 2015. The consolidated entity had no new issue of domestic MTN during the half year. Interest is payable semi-annually in arrears in accordance with the terms of the notes.

iii) CMBS

Commercial mortgage backed securities of $505.0m (June 2011: $505.0m) acquired as part of the acquisition of WOP were repaid during the half year from cash held on hand.

b) Assets pledged as security

No controlled entity has debt facilities secured by real property mortgages or a fixed and floating charge.

c) Financing arrangements

	31 December 2011 $m	30 June 2011 $m
Total facilities		
Bank loans[1]	**1,880.0**	1,927.5
Domestic MTN[2]	**425.0**	425.0
CMBS	**–**	505.0
	2,305.0	2,857.5
Used at end of the reporting period		
Bank loans[1]	**1,427.3**	1,407.4
Domestic MTN[2]	**425.0**	425.0
CMBS	**–**	505.0
	1,852.3	2,337.4
Unused at end of the reporting period		
Bank loans[1]	**452.7**	520.1
Domestic MTN[2]	**–**	–
CMBS	**–**	–
	452.7	520.1

1) Total bank loan facilities relate to Mirvac; these facilities are available to the consolidated entity. The consolidated entity had drawn down $414.2m at 31 December 2011 (June 2011: $563.7m).

2) Domestic MTN relate to Mirvac. The consolidated entity had domestic MTN outstanding of $200.0m at 31 December 2011 (June 2011: $200.0m).

11 CONTRIBUTED EQUITY

a) Paid up equity

	31 December 2011 Units m	30 June 2011 Units m	**31 December 2011 $m**	30 June 2011 $m
MPT — ordinary units issued	**3,409.4**	3,409.3	**5,105.6**	5,105.5
Total contributed equity	**3,409.4**	3,409.3	**5,105.6**	5,105.5

b) Movements in paid up equity

Movements in paid up equity of MPT for the half year ended 31 December 2011 were as follows:

	Issue date	Issue price $	**m**	**Units $m**
Balance 1 July 2011			**3,409.3**	**5,105.5**
LTI and EIS units converted, sold, vested or forfeited	20 December 2011	1.27	**0.1**	**0.1**
Balance 31 December 2011			**3,409.4**	**5,105.6**

11 CONTRIBUTED EQUITY (CONTINUED)

c) Reconciliation of units issued on the ASX

Under AAS, units 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 units issued as detailed above are reconciled to units issued on the ASX as follows:

	31 December 2011 Units m	30 June 2011 Units m
Total ordinary units disclosed	**3,409.4**	3,409.3
Units issued under LTI plan and EIS	**7.6**	7.6
Total units issued on the ASX	**3,417.0**	3,416.9

12 DISTRIBUTIONS

Ordinary stapled units	**31 December 2011 $m**	31 December 2010 $m
Quarterly ordinary distributions paid as follows:		
2.00 cents per stapled unit paid on 28 October 2011	**68.3**	–
2.00 cents per stapled unit paid on 29 October 2010	**–**	68.3
2.00 cents per stapled unit paid on 27 January 2012	**68.3**	–
2.00 cents per stapled unit paid on 28 January 2011	**–**	68.3
Total distribution 4.00 cents per stapled unit (December 2010: 4.00 cents per stapled unit)	**136.6**	136.6

There was no distribution reinvestment plan in place for either period; all distributions were satisfied in cash.

13 INVESTMENTS IN ASSOCIATES

Associates accounted for using the equity method

Investments in associates are accounted for using the equity method of accounting. Information relating to associates is set out below:

Name of entity	Principal activities	Interest[1] **31 December 2011 %**	Interest[1] 30 June 2011 %	**31 December 2011 $m**	30 June 2011 $m
Australian Sustainable Forestry Investors 1 & 2[2]	Forestry land	**25**	–	**4.2**	–
Mirvac Industrial Trust[3]	Listed property investment trust	**14**	14	**–**	–
Mirvac Wholesale Hotel Fund[4]	Hotel investment	**49**	49	**–**	128.4
Tucker Box Hotel Group[4]	Hotel investment	**49**	49	**–**	120.6
				4.2	249.0

1) Each of the above associates was established in Australia.
2) This investment was previously held as fair value through profit and loss and was reclassified from 1 July 2011 to an investment in associate.
3) The consolidated entity equity accounts for this investment as an associate even though it owns less than 20 per cent of the voting or potential voting power, due to the fact that the responsible entity is Mirvac Funds Management Limited, a related party of the Responsible Entity of the Trust.
4) This entity is part of the disposal group and is included in assets classified as held for sale. Refer to note 6 for further information.

14 INVESTMENTS IN JOINT VENTURES

Joint ventures accounted for using the equity method

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

Name of entity	Principal activities	Interest **31 December 2011 %**	Interest 30 June 2011 %	**31 December 2011 $m**	30 June 2011 $m
Mirvac 8 Chifley Trust[1]	Investment property	**50**	100	**7.4**	–
				7.4	–

1) This investment was previously held as IPUC. During the period, 50 per cent of the entity was sold and subsequently it is equity accounted as a joint venture.

15 CONTINGENT LIABILITIES

a) Contingent liabilities

The consolidated entity had contingent liabilities at 31 December 2011 in respect of the following:

	31 December 2011 $m	30 June 2011 $m
Bank guarantees and performance bonds issued by external parties in respect of certain performance obligations granted in the normal course of business	**0.1**	0.1
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 consolidated entity, they would result in a liability	**3.1**	1.0

As part of the ordinary course of business of the consolidated entity, 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 considered probable that a liability will arise, it is disclosed as a contingent liability. Where the possible obligation is remote, no disclosure is given. The consolidated entity does not provide details of these as to do so may prejudice the consolidated entity's position.

b) Associates and joint ventures

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

16 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	31 December 2011 $m	31 December 2010 $m
a) Reconciliation of cash		
Cash at the end of the half year as shown in the consolidated statement of cash flows is reconciled to the consolidated statement of financial position, the detail of which follows:		
Cash at bank and on hand	**3.7**	37.4
Deposits at call	**0.2**	0.2
Unrestricted cash	**3.9**	37.6
Cash collateralisation	**–**	505.1
Cash and cash equivalents	**3.9**	542.7
b) Reconciliation of profit attributable to the stapled unitholders of MPT to net cash inflows from operating activities		
Profit attributable to the stapled unitholders of MPT	**248.2**	276.9
Net gain on fair value of investment properties	**(74.6)**	(78.2)
Net loss/(gain) on fair value of IPUC	**3.6**	(5.6)
Amortisation expenses	**8.9**	7.8
Non-cash lease incentives	**(7.4)**	(9.5)
Loss/(gain) on financial instruments	**23.0**	(11.8)
Business combination transaction costs	**–**	15.8
Net (gain)/loss on sale of investment properties	**(1.5)**	0.7
Share of net gain of associates and joint ventures not received as distributions	**(6.6)**	(15.3)
Change in operating assets and liabilities, net of effects from purchase of controlled entities:		
Decrease/(increase) in receivables	**8.5**	(2.6)
Decrease in other assets	**5.1**	16.1
Decrease in payables	**(1.2)**	(3.8)
Net cash inflows from operating activities	**206.0**	190.5

17 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

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

DIRECTORS' DECLARATION

In the Directors' opinion:

a) the financial statements and notes set out on pages 5 to 24 are in accordance with the *Corporations Act 2001*, including:

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

   ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half year ended on that date; and

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

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

Nicholas Collishaw
Director

Sydney
21 February 2012

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS OF MIRVAC PROPERTY TRUST

Report on the half year financial report
We have reviewed the accompanying half year financial report of Mirvac Property Trust, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, selected explanatory notes and the directors' declaration for the Mirvac Property Trust Group (the consolidated entity). The consolidated entity comprises both 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 trust 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 control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 2011 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mirvac Property Trust, 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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Independence
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Mirvac Property Trust 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 2011 and of its performance for the half year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
21 February 2012

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