

Mirvac Domaine Diversified Property Fund

(formerly Domaine Diversified Property Fund)

ARSN 108 289 827

Annual report for the year ended 30 June 2008

TABLE OF CONTENTS

Directors' Report.....	2
Auditor's Independence Declaration.....	4
Income Statement.....	5
Balance Sheet.....	6
Statement of Changes in Equity.....	7
Cash Flow Statement.....	8
Notes to the Financial Statements.....	9
Directors' Declaration.....	29
Independent Audit Report.....	30

The Responsible Entity of the Mirvac Domaine Diversified Property Fund is Mirvac Domaine Property Funds Limited. The Responsible Entity's registered address is Level 26, 60 Margaret Street, Sydney NSW 2000.

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Auditor's Independence Declaration

As lead auditor for the audit of Mirvac Domaine Diversified Property Fund for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Mirvac Domaine Diversified Property Fund during the year.



Marcus Laithwaite
Partner
PricewaterhouseCoopers

Sydney
23 September 2008

Mirvac Domains Diversified Property Fund

**Income Statement
For the Year Ended 30 June 2008**

	Notes	2008 \$'000	2007 \$'000
Revenue and Other Income			
Rental revenue		9,996	8,954
Interest revenue		526	318
Other revenue		77	34
Net gain from fair value adjustments to derivatives		903	847
Total Revenue and Other Income		<u>11,502</u>	<u>10,153</u>
Operating Expenses			
Property outgoings		1,627	1,075
Net loss from fair value adjustments on investment properties	8	13,645	3,234
Share of net losses of associate accounted for using the equity method	10	1,190	-
Net loss from fair value adjustments on financial assets held at fair value	11	3	-
Finance costs to institutions		5,176	4,288
Responsible Entity's fees	19(f)	1,156	1,107
Other expenses	5	185	211
Total Operating Expenses		<u>22,982</u>	<u>9,915</u>
Net Operating Profit		<u>(11,480)</u>	<u>238</u>
Financing costs attributable to unitholders			
Distributions to unitholders	4	(2,704)	(2,877)
Decrease in net assets attributable to unitholders		14,184	2,639
Net profit		<u>-</u>	<u>-</u>

The above Income Statement should be read in conjunction with the accompanying notes.

Mirvac Domaine Diversified Property Fund

**Balance Sheet
As at 30 June 2008**

	Notes	2008 \$'000	2007 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	20	1,300	2,698
Receivables	6	502	1,088
Other assets	7	67	127
Non current assets classified as held for sale	8	15,500	14,912
Total Current Assets		<u>17,369</u>	<u>18,825</u>
Non-Current Assets			
Investment properties	8	74,100	87,400
Derivative financial assets	9	1,793	890
Investment accounted for using the equity method	10	2,959	4,630
Financial assets held at fair value through profit or loss	11	42	184
Total Non-Current Assets		<u>78,894</u>	<u>93,104</u>
Total Assets		<u>96,263</u>	<u>111,929</u>
LIABILITIES			
Current liabilities			
Payables	12	867	870
Borrowings	13	67,277	-
Provision for distribution	4	-	860
Total Current Liabilities		<u>68,144</u>	<u>1,730</u>
Non-current liabilities			
Borrowings	13	-	73,393
Total Non-Current Liabilities		<u>-</u>	<u>73,393</u>
Total Liabilities (excluding net assets attributable to unitholders)		<u>68,144</u>	<u>75,123</u>
Net assets attributable to unitholders	14	<u>28,119</u>	<u>36,806</u>
Net Assets		<u>-</u>	<u>-</u>

The above balance sheet should be read in conjunction with the accompanying notes.

Mirvac Domaine Diversified Property Fund

**Statement of Changes in Equity
For the Year Ended 30 June 2008**

	2008 \$'000	2007 \$'000
Total Equity at the beginning of the year	-	-
Profit for the year	-	-
Total recognised income and expense for the year	-	-
Transactions with equity holders in their capacity as equity holders	-	-
Total Equity at the end of the year	-	-

In accordance with AASB132 *Financial Instruments: Presentation*, unitholders funds are classified as a liability and accordingly the Fund has no equity for financial statement purposes at the start or end of the year.

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

Mirvac Domaine Diversified Property Fund

Cash flow Statement
For the Year Ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		10,331	7,852
Payments in the course of operations (inclusive of GST)		(3,692)	(2,283)
Interest received		698	139
Borrowing costs paid		(5,135)	(4,288)
Net cash inflow/(outflow) from operating activities	20	<u>2,202</u>	<u>1,420</u>
Cash flows from investing activities			
Purchases of and additions to investment properties		(28)	(39,003)
Purchases of other investments		-	(4,630)
Return of capital from associates		471	-
Proceeds from the sale of other investments		139	-
Net cash inflow/(outflow) from investing activities		<u>582</u>	<u>(43,633)</u>
Cash flows from financing activities			
Proceeds from issue of units		6,770	13,564
Payment for redemption of units		(1,272)	(672)
Distributions paid		(3,564)	(2,598)
Unit issue transaction costs		-	(134)
Repayment of borrowings		(6,116)	-
Proceeds from borrowings		-	33,583
Net cash inflow/(outflow) from financing activities		<u>(4,182)</u>	<u>43,743</u>
Net increase/(decrease) in cash and cash equivalents		(1,398)	1,530
Cash and cash equivalents at the beginning of the year		2,698	1,168
Cash and cash equivalents at the end of the year	20	<u>1,300</u>	<u>2,698</u>

The above cash flow statement should be read in conjunction with the accompanying notes.

1. Summary of significant accounting policies

This financial report comprises the financial statements for the Mirvac Domaine Diversified Property Fund ("the Fund").

Constitution of the Fund

The Fund was constituted on 4 March 2004 and will terminate on the earlier of:

- (i) 3 March 2084;
- (ii) A date specified by Mirvac Domaine Property Funds Limited (the Responsible Entity) as the date the Fund will terminate in a notice given to unitholders; or
- (iii) A date on which the Fund terminates in accordance with another provision of the Constitution or by operation of law.

The financial statements were authorised for issue by the Directors on 23 September 2008. The Directors of the Responsible Entity have the power to amend and reissue the financial report.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

Basis of preparation

This general purpose financial report for the year ended to 30 June 2008 has been prepared in accordance with the Fund's Constitution, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

As at 30 June 2008, the Fund has a working capital deficiency of \$50,775,000, which is mainly due to the current classification of the Fund's debt Facility, due to expire on 27 March 2009. The continuing viability of the Fund and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the Fund being successful in negotiating a Facility extension with its Lender. The Fund's strategy to reduce this debt also includes the sale of selected investment properties, which have been classified as Current Assets.

As a result, there is significant uncertainty whether the Fund will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

The existing Facility expires on 27 March 2009. While management remains in discussions with its Lenders on a Facility extension, the directors are not aware of any circumstances that may lead to the Fund not obtaining an extension to the Facility prior to the expiry of the existing Facility. Accordingly, they have prepared the financial report on a going concern basis. At this time, based on the Fund being a going concern, the directors are not aware of any circumstances whereby the assets are likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2008. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Fund not continue as a going concern.

Compliance with International Financial Reporting Standards

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of the Fund comply with International Financial Reporting Standards.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative assets) at fair value through profit or loss or investment properties.

Critical accounting estimates

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

a. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is measured for the major business activities as follows:

(i) Rental revenue

Under AASB 117: Leases, rental income on operating leases is to be brought to account on a straight line basis over the lease term. Where there are fixed rental reviews, future rental income is to be brought to account as a receivable and amortised over the lease term. These assets are recognised as a component of investment properties.

Incentives may be provided to lessees to enter into an operating lease. These incentives may be in the form of cash, rent free periods, lessee or lessor owned fit-outs. They are amortised over the term of the lease. The carrying amount of the lease incentives is reflected in the fair value of the investment properties.

(ii) Recoverable outgoings

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

(iii) Interest

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

b. Expenses

(i) Property outgoings

Property outgoings including rates, taxes and other property outgoings (including maintenance and repairs) are brought to account on an accrual basis.

(ii) Responsible Entity fees

Fees payable to the Responsible Entity are recognised as an expense by the Fund on an accrual basis when incurred. Fees relating to specific events or transactions are charged upon completion or occurrence of the relevant service or event.

c. Taxation

Under current taxation legislation, the Fund is not liable for income tax, provided that the taxable income and taxable realised gains are fully distributed to unitholders each year. No current or deferred income tax balances have been recognised in the financial statements.

Domaine Diversified Property Fund
Notes to the Financial Statements
For the Year Ended 30 June 2008

d. Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held with financial institutions, and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

e. Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impairment.

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectible are written off. An allowance for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the Income Statement.

f. Investments and other financial assets

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date being the date on which the Fund commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are categorised as held for trading.

Financial assets held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs on financial assets at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all financial assets held at fair value through profit or loss are measured at fair value, with changes in their fair value recognised in the Income Statement.

**Domaine Diversified Property Fund
Notes to the Financial Statements
For the Year Ended 30 June 2008**

g. Investment Property

Investment properties are held for long-term rental yields and capital appreciation, and are not occupied by the Fund.

Investment properties are initially measured at cost plus transaction costs and subsequently measured at fair value, representing open market value determined at each balance date. The carrying amount includes components relating to lease incentives. Changes in the fair values are recorded in the Income Statement.

Valuation

Investment properties are measured at fair value and revalued at least once every financial year, to ensure the carrying amount of each property does not differ materially from its fair value at the reporting date.

The Fund's Constitution requires the Responsible Entity to have the Fund's investment properties externally valued at intervals of not more than three years. Investment properties which are not subject to an external valuation at the reporting date are fair valued internally by the Directors. The external valuations are considered by the Directors of the Responsible Entity when determining fair value of internally valued properties. When assessing fair value, the Directors will also consider the discounted cash flow of the property, the highest and best use of the property and sales of similar properties.

Fair value is based on the price at which a property might reasonably be expected to be sold at the date of valuation, assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market;
- (iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

All investment properties are considered one class of asset. Accounting standards do not require investment properties to be depreciated.

h. Trade and other payables

These amounts represent liabilities for goods and services provided to the Fund prior to the end of the reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Payables, whose settlement is deferred, are measured at amortised cost.

i. Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the year of time that is required to complete and prepare the asset for sale.

Domaine Diversified Property Fund
Notes to the Financial Statements
For the Year Ended 30 June 2008

j. Associates

Associates are entities over which the Fund has significant influence but not control. Investments in associates are accounted for in the financial statements using the equity method of accounting, after initially being recognised at cost.

The Fund's share of its associates' post-acquisition profits or losses is recognised in the Income Statement, and its share of post-acquisition movements in Reserves is recognised in Reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions receivable from associates reduce the carrying amount of the investment.

When the Fund's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Fund does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

k. Derivative financial assets

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Changes in the fair value of any derivative financial instrument are recognised immediately in the Income Statement.

l. Finance costs paid to unitholders

Distributions are paid to unitholders each quarter out of distributable income, which includes realised income available for distribution and transfers from equity. A provision for distribution for any distribution declared on or before the end of the reporting period is recognised on the Balance Sheet in the reporting period to which the distribution pertains, if unpaid at balance date.

As the units are classified as financial liabilities, distributions paid are recognised in the Income Statement, as are other changes in the net assets attributable to unitholders.

m. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

n. Comparative information

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

Domaine Diversified Property Fund
Notes to the Financial Statements
For the Year Ended 30 June 2008

o. Rounding of amounts

The Fund is a registered scheme of a 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 report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

p. New Accounting Standards and UIG Interpretations

In the current year, the Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Fund's assessment of the impact of these new standards and interpretations is as follows:

- Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]. The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Fund, as the Fund already capitalises borrowing costs relating to qualifying assets.
- Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101. A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third Balance Sheet (statement of financial position), this one being as at the beginning of the comparative period. The Fund intends to apply the revised standard from 1 July 2009.
- AASB 132 Financial Instruments: Presentation and AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation (Revised AASB 132). The Responsible Entity has not yet completed its assessment of the applicability of the revision to the Fund. If the revision were to apply, the net assets attributable to the unitholders would be reclassified from financial liabilities to equity. Similarly distributions and changes in net assets attributable to unitholders would no longer be recognised in the Income Statement.

2. Critical accounting estimates and assumptions

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are discussed below.

(i) Estimated value of investment properties

Estimates are made by the Fund in respect of the fair values of investment properties. The fair value of investment properties are reviewed regularly by reference to external independent property valuations and market conditions, using generally accepted market practices, including discounted cash flow models.

(ii) Estimated value of derivative financial instruments

Estimates are made by the Fund in respect of the fair values of derivative financial instruments. The fair values of these derivative financial instruments are reviewed regularly by reference to external valuations from financial institutions, which are readily available.

(iii) Critical judgements in applying the Fund's accounting policies

There have been no critical judgements made during the year.

Domaine Diversified Property Fund
Notes to the Financial Statements
For the Year Ended 30 June 2008

3. Segment Reporting

(a) Primary segment

The Fund operates in the property investment industry.

(b) Geographical segment

The Fund's investments are located solely in Australia.

4. Distributions

(a) Paid and payable distributions

	2008 CPU	2007 CPU
Distributions have been paid or are payable in respect of the following periods at the following rates (in cents per unit):		
Quarter ended 30 September	1.89	2.02
Quarter ended 31 December	1.89	2.02
Quarter ended 31 March	1.89	1.97
Quarter ended 30 June	-	1.99
	<u>5.67</u>	<u>8.00</u>

The total amounts of these distributions were:

	\$'000	\$'000
Quarter ended 30 September	861	639
Quarter ended 31 December	909	657
Quarter ended 31 March	934	721
Quarter ended 30 June	-	860
	<u>2,704</u>	<u>2,877</u>

(b) Distributable income

Distributable income for the Fund is calculated as follows:
Net operating profit for the year

(11,480)	238
----------	-----

Adjusted for:

Net loss from fair value adjustments of investment properties	14,848	3,234
Net gain from fair value adjustments of derivatives	(903)	(847)
Straightlining of rental income	(819)	(947)
Return of capital	1,058	1,199

Distributable income

<u>2,704</u>	<u>2,877</u>
--------------	--------------

5. Other expenses

	Note	2008 \$'000	2007 \$'000
Auditor's remuneration	17	34	28
Legal fees		15	33
Marketing		4	49
Other expenses		132	101
Total other expenses		<u>185</u>	<u>211</u>

Domaine Diversified Property Fund
Notes to the Financial Statements
For the Year Ended 30 June 2008

6. Receivables

	2008 \$'000	2007 \$'000
Rent receivable	290	544
Interest receivable	3	187
Distributions receivable – associate	85	17
GST receivable	-	122
Rental indemnity receivable	124	119
Responsible Entity fee paid in advance	-	99
	<u>502</u>	<u>1,088</u>

7. Other assets

	2008 \$'000	2007 \$'000
Leasing fees	-	62
Pre-paid property expenses	67	65
	<u>67</u>	<u>127</u>

8. Investment Properties

Property	Cost to date \$'000	Latest external valuation		Carrying amount	
		Date	\$'000	2008 \$'000	2007 \$'000
(i) 263 Clarence St, Sydney NSW	6,205	Jun 08	6,500	6,500	6,500
(ii) 31 Murray Dwyer Circuit, NSW	6,525	Mar 08	7,100	7,100	6,750
(iii) 19-27 Devlin St, Ryde NSW	5,102	Jun 08	3,950	3,950	5,100
(iv) Clarinda Street, Parkes NSW	8,475	Mar 08	9,000	9,000	8,412
(v) William Angliss Drive, Laverton North VIC	18,744	Jun 08	10,350	10,350	20,000
(vi) 158 Karawatha Drive, Mountain Creek QLD	18,898	Mar 08	21,000	21,000	20,750
(vii) 1 Acacia Avenue, Leeton NSW	16,306	Jun 08	13,200	13,200	16,300
(viii) Brunswick St, Fortitude Valley QLD	17,400	Mar 08	18,000	18,000	18,000
(ix) 19 Arthur St, Fortitude Valley QLD	500	-	-	500	500
	<u>98,155</u>		<u>89,100</u>	<u>89,600</u>	<u>102,312</u>

**Mirvac Domains Diversified Property Fund
Notes to the Financial Statements
For the Year Ended 30 June 2008**

The details of the valuers for each property are as follows;

	Organisation	Name of valuer	Certified Practising Valuer Designation	Registered Valuer no.
(i)	Savills	James Girvan	AAPI	7022
(ii)	Duponts	David A Rich	AAPI	6173
(iii)	Colliers	John Waugh	FAPI	2836
(iv)	Savills	Ben Stewart	AAPI	6399
(v)	Savills	Sian Gunson	AAPI	6874
(vi)	CB Richard Ellis	Tom Irving	AAPI	2510
(vii)	Savills	Ben Stewart	AAPI	6399
(viii)	CB Richard Ellis	Mel Evans	FAPI	1735

On 7 May 2008 the Responsible Entity committed to a plan to sell the following two investment properties and initiated an active program to locate a buyer and complete the sale:

- (i) 263 Clarence St,
Sydney NSW
- (ii) Clarinda Street,
Parkes NSW

Current assets – Non-current assets classified as held for sale

	2008 \$'000	2007 \$'000
Carrying amount at the beginning of the financial year	-	-
Transfer from Non Current assets – investment properties	15,500	-
Closing balance at the end of the financial year	<u>15,500</u>	<u>-</u>

Non Current assets – investment properties

Reconciliation of carrying amounts of Investment Properties

	2008 \$'000	2007 \$'000
Carrying amount at the beginning of the financial year	102,312	65,183
Additions	114	39,416
Straight line rent adjustment	819	947
Net (loss) from fair value adjustments	(13,645)	(3,234)
Transfer to Current assets – non current assets classified as held for sale	(15,500)	-
Closing balance at the end of the financial year	<u>74,100</u>	<u>102,312</u>

Leasing Arrangements

Completed investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease receivables under non-cancellable operating leases investment properties not recognised in the Financial Statements are receivable as follows:

	2008 \$'000	2007 \$'000
Within one year	8,364	8,745
Later than one year but not later than 5 years	24,740	28,736
Later than 5 years	36,161	48,434
	<u>69,265</u>	<u>85,916</u>

Mirvac Domaine Diversified Property Fund
Notes to the Financial Statements
For the Year Ended 30 June 2008

9. Derivative financial assets

	2008 \$'000	2007 \$'000
Interest rate swap	1,793	890

10. Investment accounted for using the equity method

Name	Activity	Incorporation	Unitholding	Ownership interest		Carrying value	
				2008 %	2007 %	2008 \$'000	2007 \$'000
Domaine Belmont Trust	Unlisted property trust	Australia	Ordinary	50	50	2,959	4,630

Movements in carrying amounts of investments in associates:

	2008 \$'000	2007 \$'000
Carrying amount at the beginning of the financial year	4,630	-
Capital invested/(returned)	(481)	4,617
Share of associate losses	(1,190)	13
Carrying amount at the end of the financial year	2,959	4,630

Summarised financial information of associates:

The Fund's share of revenue, profits, assets and liabilities:

Revenue	31	13
Profit/(loss) from ordinary activities	(1,190)	13
Assets	11,050	5,590
Liabilities	12,250	5,590

Share of associates capital commitment:

Domaine Belmont Trust	15,175	26,574
-----------------------	--------	--------

11. Financial assets held at fair value through profit or loss

	2008 \$'000	2007 \$'000
James Fielding Retail Portfolio	-	139
Domaine Hunter Fund	42	45
	42	184

12. Payables

	2008 \$'000	2007 \$'000
Trade creditors and accruals	573	137
GST payable	156	599
Rent received in advance	138	134
	867	870

Mirvac Domaine Diversified Property Fund
Notes to the Financial Statements
For the Year Ended 30 June 2008

13. Borrowings

	2008 \$'000	2007 \$'000
Secured		
Bank bill facility	67,277	73,393
	<u>67,277</u>	<u>73,393</u>
Assets pledged as security		
The carrying amounts of current and non current assets pledged as security are:	2008 \$'000	2007 \$'000
First Mortgage		
Investment properties	89,600	102,312
	<u>89,600</u>	<u>102,312</u>
Financing arrangements		
Unrestricted access was available at balance date to the following lines of credit:	2008 \$'000	2007 \$'000
Bank bill facilities		
Total facilities	120,000	120,000
Used at balance date	67,277	73,393
Unused at balance date	<u>52,723</u>	<u>46,607</u>

The facility expiry date is 27th March 2009.

14. Net assets attributable to unitholders

	2008 \$'000	2007 \$'000
Total net assets attributable to unitholders at the beginning of the year	36,806	26,853
Net profit attributable to unitholders	(11,480)	238
Distributions paid to unitholders	(2,704)	(2,877)
Units issued during the period	5,497	12,592
	<u>28,119</u>	<u>36,806</u>

	2008 Units	2007 Units	2008 \$'000	2007 \$'000
Balance at the beginning of the year	44,625	31,768	43,914	31,324
Ordinary units issued prior year	-	-	792	-
Ordinary units issued during the year	6,769	13,565	6,770	13,565
Redemption paid during the year	(1,638)	(708)	(1,517)	(672)
Offer and borrowing costs	-	-	-	(302)
Redemption Facility	-	-	245	-
Closing balance	<u>49,755</u>	<u>44,625</u>	<u>50,204</u>	<u>43,914</u>

Ordinary units participate in distributions and the proceeds on winding up of the Fund in proportion to the number of units held. At a unitholders meeting each ordinary unit is entitled to one vote when a poll is called, otherwise each unitholder has one vote on a show of hands.

Mirvac Domains Diversified Property Fund
Notes to the Financial Statements
For the Year Ended 30 June 2008

Capital risk management

The Fund manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

The Fund actively monitors the level of daily applications and redemptions relative to the liquid assets in the Fund. During 2008, the Fund's strategy was to close the Fund to new application as at 21 April 2008.

15. Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk), credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Fund. The Fund uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures.

(a) Interest rate risk

The Fund's interest rate risk arises from long-term borrowings, cash and receivables. The Fund enters into derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates. The Fund's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table.

2008	Floating interest rate \$'000	Fixed interest rate maturing in				Total \$'000
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non- interest bearing \$'000	
Financial Assets						
Cash and cash equivalents	1,300	-	-	-	-	1,300
Receivables	-	-	-	-	571	571
Financial asset held at fair value through profit or loss	-	-	-	-	3,001	3,001
Derivative financial instruments	-	-	-	-	1,793	1,793
	<u>1,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,365</u>	<u>6,665</u>
Financial Liabilities						
Payables	-	-	-	-	936	936
Borrowings	67,277	-	-	-	-	67,277
Interest rate swaps	(50,859)	-	50,859	-	-	-
	<u>16,418</u>	<u>-</u>	<u>50,859</u>	<u>-</u>	<u>936</u>	<u>68,213</u>
Weighted average interest rate	6.58%		6.34%			
Net financial assets/ (liabilities)	(15,118)		(50,859)		4,429	(61,548)

Mirvac Domains Diversified Property Fund
Notes to the Financial Statements
For the Year Ended 30 June 2008

2007	Fixed interest rate maturing in					Total \$'000
	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non- interest bearing \$'000	
Financial Assets						
Cash and cash equivalents	2,698	-	-	-	-	2,698
Receivables	-	-	-	-	1,088	1,088
Financial asset held at fair value through profit or loss	-	-	-	-	4,814	4,814
Derivative financial instruments	-	-	-	-	890	890
	<u>2,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,792</u>	<u>9,490</u>
Financial Liabilities						
Payables	-	-	-	-	870	870
Borrowings	73,393	-	-	-	-	73,393
Interest rate swaps	(36,859)	-	36,859	-	-	-
	<u>36,534</u>	<u>-</u>	<u>36,859</u>	<u>-</u>	<u>870</u>	<u>74,263</u>
Weighted average interest rate	6.38%		6.14%			
Net financial assets/ (liabilities)	<u>(33,836)</u>	<u>-</u>	<u>(36,859)</u>	<u>-</u>	<u>5,922</u>	<u>(64,773)</u>

The carrying amount of financial assets and liabilities approximates their fair value.

Interest rate swap contracts

It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Fund has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. At 30 June 2008, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2008 \$'000	2007 \$'000
Less than 1 year	-	-
1 - 2 years	-	-
2 - 3 years	-	-
3 - 4 years	50,859	-
4 - 5 years	-	36,859
More than 5 years	-	-
	<u>50,859</u>	<u>36,859</u>

The carrying amount of financial assets and liabilities approximates their fair value.

Mirvac Domains Diversified Property Fund
Notes to the Financial Statements
For the Year Ended 30 June 2008

(b) Credit risk

Credit risk is the risk that cash and cash equivalents held with financial institutions or receivables will not be repaid when called.

The Fund as at 30 June 2008 has the following concentration of credit risk:

- Cash and cash equivalents \$1.3m (2007: \$2.7m)

The Fund manages its cash and cash equivalents credit risks by depositing its monies with a major trading bank.

The Trust is exposed to credit risk, that is the risk that a tenant will fail to perform contractual obligations including honouring the terms of the lease agreements either in whole or in part, under a contract. Concentrations of credit risk are minimised primarily by:

- ensuring tenants, together with the respective credit limits, are approved, and
- ensuring that leases are undertaken with a large number of tenants.

As such, the Fund does not have a concentration of credit risk that arises from an exposure to a single tenant. Furthermore, the Fund does not have a material exposure to a group of counterparties which are expected to be affected similarly by changes in economic or other conditions.

Credit risk is minimised by securing bank guarantees and security deposits from tenancies, and drawing on these in the case of default by a tenant. Receivables consist of:

2008	Fully Performing	Past Due but not Impaired	Total
	0-30 days \$'000	31-60 days \$'000	
Rental receivable	162	128	290
Interest receivable	3	-	3
Distributions receivable	85	-	85
Rental indemnity receivable	124	-	124
GST receivable	-	-	-
Other	-	-	-
Total	374	128	502

2007	Fully Performing	Past Due but not Impaired	Total
	0-30 days	31-60 days	
Rental receivable	346	198	544
Interest receivable	6	181	187
Distributions receivable	17	-	17
Rental indemnity receivable	119	-	119
GST receivable	122	-	122
Other	99	-	99
Total	709	379	1,088

The Responsible Entity regularly reviews receivables for collectability.

Mirvac Domaine Diversified Property Fund
Notes to the Financial Statements
For the Year Ended 30 June 2008

Impairment

Movements in the provision for impairment loss in receivables were as follows:

	2008 \$'000	2007 \$'000
At 1 July	-	-
Charge for the year	69	-
Amounts written off	-	-
At 30 June	69	-

The provision for impairment has been offset against the rent receivables in Note 6.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial liabilities as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, the Fund aims at maintaining flexibility in funding by keeping committed credit lines available.

The following table below sets out a maturity analysis that shows the remaining in contractual maturities.

2008	Less than 6 months \$'000	6 months to a year \$'000	1-5 years \$'000	5+years \$'000	Total \$'000
Trade creditors and accruals	642	-	-	-	642
Rent received in advance	138	-	-	-	138
GST payable	156	-	-	-	156
Borrowings	2,762	68,569	-	-	71,331
Total	3,698	68,569	-	-	72,267
2007					
Trade creditors and accruals	137	-	-	-	137
Rent received in advance	134	-	-	-	134
GST payable	599	-	-	-	599
Borrowings	2,599	-	74,622	-	77,221
Total	3,469	-	74,622	-	78,091

(d) Market risk

Interest rate risk is the only Market Risk category the Fund is exposed to.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The manager monitors the Fund's exposure to interest rates and takes actions including reducing debt levels to control its exposure as it sees appropriate.

The following table sets out the sensitivities to interest rate risk of the Fund:

Mirvac Domaine Diversified Property Fund
Notes to the Financial Statements
For the Year Ended 30 June 2008

2008

Interest rate risk

	Carrying amount \$'000	-100 bps Profit \$'000	-100 bps Equity \$'000	+100 bps Profit \$'000	+100 bps Equity \$'000
Financial Assets					
Cash and cash equivalents	1,300	(13)	-	13	-
Financial Liabilities					
Borrowings	67,277	668	-	(668)	-
Interest rate swaps	50,859	(1,221)	-	1,187	-
Total increase / (decrease)		(566)	-	532	-

2007

Interest rate risk

	Carrying amount	-100 bps Profit	-100 bps Equity	+100 bps Profit	+100 bps Equity
Financial Assets					
Cash and cash equivalents	2,698	(27)	-	27	-
Financial Liabilities					
Borrowings	73,394	729	-	(729)	-
Interest rate swaps	36,859	(1,188)	-	1,144	-
Total increase / (decrease)		(486)	-	442	-

16. Remuneration of auditors

	2008 \$	2007 \$
Audit services:		
Audit and review of financial reports		
PricewaterhouseCoopers	33,750	-
Moore Stephens	-	27,500
Taxation services:		
Oxley Advisers	4,215	-
	37,965	27,500

17. Contingent liabilities and assets

There were no contingent liabilities or assets as at 30 June 2008 (2007: nil).

18. Commitments for expenditure

There have been no commitments for expenditure as at 30 June 2008 (2007: nil).

19. Related parties

Responsible Entity

The Responsible Entity of the Fund is Mirvac Domaine Property Funds Limited, whose immediate holding company is Mirvac Holdings Limited whose ultimate holding company is Mirvac Limited.