

MIRVAC PFA DIVERSIFIED PROPERTY TRUST

Annual Financial Report 30 June 2009

This financial report represents Mirvac PFA Diversified Property Trust (ARSN 097 860 690) and its controlled entities.

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The responsible entity of Mirvac PFA Diversified Property Trust is Mirvac PFA Limited (ABN 58 078 199 569) a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 26, 60 Margaret Street
Sydney NSW 200

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 3 to 5 and the Director's report on pages 2 to 4, both of which are not part of this financial report.

The financial report was authorised for issue on 24 August 2009. The Directors have the power to amend and reissue the financial report.

Mirvac PFA Diversified Property Trust and its controlled entities Director's Report

The board of directors of Mirvac PFA Limited as Responsible Entity for Mirvac PFA Diversified Property Trust present their report on Mirvac PFA Diversified Property Trust and its controlled entities (the Trust) for the financial year ended 30 June 2009. The financial report is presented in the Australian currency.

Directors

The following persons were directors of Mirvac PFA Limited during the whole of the financial period and up to the date of this report:

Mr P F Barker (Chairman)

Mr N R Collishaw

Mr G B Hodgetts

Mr K R Strang

Mr R W Turner

Principal activities

The principal continuing activity of the Trust is the investment in rental properties in Australia diversified by the retail, commercial, industrial and hotel sectors. Other incidental activities include investments in unlisted trusts and companies, cash and deposits in Australia.

The Trust did not have any employees during the year.

Distributions

Distributions paid to unitholders during the financial year were as follows:

	2009	2008
	\$'000	\$'000
June 2008 monthly distribution paid on 20 July 2008 of 0.8167 cents (2008: 0.8167 cents)	1,843	1,553
Monthly distributions paid at 0.575 cents August to April (2008: 0.8167 cents)	11,682	16,156
Sept 2008 special distribution 1.10 cents (2008: 2.88 cents)	2,482	5,503
Monthly distributions paid at 0.6042 cents May to June (2008: 0.8167 cents)	2,726	3,686
Total distributions paid	18,733	26,898

The June 2009 monthly distribution of 0.6042 cents (\$1.363 million) declared on 18 June 2009 was paid on 21 July 2009.

Distributions paid and payable by Mirvac PFA Diversified Property Trust for the year ended 30 June 2009 was \$18.25 million, being 8.09 cents per fully paid unit (2008: \$27.19 million - 12.68 cents per fully paid unit).

Interests in the Trust

	2009	2008
	Number of	Number of
	units	units
	'000	'000
The movement in units on issue in the Trust during the financial year is set out below:		
Units on at the beginning of the year	225,668	190,122
Units issued during the year	-	35,546
Units on issue at the end of the year	225,668	225,668

Mirvac PFA Diversified Property Trust and its controlled entities Director's Report

Review of operations

The net loss before finance costs attributable to unitholders for the consolidated entity for the financial year ended 30 June 2009 was \$28.9 million (30 June 2008: net loss \$17.5 million). The operating profit (profit before specific non-cash and significant items) for the financial year ended 30 June 2009 was \$20.2 million (30 June 2008: \$15.8 million).

Operating profit is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards adjusted for specific non-cash items and other significant items, which management consider to reflect the operating earnings of the consolidated entity.

The following table summarises key reconciling items between net loss and operating profit.

	2009 \$'000	2008 \$'000
Net loss before distributions attributable to unitholders	(28,920)	(17,545)
Specific non-cash items		
Change in fair value of investment properties	31,940	43,984
Change in fair value of derivative financial instruments	18,240	(3,459)
Amortisation of lease incentives	898	556
Straight line of lease revenue	(1,880)	(6,702)
Net gain on sale of investment properties	(104)	(1,063)
Operating profit (profit before specific non-cash and significant items)	20,174	15,771

Highlights

Key financial highlights for the year ended 30 June 2009 include:

- Refinancing of debt facility to November 2011.
- Sale of Centro on James in July 2008 for \$19.2 million representing an increase of 7.3 per cent on book value at 31 December 2007.
- AIFRS earnings before distributions of (12.82) cents per unit.
- Operating profit of 8.94 cents per unit (profit before specific non-cash and significant items).
- Full year distribution of 8.09 cents per unit including special distributions paid.
- Net \$31.9 million in devaluations across the investment property portfolio.
- Decrease in total assets to \$601.15 million from \$651.92 million at 30 June 2008.
- Decrease in net assets attributable to unitholders to \$242.17 million from \$288.64 million at 30 June 2008.
- Decrease in Net Tangible Assets (NTA) per unit to \$1.07 from \$1.28 at 30 June 2008.

Value of assets

The consolidated entity's assets are valued in accordance with policies stated in note 1 of the financial statements. The total consolidated entities assets are as follows:

	2009 \$'000	2008 \$'000
Total assets	601,149	651,915

Mirvac PFA Diversified Property Trust and its controlled entities Director's Report

Significant changes in the state of affairs

Debt management

The Trust was successful in refinancing its \$355 million debt facility with the execution of all documentation completed on 7 November 2008. All debt is held with major banks – Commonwealth Bank of Australia, the National Australia Bank and ING and the new facility runs for three years until November 2011.

Unitholder's meeting and change to the Trust's Constitution

On 30 April 2009 a Unitholder meeting was held at which the following resolutions were passed by the required majority:

- Resolution 1 - Delisting the Trust from the Bendigo Stock Exchange.
- Resolution 2 - Changes to the Trust's constitution to facilitate the New Strategy

Reclassification of investments properties held for sale

The Trust previously classified 544 Kessels Road, MacGregor as held for sale at 31 December 2008 as it was in talks with several interested parties regarding the sale. However, with the downturn in market conditions, the sale has fallen through due to the potential buyer being unable to obtain finance. The asset is no longer treated as held for sale and has been transferred back to Investment Property in the accounts of the Trust and has since been revalued.

There are no other significant changes in the state of affairs of the Trust.

Matters subsequent to the end of financial year

Delisting from the BSX

With the successful passing of Resolutions 1 and 2 at the Investor Meeting previously mentioned, the delisting of the Trust from the Bendigo Stock Exchange occurred on 29 July 2009. Following delisting, the Trust now operates as an unlisted managed investment scheme and Mirvac PFA Limited will continue to act as responsible entity. The directors are optimistic about the delisting and new strategy and believe it allows the development of a sustainable growth path for the Trust over time.

Sale of 180 Queen Street, Brisbane

The Trust has exchanged contracts for the sale of 180 Queen St, Brisbane for \$22.0 million (before costs) on 19 August 2009. The sale of Queen Street is in line with book value at 30 June 2009 and an increase of 22.22 per cent on its original acquisition price of \$18.0 million. Settlement is due to occur on 4 September 2009. The sale is part of the Trust's strategy to sell non-core assets and will allow the redeployment of capital to pay down debt which flows through to a stronger balance sheet.

In the opinion of the directors of the responsible entity of the Trust, no other matters or circumstances have arisen in the interval between the end of the financial year and the date of this report to significantly affect the operations of the Trust, the results of those operations, or the state of affairs, in future financial years.

Likely developments and expected results of operations

In the opinion of the Directors, it would prejudice the interests of the consolidated entity to provide additional information relating to likely developments in the operations of the consolidated entity, and the expected results of those operations in financial years subsequent to 30 June 2009.

Mirvac PFA Diversified Property Trust and its controlled entities Director's Report

Environmental regulation

The Trust is subject to environmental regulation in respect of its land and property development activities. The relevant authorities are provided with regular updates, and to the best of the directors' knowledge, all activities have been undertaken in compliance with the requirements of planning approvals.

Indemnification and insurance of officers and the auditor

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to the responsible entity or the auditors of the Trust. As long as the officers of the responsible entity act in accordance with the constitution and the law, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditor of the Trust is in no way indemnified out of the assets of the Trust.

Fees paid to and interests held in the Trust by the responsible entity or its associates

Fees paid to the responsible entity and its associates out of Trust property during the year are disclosed in note 22 of the financial statements.

No fees were paid out of Trust property to the directors of the responsible entity during the year.

The number of interests in the Trust held by the responsible entity or its associates as at the end of the financial year are disclosed in note 22 of the financial statements.

Rounding of amounts to the nearest thousand dollars

The Trust is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order unless otherwise indicated.

Auditor's Independence Declaration

A copy of the auditors' independence declaration required under section 307C of the *Corporations Act 2001* is set out on page 6.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the directors.



Grant B Hodgetts
Director

Sydney 24 August 2009

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Auditor's Independence Declaration

As lead auditor for the audit of Mirvac PFA Diversified Property Trust for the year ended 30 June 2009, 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 year; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Marcus Laithwaite
Partner
PricewaterhouseCoopers

Sydney
24 August 2009

Mirvac PFA Diversified Property Trust and its controlled entities
Income Statements
For the year ended 30 June 2009

		Consolidated		Parent entity	
	Note	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue					
Rental revenue	4	64,419	65,640	48,978	51,210
Interest revenue		481	701	7,022	7,586
Distribution revenue		-	-	6,441	5,692
Total revenue		64,900	66,341	62,441	64,488
Other income					
Net gain on non-current assets classified as held for sale		104	1,063	104	1,063
Share of associates profit/(loss) accounted for using the equity method		777	(349)	-	-
Total other income		881	714	104	1,063
Total revenues and other income		65,781	67,055	62,545	65,551
Expenses					
Property outgoings		(15,436)	(14,144)	(11,736)	(11,060)
Finance costs	5	(23,681)	(23,447)	(27,175)	(25,431)
Amortisation of borrowing costs		(1,008)	(1,380)	(1,008)	(1,370)
Change in fair value of investment properties		(31,940)	(43,984)	(15,535)	(39,970)
Change in fair value of derivative financial instruments		(18,240)	3,459	(18,240)	3,459
Fund expenses	5	(4,396)	(5,104)	(4,352)	(5,033)
Total expenses		(94,701)	(84,600)	(78,046)	(79,405)
Net operating loss		(28,920)	(17,545)	(15,501)	(13,854)
Finance costs to unitholders	6	(18,253)	(27,188)	(18,253)	(27,188)
Changes in net assets attributable to unitholders		47,173	44,733	33,754	41,042
Net profit/(loss) for the period		-	-	-	-

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

Mirvac PFA Diversified Property Trust and its controlled entities
Balance Sheets
As at 30 June 2009

	Note	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current assets					
Cash and cash equivalents		4,504	10,011	4,248	9,397
Receivables	8	1,525	3,100	1,109	2,561
Non-current assets classified as held for sale	9	-	21,950	-	21,950
Other assets	10	1,207	1,525	927	1,124
Total current assets	2(b)	7,236	36,586	6,284	35,032
Non-current assets					
Derivative financial instruments	11	-	6,041	-	6,041
Investment properties	12	591,850	608,160	453,650	454,610
Investments in controlled entities	13	-	-	69,715	69,715
Loans to controlled entities		-	-	64,825	-
Investments in associates	14	608	153	180	180
Other non-current assets		1,455	975	1,455	1,297
Total non-current assets		593,913	615,329	589,825	531,843
Total assets		601,149	651,915	596,109	566,875
Current liabilities					
Payables	15	5,086	8,176	4,452	6,888
Borrowings	16	-	353,248	-	259,108
Provision for distribution		1,363	1,850	1,363	1,850
Derivative financial instruments	17	3,236	-	3,236	-
Loans from controlled entities		-	-	-	28,213
Total current liabilities	2(b)	9,685	363,274	9,051	296,059
Non-current liabilities					
Borrowings	16	340,330	-	340,330	-
Derivative financial instruments	17	8,963	-	8,963	-
Total non-current liabilities		349,293	-	349,293	-
Total liabilities (excluding net assets attributable to unitholders)		358,978	363,274	358,344	296,059
Net assets attributable to unitholders	18	242,171	288,641	237,765	270,816
Net assets		-	-	-	-

The above Balance Sheets should be read in conjunction with the accompanying notes.

Mirvac PFA Diversified Property Trust and its controlled entities
Statements of Changes in Equity
For the year ended 30 June 2009

	Note	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Total equity at the beginning of the reporting period		-	-	-	-
Profit/(loss) for the year		-	-	-	-
Net income/(expense) recognised directly in equity		-	-	-	-
Total recognised income and expense for the financial year		-	-	-	-
Distributions paid/payable		-	-	-	-
Total equity at the end of the financial year		-	-	-	-

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

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Mirvac PFA Diversified Property Trust and its controlled entities
Cashflow Statements
For the year ended 30 June 2009

	Note	Consolidated		Parent entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Cash receipts in the course of operations (inclusive of GST)		63,539	66,739	47,737	54,075
Cash payments in the course of operations (inclusive of GST)		(22,229)	(26,963)	(17,844)	(23,427)
Interest received		306	665	306	665
Distributions from controlled entities		-	-	6,441	-
Borrowing costs paid		(22,407)	(23,395)	(19,381)	(16,318)
Net cash inflows from operating activities	23	19,209	17,046	17,259	14,995
Cash flows from investing activities					
Proceeds from sale of investment properties		18,936	1,063	18,936	1,063
Purchase of investment properties and capital expenditure		(11,037)	(97,261)	(9,831)	(95,824)
Movements in loans to associates		50	-	50	-
Net cash inflow/(outflows) from investing activities		7,949	(96,198)	9,155	(94,761)
Cash flows from financing activities					
Proceeds from issue of units		-	43,366	-	43,366
Issue costs paid		-	(1,273)	-	(1,273)
Proceeds from borrowings		341,949	64,637	341,949	64,637
Repayment of borrowings		(354,161)	-	(260,021)	-
Financing costs paid		(1,714)	(1,149)	(1,714)	(1,149)
Finance costs to unitholders/distributions paid		(18,739)	(26,898)	(18,739)	(26,898)
Loans to controlled entities		-	-	(93,038)	-
Net cash (outflows)/inflows from financing activities		(32,665)	78,683	(31,563)	78,683
Net decrease in cash and cash equivalents held		(5,507)	(469)	(5,149)	(1,083)
Cash and cash equivalents at the beginning of the financial year		10,011	10,480	9,397	10,480
Cash and cash equivalents at the end of the financial year		4,504	10,011	4,248	9,397

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
For the year ended 30 June 2009

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Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
For the year ended 30 June 2009

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial report includes separate financial statements for Mirvac PFA Diversified Property Trust as the parent entity and the consolidated entity consisting of Mirvac PFA Diversified Property Trust and its controlled entities.

The financial statements were authorised for issue by the directors of the responsible entity on the 24 August, 2009. The directors of the responsible entity have the power to amend and reissue the financial report.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with the Trust's Constitution, Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

The financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. Where current year items are revenue/expense in the consolidated income statement, the prior year balance has been reclassified to correspond with the current year.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Mirvac PFA Diversified Property Trust and its controlled entities comply with International Financial Reporting Standards (IFRS).

Critical accounting estimates and judgement

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 Trust'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.

(b) Principles of consolidation

i) Controlled entities

A controlled entity is any entity controlled by the Trust. Control exists where the Trust has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Trust to achieve the objectives of the Trust. A list of controlled entities is contained in Note 13.

All inter-entity balances and transactions between entities in the economic entity, including any unrealised profits and losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

ii) Associates

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

The consolidated entity's share of its associates' profits or losses is recognised in the income statement. The cumulative movements are adjusted against the carrying amount of the investment. Distributions receivable from associates reduce the carrying amount of the investments.

Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
For the year ended 30 June 2009

Note 1 Statement of significant accounting policies (continued)

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

Unrealised gains on transactions between the consolidated entity and its associates are eliminated to the extent of the consolidated entity's interest in the associates. 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 consolidated entity.

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

(d) 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, rebates and amounts collected on behalf of third parties.

The Trust recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Trust and specific criteria have been met for each of the Trust's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the revenue have been resolved.

Revenue is recognised for the major business activities as follows:

- (i) Rental revenue
Rental revenue from operating leases is recognised in income on a straight line basis over the lease term.
- (ii) Dividend and distribution income
Dividends and distributions are recognised as income on the date that the dividends and distributions are declared and the right to receive payment is established.
- (iii) Sale of investment properties
The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the asset at the time of the disposal and the proceeds on disposal and is included in the income statement in the year of disposal. Income is recognised when risks and rewards of ownership have been transferred to the buyer, which is considered to occur on settlement.
- (iv) Interest income
Interest income on deposits, performing loans and discounted securities is recognised on an effective interest rate basis.

(e) Expenses

- (i) Property outgoings
Property outgoings including rates, taxes and other property outgoings (including maintenance and repairs) are brought to account on an accruals basis.
- (ii) Responsible entity's fees
Fees payable to the responsible entity are recognised as an expense by the Trust on an accruals basis. Fees relating to specific events or transactions are charged upon completion or occurrence of the relevant service or event.

Note 1 Statement of significant accounting policies (continued)

(f) Taxation

Under current legislation, the Trust and its controlled entities are not liable for income tax, provided that the taxable income and taxable realised gains are fully distributed to investors each year.

(g) Leases

Under *AASB 117: Leases*, rental income on operating leases is 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.

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 fitouts. They are amortised on a straight-line basis over the term of the lease. The carrying amount of the lease incentives is reflected in the fair value of the investment properties.

(h) Impairment of assets

At each reporting date, the Trust reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. Any excess of the assets carrying value over its recoverable amount is expensed to the Income Statement.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held with financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement no more than 30 days from the date of recognition.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for doubtful receivables is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment 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 within property expenses. When a receivable for which an impairment provision had been recognised become uncollectible in a subsequent period, it is written off against the allowance impairment provision. Subsequent recoveries of amounts previously written off are credited against property expenses in the income statement.

(k) Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write-down of the asset 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, 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 is recognised at the date of derecognition.

Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
For the year ended 30 June 2009

Note 1 Statement of significant accounting policies (continued)

Non-current assets 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 are presented separately from the other assets in the consolidated balance sheet.

(l) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value using market valuation principles at each reporting date. The Trust has taken the view that the derivatives held do not qualify for hedge accounting. Changes in fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in the income statement.

(m) Investment properties

Investment properties comprising commercial office buildings, retail shopping centres, industrial facilities and hotels are held for long term rental yields and for capital appreciation. Investment properties are carried at fair value, which is based on active market prices, adjusted if necessary, for any differences in the nature, location or condition of the specific asset. If this information is not available, the Trust uses alternative valuation methods such as discounted cash flow projections. The carrying amount of the investment properties recorded in the Balance Sheet includes components relating to lease incentives. Changes in fair values are recorded in the income statement.

Valuations

Investment properties are initially measured at cost plus transaction costs and are subsequently 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.

In line with Mirvac's Valuation Policy, the requirement for revaluation is at intervals of not more than every two years, using an independent valuer not more than three times. These valuations are considered by the directors of the responsible entity when determining fair value. 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 prohibit investment properties to be depreciated where the fair value model is used.

(n) Trade and other payables

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

Note 1 Statement of significant accounting policies (continued)

(o) Borrowings

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 rate method. Fees including legal costs paid on the establishment of loan facilities, which are not an 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.

Finance costs include:

- interest on short term and long term borrowings.
- amortisation of discounts or premiums relating to borrowings.
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings.
- interest receipts and payments under interest rate swap agreements.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

(p) Capitalisation of borrowing costs

The Trust has adopted AASB 139 Financial Instruments: Recognition and Measurement, and recognises financing costs incurred in the acquisition of Interest Bearing Liabilities as a reduction in the Interest Bearing Liabilities. Financing costs are capitalised and amortised over the period of the loan to which it relates.

(q) Provision for distribution

Provision is made for the amount of any distribution declared, determined or publicly recommended by the directors on or before the end of the reporting period but not distributed at financial year end.

(r) Distributions/Finance costs paid to unitholders

Units of the Trust are considered debt instruments under AASB 132 Financial Instruments: Presentation, therefore amounts paid to investors for accounting purposes are treated as a financing cost expense in the income statement. Distribution entitlements have been recognised on an accrual basis.

(s) Net assets attributable to unitholders

Non-distributable income is included in the Trust's retained earnings/net assets attributable to investors and may consist of unrealised changes in the net fair value of financial instruments held at fair value through profit or loss, derivative financial instruments, changes in the fair value of investment properties, accrued income not yet assessable, expenses provided or accrued for which are not yet deductible. Net capital gains on the realisation of any financial instruments (including any adjustments for tax deferred income previously taken directly to net assets attributable to investors) and accrued income not yet assessable will be included in the determination of distributable income in the same year in which it becomes assessable for tax. Movements in net assets attributable to unitholders are recognised in the income statement as financing costs

(t) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). 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.

Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
For the year ended 30 June 2009

Note 1 Statement of significant accounting policies (continued)

Receivables and payables are stated inclusive of the GST amount receivable or payable. The amount of GST recoverable from, or payable to, the 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.

(u) Rounding of amounts

The Trust 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.

(v) New accounting standards and UIG interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Trust's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8.

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) 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 Trust, as the Trust already capitalises borrowing costs relating to qualifying assets.

(iii) 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 Trust intends to apply the revised standard from 1 July 2009.

(iv) 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).

Revised AASB 132 is applicable for reporting periods beginning on or after 1 January 2009. The Trust has not adopted this standard early. Application of this standard will not affect any of the amounts recognised in the financial statements as the Trust is obligated to distribute all of its taxable income in accordance with the Trust's constitution.

Note 1 Statement of significant accounting policies (continued)

(v) *AASB 140 (Amendment) Investment Property and consequential amendments to AASB 116* (Effective from 1 January 2009)

The amendments were made by AASB 2008-5 Amendments to Australia Accounting Standards arising from the Annual Improvements Project in July 2008. Property that is under construction or development for future use as investment property is within the scope of AASB 140. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The Trust does not currently hold any Property, Plant and Equipment so these amendments will not have any direct impact on the operations of the Trust at present.

Note 2 Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

The Trust makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated value of investment properties

Estimates are made by the Trust in respect of the fair value of investment properties. These investments are reviewed regularly for impairment by reference to external independent property valuations, recent similar sales and market conditions, using generally accepted market practices. Where these are not available, discounted cash flow models are used to estimate the fair value.

The carrying value as at 30 June 2009 for investment properties was \$591,850,000 (2008: \$608,160,000)

(ii) Estimated value of financial derivatives

Estimates are made by the Trust in respect of the fair value of financial derivatives. These financial derivatives are reviewed regularly for impairment by reference to external independent valuations from financial institutions, which are readily available.

The carrying amount of financial derivative liabilities as at 30 June 2009 was \$12,199,000 (2008: asset \$6,041,000)

(b) Critical judgements in applying the Trust's accounting policies

(i) Going concern

The financial report has been prepared on a going concern basis. This basis assumes that the Trust will realise its assets and extinguish its liabilities in the normal course of business.

(ii) Current asset deficiency

As at 30 June 2009 the consolidated and parent entity is in a net current liability position. Included in current liabilities are non cash items representing the mark to market valuations of derivative financial instruments, which do not represent cash commitments of the Trust. The directors of the responsible entity have reviewed the cash flow forecasts of the Trust and believe it has sufficient cash flows to meet obligations as and when they fall due.

Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
For the year ended 30 June 2009

Note 3 Segment 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 corporate income and expenses.

Geographic segments

The Trust operates solely in one geographic segment, being Australia.

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 segment of the consolidated entity is the investment in properties which are leased to third parties for the following uses:

Retail	-	Accommodation for retail outlets
Commercial	-	Office accommodation
Industrial	-	Accommodation for factories and other industrial use
Hotels	-	Hotel accommodation
Other	-	Unallocated – not attributed to one of the above segments

Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
For the year ended 30 June 2009

Note 3 Segment information (continued)

30 June 2009						
Business Segments	Retail	Commercial	Industrial	Hotels	Other	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Rental revenue	12,152	43,599	832	7,836	-	64,419
Interest revenue	-	-	-	207	274	481
Total revenue	12,152	43,599	832	8,043	274	64,900
Investments in associates and joint ventures	-	-	-	777	-	777
Total segment result before finance costs to unitholders	(4,607)	18,257	1,699	759	(45,029)	(28,920)
Segment assets	94,458	391,886	9,988	99,691	-	596,023
Unallocated assets	-	-	-	-	5,126	5,126
Total assets	94,458	391,886	9,988	99,691	5,126	601,149
Segment liabilities	317	3,576	25	130	-	4,048
Unallocated liabilities ¹	-	-	-	-	597,101	597,101
Total liabilities	317	3,576	25	130	597,101	601,149

¹ This includes the borrowings and net assets attributable to unitholders. The borrowings are not specifically allocated to any properties, it is a combined facility guaranteed by all the assets of the Trust.

Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
For the year ended 30 June 2009

Note 3 Segment information (continued)

30 June 2008

Business Segments	Retail \$'000	Commercial \$'000	Industrial \$'000	Hotels \$'000	Other \$'000	Consolidated \$'000
Income						
Rental revenue	13,825	42,347	870	8,599	-	65,640
Interest revenue	-	-	-	225	476	701
Total revenue	13,825	42,347	870	8,824	476	66,341
Investments in associates and joint ventures	-	-	-	(349)	-	(349)
Total segment result before finance costs to unitholders	(5,306)	2,909	(694)	11,419	(25,873)	(17,545)
Segment assets	105,796	422,170	8,429	100,621	-	637,015
Unallocated assets	-	-	-	-	14,900	14,900
Total assets	105,796	422,170	8,429	100,621	14,900	651,915
Segment liabilities	2,172	6,157	114	1,003	-	9,446
Unallocated liabilities ¹	-	-	-	-	642,469	642,469
Total liabilities	2,172	6,157	114	1,003	642,469	651,915

¹ This includes the borrowings and net assets attributable to unitholders. The borrowings are not specifically allocated to any properties, it is a combined facility guaranteed by all the assets of the Trust.

Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
For the year ended 30 June 2009

Note 4 Income

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Rental revenue				
- Gross rental income (excl. yield enhancement, rental guarantees and top-up payments)	54,841	56,862	39,775	42,804
- Outgoings recovered	9,324	8,320	8,674	7,753
- Rental guarantee income	1,152	1,014	1,152	1,014
- Lease incentive amortisation	(898)	(556)	(623)	(361)
	64,419	65,640	48,978	51,210

Note 5 Expenses

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Finance costs				
- Finance costs to financial institutions	23,681	23,447	21,111	16,345
- Interest on loans from controlled entities	-	-	6,062	9,086
	23,681	23,447	27,175	25,431
Fund expenses				
- Responsible entity's fees (note 22)	2,576	3,894	2,576	3,894
- Registry & report costs	338	91	338	91
- Compliance committee and custodian	202	181	202	181
- Other expenses	1,280	938	1,236	867
	4,396	5,104	4,352	5,033

Note 6 Finance costs to unitholders/Distributions paid and payable

	Consolidated		Consolidated	
	2009	2009	2008	2008
	\$ '000	CPU	\$ '000	CPU
July	1,298	0.575	1,560	0.817
August	1,298	0.575	1,695	0.817
September	1,298	0.575	1,843	0.817
September (Special)	2,482	1.100	5,503	2.880
October	1,298	0.575	1,843	0.817
November	1,298	0.575	1,843	0.817
December	1,298	0.575	1,843	0.817
January	1,298	0.575	1,843	0.817
February	1,298	0.575	1,843	0.817
March	1,298	0.575	1,843	0.817
April	1,363	0.604	1,843	0.817
May	1,363	0.604	1,843	0.817
June (payable)	1,363	0.604	1,843	0.817
	18,253	8.087	27,188	12.684

The Trust has distributed all of its taxable income to unitholders for the years ended 30 June 2009 and 30 June 2008.

Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
For the year ended 30 June 2009

Note 7 Earnings per unit

Earnings per unit information (EPU) is not disclosed as the units of the Trust are considered to be debt instruments in accordance with AASB 132 requirements.

Note 8 Current assets – Receivables

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Trade receivables	365	1,048	343	822
Provision for doubtful debts	(80)	-	(80)	-
	285	1,048	263	822
Other receivables	1,240	2,052	846	1,739
	1,525	3,100	1,109	2,561

a) Impaired trade receivables

As at 30 June 2009 current trade receivables of the Trust with a nominal value of \$80,494 (2008: nil) were impaired. The amount of the provision was \$80,494 (2008: nil). The individually impaired receivables relate to tenants who are small business operators and which are in unexpectedly difficult economic situations. The impairment amount is over and above any security deposit or bank guarantee held.

The ageing of impaired receivables is as follows:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
0 - 30 days	-	-	-	-
31 - 60 days	-	-	-	-
61 - 90 days	6	-	6	-
Over 90 days	74	-	74	-
	80	-	80	-

Movements in the provision for impairment are as follows:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	-	40	-	3
Amounts written off during the year	(224)	(40)	(185)	(3)
Provision for impairment recognised	-	-	-	-
Amounts recovered during the year	-	-	-	-
Increase in allowance recognised in profit and loss	304	-	265	-
Balance at end of year	80	-	80	-

(b) Past due but not impaired

As at 30 June 2009, trade receivables for the consolidated entity of \$132,000 (2008: \$455,000) were past due but not impaired and for the parent entity \$106,000 (2008: \$414,000). The ageing analysis of the Trust's trade receivables is as follows:

Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
For the year ended 30 June 2009

Note 8 Current assets – Receivables (continued)

	Consolidated		Parent entity	
	Total receivables	Total receivables	Total receivables	Total receivables
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Not past due	153	593	157	408
Past due 0 - 30 days	76	114	72	93
Past due 31 - 60 days	22	118	14	105
Past due 61 - 90 days	16	123	9	119
Past 90 days	18	100	11	97
	285	1,048	263	822

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

(c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 24 on the risk management policy of the Trust and the credit quality of the entity's trade receivables.

Note 9 Current assets – Non-current assets classified as held for sale

Property	Type	Ownership	Date acquired	Consolidated		Parent entity	
				2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Centro on James, Fortitude Valley, QLD 4006 ¹	Commercial /Retail	100%	Dec-01	-	17,900	-	17,900
303 Sevenoaks St, Cannington, WA 6107 ²	Vacant Land	100%	Feb-05	-	4,050	-	4,050
				-	21,950	-	21,950

¹ In July 2008 the Trust disposed of Centro on James for a sale price of \$19.2 million.

² The sale of the surplus land at 303 Sevenoaks Street, Cannington WA has been abandoned as certain contractual conditions were not achieved within the required timeframe. Management is continuing with the sub-division works but does not believe a sale will complete within the next 12 months.

The Trust previously classified 544 Kessels Road, MacGregor, QLD as held for sale at 31 December 2008 as it was in talks with several interested parties regarding the sale. However, with the downturn in market conditions, the sale has fallen through due to the potential buyer being unable to obtain finance. The asset is no longer treated as held for sale and has been transferred back to Investment Property in the accounts of the Trust and has since been revalued.

Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
For the year ended 30 June 2009

Note 10 Other current assets

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Prepayments and deferred expenses	1,207	1,525	927	1,124

Note 11 Derivative financial assets

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Interest rate swap contracts	-	6,041	-	6,041

Refer to Note 17 regarding derivative financial liabilities.

(a) Instruments used by the Trust

Refer to note 24 for information on instruments used by the Trust.

(b) Interest rate risk exposures

Refer to note 24 for the Trust's exposure to interest rate risk on interest rate swaps.

Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
For the year ended 30 June 2009

Note 12 Non-current assets - Investment properties

Property	Type	Ownership %	Date acquired	Book value 30-Jun 2009 \$'000	Book value 30-Jun 2008 \$'000	Cap Rate 30-Jun 2009 %	Cap Rate 30-Jun 2008 %	Discount Rate 30-Jun 2009 %	Discount Rate 30-Jun 2008 %	Last valuation date	Last external valuation \$'000	Independent valuer
390 St Kilda Road, Melbourne, VIC ₁	Commercial	100	Aug-07	59,100	60,580	8.50	7.50	9.50	9.25	Sep-08	61,000	A
657 Pacific Highway, St Leonards, NSW ₁	Commercial	100	Oct-07	18,300	18,840	8.50	8.25	9.75	9.75	Dec-08	19,000	B
706 Mowbray Road, Lane Cove, NSW ₁	Commercial	100	Jan-07	23,900	24,100	9.50	9.00	10.00	9.50	Jun-08	24,100	C
AAPT Centre, Richmond, VIC ₁	Commercial	100	Jun-05	20,100	20,500	8.00	7.57	9.50	9.00	Jun-08	20,500	A
Anzac Square, Brisbane, QLD	Commercial	100	Apr-99	34,300	38,500	8.75	8.00	9.75	9.00	Jun-08	38,500	D
Civic Tower, Sydney, NSW ₁	Commercial	50	Dec-05	65,200	67,410	7.50	6.75	9.50	9.00	Sep-08	66,852	E
Foxtel Building, Moonee Ponds, VIC ₁	Commercial	100	Jun-07	25,800	26,970	8.50	8.00	9.50	9.50	Dec-08	26,300	A
Sevenoaks, Cannington, WA ₁	Commercial	100	Feb-05	52,100	50,850	9.50	8.00	9.75	9.00	Jun-08	50,850	F
The Lands Building, Hobart, TAS ₁	Commercial	100	Mar-04	34,900	32,740	9.00	8.50	10.00	10.00	Dec-08	35,000	G
The Octagon, Parramatta, NSW ₁	Commercial	50	May-07	37,500	38,700	8.50	7.75	10.00	9.00	Sep-08	38,000	H
The Precinct, Coorparoo, QLD	Commercial	100	Apr-99	14,500	15,900	9.00	8.00	9.50	10.25	Jun-09	14,500	I
180 Queen Street, Brisbane, QLD ₁	Retail	100	Oct-05	22,000	21,150	8.25	7.50	9.25	8.75	Dec-08	24,000	J
544 Kessels Road, MacGregor, QLD	Retail	100	Apr-99	12,000	17,700	9.00	7.25	9.50	9.00	Mar-09	12,000	K
Cairns Hypermart, Cairns, QLD ₁	Retail	100	Dec-01	20,000	23,390	8.50	7.75	10.00	9.25	Jun-09	20,000	L
Homeworld Centre, Tuggeranong, ACT	Retail	100	Dec-99	28,700	29,900	9.25	8.75	10.00	9.50	Jun-08	29,900	C
Riverdale Centre, Dubbo, NSW	Retail	100	Sep-02	11,100	12,250	10.50	10.00	11.25	9.75	Mar-08	12,250	M
33 McDowell Street, Welshpool, WA ₁	Industrial	100	Jun-05	9,750	8,380	9.75	9.25	11.00	10.50	Jun-09	9,750	N
Citigate Melbourne, Melbourne, VIC	Hotels	100	Jun-06	37,600	39,300	9.00	8.50	12.00	11.50	Mar-08	39,300	O
Citigate Perth, Perth, WA ₁	Hotels	100	Jun-07	62,000	61,000	9.00	8.50	9.75	10.50	Mar-08	61,000	P
Sevenoaks, Cannington, WA _{1,2}	Vacant Land	100	Feb-05	3,000	-	-	-	-	-	Jun-08	4,400	F
				591,850	608,160						607,202	

Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
For the year ended 30 June 2009

Note 12 Non-current assets - Investment properties (continued)

	Parent entity	
	2009	2008
	\$'000	\$'000
¹ Investment properties owned by the parent entity.	453,650	454,610

² The vacant land at Sevenoaks was held for sale at 30 June 2008.

Valuers' names and qualifications

- A** Bernard Smith FAPI, Certified Practising Valuer, Knight Frank Valuations.
- B** John Booth AAPI, Certified Practising Valuer, CB Richard Ellis.
- C** Damon Ausling AAPI and Patricia Forbes AAPI, Certified Practising Valuers, LandMark White.
- D** Peter Zischke AAPI, Certified Practising Valuer, Knight Frank Valuations.
- E** Roger Price AAPI, Certified Practising Valuer, CB Richard Ellis.
- F** Jason Fenner AAPI and Stewart Nuttall AAPI, Licensed Valuers of CB Richard Ellis.
- G** Jason Stevens AAPI, Certified Practising Valuer, Colliers International.
- H** Craig Renshaw AAPI, Certified Practising Valuer, CB Richard Ellis.
- I** Tom Irving AAPI, Certified Practising Valuer, CB Richard Ellis.
- J** Francis Rex AAPI, Certified Practising Valuer, LandMark White.
- K** Philip Willington FAPI, Certified Practising Valuer, Knight Frank Valuations.
- L** Cameron Harris AAPI and Philip Willington FAPI, Certified Practising Valuers, Knight Frank Valuations.
- M** Damon Ausling AAPI and AP Covey AAPI, Certified Practising Valuers, Landmark White.
- N** Paul Bradstreet AAPI, Certified Practising Valuer, Savills (WA) Valuations.
- O** Peter Grieve AAPI and Ken Smith AAPI, Licensed Valuers of CB Richard Ellis (Hotels).
- P** Wesley Milson AAPI and Robert McIntosh FAPI, Licensed Valuers of CB Richard Ellis (Hotels).

Reconciliation of carrying amount of investment properties

Reconciliations of the carrying amounts of investment properties at the beginning and end of the current and previous financial period are set out below.

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of financial period	608,160	571,298	454,610	415,168
Acquisitions	-	89,028	-	89,027
Additions	9,198	5,214	8,652	4,212
Disposals	-	(1,063)	-	(1,063)
Net revaluation decrement	(31,940)	(42,465)	(15,535)	(38,646)
Classified as held for sale (refer to Note 9)	-	(21,950)	-	(21,950)
Transfer to investment property (refer to Note 9)	4,050	-	4,050	-
Lease incentives	1,400	1,952	952	2,033
Amortisation of lease incentives	(898)	(556)	(623)	(361)
Fixed rental increase in lease straight-lining	1,880	6,702	1,544	6,190
Carrying amount at end of financial period	591,850	608,160	453,650	454,610

Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
For the year ended 30 June 2009

Note 12 Non-current assets - Investment properties (continued)

Valuations of investment properties

The basis of valuation of investment properties is fair value being the amounts for which the assets could be exchanged between knowledgeable, willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. Properties not independently valued during the last 3 months are carried at director's valuation at 30 June 2009.

Non-current assets pledged as security

Refer to note 16 for information on non-current assets pledged as security by the parent entity or its controlled entities.

Property portfolio

The Trust's property portfolio is made up as follows:

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Investment properties per Balance Sheet	591,850	608,160	453,650	454,610
Non-current assets classified as held for sale	-	21,950	-	21,950
	591,850	630,110	453,650	476,560

Note 13 Investment in controlled entities

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Investments in controlled entities	-	-	69,715	69,715

Name of entity	Country of incorporation	Equity holding	
		2009 %	2008 %
The Riverdale Fixed Term Property Trust	Australia	100*	100*
The Capital Collection – Diverse Sector Fund Trust No.1	Australia	100*	100*
The Metropolitan Collection – Brisbane Trust	Australia	100*	100*
The Garden Square Trust	Australia	100*	100*

*All controlled entities are 100% owned since the merger on 1 July 2003.

Note 14 Investments in associates

Name	Principal activities	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Citigate Melbourne Pty Ltd	Hotel Operations	337	153	90	90
Citigate Perth Pty Ltd	Hotel Operations	271	-	90	90
		608	153	180	180

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Note 14 Investments in associates (continued)

Each of the above associates is incorporated in Australia. Mirvac PFA Diversified Property Trust holds 49% of the B class voting shares and 90% of the A class income shares in both the entities.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, and the cost basis for the parent entity. Information relating to the associates is set out as follows:

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Movements in carrying amounts of investments in associates:				
Carrying amount at the beginning of the financial year	153	180	180	180
Share of associate profits	777	(349)	-	-
Adjustment to loan receivable from associates	(322)	322	-	-
Carrying amount at the end of the financial year	608	153	180	180
Summarised financial information of associates:				
The Trust's share of revenue, profits, assets and liabilities of associates are:			2009 \$'000	2008 \$'000
Revenue			20,970	21,852
Profit/(loss) from ordinary activities			777	(510)
Assets			3,586	2,872
Liabilities			2,887	3,255

Note 15 Payables

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade creditors	908	2,228	859	2,051
Rent received in advance	1,217	1,139	968	836
Other creditors	2,960	4,809	2,625	4,001
	5,086	8,176	4,452	6,888

Note 16 Borrowings

The Trust was successful in refinancing its debt facility with the execution of all documentation completed on 7 November 2008. All debt is held with major banks – Commonwealth Bank of Australia, the National Australia Bank and ING and the new facility runs for three years until November 2011 with a limit of \$355.0 million.

At 30 June 2009 (30 June 2008: \$354.16 million) the funds drawn against the facility stood at \$341.95 million.

The Facility is restricted to the refinance of the existing Senior and Junior facilities and for capital expenditure associated with the Trust's investment properties. It comprises 100% of the Trust's debt.

Mirvac PFA Diversified Property Trust and its controlled entities
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Note 16 Borrowings (continued)

As at 30 June 2009; 69% (30 June 2008: 75%) of the Trust's debt is hedged with the balance being on variable interest rates.

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Current				
Secured bank loans	-	354,161	-	260,021
Deferred borrowing costs	-	(913)	-	(913)
	-	353,248	-	259,108
Non-current				
Secured bank loans	341,949	-	341,949	-
Deferred borrowing costs	(1,619)	-	(1,619)	-
	340,330	-	340,330	-

(a) Assets pledged as security

The bank loans of the Trust are secured by first mortgages over all of the Trust's investment properties including the investment properties directly held by controlled entities. The value of investment property subject to mortgages is contained in Note 12.

(b) Financing arrangements

Finance available at balance date:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Loan note facility				
Total facilities	355,000	367,161	355,000	273,021
Used at balance date	(341,949)	(354,161)	(341,949)	(260,021)
Unused at balance date	13,051	13,000	13,051	13,000

(c) Interest rate risk exposures

The following table sets out the Trust's exposure to interest rate risk, including the contractual repricing dates and the fixed interest rate by maturity periods. Exposures arise predominantly from liabilities bearing variable interest rates as the Trust intends to hold fixed rate liabilities to maturity.

2009	Floating interest rate \$'000	Consolidated Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
		1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000		
Borrowings - non current	341,949	-	-	-	(1,619)	340,330
Interest rate swaps*	(235,000)	75,000	70,000	90,000	-	-
	106,949	75,000	70,000	90,000	(1,619)	340,330

*Notional principal amounts

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Note 16 Borrowings (continued)

2008	Floating interest rate \$'000	Consolidated Fixed interest maturing in:			Non- interest bearing \$'000	Total \$'000
		1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000		
Borrowings - current	354,161	-	-	-	(913)	353,248
Interest rate swaps*	(264,152)	29,152	145,000	90,000	-	-
	90,009	29,152	145,000	90,000	(913)	353,248

*Notional principal amounts

(c) Capital management strategy

Managements stated objectives when managing capital is to safeguard the Trust's ability to continue as a going concern, so that it can continue to provide distributions to investors and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Management may adjust the amount of distributions paid to Investors. Management manage the risks with a view to the outcomes of both financial results and the underlying economic position.

Capital management initiatives implemented by Management are fundamentally concerned with maintaining the capital mix of equity and debt levels and supporting the delivery of financial targets by reducing interest rate volatility through the use of interest rate derivatives.

The gearing ratios were as follows:

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Total borrowings less cash	337,445	344,150	337,701	250,624
Total assets less cash	596,645	641,904	591,861	557,478
Gearing ratio	56.56%	53.61%	57.06%	44.96%

Note 17 Derivative financial liabilities

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current liabilities				
Interest rate swap contracts	3,236	-	3,236	-
Non-current liabilities				
Interest rate swap contracts	8,963	-	8,963	-

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Note 17 Derivative financial liabilities (continued)

Refer to Note 11 regarding derivative financial assets.

(a) Instruments used by the Trust

The Trust enters into derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates, in accordance with the Trust's financial risk management policies.

(i) Interest rate swap contracts

Bank loans of the Trust currently bear an average variable interest rate. It is policy to protect part of the loans from exposure to fluctuations in interest rates. Accordingly, the Trust has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates.

Swaps currently in place cover approximately 69% (2008: 75%) of the total loan principle outstanding. The contracts require settlement on a net basis every 30 days. All hedges are considered to be ineffective and accordingly the gain or loss from remeasuring the contracts at fair value is immediately recognised in the income statement.

At balance date these contracts were a liability with fair value of \$12.2 million (2008: asset of \$6.0 million). For the financial year ended 30 June 2009, \$18.2 million was recognised as an expense (2008: \$3.5 million as income) from the decrease/increase in fair value of interest rate swaps from the prior year.

At 30 June 2009, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2009	2008
	\$'000	\$'000
Less than 1 year	75,000	29,152
1 – 2 years	40,000	75,000
2 – 5 years	30,000	70,000
Greater than 5 years	90,000	90,000
	235,000	264,152

The Trust has three derivative instruments in the greater than 5 year's category that contain optionality, which means they can be cancelled by the financial institution on a monthly basis from the callable date resulting in the uncertainty of hedging tenor. The derivatives that are callable include \$20 million from March 2010, \$20 million from April 2010, and \$50 million from August 2010.

The Trust also has two interest rate swaption contracts of \$45 million and \$55 million respectively, which can be called to commence August 2009 and October 2010 which have been excluded in the above table.

(b) Interest rate risk exposures

Refer to note 24 for the Trust's exposure to interest rate risk on interest rate swaps.

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For the year ended 30 June 2009

Note 18 Net assets attributable to unitholders

As the Trust's constitution has an effective termination date of August 2081, therefore in accordance with AASB132 *Financial Instruments: Presentation*, unitholders' funds are classified as a liability and accordingly the Trust has no equity for financial statement purposes at the start or end of the period.

	Note	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Issued units	18(i)	239,882	239,882	239,882	239,882
Retained earnings	18(ii)	130,770	158,988	126,364	141,164
Finance costs to unitholders	18(iii)	(122,796)	(104,543)	(122,796)	(104,543)
Capital raising costs		(5,686)	(5,686)	(5,686)	(5,686)
Net assets attributable to unitholders		242,171	288,641	237,765	270,817

	Consolidated and Parent entity			
	2009 \$'000	2008 \$'000	2009 units	2008 units
(i) Issued units				
Units on issue at the beginning of the financial year	239,882,354	196,516,263	225,667,727	190,121,453
Units issued during the year in accordance with the Product Disclosure Statement No. 5 dated 8 June 2007	-	43,366,091	-	35,546,274
Units on issue at the end of the financial year	239,882,354	239,882,354	225,667,727	225,667,727

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(ii) Retained earnings				
Retained earnings at beginning of financial year	158,988	176,533	141,164	155,018
Restatement adjustment to opening retained earnings ¹	702	-	702	-
Current year profit before finance costs to unitholders	(28,920)	(17,545)	(15,502)	(13,854)
Retained earnings at the end of financial year	130,770	158,988	126,364	141,164
(iii) Finance costs to unitholders				
Accumulated finance costs to unitholders at beginning of financial year	(104,543)	(77,355)	(104,543)	(77,355)
Current year finance costs to unitholders	(18,253)	(27,188)	(18,253)	(27,188)
Accumulated finance costs to unitholders at the end of financial year	(122,796)	(104,543)	(122,796)	(104,543)

¹ The restatement relates to the prior period adjustment for the income support account disclosed in the 31 December 2008 financial statements.

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Note 19 Remuneration of auditors

During the year the following were paid or payable for services provided by the auditor of the Trust, its related practices and non-related audit firms:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Auditors of the Trust				
<i>PricewaterhouseCoopers:</i>				
Audit and review of financial reports and other audit work	136	-	136	-
Other services				
<i>Non-PricewaterhouseCoopers:</i>				
Auditors of the Trust	80	82	80	82
Due diligence services	-	63	-	63
Taxation services	115	46	115	46
Property outgoing audit	24	7	19	1
Compliance audit	4	14	4	14
	223	212	218	206
	284	212	279	206

PricewaterhouseCoopers' were appointed auditors of the Trust in the 2009 financial year, after the resignation of BDO Kendalls (QLD). It is the Trust's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Trust are important.

Note 20 Contingencies

The Trust had no contingent liabilities at 30 June 2009.

As at 30 June 2009, the Trust has entitlements to income support guarantees covering:

- a maximum period to August 2009 for 390 St Kilda Road, Melbourne of \$134,496;
- a maximum period to August 2010 for The Octagon, 110 George St, Parramatta, Sydney of \$823,884 (50% share).

Note 21 Capital commitments

Capital expenditure contracted for at the end of the financial year but not recognised as a liability is as follows:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Commitments for expenditure relating to investment properties:				
Within one year	759	3,950	743	3,950
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	759	3,950	743	3,950

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Note 22 Related party disclosures

a. Responsible entity

The responsible entity of Mirvac PFA Diversified Property Trust is Mirvac PFA Limited ("Responsible Entity") whose immediate and ultimate holding company is Mirvac Holdings Limited.

b. Investments in associates

Loans to associate entities are unsecured and is interest bearing at commercial lending rates in accordance with the revolving cash advance facility agreements. Refer to note 14 for further details on investments in associates.

c. Key management personnel

(a) Directors

Key management personnel include persons who were directors of Mirvac PFA Limited during the financial year:

Mr P F Barker (Chairman)
Mr N R Collishaw
Mr G B Hodgetts
Mr K R Strang
Mr R W Turner

(b) Other key management personnel

Other key management personnel who were responsible for planning, directing and controlling the activities of the Trust, directly or indirectly during the financial year include Ben Hindmarsh, Trust Manager.

(c) Key management personnel compensation

Key management personnel are employed and paid by Mirvac Projects Pty Ltd. Payments made from the Trust to Mirvac PFA Limited do not include any amounts directly attributable to the compensation of key management personnel.

(d) Key management personnel loan disclosures

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the year.

(e) Key management personnel unit holdings

No key management personnel held units in the Trust during the financial year.

(f) Other transactions within the Trust

Apart from those details disclosed in this note, no key management personnel has entered into a material contract with the Trust since the end of the previous financial year and there were no material contracts involving director's interests subsisting at year end.

Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
For the year ended 30 June 2009

Note 22 Related party disclosures (continued)

d. Responsible entity's remuneration

In addition to management fees the responsible entity and its associates are entitled to

- i. property management and leasing fees based on market rates;
- ii. advisory fees for acquisitions, project developments and treasury matters based on market rates;
- iii. reimbursement of trust expenses incurred on behalf of the Trust.

Set out below are the fees paid or payable by the Trust and consolidated entities to the responsible entity (and its associates) during the year:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Property & project management, and leasing fees	1,016	881	730	587
Responsible entity's fees	2,576	3,894	2,576	3,894
Acquisition & disposal fees	864	1,646	864	1,646
Capital raising fees	-	1,266	-	1,266
In-house accountancy fees	105	105	105	105
Share registry fees	21	42	21	42
Debt management fees	110	-	110	-
Loan establishment fees	350	-	350	-
	5,042	7,834	4,756	7,540
Reimbursement of Trust expenses	219	144	213	144
The following amounts are included in accounts payable as owed to the responsible entity at balance date	254	-	254	-

e. Related party unit holding

	2009	2008
	Number of units	Number of units
Mirvac PFA Limited	224,244	224,244

f. Wholly owned group

Details of interests in wholly-owned controlled entities are set out in note 13.

g. Loans to controlled entities

Loans between entities in a wholly-owned group are unsecured and interest bearing at commercial lending rates.

Mirvac PFA Diversified Property Trust and its controlled entities
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For the year ended 30 June 2009

Note 22 Related party disclosures (continued)

h. Distributions

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Distributions received or due and receivable by the Trust from wholly-owned controlled entities	-	-	6,441	5,692

i. Other related party transactions

The Responsible Entity is a sub-tenant of a tenant at the Anzac Square Offices; 200 Adelaide Street, Brisbane which is a property of a 100% owned sub trust of Mirvac PFA Diversified Property Trust. The terms of the lease were negotiated on commercial terms with the head tenant. The operations of the Responsible Entity have transferred from the Brisbane office to Sydney, with one remaining staff member located in Brisbane.

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Responsible entity rent payments	19	180	-	-

Note 23 Note to the cash flow statement

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Net loss from ordinary activities	(47,173)	(44,733)	(33,754)	(41,042)
Financing costs – investors	18,253	27,188	18,253	27,188
Non cash flows in profit:-				
Amortisation – borrowing costs	1,008	1,380	1,008	1,370
Amortisation – leasing costs	898	556	623	361
Profit on sale of investment properties	(104)	(1,063)	(104)	(1,063)
Share of associates (profit)/loss	(777)	349	-	-
Change in fair value of derivatives	18,240	(3,459)	18,240	(3,459)
Fixed rental increase in lease straight-lining	(1,880)	(6,702)	(1,544)	(6,190)
Change in fair value of investment properties	31,940	43,984	15,535	39,970
Change in operating assets and liabilities:				
(Increase) / decrease in trade and other receivables	1,576	(205)	1,242	(219)
(Increase) / decrease in current other assets	318	(579)	197	(504)
Increase / (decrease) in trade and other payables	(3,090)	330	(2,436)	(1,415)
Net cash inflow from operating activities	19,209	17,045	17,260	14,995

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Note 24 Financial risk management

The Trust's activities expose it to a variety of financial risks; market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Trust'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 Trust. The Trust uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes i.e. not as trading or other speculative instruments. The Trust uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by a central treasury department (Mirvac Group Treasury) under policies approved by the Board of Directors of the Responsible Entity. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The responsible entity provides written principles for overall risk management as well as policies covering specific areas such as interest rate risk, credit risk, and use of derivative financial instruments.

The Trust and its controlled entities hold the following financial instruments:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	4,504	10,011	4,248	9,397
Receivables	1,525	3,100	1,109	2,561
Derivative financial instruments	-	6,041	-	6,041
Loans to controlled entities	-	-	64,825	-
Other financial assets	1,455	975	1,455	1,297
	7,484	20,127	71,637	19,296
Financial liabilities				
Payables	5,086	8,176	4,452	6,888
Borrowings	341,949	354,161	341,949	260,021
Derivative financial instruments	12,199	-	12,199	-
Provision for distributions	1,363	1,850	1,363	1,850
Loans from controlled entities	-	-	-	28,213
	360,597	364,187	359,963	296,972

The carrying value less impairment provision of trade receivables and payables are assumed to be approximate their fair values due to their short-term nature. Derivative financial assets and liabilities are valued based upon valuation techniques.

(a) Market risk

- (i) Foreign exchange risk

The Trust is not subject to foreign exchange risk. All amounts are transacted in Australian dollars.

- (ii) Price risk

The Trust is exposed to equity price risk arising from an equity investment. The Trust currently holds an investment in two associate corporate entities that are unlisted. This investment represents less than 1% of the Trust's net assets and therefore represents minimal risk to the Trust.

Mirvac PFA Diversified Property Trust and its controlled entities
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Note 24 Financial risk management (continued)

(iii) Fair value and cash flow interest rate risk

As the Trust has minimal interest-bearing assets, the Trust's income and operating cash inflows are substantially independent of changes in market interest rates.

The Trust's interest-rate risk arises from borrowings. Borrowings issued at variable rates expose the Trust to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Trust to fair value interest-rate risk. The Trust's policy is to maintain approximately 70% of its borrowings at fixed rates using interest rate swaps.

As at the reporting date, the Trust had the following variable rate borrowings and interest rate swap contracts outstanding:

	2009 \$'000	2008 \$'000
Borrowings from banks	341,949	354,161
Interest rate swaps (notional principle amount)	(235,000)	(264,152)
Net exposure to cash flow interest rate risk	106,949	90,009

The Trust manages its cash flow interest-rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Trust raises borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Trust borrowed at fixed rates directly. Under the interest-rate swaps, the Trust agrees with other parties to exchange, at specified intervals (usually monthly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Trust sensitivity

The Trust's interest rate risk exposure arises predominantly from long term borrowings. Based upon a 100 basis point increase or decrease in interest rates, the impact on profit has been calculated taking into account all underlying exposures and related hedges. This sensitivity has been selected as this is considered reasonable given the current level of interest rates.

If interest rates were to increase with all other variables held constant this would result in an increase in finance cost and a (decrease) in profit. Conversely the exact opposite will occur if interest rates were to decrease.

The impact on the Trust's result of a 100 basis point increase in interest rates would be an increase in interest expense of \$3,419,490 and a decrease in expense from the change in fair value of derivative financial assets of \$6,773,245, resulting in an overall decrease in expense of \$3,353,755 (2008: an overall decrease in expense of \$3,293,770). The impact on the Trust's result of a 100 basis point decrease in interest rates would be a reduction in interest expense of \$3,419,490 and an increase in expense from the change in fair value of derivative financial assets of \$9,722,266 resulting in a total overall increase in expense of \$6,302,776 (2008: an overall increase in expense of \$3,449,837).

Parent entity sensitivity

The parent entity's main interest rate risk arises from the Trust's borrowings held at a variable interest rate. The impact on the parent entity's result of a 100 basis point increase in interest rates would be an increase in interest expense of \$3,419,490 and a decrease in expense from the change in fair value of derivative financial assets of \$6,773,245, resulting in an overall decrease in expense of \$3,353,755 (2008: an overall decrease in expense of \$4,043,653). The impact on the parent entity's result of a 100 basis point decrease in interest rates would be a reduction in interest expense of \$3,419,490 and an increase in expense from the change in fair value of derivative financial assets of \$9,722,266 resulting in a total overall increase in expense of \$6,302,776 (2008: an overall increase in expense of \$4,199,717).

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Note 24 Financial risk management (continued)

(b) Credit risk

Credit risk primarily arises from 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. Other credit risk arises from cash and cash equivalents, derivative financial instruments with banks and financial institutions, as well as other loans provided from time to time, including those loans from the parent entity to a controlled entity.

Credit risk from tenants is minimised by securing bank guarantees and security deposits, and drawing on these in the case of default by a tenant. Ongoing credit evaluation is performed on the financial condition of tenants and, where appropriate, an allowance for doubtful debtors is raised. For further details regarding trade and other receivables refer to the table in note 8.

Concentrations of credit risk from tenants 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 Trust does not have a concentration of credit risk that arises from an exposure to a single tenant. Furthermore, the Trust 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.

Other credit risks from cash and cash equivalents and derivative financial instruments, both which are held by banks and financial institutions are minimised as only banks and financial institutions with a minimum rating of 'A' are accepted. For derivative financial instruments there is only a credit risk where the contracting entity is liable to pay the Trust in the event of a closeout.

(c) Liquidity risk

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. The Trust manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, the Trust aims at maintaining flexibility in funding by keeping committed credit lines available.

Financing arrangements

The Trust and the parent entity had access to the following undrawn borrowing facilities at the reporting date:

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Floating rate				
- Expiring within one year	-	9,000	-	9,000
- Expiring beyond one year	13,051	-	13,051	-
	13,051	9,000	13,051	9,000

The facility may be drawn at any time for capital expenditure associated with the Trust's investment properties, subject to satisfying the current financial covenants.

Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
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Note 24 Financial risk management (continued)

Maturities of financial liabilities

The following tables analyse the Trust and parent entity's financial liabilities, gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the reporting date.

	Consolidated				Total Contractual cash flows	Carrying Amount (asset)/ liability
	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2009						
Non-derivatives						
Non-interest bearing	6,449	-	-	-	6,449	6,449
Variable rate	-	-	341,949	-	341,949	341,949
Total non-derivatives	6,449	-	341,949	-	348,398	348,398
Derivatives						
Net settled interest rate swaps	3,236	4,533	1,617	2,813	12,199	12,199
Total derivatives	3,236	4,533	1,617	2,813	12,199	12,199

	Consolidated				Total Contractual cash flows	Carrying Amount (asset)/ liability
	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2008						
Non-derivatives						
Non-interest bearing	10,026	-	-	-	10,026	10,026
Variable rate	354,161	-	-	-	354,161	354,161
Total non-derivatives	364,187	-	-	-	364,187	364,187
Derivatives						
Net settled interest rate swaps	(54)	(3,075)	(3,605)	693	(6,041)	(6,041)
Total derivatives	(54)	(3,075)	(3,605)	693	(6,041)	(6,041)

Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
For the year ended 30 June 2009

Note 24 Financial risk management (continued)

	Less than 1 year	Parent entity		Over 5 years	Total Contractual cash flows	Carrying Amount (asset)/ liability
	\$'000	Between 1-2 years	Between 2-5 years	\$'000	\$'000	\$'000
As at 30 June 2009						
Non-derivatives						
Non-interest bearing	5,815	-	-	-	5,815	5,815
Variable rate	-	-	341,949	-	341,949	341,949
Total non-derivatives	5,815	-	341,949	-	347,764	347,764
Derivatives						
Net settled interest rate swaps	3,236	4,533	1,617	2,813	12,199	12,199
Total derivatives	3,236	4,533	1,617	2,813	12,199	12,199

	Less than 1 year	Parent entity		Over 5 years	Total Contractual cash flows	Carrying Amount (asset)/ liability
	\$'000	Between 1-2 years	Between 2-5 years	\$'000	\$'000	\$'000
As at 30 June 2008						
Non-derivatives						
Non-interest bearing	36,951	-	-	-	36,951	36,951
Variable rate	260,021	-	-	-	260,021	260,021
Total non-derivatives	296,972	-	-	-	296,972	296,972
Derivatives						
Net settled interest rate swaps	(54)	(3,075)	(3,605)	693	(6,041)	(6,041)
Total derivatives	(54)	(3,075)	(3,605)	693	(6,041)	(6,041)

Mirvac PFA Diversified Property Trust and its controlled entities
Notes to the Financial Statements
For the year ended 30 June 2009

Note 25 Events occurring after reporting date

Delisting from the BSX

With the successful passing of Resolutions 1 and 2 at the Investor Meeting previously mentioned, the delisting of the Trust from the Bendigo Stock Exchange occurred on 29 July 2009. Following delisting, the Trust now operates as an unlisted managed investment scheme and Mirvac PFA Limited will continue to act as responsible entity. The directors are optimistic about the delisting and new strategy and believe it allows the development of a sustainable growth path for the Trust over time.

Sale of 180 Queen Street, Brisbane

The Trust has exchanged contracts for the sale of 180 Queen St, Brisbane for \$22.0 million (before costs) on 19 August 2009. The sale of Queen Street is in line with book value at 30 June 2009 and an increase of 22.22 per cent on its original acquisition price of \$18.0 million. Settlement is due to occur on 4 September 2009. The sale is part of the Trust's strategy to sell non-core assets and will allow the redeployment of capital to pay down debt which flows through to a stronger balance sheet.

In the opinion of the directors of the responsible entity of the Trust, no matters or circumstances other than the above have arisen in the interval between the end of the financial period and the date of this report to significantly affect the operations of the Trust, the results of those operations, or the state of affairs, in future financial years.

Mirvac PFA Diversified Property Trust and its controlled entities
Director's Declaration
For the year ended 30 June 2009

In the opinion of the directors of the responsible entity:

- a) The financial statements and notes set out on pages 7 to 43 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 parent entity and Trust's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and
- b) There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;

The directors have been given the declarations by the Director Investment and Financial Controller as required by section 295A of the Corporations Act 2001.

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



Grant B Hodgetts
Director

Sydney
24 August 2009

**Independent auditor's report to the unitholders of
Mirvac PFA Diversified Property Trust**

Report on the financial report

We have audited the accompanying financial report of Mirvac PFA Diversified Property Trust (the Trust), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Mirvac PFA Diversified Property Trust and Mirvac PFA Diversified Property Group (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Mirvac PFA Limited (the responsible entity of the Trust) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

**Independent audit report to the unitholders of Mirvac PFA Diversified Property Trust
(continued)**

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report. Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Auditor's opinion

In our opinion:

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

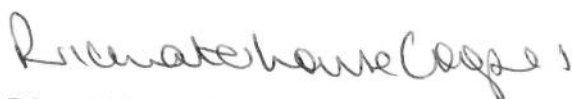
(i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

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

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of the Trust for the year ended 30 June 2009 included on the responsible entity's web site. The directors of the responsible entity are responsible for the integrity of the responsible entity's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.



PricewaterhouseCoopers



Marcus Laithwaite
Partner

Sydney
24 August 2009