



## ASX Release / Media Release

23 August 2011

### MIRVAC INDUSTRIAL TRUST – 30 JUNE 2011

Mirvac Industrial Trust ("MIX") is pleased to release its financial results for the year ended 30 June 2011.

The financial results include:

- > Appendix 4E and Annual report
- > MIX FY11 Annual Results Announcement
- > MIX FY11 Annual Results Presentation
- > MIX FY11 Portfolio Summary
- > MIX FY11 US Dollar financial information

A management presentation of the results will be webcast live from 2.00pm AEST at [www.mirvac.com](http://www.mirvac.com)

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Mirvac Funds Management Limited  
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Mirvac REIT Management Limited  
ABN 70 002 060 228  
AFSL 233787

Mirvac Wholesale Funds Management  
Limited  
ABN 36 076 204 727

Mirvac Management Limited  
ABN 29 086 453 205  
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Mirvac Capital Investments  
Pty Limited  
ABN 86 093 644 252

# Appendix 4E

## Preliminary final report – Year ended 30 June 2011

<b>Name of entity:</b>	<b>MIRVAC INDUSTRIAL TRUST</b>
<b>ARSN:</b>	<b>113 489 624</b>

<b>Detail of the reporting period</b>	
Current period:	1 July 2010 - 30 June 2011
Previous corresponding period:	1 July 2009 - 30 June 2010

<b>RESULTS FOR ANNOUNCEMENT TO THE MARKET</b>		<b>Up</b>	<b>A\$'000</b>
2.1	Revenues from ordinary activities	23.16%	81,748
2.2	Profit from ordinary activities after tax attributable to members	199.79%	30,841
2.3	Net profit for year attributable to members	199.79%	30,841

2.4	Distributions (dividends)	<b>Amount per security</b>	<b>Franked amount per security</b>
	Total distribution	Nil	Nil

2.5	Record date for determining entitlements to the distribution	N/A
2.6	A full explanation of the above figures is documented in Mirvac Industrial Trust's announcement to the market and audited financial report.	

		<b>30 Jun 2011</b>	<b>30 Jun 2010</b>
		<b>A\$</b>	<b>A\$</b>
9	Net tangible asset per security attributable to unitholders	0.20	0.14

All other information requiring disclosure to comply with listing rule 4.3A is contained in Mirvac Industrial Trust's announcement to the market and annual report for the year ended 30 June 2011.

# MIRVAC INDUSTRIAL TRUST

## Annual Report For the year ended 30 June 2011

The consolidated entity comprises Mirvac Industrial Trust (ARSN 113 489 624) and its controlled entities.

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**Mirvac Industrial Trust**  
**Chairman's and Trust Manager's report**  
**30 June 2011**

During the 2011 financial year the Mirvac Industrial Trust ("MIX" or the "Trust") continued to face pressures from ongoing efforts to extend the Trust's debt maturity profile. This limited the Trust's ability to capitalise on the slowly improving conditions in the US economy and signs of recovery in demand for industrial space in the greater Chicago area. Following the implementation of a number of capital management strategies executed throughout the period, the Trust is now in a stronger position to benefit from improving market fundamentals.

In February 2011, the US\$64.8m CJF2 LLC ("CJF2") and the US\$9.9m CJF3 LLC ("CJF3") debt facilities were refinanced. This was followed on 1 July 2011 by the refinancing of the US\$123.5m CJF1 LLC ("CJF1") debt facility that had been in maturity default since August 2010. The refinancing of these three debt facilities delivers a portfolio which is secured by long-term debt facilities expiring in March 2016.

On 1 July 2011, the Trust finalised the sale of two assets, 21705 – 21707 West Mississippi Street and 27413 South Baseline Road, Elwood, Illinois ("Elwood Assets"), the proceeds of which were used to further reduce debt and assist in the CJF1 refinancing.

On 5 August 2011, the transfer of the 30 properties held by CJF4 LLC ("CJF4") in exchange for satisfaction of the US\$144.1m KTR<sup>1</sup> facility, plus US\$5.0m consideration paid to CJF4, was completed.

In implementing the above capital stability strategies, Management and the Board evaluated a number of strategic alternatives for the Trust, including the outright sale of the Trust's investment portfolio prior to stabilising the capital structure of MIX. Management and the Board determined that stabilising the Trust's capital structure by refinancing CJF1, CJF2 and CJF3 and transferring the assets held by CJF4 in exchange for KTR releasing CJF4 from its obligations to repay US\$144.1m, plus consideration of US\$5.0m paid by KTR to CJF4, collectively represented the most advantageous outcome for unitholders.

More information on the refinancing of the debt facilities, the transfer of the assets held by CJF4 is covered in the Capital Management section of this report.

**Board changes**

During the reporting period there were a number of changes to the Board.

Andrew Butler was appointed to the Board as Executive Director, effective 13 December 2010.

Kenneth Strang, Non-Executive Director, resigned from the Board, effective 27 May 2011. We would like to thank Mr Strang for his expertise and the contribution he made to the Board over the past four years.

Nicholas Collishaw, Executive Director, resigned from the Board, effective 29 June 2011, in order to maintain a majority of independent directors on the Board.

**Performance**

While there are signs of recovery in the US economy, high unemployment is hindering the speed of the recovery. In the Chicago industrial market the outlook is cautiously optimistic; with increased levels of tenant inquiries, market rents stabilising in most sub-markets and transactional velocity continuing to build momentum although this remains limited to A grade assets.

In line with our conservative capital management approach and funding requirements, no distribution was paid during the year. This strategy provided the Trust with additional capital required to assist in refinancing efforts.

The Trust's operating profit before specific non-cash and significant items, for the year ended 30 June 2011 was \$6.4m, a 44.6 per cent decrease on the previous year's operating profit of \$11.5m. Gross assets, including the CJF4 assets, were \$432.9m, a decrease of 12.0 per cent over the previous year's gross assets of \$492.0m.

The Trust's net tangible assets ("NTA") at 30 June 2011 were \$0.20 per unit. The NTA of CJF4 at 30 June 2011 amounted to \$15.4m or approximately \$0.04 per unit. The settlement of CJF4 transaction on 5 August 2011 resulted in the transfer of the 30 investment properties and some associated assets and liabilities to KTR and reduced the Trust's net assets by approximately US\$10.5m. Using the 30 June 2011 exchange rate of 1.0739, the CJF4 transaction reduces the Trust's NTA by approximately \$0.03 per unit at 30 June 2011 from \$0.20 per unit to \$0.17 per unit.

Earnings for the period were 1.76 cents per unit, in line with management expectations. With the refinancing of the CJF1, CJF2 and CJF3 asset pools completed we expect future earnings from the now stabilised portfolio to be less volatile going forward and benefit from the slowly improving US economic conditions.

MIX's unit price has traded at a significant discount to NTA over the past 12 to 18 months due to debt headwinds and market sentiment. At 30 June 2011 the Trust's unit price was \$0.038, compared to \$0.037 at 30 June 2010.

<sup>1</sup> KTR WIM LLC and KTR WIM II LLC.

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**Valuations**

During the year all of the Trust's assets were revalued resulting in a valuation uplift of US\$30.3m<sup>2</sup>, an increase of 7.8 per cent<sup>2</sup> on the book values as at 31 December 2010.

The weighted average capitalisation rate of the portfolio firmed by 53 basis points over the 12 month period to 30 June 2011 to 8.49 per cent<sup>2</sup>.

The stabilised portfolio of 30 assets contained in CJF1, CJF2 and CJF3 was revalued during the period resulting in a valuation uplift of US\$6.6m, an increase of 3.1 per cent on the book values as at 31 December 2010.

Please refer to the Trust's financial statements for further information on the Trust's 30 June 2011 valuations.

**Capital management**

The implementation of various initiatives over the past 12 months has provided the Trust greater capital stability and security to the Trust's NTA backing. This follows a difficult period during which the Trust's performance and earnings were negatively impacted by short-term debt maturities and associated uncertainty generated.

Throughout the 2011 financial year Management has focused on lengthening the Trust's debt maturity profile. This has resulted in the refinancing of three of the Trust's debt facilities held by CJF1, CJF2 and CJF3, and the transfer of 30 investment properties held by CJF4 to KTR.

In February 2011, the refinance of the US\$64.8m CMBS2 facility and the US\$9.9m Hammond Letter of Credit held by CJF2 and CJF3 respectively was completed prior to the maturity date via two new five year facilities with ING USA Annuity and Life Insurance Company ("ING"). The combined loan amount is US\$86.0m at an interest rate of 4.5 per cent, approximately 57 basis points lower than the previous facilities. The two debt facilities are cross collateralised and secured by 19 industrial assets located in or around Chicago with a book value of US\$113.6m as at 30 June 2011.

This transaction was followed on 1 July 2011 with the completion of the refinancing of the US\$123.5m CMBS1 facility which is held by CJF1.

The refinance of the CJF1 facility was achieved using a combination of funding sources including a new US\$64.0m loan from ING, proceeds after costs of US\$53.0m from the sale of the Trust's Elwood Assets, a further US\$5.0m drawdown on the Mirvac Group Finance Limited ("MGFL") loan and cash at hand.

Included with the repayment of CJF1's outstanding obligations was an agreed amount of US\$3.0m for six months of default interest as a consequence of CJF1 being in maturity default from 7 August 2010 (approximately 11 months). The late payment charge of US\$6.2m, representing 5 per cent of the unpaid amount, which was included as a liability in the Trust's accounts at 31 December 2010, was not imposed by the CMBS1 Special Servicer. The reversal of this provision resulted in a positive increase to the Trust's NTA.

The new US\$64.0m ING facility is secured by 10 industrial assets located in or around Chicago with a book value of US\$99.3m as at 30 June 2011. The facility is further cross collateralised with the existing CJF2 and CJF3 facilities. The initial term of the new facility is approximately five years at an interest rate of 4.3 per cent, a reduction of 0.9 per cent compared to the prior CJF1 facility.

**CJF4 facility**

During the period KTR Capital Partners ("KTR") acquired the facility previously known as the Northwestern Mutual Life Credit Facility. KTR is a private real estate investment group that owns in excess of 5.0m square feet of industrial product in the Greater Chicago area.

On 5 August 2011 (US time), CJF4 completed the transfer of ownership of all 30 CJF4 properties to KTR in exchange for KTR releasing CJF4 from its obligations to repay US\$144.1m, plus consideration of US\$5.0m paid by KTR to CJF4.

The Board believes the agreement reached with KTR in relation to the CJF4 facility represented the best outcome for MIX unitholders, for the reason set out below.

On 1 July 2011 (US time), the US\$144.1m KTR facility, held by CJF4 matured. As the CJF4 facility was not repaid the loan was in maturity default.

Given the CJF4 portfolio was highly leveraged, the default interest that KTR was entitled to impose under the terms of the KTR facility and the prospect of a distressed sale of the CJF4 assets resulting in sale prices at a sizeable discount to book values, the Board believed it was highly unlikely that, if foreclosure proceedings were commenced by KTR, any equity would be returned to the Trust.

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<sup>2</sup> Before the CJF4 transaction which was completed on 5 August 2011.

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Management and the Board considered ways of enabling the Trust to retain the CJF4 portfolio, including but not limited to: seeking alternative refinancing of the KTR facility, seeking an outright sale of the CJF4 portfolio and/or reducing CJF4's leverage through either individual asset sales or raising third party equity.

However, given the high gearing levels of the CJF4 portfolio and its inability to generate equity from individual asset sales similar to the sale of the Elwood assets, no superior commercial transactions were capable of being undertaken.

The transfer of the CJF4 portfolio in exchange for KTR releasing CJF4 from its obligations to repay US\$144.1m under the KTR facility, plus consideration of US\$5.0m paid to CJF4 together with the recently announced refinancing of the CJF1, CJF2 and CJF3 facilities, represents a substantial milestone in stabilising the capital structure of the Trust.

**MGFL loan**

To implement the refinancing of the CJF1 facility (see details above), the Trust received consent to a drawdown of a further US\$5.0m under the MGFL loan. As a result of the Trust drawing these funds, certain conditions of the MGFL loan agreement were amended. These include:

- > 100 per cent of the net proceeds from the sale of 3145 Central Avenue, Waukegan, Illinois and 9700 Harlem Avenue, Bridgeview, Illinois (sale was completed on 15 July 2011) in addition to the current requirement that 50 per cent of the net proceeds from the sale of any other assets must be used to pay down the MGFL loan; and
- > The maturity date of the MGFL loan is to be extended to 30 September 2012 (from 31 January 2012).

To assist the refinancing of CJF1, MGFL agreed to waive its rights to 50 per cent of the net proceeds from the sale of the Elwood Assets.

The balance of the MGFL loan post the US\$5.0m drawdown was US\$14.1m. Following the implementation of the capital management strategies, Management has reduced the MGFL loan balance using the net sale proceeds from the sale of 9700 Harlem Avenue, Bridgeview, Illinois (US\$1.8m), and intends to further reduce the facility using part proceeds from the CJF4 transaction (US\$3.2m).

Following the impact of the portfolio revaluations, the implementation of the capital stability strategies and the completion of the CJF4 transaction, MIX's financial position has been substantially improved. As a result, MIX's NTA has increased to \$0.17 per unit<sup>3</sup> from \$0.10 per unit as at 31 December 2010 and the Trust's gearing level has reduced substantially to 66.7 per cent<sup>4</sup> from 84.1 per cent at 31 December 2010 with a weighted average debt expiry of 4.3 years from 0.3 years at 31 December 2010.

**Future outlook**

Financial market turmoil and its impact on wealth, employment and company investment have increased the risk of a "double dip" recession in the US and Europe. Even so, the higher-frequency indicators, such as jobless claims, retail sales and the Institute for Supply and Management (ISM) index, suggest the underlying economic momentum in the US economy is stronger than the national accounts indicate.

If the financial market dislocation proves to be temporary, the economic backdrop continues to bode well for the growth in the US industrial property sector.

Conditions in the Chicago industrial market continue to improve with average vacancy rates in the first half 2011 dropping to a pre 2009 level of 10.5 per cent. Rents have also stabilised and leasing activity, albeit slowly, is increasing market-wide in both quantity and deal size.

With minimal new construction in the Greater Chicago area, positive net absorption is expected over the next 12 months.

Management will continue to focus on the operating performance of the Trust; to maximise tenant retention, improve occupancy levels, extend the lease expiry profile and maximise income from the Trust's portfolio. The sale of assets will be limited in the short-term due to prepayment restrictions associated with the new ING debt facilities, with 3145 Central Avenue, Waukegan being the only asset expected to be marketed for sale.

The Trust's earnings for the 2012 financial year are forecast to be in the range of 1.65 to 1.80 cents<sup>5</sup> subject to no material adverse changes in market conditions. Maintaining our prudent capital management strategy and the need to continue to reduce the Trust's overall gearing level, the Trust does not intend to pay a distribution for the year ending 30 June 2012.

<sup>3</sup> The Trust's net tangible assets ("NTA") at 30 June 2011 was \$0.20 per unit. The NTA of CJF4 at 30 June 2011 amounted to \$15.4m or approximately \$0.04 per unit. The settlement of CJF4 transaction on 5 August 2011 resulted in the transfer of the 30 investment properties and some associated assets and liabilities to KTR and reduced the Trust's net assets by approximately US\$10.5m. Using the 30 June 2011 exchange rate of 1.0739, the CJF4 transaction reduces the Trust's NTA by approximately \$0.03 per unit at 30 June 2011 from \$0.20 per unit to \$0.17 per unit.

<sup>4</sup> Post completion of the CJF1 refinance and completion of the CJF4 transaction.

<sup>5</sup> The earnings range assumes a bankruptcy provision of 2.5 per cent of gross rental income and an average AUD/USD exchange rate of 1.076. The Trust has no income or capital hedges in place.

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**30 June 2011**

Management and the Board will continue to review strategic alternatives and seek outcomes that maximise value for the benefit of MIX unitholders.



**Paul Barker**  
Chairman



**Nicholas Blake**  
Trust Manager

**Mirvac Industrial Trust**  
**Directors' report**  
**30 June 2011**

The Directors of Mirvac Funds Management Limited (ABN 78 067 417 663), the Responsible Entity of Mirvac Industrial Trust (the "Trust") present their report, together with the financial report of the Trust and its controlled entities for the year ended 30 June 2011.

**Responsible Entity**

The Responsible Entity of the Trust is Mirvac Funds Management Limited, an entity incorporated in New South Wales. The immediate parent entity of the Responsible Entity is Mirvac Limited (ABN 92 003 280 699), incorporated in New South Wales.

**Directors**

The following persons were Directors of the Responsible Entity during the whole of the year and up to the date of this report unless otherwise stated:

Paul Barker (Chairman)  
 Andrew Butler (was alternate to Nicholas Collishaw until his appointment on 13 December 2010)  
 Nicholas Collishaw (resigned on 29 June 2011)  
 Matthew Hardy  
 Kenneth Strang (resigned on 27 May 2011)

**Principal activities**

The principal continuing activity of the Trust is property investment. The Trust operates in one geographical area, the United States of America. There has been no significant change in the principal activities of the Trust during the year.

The Trust did not have any employees during the year.

**Distributions**

There were no distributions paid or made payable to the unitholders of the Trust during the financial year (2010: nil).

**Review of operations and activities**

The statutory profit after tax attributable to unitholders of the Trust for the year ended 30 June 2011 was \$30.8m (2010: \$30.9m loss). The operating profit (profit before specific non-cash and significant items) was \$6.4m (2010: \$11.5m).

Operating profit is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents the profit under AAS adjusted for specific non-cash and significant items. The following table summarises key reconciling items between the statutory profit/(loss) after tax attributable to unitholders and operating profit.

	2011 \$'000	2010 \$'000
<b>Profit/(loss) attributable to unitholders</b>	<b>30,841</b>	<b>(30,907)</b>
<b>Specific non-cash items</b>		
Recognition of rental income on a straight line basis	(823)	(1,583)
Net (gain) on financial instruments held at fair value through profit or loss	(43)	(2,115)
Net (gain)/loss from fair value adjustments on investment properties	(28,259)	44,682
Amortisation	1,368	1,458
<b>Significant items</b>		
Provision for default costs	3,306	-
<b>Operating profit (profit before specific non-cash and significant items)</b>	<b>6,390</b>	<b>11,535</b>

**Financial highlights**

Key financial highlights for the year ended 30 June 2011 included:

- Statutory profit of 8.51 cents per unit (2010: loss of 8.53 cents per unit);
- Operating profit of 1.76 cents per unit (profit before specific non-cash and significant items) (2010: 3.18 cents per unit);
- Net increase of \$28.3m in revaluations across the investment property portfolio (2010: net decrease of \$44.7m);
- Increase in Net Tangible Assets ("NTA") per unit from \$0.14 at 30 June 2010 to \$0.20 at 30 June 2011 (\$0.16 excluding CJF4). As noted in the Directors Report, note 1 b) and note 23 the Trust ceased to own the properties and extinguished the associated debt relating to CJF4 LLC (a controlled entity of the Trust) on 5 August 2011. The NTA of CJF4 at 30 June 2011 was \$0.04 per unit.



**Mirvac Industrial Trust**  
**Directors' report**  
**30 June 2011**

**Value of assets**

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

	2011 \$'000	2010 \$'000
Total assets	432,929	491,994

**Interests in the Trust**

	2011 Number of units '000	2010 Number of units '000
Total units on issue	362,458	362,458

**Environmental regulation**

The Trust is subject to significant environmental legislation and associated regulations and Acts. The Trust is committed to the implementation of responsible and practical management procedures to minimise environmental impacts and provide compliance under the government regulations applicable to all areas of its operations.

**Non-audit services**

The Responsible Entity may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Trust are relevant (non-audit services). Details of the amounts paid or payable to the auditor ("PricewaterhouseCoopers") for audit and non-audit services provided during the year are set out in note 19 of the financial statements.

The board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee ("ARCC"), is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in note 19, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the ARCC to ensure they do not impact the impartiality and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Trust, acting as advocate for the Trust or jointly sharing economic risk and rewards.

**Significant changes in the state of affairs**

The financial report for the Trust for the year ended 30 June 2011 has been prepared on a going concern basis. After reviewing the Trust's going concern status the Directors of the Responsible Entity have concluded that the Trust has reasonable grounds to expect to be able to pay its debts as and when they become due and payable. Since 30 June 2011 the conditions that existed which gave rise to material uncertainty to the Trust's ability to continue as a going concern have been resolved as a result of the refinancing of the Trust's debt as well as binding agreements entered into (see below) and set out in note 1(b) of the financial statements.

**Ongoing Risks**

The following ongoing risks have now been resolved that would have affected Trust's future performance:

**(i) CJF4, LLC loan expired 1 July 2011 (Fixed Debt facility)**

**Background**

The Fixed Debt facility of CJF4 LLC ("CJF4"), a controlled entity of the Trust totalling \$134.2m (US\$144.1m) matured on 1 July 2011 and was not repaid meaning the borrower, CJF4 LLC, pursuant to the terms of the Fixed Debt facility, was in default.

The Fixed Debt facility is secured by 30 assets with a collateral value at 30 June 2011 of \$152.3m and borrowings of \$134.2m. Further detail on the Trust's secured assets and borrowings are detailed in note 11 and note 14 to the financial statements.

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The Responsible Entity had been in negotiations with KTR WIM LLC and KTR WIM II LLC ("KTR") in relation to the CJF4 facility that was due and payable on 1 July 2011 (US time). To facilitate negotiations, KTR and CJF4 entered into a mutual short-term Forbearance Agreement (the "Agreement") on 2 July 2011. The negotiations with KTR resulted in the execution of a binding agreement on 31 July 2011 (US time).

The binding agreement required CJF4 to transfer ownership of all 30 CJF4 properties on an "as is, where is" basis to KTR in exchange for KTR releasing CJF4 from its obligation to repay \$134.2m (US\$144.1m) under the CJF4 facility, plus consideration of US\$5.0m being paid by KTR to CJF4. Settlement of the transaction occurred on 5 August 2011 (US time).

The Responsible Entity believes the binding agreement reached with KTR represents the best outcome for Trust unitholders as no superior commercial transactions were capable of being undertaken given the highly levered nature of the CJF4 portfolio and its lower asset quality relative to the Trust's other asset pools.

*Assets realised at less than fair value at balance date*

The net assets of CJF4 at 30 June 2011 amount to \$15.4m (this equated to \$0.04 of net tangible assets per unit). The NTA balance for CJF4 at 30 June 2011 is predominantly attributed to the increase through revaluations of the CJF4 properties at 30 June 2011. Whilst the valuations were undertaken in accordance with Australian Accounting Standards (refer to note 11) these values did not reflect the commercial ability of the Trust to realise the values attributed to these properties given the highly levered nature of the CJF4 portfolio and the immediate need to pay off its associated debt. As noted above the Trust received net consideration after repayment of the debt and before associated costs of US\$5.0m.

*(ii) Loans refinanced for CMBS 1 (\$109.4m) and Floating Interest Cap (\$5.6m), Sale of Elwood Assets*

The Responsible Entity has repaid its loan facilities CMBS 1 (\$109.4m) and Floating Interest Cap (\$5.6m) held by CJF1 LLC ("CJF1") and replaced them with a Fixed Debt loan facility with ING USA Annuity and Life Insurance Company ("ING") on 1 July 2011 (US time). The value of the refinanced facility for this controlled entity of the Trust is \$59.6m (US\$64.0m).

Included with the repayment of CJF1 loan facilities was an agreed amount of \$2.8m (US\$3.0m) for six months of default interest as a consequence of CMBS1 being in maturity default from 7 August 2010 (approximately 11 months). The late payment charge of \$5.8m (US\$6.2m), representing 5 per cent of the unpaid amount, was not imposed by the CJF1 loan facilities special servicer.

The repayment was achieved using a combination of sources including the new loan from ING stated above, proceeds before costs of \$50.4m (US\$54.1m) from the sale of the Trust's Elwood assets (27413 South Baseline Road and 21705-07 West Mississippi Street), a further \$4.7m (US\$5.0m) drawdown on the Mirvac Group Finance Limited ("MGFL") loan and cash at hand.

At 30 June 2011, CJF1 consisted of 14 assets with a value of \$148.4m, of which 3 assets were held for sale. The new loan facility with ING is secured by 10 assets which at 30 June 2011 were valued at a total of \$92.5m (US\$99.3m). The ING facility is secured by the assets listed under note 11 in connection with CJF1 with the exception of the following four assets:

- 27413 South Baseline Road, Elwood (sold 1 July 2011 US time);
- 21705-07 West Mississippi Street, Elwood (sold 1 July 2011 US time);
- 9700 Harlem Ave, Bridgeview (sold 15 July 2011 US time); and
- 3145 Central Ave, Waukegan (remains an asset of CJF1 with no direct debt facility).

The key terms of the loan are as follows:

- A term of 4.8 years (the loan matures on 1 March 2031 but is callable on 1 March 2016, 1 March 2021 and 1 March 2026);
- Fixed interest rate of 4.30 per cent per annum;
- 23.5 year amortisation of the Fixed Debt facility;
- First mortgage security interest in all real property held by CJF1 with the exceptions noted above; and
- Limited recourse to CJF1 and cross-collateralised between CJF2 and CJF3.

*(iii) Other debt facilities*

To implement the refinancing of the CJF1 loan facilities, the Responsible Entity received consent to a drawdown of a further US\$5.0m under the MGFL loan. As a result of the Trust drawing these funds under the MGFL loan, certain conditions of the MGFL loan agreement were amended. These include:

- 100 per cent of the net proceeds from the future sale of 3145 Central Avenue, Waukegan, Illinois and 9700 Harlem Avenue, Bridgeview, Illinois in return for MGFL waiving the requirement that 50 per cent of the net proceeds from the sale of the two Elwood assets only be applied to the MGFL loan; and
- The maturity date of the MGFL loan was extended to 30 September 2012 (from 31 January 2012).

The Trust repaid its loan facilities CMBS 2 US\$64.8m held by CJF2 LLC ("CJF2") and Floating Debt US\$9.9m held by CJF3 LLC ("CJF3") and replaced them with Fixed Debt loan facilities with ING. The loans for these controlled entities of the Trust were for US\$77.9m for CJF2 and US\$8.1m for CJF3.

Further details on the borrowings of the Trust can be found in note 14 and details on investment properties relating to the borrowing can be found in note 11.

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**Directors' report**  
**30 June 2011**

*(iv) Derivative financial instruments*

During the period derivative financial instruments have been extinguished such that no further asset or liability will be carried going forward. The Trust is still subject to foreign exchange volatility in the normal course of business.

*Net current liability position*

As at 30 June 2011, the Trust is in a net current liability position of \$194.4m. Current liabilities include debt facilities expired and expiring totalling \$252.0m (this includes default provision costs as discussed in note 14). Per the notes above the debt facilities pertaining to CJF1 have been refinanced on 1 July 2011 and a settlement with KTR for CJF4 debt facility has resulted in a reduction to the net current liability position of the Trust. The Directors of the Responsible Entity have reviewed the cash flow forecasts of the Trust and expect that the Trust will have sufficient cash flows to meet obligations as and when they fall due.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Trust that occurred during the year under review.

**Matters subsequent to the year ended 30 June 2011**

The Responsible Entity announced on 4 July 2011 that it had repaid its CMBS 1 loan facilities (\$109.4m) and Floating Interest Cap (\$5.6m) held by CJF1 LLC ("CJF1") and replaced them with a Fixed Debt loan facility with ING on 1 July 2011 (US time). The loan for this controlled entity of the Trust is \$59.6m (US\$64.0m). In conjunction with the refinance the Trust also disposed of 27413 South Baseline Road, Elwood and 21705-07 West Mississippi Street, Elwood on 1 July 2011. Further details on these transactions can be found above and in note 1(b).

As announced on 4 July 2011, to implement the refinancing of the CJF1 loan facilities, the Responsible Entity received consent to a drawdown of a further US\$5.0m under the MGFL loan. Further details can be found above and in note 1(b).

The Responsible Entity also announced on 4 July 2011 that negotiations between KTR WIM LLC and KTR WIM II LLC ("KTR") who are the lenders of the CJF4 (a controlled entity of the Trust) loan facility had commenced and were continuing. These negotiations related to the CJF4 loan facility that was due and payable on 1 July 2011 (US time).

To facilitate negotiations, KTR and CJF4 entered into a mutual short-term Forbearance Agreement (the "Agreement") on 2 July 2011. The Agreement set out that KTR will refrain from enforcement actions on the repayment of the CJF4 facility for a period of up to 28 days.

As announced on 2 August 2011 this resulted in the execution of a binding agreement on 31 July 2011 (US time). The binding agreement required CJF4 to expedite the transfer of all 30 CJF4 properties on an "as is, where is" basis to KTR in exchange for KTR releasing CJF4 from its obligation to repay \$134.2m (US\$144.1m) under the CJF4 facility, plus consideration of US\$5.0m being paid by KTR to CJF4. The collateral value of these assets at 30 June 2011 was \$152.3m (US\$163.6m). Settlement of the transaction occurred on 5 August 2011 (US time).

The terms of the settlement also result in the transfer of some assets and liabilities attached to the 30 investment properties transferred to KTR. The estimated impact of this transaction would be a loss on sale of US\$10.5m and a reduction in net assets of US\$10.5m. At the date of this report the Trust is still in the process of determining the overall impact of this settlement.

On the 15 July 2011, the sale of 9700 Harlem Avenue, Bridgeview was finalised. The property was sold for \$1.9m (US\$2.0m) before costs.

Other than the items mentioned above at the date of this report, no matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect the:

- (a) Trust's operations in future financial years; or
- (b) Results of those operations in future financial years; or
- (c) Trust's 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 2011.

**Insurance of officers**

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

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**Fees paid to the responsible entity or its associates**

Fees paid to the Responsible Entity out of the Trust during the year were \$2.5m (2010: \$2.9m). Fees charged by the Responsible Entity represent Responsible Entity's remuneration and recovery of costs. No fees were paid out of the Trust to the Directors of the Responsible Entity during the year.

Fees paid to the Responsible Entity and its associates out of the Trust during the year are disclosed in note 22.

**Directors' interests**

No Directors held units in the Trust during the financial year.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required by Section 307C of the *Corporations Act 2001* is set out on page 11 and forms part of this report.

**Rounding of amounts**

The Trust is of the kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission ("ASIC"), relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise stated.

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



Paul Barker  
Chairman

Sydney

23 August 2011



## Auditor's Independence Declaration

As lead auditor for the audit of Mirvac Industrial Trust for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink that reads 'Reilly'.

Jane Reilly  
Partner  
PricewaterhouseCoopers

Sydney  
23 August 2011

**Mirvac Industrial Trust**  
**Corporate governance statement**  
**For the year ended 30 June 2011**

**1 Introduction**

This statement sets out the key corporate governance principles adopted by Directors in governing Mirvac Funds Management Limited ("MFML") and reflects the corporate governance policies and practices in place throughout the year ended 30 June 2011.

MFML is a wholly owned subsidiary of Mirvac Limited ("Mircac") and, as a matter of good corporate governance, MFML exists for the specific purpose of acting as responsible entity, trustee or manager, and has the benefit of the resources of Mirvac.

MFML is the responsible entity of Mirvac Industrial Trust ("MIX or/ the Trust"). MIX is listed on the Australian Securities Exchange ("ASX") and the ASX Listing Rules require all listed entities to report on the extent to which their corporate governance practices follow the principles and recommendations contained in the ASX Corporate Governance Council's publication "Principles of Good Corporate Governance and Best Practice Recommendations" which was issued in March 2003 and subsequently revised through "Corporate Governance Principles and Recommendations, 2nd Edition" and further updated in 2010 ("Recommendations").

During the year ended 30 June 2011, we consider our corporate governance framework to be consistent with the Recommendations in all aspects unless disclosed otherwise. Copies of MFML's corporate governance policies and practices, as suggested by the Recommendations, are available from Mirvac's website at [www.mirvac.com](http://www.mirvac.com).

**2 Principle 1: Lay solid foundations for management and oversight**

**Responsibilities of the Board and management**

*(i) Primary objective of the Board*

The primary objective of MFML is to build long-term investor value for the funds and trusts for which it acts as responsible entity and/or trustee or manager. The Board of MFML achieves this by setting strategic direction, focusing on issues critical to the success of the funds and the management of risk.

*(ii) Board Charter*

MFML has established comprehensive standards of corporate governance and adopted a Board Charter outlining the Board's accountabilities and responsibilities. The Charter also outlines the responsibilities delegated to management. Directors' profiles and their tenure are shown below. A copy of the MFML Board Charter is available on Mirvac's website at [www.mirvac.com](http://www.mirvac.com).

Non-Executive Directors have spent approximately 25 days in the 2011 financial year on MFML Board activities and business, including attendance at MFML Board meetings and meeting with management, especially in relation to activities of MIX.

The Chief Executive Officer Investment ("CEO Investment") and other senior executives provide reports, which include financial performance and activities of MIX and related matters to each MFML Board meeting. The MFML Board monitors the performance of MIX on a regular basis to gain assurance that progress is being made towards attainment of the approved strategies and plans.

*(iii) Delegation to Senior executives*

The MFML Board has delegated responsibility for the day to day management and administration of MIX to the CEO Investment assisted by the MIX management team. The CEO Investment and the management team operate in accordance with Board-approved policies and limits of delegated authority.

*(iv) Evaluation of performance of senior executives*

MFML has no employees. The performance of senior executives in Mirvac is reviewed on an annual cycle, with an interim six monthly review. This is part of Mirvac's performance management system, which is in place for all Mirvac employees. A performance evaluation of all senior executives of Mirvac was completed during the year ended 30 June 2011

Further information on performance evaluation and remuneration (including assessment criteria) is set out in the Mirvac remuneration report in the Mirvac Group Annual Report.

**3 Principle 2 - Structure of the Board to add value**

**(a) Structure of the Board**

The MFML Board has a majority of independent directors.

Andrew Paul Butler was appointed as Executive Director on 13 December 2010. Kenneth Ross Strang and Nicholas Collishaw resigned as Directors during the financial year ended 30 June 2011.

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Details of the current Directors are:

*Paul Barker*

*B.Bus, FCA, ACIS*

*Independent Non-Executive Chairman*

Paul is Chairman of the Transport Accident Commission, Deputy Chairman of the Victorian WorkCover Authority, Chairman of the Emergency Services Telecommunications Authority, a former director of Employment National Limited and a past Chairman of the Victorian division of the Institute of Chartered Accountants and Stadium Operations Ltd (Etihad Stadium).

Paul has extensive experience in accounting and financial services both in Australia and overseas. Formerly Chief Executive of Audit Victoria, he also held senior group executive positions with Standard Chartered Bank in Hong Kong, Singapore and London. He is a Fellow of the Institute of Chartered Accountants in Australia and a member of the Institute of Chartered Secretaries.

Paul was appointed as Independent Non-Executive Chairman to the Board of MFML on 1 April 2007.

*Matthew Hardy*

*BSc ARICS, AAPI*

*Independent Non-Executive Director*

Matthew has been a Partner in property and finance search and consultancy firm Conari Partners and its corporate predecessor, Thomas Hardy, since 2002. He has over 25 years experience in direct real estate, equities and funds management.

In addition to working as a valuer and consultant in direct property in the UK and Australia for global groups Richard Ellis and Jones Lang Wootton, Matthew has worked as a senior REIT analyst for Hambros Equities and as a Director of Property Investments for Barclays Global Investors where he managed the property securities funds in addition to listed and wholesale funds. Matthew has also been General Manager of the listed Capital Property Trust, a separately listed fund until its stapling with Mirvac in 1999.

Matthew became an Independent Non-Executive Director of MFML on 4 September 2009.

*Andrew Butler*

*B.APP.Sc (Land Economics), GradDip Management, AAPI*

*Executive Director*

Andrew Butler has been with Mirvac for 16 years and is currently responsible for Mirvac's various real estate investment businesses such as MIX, Mirvac Property Trust, Mirvac Wholesale Hotel Fund, Mirvac Asset Management and the Capital Transaction Team.

Andrew has been involved in property investment, development, acquisitions and property funds management for more than 22 years. He has extensive experience in commercial, retail, industrial and hotel property throughout Australia, New Zealand and the US.

Prior to his appointment as CEO Investment, Andrew served as Director Investment, Director, Listed and Unlisted Funds, Director, MREIT and Director, Property Acquisitions and Agency Services for Mirvac. Prior to joining Mirvac, Andrew worked at Stanton Hillier Parker in valuations and consultancy.

Andrew Bulter was appointed as Executive Director of MFML on 13 December 2010.

**(b) Independence of Directors**

The MFML Board has developed a policy, contained in the MFML Board Charter, to determine the independence of its Directors. This determination is conducted annually or at any other time where the circumstances of a Director change warrant reconsideration.

**(c) Role of the Chairman**

The MFML Board Charter provides that the Chairman must be an Independent, Non-Executive Director. The role of the MFML Chairman and CEO Investment is not performed by the same person. The MFML Chairman, Paul Barker, is an Independent, Non-Executive Director. The Chairman's specific role is detailed in the MFML Board Charter and includes:

- providing leadership to the Board
- ensuring efficient organisation and conduct of the Board
- monitoring Board Performance
- facilitating Board discussions to ensure core issues facing MFML are addressed
- briefing all Directors in relation to issues arising at Board meetings
- facilitating the effective contribution and ongoing development of all Directors
- chairing Unitholder meetings.

The Board has formalised its roles and responsibilities in the MFML Board Charter, to promote high standards of corporate governance and to clarify those requirements of the Board and those that are delegated to management.

**Mirvac Industrial Trust**  
**Corporate governance statement**  
**For the year ended 30 June 2011**

**(d) Board Committees**

In order to achieve operational efficiencies, the Board has established a number of Committees and delegated certain powers to those Committees in accordance with MFML's Constitution and the *Corporations Act 2001*. The delegated powers have been clearly delineated in a Limits of Authority document and the Charters of the relevant Committee, and approved by the MFML Board.

The Board has established the following Standing Committees:

- > Executive Committee;
- > Investment Committees; and
- > Risk Management Committee.

In addition MFML Board has adopted the Mirvac Audit, Risk and Compliance Committee.

Each Committee has adopted its own terms of reference or Charter, approved by the MFML Board, setting out matters relevant to its composition and responsibilities. The terms of reference and Charters are reviewed regularly.

*Investment Committee – MIX ("Investment Committee")*

The key responsibilities and activities of the Investment Committee are as follows:

- > recommending the overall investment strategy for MIX;
- > monitoring investment markets in which the business operates and recommending the acquisition, capital expenditure and disposal of assets;
- > monitoring investment performance and ensuring compliance with the investment strategy;
- > monitoring implementation of, and compliance with, the risk management framework and approved policies; and
- > ensuring, investigating and reviewing valuation of the assets of MIX.

The membership of the Investment Committee has been carefully determined to provide the relevant experience and expertise appropriate to MIX's investments. The Investment Committee is accountable to the MFML Board and will report to the MFML Board and provide appropriate advice and recommendations

**(e) Nominations**

The MFML Board considers selection and appointment of Directors is an important task and is the responsibility of the entire Board to consider Director selection and appointments. While the Board may engage external experts to assist, the nominations process will remain the function of the Board. The Board's approach to the nomination process is documented and forms a part of the MFML Board Charter.

A copy of the MFML Board Charter is available on Mirvac's website at [www.mirvac.com](http://www.mirvac.com).

The Board seeks to have a mix of skills and diversity across its members, financial expertise, industry experience, technical expertise, all related to MFML's current and future business and independence. The skills mix required will change from time to time as MFML's business and environment changes.

**(f) Retirement and re-election of Directors**

MFML does not set a fixed term of office for its Directors. The mix of experience and expertise of the current Directors is of value to MFML and it does not wish to arbitrarily limit their terms of office. Nominating a fixed term for Directors may cause loss of experience and expertise, which is not in the best interest of MFML nor unitholders of MIX.

**(g) MFML Board and Director performance evaluation**

The MFML Chairman, supported by the Company Secretary of MFML, undertakes an annual review of:

- > the Board's role;
- > the Board's processes and the Committees appointed to support the Board;
- > the Board's performance, including the performance of its Committees; and
- > each individual Director's performance.

The process entails obtaining feedback from each MFML Director through a questionnaire that remains confidential and anonymous. The MFML Board then reviews the report prepared by the Chairman, determining actions required as relevant or necessary.

**(h) Induction**

Management and the Board provide new Directors with an induction program. This includes meetings with senior executives, briefings on strategy, independent meetings with Mirvac's external auditors, provision of all relevant corporate governance material and Policies and discussions with the Chairman and other Directors.



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**(i) Continuing Education**

Directors are provided with continuing education opportunities to update and enhance their skills and knowledge, to understand MFML's operations and briefings on any key changes to the industry and environment in which MFML's funds and trusts operate. Directors are also encouraged to access external education including Director related and industry conferences.

**(j) Access to information and independent advice**

As detailed in the MFML Board Charter, the MFML Board and its Committees may seek independent advice whenever it is considered appropriate. Individual Directors, with the consent of the MFML Chairman, may seek independent professional advice on any matter connected to their responsibilities as an MFML Director, at MFML's expense

The MFML Directors have access to senior executives and the Company Secretary at any time to request any relevant information.

**(k) Conflicts of interest**

The Recommendations for Board members dealing with conflicts of interests are detailed in the MFML Board Charter. In addition, Mirvac's Code of Conduct and Ethical Business Behaviours (the "Code") also set down guidelines for dealing with conflicts of interest that may arise, particularly for management and other employees.

Unless the Board determines otherwise, a Director with any actual or potential conflict of interest in relation to a matter before the Board, does not:

- receive any Board papers in relation to that matter; and
- participate in any discussion or decision making in relation to that matter

**4 Principle 3 – Promote ethical and responsible decision making**

**(a) Responsibilities of the Board and Management**

**(i) Conduct and ethics – code of conduct**

Integrity is one of Mirvac's core values. In Mirvac's 39 year history it has built a reputation for integrity and in dealing fairly, honestly and transparently with all stakeholders. MFML has adopted the Code which espouses its core values and reflects the Recommendations in terms of the matters addressed. The Code applies to the MFML Board, management and all employees. A copy of the Code is available from Mirvac's website at [www.mirvac.com](http://www.mirvac.com).

Mirvac has implemented the Whistleblower and Open Line Policy, which assists in creating an ethical environment where employees may, in good faith, make a disclosure reporting what they believe to be improper conduct without any adverse action being taken against the discloser. The Policy applies to all employees and outlines the processes for reporting alleged improper conduct (including anonymous disclosures and outlines the ways in which Mirvac will protect disclosers.

**(ii) Security Trading Policy**

Mirvac has implemented a Security Trading Policy which has been adopted by the MFML Board, covers dealings in Mirvac Securities including units in MIX, by Directors, executives and other designated employees, as well as their respective associates. Designated persons may only deal in Mirvac securities, or units in MIX, with prior approval to do so, or in securities of other public listed entities that are related to Mirvac, outside certain periods as identified in the Policy. Notwithstanding this, no Director, executive or other employee may deal in Mirvac securities or units in MIX, if they are in possession of price sensitive information. Any securities dealing in Mirvac securities or units in MIX, by Directors is notified to the ASX within five business days of the dealing.

The Security Trading Policy was updated on 21 December 2010 to ensure it complies with ASX Listing Rule 12.9 which was introduced on 1 January 2011.

A copy of the Security Trading Policy is available at Mirvac's website [www.mirvac.com](http://www.mirvac.com).

**(iii) Political donations**

The Election Funding, Expenditure and Disclosures Act 1981 (amended in 2009) prohibits property developers from making political donations. Mirvac has in place a Political Donations Policy, which prohibits Mirvac and any Mirvac employee from making any political donation on behalf of Mirvac. During the year ended 30 June 2011, MFML made no political donations.

**(iv) Diversity**

MFML does not have any employees and therefore does not have a diversity policy. Relevant staff that provide services to MFML but are employees of Mirvac (including the CEO Investment) are subject to the Mirvac Diversity Policy a copy of which is available at Mirvac's website: [www.mirvac.com](http://www.mirvac.com).

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**5 Principle 4 – Safeguard integrity in financial reporting**

**(a) Audit Risk and Compliance Committee (“ARCC”)**

*(i) ARCC Charter*

MFML Board has adopted the Mirvac ARCC which has its own Charter, a copy of which is available from Mirvac's website at [www.mirvac.com](http://www.mirvac.com).

*(ii) ARCC role*

The objective of the ARCC is to assist the MFML Board in fulfilling its corporate governance and oversight responsibilities in relation to financial reporting, systems of internal control and the management of risk, internal and external audit functions, compliance obligations and processes for monitoring compliance with relevant laws and regulations and the Mirvac Code of Conduct. It is the ARCC's role, in conjunction with the external auditors, to ensure that the financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable law. The ARCC is also responsible for making recommendations to the MFML Board regarding the selection and appointment of the external auditor and the rotation of external audit engagement partners, as outlined in the ARCC Charter and section 8(b) below.

*(iii) ARCC composition*

The ARCC consists of seven members. Members are appointed by the MGR Board and all members are independent. The members of the ARCC as at 30 June 2011 are James Millar (Chair), Paul Barker, James MacKenzie, Peter Hawkins, John Mulcahy, Elana Rubin and Richard Turner. Each member of the ARCC has the technical expertise to enable the ARCC to effectively discharge its mandate. The Chair of the ARCC, James Millar, is the former Chief Executive Officer of Ernst & Young. Further details of the members' qualifications can be found in Mirvac's Annual Report. Paul Barker, Chairman of MFML, has been appointed a member of the ARCC. Paul Barker is independent and is a Chartered Accountant. He has extensive experience in accounting and financial services both in Australia and overseas. Richard Turner, an external consultant was previously an independent member of the MGR Board, retiring in August 2009. He is a Chartered Accountant by profession and is the former Chief Executive Officer of Ernst & Young with over 35 years with the firm. He has significant experience in accounting.

The ARCC regularly meets with the external auditors without management present. Details of attendance of the members of the ARCC are contained in the following table:

<b>Member</b>	<b>Meetings held during the year as a member</b>	<b>Meetings attended during the year as a member</b>
Peter Hawkins	10	10
Paul Barker <sup>2</sup>	1	1
James MacKenzie	10	10
James Millar (Chair)	10	10
John Mulcahy	10	10
Elana Rubin <sup>1</sup>	2	2
Richard Turner	10	8

1 Elana Rubin appointed to the committee on 15 April 2011.

2 Paul Barker appointed to the committee on 1 June 2011.

*(iv) ARCC responsibilities*

The ARCC Charter sets out the responsibilities of the ARCC.

*(v) Compliance*

Previously, MFML had established a Compliance Committee reporting to both the ARCC and MFML. The ARCC has now taken direct responsibility for monitoring and reviewing the Compliance Plans of Mirvac's registered managed investment schemes and wholly-owned controlled entities holding Australian Financial Services (“AFS”) licences, in addition to overseeing their adherence to all applicable laws and regulations.

**6 Principle 5: Make timely and balanced disclosure**

**(a) Commitment to disclosure**

MFML, as responsible entity for MIX, is committed to ensuring:

- compliance with ASX Listing Rule disclosure requirements;
- accountability at a senior executive/management level for compliance with continuous disclosure requirements;
- the facilitation of an efficient and informed market in MIX securities by keeping the market apprised through ASX announcements of all material information; and compliance with the requirements of the Corporations Act, ASX Listing Rules and the Recommendations.

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**(b) Continuous Disclosure Policy**

Mirvac's Continuous Disclosure Policy, which has been adopted by MFML Board, is designed to support its commitment to a fully informed market in its securities by ensuring that announcements are:

- made to the market (via the ASX Company Announcements platform) in a timely manner, are factual and contain all relevant material information; and
- expressed in a clear and objective manner that allow investors to assess the impact of the information when making investment decisions.

The CEO Investment, Trust Manager - MIX and other persons are responsible for compliance with MIX's continuous disclosure obligations and for overseeing and coordinating disclosures to the ASX. A copy of Mirvac's Continuous Disclosure Policy applicable to MFML as Responsible Entity for MIX, is available at Mirvac's website [www.mirvac.com](http://www.mirvac.com).

**7 Principle 6: Respect the rights of unitholders**

**(a) Communication policy**

All MIX ASX announcements are posted to Mirvac's website including half year and annual reports, results releases, market briefings, notices of meetings and the MIX property compendium. Teleconferencing and webcasting facilities are provided for market briefings to encourage participation from all stakeholders, regardless of location.

Mirvac's communications policy as adopted by MFML, is available at Mirvac's website: [www.mirvac.com](http://www.mirvac.com).

**8 Principle 7: Recognise and manage risk**

**(a) Risk management policies**

**(i) Risks**

MFML recognises the responsibility associated with its role as responsible entity of MIX and in recognising that risk management is a key element of effective corporate governance the MFML Board has established a Mirvac Investment Management Risk Management Committee. MFML's objective is to ensure relevant risks are identified and appropriate measures are implemented to mitigate or otherwise manage the impact those risks may have on the MIX's activities

**(ii) Risk management policy**

The MFML Board has adopted a risk management policy statement and associated procedures for identifying, assessing and managing Mirvac's strategic, operational, financial and reputational risks.

The objectives of the policy are to:

- provide a systematic approach to risk management aligned to the Group's strategic objectives;
- define the mechanisms by which the Group determines its risk appetite and considers and manages risks; and
- articulate the roles and accountabilities for the management, oversight and governance of risk.

The approach defined within this policy is consistent with the Australian and New Zealand standard on risk management (ISO 31000: 2010). The policy applies to all legal entities within the Mirvac Group to enable an enterprise wide approach to managing risk to be applied.

Supporting the policy is a framework that has been prepared to provide direction in addressing risk exposures through a structured implementation of risk management processes.

A copy of this policy is available on Mirvac's website at [www.mirvac.com](http://www.mirvac.com).

**(iii) Risk management responsibility**

The application of Mirvac's policies and procedures to manage risk is ultimately the responsibility of the MFML Board which has, in turn, delegated specific authority to the ARCC (as more fully detailed in the ARCC charter).

The ARCC advises the MFML Board on risk management and is responsible for reviewing policies for approval by the MFML Board and for reviewing the effectiveness of the approach to risk management. Risk management is specifically reviewed at least quarterly by the ARCC.

**(iv) Risk management function**

Mirvac's risk management function, led by the Mirvac's Chief Risk Officer, has been established to facilitate the risk management process by providing a centralised role in advising the various business units on executing risk management and mitigation strategies, as well as consolidating risk reporting to the senior management, the ARCC and ultimately the MFML Board.

MFML Board has been advised of the effectiveness of the management of material business risks.

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*(v) Role of internal audit*

Internal audit's role is to assess risks and controls, enhance processes and monitor controls to provide assurance to the ARCC and the MFML Board that material risks and compliance obligations are being effectively managed. The Head of Internal Audit has open access to the ARCC and its Chairman at all times. Mirvac's approach to risk management is to establish an effective control environment to manage material risks to its business. A material risk is defined as having a high probability that an action, inaction or natural event may hinder or prevent the achievement of key business objectives. Mirvac's risk management and internal control systems are designed to provide reasonable assurance that:

- risk exposures are identified and adequately monitored and managed through appropriate risk mitigation measures;
- financial, management and operational information is accurate, relevant, timely and reliable; and
- there is adequate compliance with policies, standards, procedures and applicable laws, regulations and licences.

*(vi) Operational risks*

The CEO Investment, supported by senior management, is responsible for implementing and maintaining effective risk management and internal control systems for operational risks that arise from MIX's activities. To ensure consistent and effective practices are employed, a risk register detailing the key risks facing MIX is maintained.

*(vii) Financial risks*

The ARCC reports to the MFML Board in relation to the integrity of the MIX's financial reporting, internal control structure, risk management systems as well as the internal and external audit functions. Management also provides assurance to the MFML Board and the ARCC on the effectiveness of the MIX's risk management and internal control systems for financial reporting risks.

The ARCC also oversees and reports to MFML Boards on the specific risks and compliance requirements arising from the activities of the MFML's AFS licence and respective registered managed investment schemes.

**(b) External auditor relationship**

*(i) Role of ARCC*

The ARCC is responsible for overseeing the relationship with MIX's external auditor, PricewaterhouseCoopers, including the terms of engagement of the external auditor and the scope of the external audit program each year. The ARCC is also responsible for monitoring and evaluating the performance and independence of the external auditor and the provision of non-audit services.

*(ii) Auditor independence*

The MFML Board has adopted a policy and practice protocol for auditor independence which forms part of the ARCC's Charter published on Mirvac's website [www.mirvac.com](http://www.mirvac.com). It is Mirvac's policy to engage the best available professional advisors at the most competitive price. This policy must, however, be applied within the context of maintaining the independence of Mirvac's external auditors. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every five years, and in accordance with that policy a new audit engagement partner was introduced for the year ended 30 June 2011.

The ARCC Policy endorses the fundamental principle of auditor independence that, in order to be eligible to undertake any non-audit related services, the external auditor must not, as a result of that assignment:

- create a mutual or conflicting interest with that of Mirvac;
- audit their own work;
- act in a management capacity or as an employee; or
- act as an advocate for Mirvac Group.

The Policy also details the services that the external auditor is prohibited from performing.

*(iii) Certificate of independence*

PricewaterhouseCoopers provides the ARCC with a half yearly and annual certification of its continued independence, in accordance with the requirements of the *Corporations Act 2001*, and in particular confirms it did not carry out any services or assignments during the year ended 30 June 2011 that were not compatible with auditor independence.

*(iv) Non-audit services*

In addition to the audit partner rotation and appointment requirements set out in the Policy and in the *Corporations Act 2001*, the ARCC reviews and approves, or declines, as considered appropriate before the engagement commences, any individual engagement for non-audit services involving fees exceeding \$100,000. Below this amount, approval, or otherwise as considered appropriate, is delegated to the Chief Financial Officer. No work will be awarded to the external auditor if the ARCC believes such work would give rise to a "self review threat" (as defined in APES 110 *Code of Ethics for Professional Accountants*) or would create a conflict, or perceived conflict, of interest for the external auditor or any member of the audit team, or would otherwise compromise the Auditor's independence requirements under the *Corporations Act 2001*.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the note 19 to the financial statements.

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**(c) Assurances**

The CEO Investment and Financial Controller Investments have provided the following assurance to the MFML Board in connection with MIX's annual year end financial statements and reports, namely that in their opinion, to the best of their knowledge and belief:

- the financial records of MIX for the year ended 30 June 2011 have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
- MIX's financial statements, and the notes to those statements, for the year ended 30 June 2011 comply with the relevant accounting standards;
- MIX's financial statements, and the notes to those statements, for the year ended 30 June 2011 give a true and fair view of the financial position, operational results and the performance of MIX;
- the statements referred to in the points above are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- MIX's risk management and internal compliance and control system is operating effectively in all material respects in relation to financial reporting risks.

**9 Principle 8: Remunerate fairly and responsibly**

As noted above MFML has no employees and therefore, the Board has not established a separate remuneration committee.

The remuneration of MFML Executive Directors, employed by Mirvac, is in accordance with Mirvac's HRC Charter which is available on Mirvac's website [www.mirvac.com](http://www.mirvac.com).

The remuneration of Non-Executive Directors is fixed and is paid according to the role of the Non-executive Director.

None of the Non-Executive Directors of MFML participate in unvested entitlements under any equity-based remuneration scheme of Mirvac, or are entitled to retirement benefits, other than superannuation.

**10 Conclusion**

The MFML Board is satisfied with its level of compliance and corporate governance requirements. However, the Board recognises that processes and procedures require continual monitoring and improvement. MFML's corporate governance framework will be updated as changes occur in the regulatory environment, to ensure that it remains effective and compliant.

**Mirvac Industrial Trust**  
**Financial statements**  
**For the year ended 30 June 2011**

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

The Responsible Entity of Mirvac Industrial Trust is Mirvac Funds Management Limited (ABN 78 067 417 663), a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Mirvac Funds Management Limited  
Level 26, 60 Margaret Street  
Sydney, NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in the Director's report on pages 6 to 10 which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 23 August 2011. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, the Trust have ensured that its corporate reporting is timely and complete. All press releases, financial reports and other information are available in the Investor Information section on the Trust's website: [www.mirvac.com/mix](http://www.mirvac.com/mix).

**Mirvac Industrial Trust**  
**Consolidated statement of comprehensive income**  
**For the year ended 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Revenue from continuing operations</b>			
Investment properties rental revenue		52,528	63,383
Interest revenue		101	45
<b>Total revenue from continuing operations</b>		<b>52,629</b>	<b>63,428</b>
<b>Other income</b>			
Net gain on financial instruments held at fair value through profit or loss		43	2,115
Net gain from fair value adjustments on investment properties		28,259	-
Net gain on foreign currency		817	833
<b>Total other income</b>		<b>29,119</b>	<b>2,948</b>
<b>Total revenue from continuing operations and other income</b>		<b>81,748</b>	<b>66,376</b>
Investment properties expenses		(20,836)	(23,215)
Net loss on sale of investment properties		(55)	-
Net loss from fair value adjustments on investment properties		-	(44,682)
Finance costs		(23,321)	(23,261)
Management fees	22	(2,152)	(2,518)
Other expenses	5	(4,411)	(3,622)
<b>Profit/(loss) before income tax</b>		<b>30,973</b>	<b>(30,922)</b>
Withholding tax	4	(132)	15
<b>Total tax (expense)/benefit</b>		<b>(132)</b>	<b>15</b>
<b>Profit/(loss) for the year</b>		<b>30,841</b>	<b>(30,907)</b>
<b>Profit/(loss) for the year is attributable to:</b>			
Unitholders of Mirvac Industrial Trust		30,841	(30,907)
<b>Other comprehensive income for the year</b>			
Exchange difference on translation of foreign operations		(10,735)	(5,160)
<b>Total comprehensive income for the year</b>		<b>20,106</b>	<b>(36,067)</b>
<b>Total comprehensive income for the year is attributable to:</b>			
Unitholders of Mirvac Industrial Trust		20,097	(36,106)
Non-controlling interest		9	39
		<b>20,106</b>	<b>(36,067)</b>
Basic earnings per unit (cents)	17	8.51	(8.53)
Diluted earnings per unit (cents)	17	8.51	(8.53)

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

**Mirvac Industrial Trust**  
**Consolidated statement of financial position**  
**At 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6	21,134	12,938
Receivables	7	2,508	3,630
Other assets	8	2,826	727
Non-current assets classified as held for sale	10	52,239	-
Derivative financial instruments	13	-	361
<b>Total current assets</b>		<b>78,707</b>	<b>17,656</b>
<b>Non-current assets</b>			
Investment properties	11	354,222	474,338
<b>Total non-current assets</b>		<b>354,222</b>	<b>474,338</b>
<b>Total assets</b>		<b>432,929</b>	<b>491,994</b>
<b>Current liabilities</b>			
Payables	12	21,034	25,180
Derivative financial instruments	13	-	157
Borrowings	14	252,048	232,540
<b>Total current liabilities</b>		<b>273,082</b>	<b>257,877</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	13	-	403
Borrowings	14	88,191	182,155
<b>Total non-current liabilities</b>		<b>88,191</b>	<b>182,558</b>
<b>Total liabilities</b>		<b>361,273</b>	<b>440,435</b>
<b>Net assets</b>		<b>71,656</b>	<b>51,559</b>
<b>Equity</b>			
Contributed equity	15	341,544	341,544
Reserves	16	(26,136)	(15,401)
Undistributed loss	16	(243,752)	(274,593)
Capital and reserves attributable to the unitholders of Mirvac Industrial Trust		71,656	51,550
Non-controlling interest		-	9
<b>Total equity</b>		<b>71,656</b>	<b>51,559</b>

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



**Mirvac Industrial Trust**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2011**

	Note	Attributable to unitholders of Mirvac Industrial Trust			Non- controlling Interest \$'000	Total \$'000
		Issued Capital \$'000	Reserves \$'000	Retained Earnings \$'000		
<b>Balance 1 July 2009</b>		<b>341,544</b>	<b>(10,241)</b>	<b>(243,686)</b>	<b>48</b>	<b>87,665</b>
Net loss for the year		-	-	(30,907)	-	(30,907)
Exchange differences on translation of foreign operations	16	-	(5,160)	-	-	(5,160)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(5,160)</b>	<b>(30,907)</b>	<b>-</b>	<b>(36,067)</b>
Distribution paid/payable to non-controlling interest		-	-	-	(39)	(39)
<b>Total transactions with unitholders in their capacity as unitholders</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(39)</b>	<b>(39)</b>
<b>Balance 30 June 2010</b>		<b>341,544</b>	<b>(15,401)</b>	<b>(274,593)</b>	<b>9</b>	<b>51,559</b>
Net profit for the year		-	-	30,841	-	30,841
Exchange differences on translation of foreign operations	16	-	(10,735)	-	-	(10,735)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(10,735)</b>	<b>30,841</b>	<b>-</b>	<b>20,106</b>
Distribution paid/payable to non-controlling interest		-	-	-	(9)	(9)
<b>Total transactions with unitholders in their capacity as unitholders</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(9)</b>	<b>(9)</b>
<b>Balance 30 June 2011</b>		<b>341,544</b>	<b>(26,136)</b>	<b>(243,752)</b>	<b>-</b>	<b>71,656</b>

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

**Mirvac Industrial Trust**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2011**

	Note	2011 \$'000	Consolidated 2010 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		50,020	61,722
Payments to suppliers (inclusive of GST)		(27,999)	(31,152)
		22,021	30,570
Withholding tax (paid)/refunded		(132)	15
Interest received		101	45
Finance costs paid		(20,388)	(23,125)
<b>Net cash inflows from operating activities</b>	24	1,602	7,505
<b>Cash flows from investing activities</b>			
Capital expenditures on investment properties		(2,453)	(3,169)
Proceeds from sale of investment properties		2,318	-
<b>Net cash outflows from investing activities</b>		(135)	(3,169)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		85,106	-
Repayments of borrowings		(76,327)	(9,920)
Proceeds from extinguishment of foreign exchange contracts		817	203
Distributions paid to non-controlling interest in controlled entities		(31)	(35)
<b>Net cash inflows/(outflows) outflows from financing activities</b>		9,565	(9,752)
Net increase/(decrease) in cash and cash equivalents		11,032	(5,416)
Cash and cash equivalents at the beginning of the financial year		12,938	18,819
Effects of exchange rate changes on cash and cash equivalents		(2,836)	(465)
<b>Cash and cash equivalents at the end of the year</b>	6	21,134	12,938

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

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2011**

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**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2011**

**1 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements of the Trust consist of the consolidated financial statements of Mirvac Industrial Trust and its controlled entities.

**(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with the Trust's Constitution, Australian Accounting Standards ("AAS"), other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"), Urgent Issues Group Interpretations and the *Corporations Act 2001*.

The Directors of the Responsible Entity have the power to amend and reissue the financial report.

**(i) Compliance with International Financial Reporting Standards ("IFRS")**

The financial statements of Mirvac Industrial Trust and its controlled entities also comply with IFRS as issued by the International Accounting Standard Board ("IASB").

**(ii) Historical cost convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment properties.

**(iii) Critical accounting estimates**

The preparation of financial statements in conformity with AAS 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.

**(iv) Comparative information**

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

**(v) Rounding of amounts**

The Trust is of the kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise stated.

**(vi) Goods and services tax ("GST")**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

**(b) Going concern**

The financial report for the Trust for the year ended 30 June 2011 has been prepared on a going concern basis. After reviewing the Trust's going concern status the Directors of the Responsible Entity have concluded that the Trust has reasonable grounds to expect to be able to pay its debts as and when they become due and payable. Since 30 June 2011 the conditions that existed which gave rise to material uncertainty to the Trust's ability to continue as a going concern have been resolved as a result of the refinancing of the Trust's debt as well as binding agreements entered into (see below) and set out in note 1(b) of the financial statements.

**Ongoing Risks**

The following ongoing risks have now been resolved that would have affected Trust's future performance:

**(i) CJF4, LLC loan expired 1 July 2011 (Fixed Debt facility)**

**Background**

The Fixed Debt facility of CJF4 LLC ("CJF4"), a controlled entity of the Trust totalling \$134.2m (US\$144.1m) matured on 1 July 2011 and was not repaid meaning the borrower, CJF4 LLC, pursuant to the terms of the Fixed Debt facility, was in default.

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2011**

**1 Summary of significant accounting policies (continued)**

The Fixed Debt facility is secured by 30 assets with a collateral value at 30 June 2011 of \$152.3m and borrowings of \$134.2m. Further detail on the Trust's secured assets and borrowings are detailed in note 11 and note 14 to the financial statements.

The Responsible Entity had been in negotiations with KTR WIM LLC and KTR WIM II LLC ("KTR") in relation to the CJF4 facility that was due and payable on 1 July 2011 (US time). To facilitate negotiations, KTR and CJF4 entered into a mutual short-term Forbearance Agreement (the "Agreement") on 2 July 2011. The negotiations with KTR resulted in the execution of a binding agreement on 31 July 2011 (US time).

The binding agreement required CJF4 to transfer ownership of all 30 CJF4 properties on an "as is, where is" basis to KTR in exchange for KTR releasing CJF4 from its obligation to repay \$134.2m (US\$144.1m) under the CJF4 facility, plus consideration of US\$5.0m being paid by KTR to CJF4. Settlement of the transaction occurred on 5 August 2011 (US time).

The Responsible Entity believes the binding agreement reached with KTR represents the best outcome for Trust unitholders as no superior commercial transactions were capable of being undertaken given the highly levered nature of the CJF4 portfolio and its lower asset quality relative to the Trust's other asset pools.

*Assets realised at less than fair value at balance date*

The net assets of CJF4 at 30 June 2011 amount to \$15.4m (this equated to \$0.04 of net tangible assets per unit). The NTA balance for CJF4 at 30 June 2011 is predominantly attributed to the increase through revaluations of the CJF4 properties at 30 June 2011. Whilst the valuations were undertaken in accordance with Australian Accounting Standards (refer to note 11) these values did not reflect the commercial ability of the Trust to realise the values attributed to these properties given the highly levered nature of the CJF4 portfolio and the immediate need to pay off its associated debt. As noted above the Trust received net consideration after repayment of the debt and before associated costs of US\$5.0m.

*(ii) Loans refinanced for CMBS 1 (\$109.4m) and Floating Interest Cap (\$5.6m), Sale of Elwood Assets*

The Responsible Entity has repaid its loan facilities CMBS 1 (\$109.4m) and Floating Interest Cap (\$5.6m) held by CJF1 LLC ("CJF1") and replaced them with a Fixed Debt loan facility with ING USA Annuity and Life Insurance Company ("ING") on 1 July 2011 (US time). The value of the refinanced facility for this controlled entity of the Trust is \$59.6m (US\$64.0m).

Included with the repayment of CJF1 loan facilities outstanding principal was an agreed amount of \$2.8m (US\$3.0m) for six months of default interest as a consequence of CMBS1 being in maturity default from 7 August 2010 (approximately 11 months). The late payment charge of \$5.8m (US\$6.2m), representing 5 per cent of the unpaid amount, was not imposed by the CJF1 loan facilities special servicer.

The repayment was achieved using a combination of sources including the new loan from ING stated above, proceeds before costs of \$50.4m (US\$54.1m) from the sale of the Trust's Elwood assets (27413 South Baseline Road and 21705-07 West Mississippi Street), a further \$4.7m (US\$5.0m) drawdown on the Mirvac Group Finance Limited ("MGFL") loan and cash at hand.

At 30 June 2011, CJF1 consisted of 14 assets with a value of \$148.4m, of which 3 assets were held for sale. The new loan facility with ING is secured by 10 assets which at 30 June 2011 were valued at a total of \$92.5m (US\$99.3m). The ING facility is secured by the assets listed under note 11 in connection with CJF1 with the exception of the following four assets:

- 27413 South Baseline Road, Elwood (sold 1 July 2011 US time);
- 21705-07 West Mississippi Street, Elwood (sold 1 July 2011 US time);
- 9700 Harlem Ave, Bridgeview (sold 15 July 2011 US time); and
- 3145 Central Ave, Waukegan (remains an asset of CJF1 with no direct debt facility).

The key terms of the loan are as follows:

- A term of 4.8 years (the loan matures on 1 March 2031 but is callable on 1 March 2016, 1 March 2021 and 1 March 2026);
- Fixed interest rate of 4.30 per cent per annum;
- 23.5 year amortisation of the Fixed Debt facility;
- First mortgage security interest in all real property held by CJF1 with the exceptions noted above; and
- Limited recourse to CJF1 and cross-collateralised between CJF2 and CJF3.

*(iii) Other debt facilities*

To implement the refinancing of the CJF1 loan facilities, the Responsible Entity received consent to a drawdown of a further US\$5.0m under the MGFL loan. As a result of the Trust drawing these funds under the MGFL loan, certain conditions of the MGFL loan agreement were amended. These include:

- 100 per cent of the net proceeds from the future sale of 3145 Central Avenue, Waukegan, Illinois and 9700 Harlem Avenue, Bridgeview, Illinois in return for MGFL waiving the requirement that 50 per cent of the net proceeds from the sale of the two Elwood assets only be applied to the MGFL loan; and
- The maturity date of the MGFL loan was extended to 30 September 2012 (from 31 January 2012).

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2011**

**1 Summary of significant accounting policies (continued)**

The Trust repaid its loan facilities CMBS 2 US\$64.8m held by CJF2 LLC ("CJF2") and Floating Debt US\$9.9m held by CJF3 LLC ("CJF3") and replaced them with Fixed Debt loan facilities with ING. The loans for these controlled entities of the Trust were for US\$77.9m for CJF2 and US\$8.1m for CJF3.

Further details on the borrowings of the Trust can be found in note 14 and details on investment properties relating to the borrowing can be found in note 11.

*(iv) Derivative financial instruments*

During the period derivative financial instruments have been extinguished such that no further asset or liability will be carried going forward. The Trust is still subject to foreign exchange volatility in the normal course of business.

*Net current liability position*

As at 30 June 2011, the Trust is in a net current liability position of \$194.4m. Current liabilities include debt facilities expired and expiring totalling \$252.0m (this includes default provision costs as discussed in note 14). Per the notes above the debt facilities pertaining to CJF1 have been refinanced on 1 July 2011 and a settlement with KTR for CJF4 debt facility has resulted in a reduction to the net current liability position of the Trust. The Directors of the Responsible Entity have reviewed the cash flow forecasts of the Trust and expect that the Trust will have sufficient cash flows to meet obligations as and when they fall due.

**(c) Principles of consolidation**

*(i) Controlled entities*

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of Mirvac Industrial Trust ("parent entity") as at 30 June 2011 and the results of all controlled entities for the year then ended. Mirvac Industrial Trust and its controlled entities are referred to in this financial report as the Trust.

Controlled entities are those entities over which the Trust has the power to govern the financial and operating policies, generally accompanying a unitholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Trust controls another entity.

Inter-company transactions and balances between consolidated entities are eliminated. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Trust.

Non-controlling interests in the results and equity of controlled entities are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position, respectively.

**(d) Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Trust's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Trust's presentation currency. The functional currency for the Trust's controlled entities is US dollars.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

*(iii) Foreign controlled entities*

The results and financial position of all the Trust entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the end of the reporting period;
- Income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2011**

**1 Summary of significant accounting policies (continued)**

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

**(e) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The consolidated entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the consolidated entity's activities as described below. The consolidated entity bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

*(i) Rental revenue*

Rental revenue for operating leases is recognised on a straight-line basis over the term of the lease, except when an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises. Lease incentives offered under operating leases are amortised on a straight-line basis and offset against rental income.

*(ii) Interest*

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

*(iii) Dividends*

Dividends are recognised as revenue on the date that the dividends and distributions are declared.

*(iv) 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 consolidated statement of comprehensive income in the year of disposal. Income is recognised upon settlement, which has been determined to be when risks and rewards of ownership are transferred to the buyer.

**(f) Income Tax**

Under current legislation, the Trust and its controlled entities are not liable for income tax, provided that unitholders are presently entitled to income of the Trust as determined in accordance with the Trust's constitution. Tax allowances for building and plant and equipment depreciation are distributed to unitholders in the form of a tax deferred component of the distribution.

The Trust may ultimately realise a capital gain or loss on disposal which if not distributed, may attract a US income tax liability. If the gain is distributed, a US withholding tax liability may arise and may give rise to a foreign tax credit which would be available to unitholders. A deferred tax liability is recognised based on the temporary difference between the carrying amount of the assets and their associated tax cost base.

**(g) 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 in the consolidated statement of comprehensive income on an accruals basis. Fees relating to specific events or transactions are charged upon completion or occurrence of the relevant service or event.

**(h) Leases incentives**

Lease incentives provided under an operating lease are recognised on a straight-line basis against rental income. As these incentives are repaid out of future lease payments, they are recognised as an asset in the consolidated statement of financial position as a component of the carrying amount of investment properties and amortised over the lease period.

Where the investment property is supported by a valuation that incorporates the value of lease incentives, the investment property is revalued back to the valuation amount after the lease incentive amortisation has been charged as an expense.

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2011**

**1 Summary of significant accounting policies (continued)**

**(i) Acquisition of assets**

The purchase method of accounting is used for all acquisitions of assets, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

**(j) Cash and cash equivalents**

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

**(k) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised costs, less provision for impairment. Trade receivables are generally due for settlement within 30 days of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectible are written off. A provision for impairment of trade 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 receivables. The amount of the provision 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 provision is recognised in the consolidated statement of comprehensive income.

When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in consolidated statement of comprehensive income.

**(l) Non-assets classified as held for sale**

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

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.

**(m) 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 at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

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 does not qualify for hedge accounting are recognised immediately in the consolidated statement of comprehensive income. The fair value balance of forward exchange contracts is determined using forward exchange rates at the reporting date.

**(n) Impairment of financial assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.



**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2011**

**1 Summary of significant accounting policies (continued)**

**(o) Investment properties**

Investment properties, comprising of industrial buildings in the Chicago region, are held for long term rental yields and for capital appreciation and are not occupied by the Trust. The carrying amount includes components relating to lease incentives.

*Valuations*

Investment properties are measured at cost plus transaction costs and are subsequently measured at fair value and revalued every reporting date to ensure the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recorded in the consolidated statement of comprehensive income.

The Trust's constitution requires the Responsible Entity to have the consolidated entity's property investments independently valued at intervals of not more than two years. 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:

- a willing, but not anxious, buyer and seller on an arm's length basis;
- 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;
- that the property will be reasonably exposed to that market;
- 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.

**(p) Trade and other payables**

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

**(q) Borrowings and borrowing costs**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility. Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting date. Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

**(r) Provisions**

Provisions for legal claims, forward contracts and make good obligations are recognised when the Trust has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the Trust's best estimate of the expenditure required to settle the present obligation at the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**(s) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2011**

**1 Summary of significant accounting policies (continued)**

**(t) Distributions**

In accordance with the Trust Constitution, the Trust fully distributes its distributable income to unitholders. Distributable income is determined by reference to the taxable income of the Trust. The distributions are payable half-yearly.

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 reporting date.

**(u) Earnings per unit**

**(i) Basic earnings per unit**

Basic earnings per unit is calculated by dividing the net profit attributable to unitholders of the Trust, excluding any costs of servicing equity other than ordinary units, by the weighted average number of ordinary units outstanding during the year.

**(ii) Diluted earnings per unit**

Diluted earnings per unit adjusts the figures used in the determination of basic earnings per unit to take into account the impact of any dilutive potential ordinary units.

**(v) Parent entity financial information**

The financial information for the parent entity, Mirvac Industrial Trust, disclosed in note 25 has been prepared on the same basis as the consolidated financial statements, except as set out below.

**Investments in controlled entities**

Investments in controlled entities are accounted for at cost in the financial statements of the parent entity. Dividends/distributions received from controlled entities are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

**(w) New accounting standards and UIG interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Trust's assessment of the impact of these new standards and interpretations is set out below.

*AASB 9 Financial Instruments, AASB 2009-11 Amendments to AAS arising from AASB 9 and AASB 2010-7 Amendments to AAS arising from AASB 9 (December 2010)* (effective from 1 January 2013).

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The Trust has not yet determined the impact of the change but does not believe the impact will be material. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Trust has not yet decided when to adopt AASB 9.

*Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to AAS* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Trust will apply the amended standard from 1 July 2011. When the amendments are applied, the Trust will need to disclose any transactions between its controlled entities. However, there is not expected to be any impact on the amounts recognised in the financial statements.

*AASB 1053 Application of Tiers of AAS and AASB 2010-2 Amendments to AAS arising from Reduced Disclosure Requirements* (effective from 1 July 2013).

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Mirvac Industrial Trust is listed on the ASX and is not eligible to adopt the new AAS – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements.

*AASB 2010-6 Amendments to AAS – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Trust's disclosures. The Trust intends to apply the amendment from 1 July 2011.

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2011**

**1 Summary of significant accounting policies (continued)**

*AASB 2010-8 Amendments to AAS – Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Trust will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.

The following pronouncements have been issued by the International Accounting Standards Board ("IASB") however an equivalent pronouncement has not yet been issued by the AASB. The Trust is currently assessing the impact of these pronouncements:

- IFRS 10 Consolidated Financial Statements;
- IFRS 12 Disclosure of Involvement with Other Entities; and
- IFRS 13 Fair Value Measurements.

**2 Critical accounting estimates and judgements**

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

**(a) Key sources of estimation uncertainty**

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

*(i) Valuation of investment properties*

The Trust uses judgement in respect of the fair values of investment properties. Investment properties are revalued by external valuers on a rotation basis with approximately one-half of the portfolio being valued annually. Investment properties which are not subject to an external valuation at the reporting date are fair valued internally by management. The assumptions used in the estimations of fair values include expected future market rentals, discount rates, market prices and economic conditions. The carrying value as at balance date for investment properties is \$354m (2010: \$474m). Details on investment properties are provided in note 11.

The fair value of our investment properties in the United States of America have been adjusted to reflect market conditions at the end of the reporting period. While this represents the best estimates of fair value as at the end of the reporting period, the current uncertainty in this market means that if investment property is sold in the future, the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the financial statements.

*(ii) Valuation of derivatives and other financial instruments*

The Trust uses judgement in selecting the appropriate valuation technique for financial instruments not quoted in an active market. Valuation of derivative financial instruments involves assumptions based on quoted market rates adjusted for specific features of the instrument. The valuations of any financial instrument may change in the event of market volatility.

**3 Segmental information**

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. With the exception of derivatives held by the parent entity in Australia, the Trust operates solely within the United States of America industrial property investment industry and consequently the financial report reflects the operations of this segment alone.

Segment results are now reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM that makes strategic decisions for the consolidated entity has been identified as the Board of Directors of Mirvac Funds Management Limited as they are responsible for the strategic decision making for the Trust. Net operating incomes are considered key indicators of analysis when evaluating the consolidated entity's ability to pay distributions to unitholders.

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2011**

**4 Income tax**

	2011 \$'000	Consolidated 2010 \$'000
Income tax expense/(benefit)	132	(15)
	132	(15)
Income tax expense is attributable to:		
Increase/(decrease) in withholding tax	132	(15)
	132	(15)

**5 Other expenses**

	2011 \$'000	Consolidated 2010 \$'000
Audit fees (note 19)	515	506
Trust expenses	2,528	1,658
Amortisation	1,368	1,458
	4,411	3,622

**6 Cash and cash equivalents**

	2011 \$'000	Consolidated 2010 \$'000
Cash at bank	18,543	11,618
Restricted cash	2,591	1,320
	21,134	12,938

The cash balance above includes restricted cash totalling \$2,591,066 (2010: \$1,319,545). The restricted cash relates to cash of CJF1 LLC, CJF2 LLC and CJF3 LLC (controlled entities of the Trust) that is available for capital expenditure upon approval of the lender.

**7 Receivables**

	2011 \$'000	Consolidated 2010 \$'000
Trade receivable	878	1,131
Provision for impairment	(434)	(438)
	444	693
Other receivable	2,064	2,937
	2,508	3,630

**(a) Trade receivable**

The average credit period on trade receivable is 30 days. No interest is charged on any outstanding trade receivables. Refer to note 7(d) on discussions regarding the credit risk of receivables.

**(b) Other receivable**

These amounts generally arise from transactions outside of the classification of trade receivables and loan related transactions such as GST receivables and other sundry debtors.

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2011**

**7 Receivables (continued)**

**(c) Provision for impairment of receivables**

*(i) Impaired trade receivables*

As at 30 June 2011 the Trust has a provision for \$434,095 (2010: \$437,709). The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

*(ii) Past due but not impaired*

As at 30 June 2011, trade receivables of \$443,515 (2010: \$693,023) were past due but not impaired.

**(d) Credit risk**

Receivables consist of a large number of tenants. The Trust does not have any significant credit risk exposure to a single tenant or groups of tenants. Ongoing credit evaluation is performed on the financial condition of tenants and, where appropriate, a provision for impairment of receivables is raised. The Trust holds collateral in certain circumstances which takes the form of bank guarantees or security deposits. There is no concentration of credit risk with respect to receivables as the Trust has a large number of tenants.

The ageing analysis of the Trust's trade receivables is as follows:

	<b>Total receivables \$'000</b>	<b>2011 Provision for impairment of receivables \$'000</b>	<b>Total receivables \$'000</b>	<b>2010 Provision for impairment of receivables \$'000</b>
Not past due	2,064	-	2,937	-
Less than 30 days	38	-	591	(18)
31 – 60 days	109	(84)	108	(18)
61 – 90 days	104	(42)	33	(25)
90+ days	627	(308)	399	(377)
	<b>2,942</b>	<b>(434)</b>	<b>4,068</b>	<b>(438)</b>

Under certain circumstances, the Trust has not provided for all balances past due as it has been determined that there has not been a significant change in credit quality at reporting date based upon the tenant's payment history and analysis of the tenant's financial accounts.

The Trust holds collateral over receivables of \$2m (2010: \$3m). The fair value of the collateral held equals the fair value of the receivables for which the collateral is held. The terms of the collateral are if payment due is not received per the agreed terms, the Trust is able to claim the collateral held.

**(e) Interest rate risk exposures**

Refer to note 18 for the Trust's exposure to interest rate risk.

**8 Other assets**

	<b>2011 \$'000</b>	<b>Consolidated 2010 \$'000</b>
Prepayments and other assets	<b>2,826</b>	<b>727</b>

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2011**

**9 Investment in controlled entities**

The recoverable amount of the investment in controlled entities was determined as the fair value less costs to sell as this was deemed to be the most appropriate valuation method.

Name of entity	Country of incorporation	Equity holding	
		2011 %	2010 %
Mirvac US Industrial Property Fund, Inc.	USA	99.9 <sup>1</sup>	99.9 <sup>1</sup>
Mirvac US Industrial Property Trust	USA	99.9 <sup>1</sup>	99.9 <sup>1</sup>
Mirvac Chicago Industrial, LLC <sup>2</sup>	USA	100.0 <sup>1</sup>	100.0 <sup>1</sup>

1 Beneficial percentage held by economic entity.

2 Wholly owns CJF1 LLC, CJF2 LLC, CJF3 LLC and CJF4 LLC.

**10 Non-current assets classified as held for sale**

Property	Date Acquired	2011	2010
		\$'000	\$'000
9700 South Harlem Avenue, Bridgeview	Jul 2005	1,862	-
27413 South Baseline Road, Elwood	Jul 2005	14,973	-
21705-07 West Mississippi Street, Elwood	Jul 2005	35,404	-
		52,239	-

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2011**

**11 Investment properties**

Property	Note	Date of acquisition	Book value		Cap rate		Discount rate		Date of last external valuation	Last external valuation \$'000
			30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 (%)	30 June 2010 (%)	30 June 2011 (%)	30 June 2010 (%)		
2727 West Diehl Road, Naperville	i	May 2005	21,231	24,757	7.75%	8.50%	9.25%	9.75%	Jun 2010	19,648
6510 West 73rd Street, Bedford Park	i	May 2005	7,170	9,034	8.75%	8.75%	10.00%	10.00%	Jun 2010	7,170
800-850 Regency Drive, Glendale Heights	i	May 2005	3,352	3,872	8.50%	9.25%	9.50%	10.25%	Jun 2011	3,352
W165 N5830 Ridgewood Drive, Menomonee Falls	i	May 2005	13,688	16,543	8.25%	8.75%	9.50%	10.00%	Jun 2010	13,130
1445-1645 Greenleaf Avenue, Elk Grove Village	i	May 2005	4,749	5,866	9.00%	9.25%	10.25%	10.50%	Jun 2010	4,656
308 South Division Street, Harvard	i	May 2005	20,859	26,047	9.75%	9.75%	11.00%	11.00%	Jun 2011	20,859
900 East 103rd Street, Chicago	i	Jul 2005	6,332	9,324	9.00%	10.25%	11.50%	13.00%	Jun 2011	6,332
3145 Central Avenue, Waukegan	i	Jul 2005	3,725	5,075	9.75%	9.75%	11.50%	11.50%	Jun 2010	4,027
7200 South Mason Avenue, Bedford Park	i	Jul 2005	7,263	8,682	8.00%	8.50%	9.50%	10.00%	Jun 2010	6,891
28160-70 North Keith Drive, Lake Forest	i	Jul 2005	2,794	3,403	9.00%	9.25%	10.25%	10.50%	Jun 2010	2,700
3602 North Kennicott Avenue, Arlington Heights	i	Jul 2005	5,028	5,984	8.50%	9.00%	9.75%	10.25%	Jun 2010	4,749
9700 South Harlem Avenue, Bridgeview <sup>1</sup>	i	Jul 2005	-	1,877	10.00%	10.00%	11.25%	11.25%	Jun 2010	1,490
27413 South Baseline Road, Elwood <sup>1</sup>	i	Jul 2005	-	15,136	8.50%	8.50%	10.00%	10.00%	Dec 2009	12,757
21705-07 West Mississippi Street, Elwood <sup>1</sup>	i	Jul 2005	-	35,786	8.75%	8.75%	10.25%	10.25%	Jun 2010	28,401
1020 Frontenac Road, Naperville	ii	Nov 2005	3,352	4,107	8.25%	8.75%	9.50%	10.25%	Dec 2010	3,073
8200 100th Street, Pleasant Prairie	ii	Nov 2005	5,866	7,333	8.25%	8.50%	9.50%	10.00%	Jun 2011	5,866
13040 South Pulaski Avenue, Alsip	ii	Nov 2005	7,170	8,565	8.75%	9.25%	10.50%	11.00%	Jun 2011	7,170
1850 Greenleaf Avenue, Elk Grove Village	ii	Nov 2005	2,235	3,520	8.50%	8.50%	10.00%	10.00%	Jun 2011	2,235
6751-55 South Sayre Avenue, Bedford Park	ii	Nov 2005	6,053	7,040	8.50%	9.50%	9.75%	11.00%	Dec 2010	5,866
1796 Sherwin Avenue, Des Plaines	ii	Nov 2005	3,725	3,520	8.25%	8.50%	9.50%	9.75%	Dec 2010	3,528
6000 West 73rd Street, Bedford Park	ii	Nov 2005	4,842	5,514	8.00%	9.25%	9.50%	10.50%	Jun 2011	4,842
8100 100th Street, Pleasant Prairie	ii	Nov 2005	1,862	2,229	8.25%	8.50%	9.50%	10.00%	Dec 2010	1,676
5110 South 6th Street, Milwaukee	ii	Nov 2005	1,955	3,285	9.00%	8.75%	10.25%	11.25%	Dec 2010	1,897
525 West Marquette Avenue, Oak Creek	ii	Nov 2005	3,818	4,811	9.00%	9.00%	10.00%	10.00%	Dec 2009	3,818
1750 South Lincoln Drive, Freeport	ii	Nov 2005	9,032	10,794	10.00%	10.25%	11.25%	12.25%	Dec 2010	9,032
6600 River Road, Hodgkins	ii	Feb 2006	14,806	17,717	8.25%	9.00%	9.75%	10.25%	Jun 2011	14,806
5990 West Touhy, Niles	ii	Feb 2006	12,757	15,370	8.75%	9.00%	10.00%	10.25%	Jun 2011	12,757
3849-3865 Swanson Court	ii	Feb 2006	2,561	2,875	8.75%	9.25%	10.75%	10.50%	Jun 2011	2,561

<sup>1</sup> The property book value for 9700 South Harlem Avenue, Bridgeview, 27413 South Baseline Road, Elwood and 21705-07 West Mississippi Street, Elwood were transferred to non-current assets classified as held for sale (refer to note 10). 27413 South Baseline Road, Elwood and 21705-07 West Mississippi Street, Elwood were sold for \$50.4m before costs on 1 July 2011 and 9700 Harlem Avenue, Bridgeview was sold for \$1.9m, before costs, on 15 July 2011.

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2011**

**11 Investment properties (continued)**

Property	Note	Date of acquisition	Book value		Cap rate		Discount rate		Date of last external valuation	Last external valuation \$'000
			30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 (%)	30 June 2010 (%)	30 June 2011 (%)	30 June 2010 (%)		
11601 South Central Avenue, Alsip	ii	Feb 2006	6,053	7,392	7.50%	8.75%	9.50%	10.25%	Jun 2011	6,053
6558 West 73rd Street, Bedford Park	ii	Feb 2006	8,474	10,442	8.25%	8.75%	9.75%	10.00%	Jun 2011	8,474
4527 Columbia, Hammond	iii	Feb 2006	2,607	3,403	10.00%	10.00%	12.00%	12.00%	Jun 2010	2,700
4531 Columbia, Hammond	iii	Feb 2006	2,421	2,933	10.25%	10.25%	12.50%	12.50%	Jun 2010	2,328
5619-5625 West 115th Street, Alsip	iv	Jun 2006	6,611	8,279	9.00%	9.00%	11.00%	11.00%	Jun 2010	6,570
620 South Butterfield Road, Mundelein	iv	Jun 2006	1,769	2,347	8.75%	9.00%	10.00%	10.25%	Dec 2010	1,756
900 West University Drive, Arlington Heights	iv	Jun 2006	5,773	7,040	7.75%	8.00%	9.00%	9.50%	Jun 2011	5,773
21399 Torrence Avenue, Sauk Village	iv	Jun 2006	6,705	8,448	9.00%	9.25%	10.25%	10.50%	Jun 2011	6,705
7447 South Central, Bedford Park	iv	Jun 2006	2,514	2,581	8.75%	9.25%	11.25%	11.50%	Jun 2011	2,514
100 West Whitehall, Northlake	iv	Jun 2006	13,130	12,085	7.25%	8.25%	8.50%	10.00%	Jun 2011	13,130
1605 Penny Lane, Schaumburg	iv	Jun 2006	2,235	2,112	8.00%	9.00%	9.25%	10.50%	Dec 2009	1,676
200 South Mitchell, Addison	iv	Jun 2006	5,587	6,453	8.50%	8.75%	10.00%	10.25%	Jun 2011	5,587
2600 Elmhurst Road, Elk Grove Village	iv	Jun 2006	6,425	6,101	7.00%	8.75%	8.25%	10.00%	Jun 2011	6,425
16750 Vincennes Road, South Holland	iv	Jun 2006	4,749	5,749	9.00%	9.25%	10.25%	10.50%	Dec 2009	4,423
850 Arthur Avenue, Elk Grove Village <sup>2</sup>	iv	Jun 2006	-	2,229	-	8.75%	-	10.25%	Jun 2009	-
301 East Vienna Avenue, Milwaukee	iv	Jun 2006	2,794	3,520	9.00%	9.25%	10.25%	10.50%	Jun 2010	2,794
11100 West Silver Spring Road, Milwaukee	iv	Jun 2006	3,166	3,520	9.00%	9.25%	10.50%	10.75%	Jun 2011	3,166
875 West Diggins Street, Harvard	iv	Jun 2006	3,864	4,811	8.50%	9.25%	10.00%	10.50%	Jun 2011	3,864
1810 Northwestern Drive, Gurnee	iv	Jun 2006	4,283	4,811	8.75%	9.25%	10.50%	10.50%	Jun 2011	4,283
6600 North Industrial Road, Milwaukee	iv	Jun 2006	2,514	3,168	9.00%	9.25%	10.50%	10.75%	Dec 2009	2,514
7620 South 10th Street, Oak Creek	iv	Jun 2006	4,656	4,459	8.50%	9.00%	9.75%	10.50%	Jun 2011	4,656
1111 Bowes Road, Elgin	iv	Jun 2006	7,133	7,978	7.50%	9.00%	9.00%	10.25%	Jun 2011	7,133
625 Willowbrook Center Parkway, Willowbrook	iv	Jun 2006	4,870	6,336	8.50%	9.25%	10.00%	10.50%	Jun 2011	4,870
24700 Corporate Circle, Sussex	iv	Jun 2006	5,680	4,693	8.75%	9.25%	10.25%	10.75%	Jun 2011	5,680
1665 Penny Lane, Schaumburg	iv	Jun 2006	1,955	2,112	7.75%	8.25%	9.00%	9.75%	Jun 2011	1,955
1500 W Zellman Court, Milwaukee	iv	Jun 2006	2,142	2,581	9.00%	9.50%	10.00%	10.75%	Dec 2009	2,049
6400 West Enterprise Drive, Mequon	iv	Jun 2006	22,535	24,639	8.00%	8.75%	9.00%	10.00%	Jun 2011	22,535
1301 Tower Road, Schaumburg	iv	Jun 2006	4,563	6,218	8.50%	8.75%	10.00%	10.25%	Jun 2011	4,563

<sup>2</sup> On 31 January 2011 the Trust sold 850 Arthur Avenue, Elk Grove Village.



**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
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**11 Investment properties (continued)**

Property	Note	Date of acquisition	Book value		Cap rate		Discount rate		Date of last external valuation	Last external valuation \$'000
			30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 (%)	30 June 2010 (%)	30 June 2010 (%)	30 June 2010 (%)		
342-46 Carol Lane, Elmhurst	iv	Jun 2006	3,818	4,459	8.75%	9.00%	10.25%	10.50%	Dec 2009	3,583
1100 Lakeside Drive, Gurnee	iv	Jun 2006	2,794	3,344	8.50%	9.00%	10.00%	10.50%	Dec 2009	2,654
514-532 Hicks Road, Palatine	iv	Jun 2006	2,328	2,699	8.50%	9.00%	10.00%	10.50%	Dec 2009	2,049
5450 Kraft Avenue, Grand Rapids	iv	Jun 2006	2,244	3,285	9.25%	9.50%	10.75%	10.50%	Jun 2011	2,244
712 North Central Avenue, Wood Dale	iv	Jun 2006	3,259	4,107	8.75%	8.75%	10.00%	10.00%	Dec 2009	3,818
5101 Darmstadt Road, Hillside	iv	Jun 2006	4,563	4,927	8.50%	8.50%	10.00%	10.50%	Jun 2011	4,563
1900 Nth 5th Avenue, River Grove	iv	Dec 2006	7,637	9,268	9.00%	9.50%	10.50%	11.50%	Dec 2010	7,440
1880 Country Farm Drive, Naperville	ii	Jul 2007	6,146	7,743	7.75%	9.00%	9.25%	10.25%	Jun 2011	6,146
<b>Total</b>			<b>354,222</b>	<b>474,338</b>						

i These investment properties totalling \$96.2m are secured against CMBS 1 and floating interest cap debt facility under the same lender for \$115.0m.

ii These investment properties totalling \$100.7m are secured against the fixed debt facility totalling \$72.2m.

iii These investment properties totalling \$5.0m are secured against the fixed debt facility totalling \$7.6m.

iv These investment properties totalling \$152.3m are secured against the fixed debt facility totalling \$134.2m.

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
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**11 Investment properties (continued)**

**(a) Valuations basis**

Investment properties are carried at fair value, being the amounts for which the properties could be exchanged between 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, with any gain or loss arising from a change in fair value recognised in the consolidated statement of comprehensive income in the period. Investment properties are revalued by external valuers on a rotation basis with approximately one-half of the portfolio being valued annually. Investment properties which are not subject to an external valuation at the reporting date are fair valued internally by management. Valuation methods used to determine the fair value of investment properties include market sales comparison, discount cash flow ("DCF") and capitalisation rate ("cap rate"). The fair value for a property may be determined by the Trust using a combination of these and other valuation methods.

Market sales comparison: The sales comparison approach utilises recent sales of comparable properties, adjusted for any differences including the nature, location and lease profile, to indicate the fair value of a property. Where there is a lack of recent sales activity adjustments are made from previous comparable sales to reflect changes in economic conditions.

DCF: DCF projections derived from contracted rents, market rents, operating costs, lease incentives, lease fees, capital expenditure and future income on vacant space are discounted at a rate to arrive at a value. The discount rate is a market assessment of the risk associated with the cash flows, and the nature, location and tenancy profile of the property relative to returns from alternative investments, consumer price index rates and liquidity risk. It is assumed that the property is sold at the end of the investment period at a terminal value. The terminal value is determined by using an appropriate terminal cap rate. The Trust's terminal cap rates are in the range of an additional 25 to 100 basis points above the respective property's cap rate.

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

**(b) Reconciliation of carrying amount of investment properties**

	2011 \$'000	Consolidated 2010 \$'000
Balance 1 July	474,338	538,839
Additions	1,862	3,279
Disposals	(2,318)	-
Net gain/(loss) from fair value of investment properties	28,259	(44,682)
Transfer of investment properties to non-current assets classified as held for sale	(52,239)	-
Lease incentives	479	2,093
Amortisation of lease incentives	(407)	(651)
Straight-lining of lease revenue	1,626	2,416
Foreign currency translation loss	(97,378)	(26,956)
<b>Balance 30 June</b>	<b>354,222</b>	<b>474,338</b>

**12 Payables**

	2011 \$'000	Consolidated 2010 \$'000
Trade creditors	2,751	2,977
Rent received in advance	1,286	1,797
Security deposits	2,235	2,594
Management fees	1,624	615
Real estate taxes	13,109	17,167
Other payables	29	30
	<b>21,034</b>	<b>25,180</b>

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
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**13 Derivative financial instruments**

	2011 \$'000	Consolidated 2010 \$'000
<b>Current assets</b>		
Forward foreign exchange contracts – fair value	-	361
	-	361
<b>Current liabilities</b>		
Interest rate swap contracts – fair value	-	157
<b>Non-current liabilities</b>		
Forward foreign exchange contracts – fair value	-	403
	-	560

**14 Borrowings**

	2011 \$'000	Consolidated 2010 \$'000
<b>Current liabilities - Borrowings</b>		
<i>Secured loans</i>		
Commercial Mortgage Backed Securities (CMBS)	115,016	220,925
Provision for default costs	2,827	-
Bank loans	134,205	-
Other loans	-	11,615
<b>Total current liabilities</b>	<b>252,048</b>	<b>232,540</b>
<b>Non-current liabilities - Borrowings</b>		
<i>Secured loans</i>		
Bank loans	-	171,537
Loans from related parties	8,427	10,618
Other loans	79,764	-
<b>Total non-current liabilities</b>	<b>88,191</b>	<b>182,155</b>
<b>Total borrowings</b>	<b>340,239</b>	<b>414,695</b>

**Mirvac Industrial Trust**  
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**14 Borrowings (continued)**

**Details of Property Secured Loans:**

Instrument	Controlled Entity	Principal US Dollar \$'000	Maturity	Interest Rate	30 June 2011 Principal Australian Dollar <sup>1</sup> \$'000	30 June 2011 Collateral Value Australian Dollar <sup>1</sup> \$'000
<b>CMBS 1</b>						
Floating Interest Cap	CJF1, LLC	117,450	7 August 2010 <sup>2</sup>	5.43%	109,368	148,430 <sup>3</sup>
Fixed Debt	CJF1, LLC	6,065	7 August 2010 <sup>2</sup>	LIBOR plus 110 basis points	5,648	-
Fixed Debt	CJF2, LLC	77,547	1 March 2041 <sup>4</sup>	4.50%	72,211	100,707
Fixed Debt	CJF3, LLC	8,112	1 March 2041 <sup>4</sup>	4.50%	7,553	5,028
Fixed Debt	CJF4, LLC	144,123	1 July 2011	5.76%	134,205	152,296
	Mirvac US Industrial Property Fund, Inc.	9,050	30 September 2012 <sup>5</sup>	LIBOR plus 944 basis points	8,427	-
<b>Total Debt</b>		<b>362,347</b>			<b>337,412</b>	<b>406,461</b>
Provision for default costs <sup>6</sup>	CJF1, LLC	3,036			2,827	-
<b>Total Borrowings</b>		<b>365,383</b>			<b>340,239</b>	<b>406,461</b>

<sup>1</sup> Principal has been converted at the 30 June 2011 AUD/USD exchange rate of 1.0739.

<sup>2</sup> These facilities were refinanced on 1 July 2011 (refer to note 23).

<sup>3</sup> This includes \$52.2m non-current assets classified as held for sale (refer to note 10).

<sup>4</sup> These facilities mature 1 March 2041 with the first call date at 1 March 2016.

<sup>5</sup> This facility is re-drawable subject to conditions. The total of this facility is \$13.1m at 30 June 2011.

<sup>6</sup> These provisions relate to default costs for CMBS1 and the Floating Interest Cap (refer to note 23).

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
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**14 Borrowings (continued)**

**(a) Assets pledged as security**

The controlled entities of the Trust, CJF1 LLC and CJF4 LLC, have secured debt relating specifically to the assets owned by the relevant controlled entity. For controlled entities of the Trust, CJF2 LLC and CJF3 LLC, these debt facilities are cross collateralised hence are secured against the assets owned by both relevant controlled entities. The carrying amounts of the assets pledged as security for current and non-current borrowings are:

	2011 \$'000	Consolidated 2010 \$'000
Non-current assets classified as held for sale	52,239	-
Investment properties	354,222	474,338
<b>Total assets pledged as security</b>	<b>406,461</b>	<b>474,338</b>

**(b) Financial guarantees**

The Responsible Entity in its capacity as Responsible Entity of the parent entity, as well as the controlled entities of the Trust, Mirvac US Industrial Property Trust and Mirvac Chicago Industrial LLC have provided a guarantee to Mirvac Group Finance Limited to guarantee the obligations due under the loan agreement between the borrower Mirvac US Industrial Property Fund, Inc (a controlled entity of the Trust) and the lender Mirvac Group Finance Limited. Refer to note 22(g) for further information.

The Responsible Entity in its capacity as Responsible Entity of the parent entity and its controlled entities (Mircac US Industrial Property Trust and Mirvac Chicago Industrial LLC) are parties to a deed of cross indemnity under which each company guarantees to indemnify each other should the above guarantee be enforced by the lender.

**15 Contributed equity**

Consolidated Entity	2011 Units '000	2010 Units '000	2011 \$'000	2010 \$'000
Issue of equity	362,458	362,458	341,544	341,544
<b>Balance at the end of the financial year</b>	<b>362,458</b>	<b>362,458</b>	<b>341,544</b>	<b>341,544</b>

**(a) Ordinary units**

All ordinary units are fully paid at 30 June 2011. Ordinary units entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amount paid on the units held. On a show of hands every holder of ordinary units present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each unit is entitled to one vote.

**(b) Capital risk management**

The Trust's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for unitholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Trust may adjust the amount of distributions paid to unitholders, return capital to unitholders or sell assets to reduce debt. Consistent with others in the industry, the Trust monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets.

	2011 \$'000	Consolidated 2010 \$'000
Total borrowings	340,239	414,695
Total assets	432,929	491,994
<b>Gearing ratio</b>	<b>78.59%</b>	<b>84.29%</b>

**Mirvac Industrial Trust**  
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**16 Reserves and undistributed income**

	2011 \$'000	Consolidated 2010 \$'000
<b>Reserves</b>		
<i>Foreign currency translation reserve</i>		
Balance at the beginning of the financial year	(15,401)	(10,241)
Currency translation differences	(10,735)	(5,160)
<b>Balance at the end of the financial year</b>	<b>(26,136)</b>	<b>(15,401)</b>
<b>Undistributed income</b>		
Undistributed income at the beginning of the financial year	(274,593)	(243,686)
Net loss attributable to unitholders	30,841	(30,907)
<b>Undistributed loss at the end of financial year</b>	<b>(243,752)</b>	<b>(274,593)</b>

**17 Earnings per unit**

	2011	Consolidated 2010
Basic earnings per unit (cents)	8.51	(8.53)
Diluted earnings per unit (cents)	8.51	(8.53)
Weighted average number of units outstanding during the financial year used in the calculation of basic earnings per unit ('000)	362,458	362,458
Weighted average number of units outstanding during the financial year used in the calculation of diluted earnings per unit ('000)	362,458	362,458

**18 Financial risk management**

The Trust's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Trust's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Trust. The Trust uses foreign exchange contracts to hedge foreign exchange risk exposures. Derivatives are exclusively used for hedging purposes and are not held for trading or speculative purposes, although do not qualify for hedge accounting.

Financial risk management is carried out by the Responsible Entity under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. The Responsible Entity identifies, evaluates, reports and hedges financial risks accordance with the Trust's policy.

**(a) Market risk**

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. Components of market risk to which we are exposed are discussed below:

**(i) Foreign exchange risk**

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

The Trust operates in the United States of America and is exposed to foreign exchange risk arising from currency exposures to the US dollar. Management has set up a policy requiring the Trust to manage the foreign exchange risk against the functional currency. The Trust is required to hedge its foreign exchange risk exposure arising from future commercial transactions and to manage its foreign exchange risk for its assets and liabilities in foreign currency by borrowing in the same functional currency of its investment to form a natural economic hedge against any foreign currency fluctuations.

The Trust's policy is not to hedge unrealised fair value increases/decreases which may have occurred in its foreign currency assets. The assets are revalued at the end of each reporting period with the fair value movement reflected in equity as a movement in foreign currency translation reserve. Forward exchange contracts are valued at the end of each reporting period with the fair value movement reflected in the consolidated statement of comprehensive income as exchange gains or losses. Derivative financial instruments are held at fair value on the consolidated statement of financial position.

**Mirvac Industrial Trust**  
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**18 Financial risk management (continued)**

The Trust's Australian dollar equivalents exposure to foreign currency risk at the reporting date was as follows. These amounts are converted from US dollar to Australian dollar:

	2011 \$'000	Consolidated 2010 \$'000
<b>Assets</b>		
Cash and cash equivalents	19,663	9,788
Receivables	2,485	3,614
Investment properties	406,462	469,249
Other	2,819	718
<b>Total assets</b>	<b>431,429</b>	<b>483,369</b>
<b>Liabilities</b>		
Payables	18,801	24,245
Borrowings	340,239	414,695
Derivative financial instruments	-	157
<b>Total liabilities</b>	<b>359,040</b>	<b>439,097</b>
<b>Net assets</b>	<b>72,389</b>	<b>44,272</b>

Foreign exchange contracts (cross currency swaps) are entered into based on forecast distributions from the entities for the ensuing financial years. The contracts are timed to mature at the end of each reporting period when the distribution is expected to be received from the entities.

During the year, the derivative financial instruments of the Trust have either expired or been netted off with new contracts such that no further asset or liability will be carried going forward:

Maturity	Buy Australian dollars		Sell US dollars		Average exchange rate	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011	2010
Less than 1 year	14,892	26,236	11,388	19,570	0.7647	0.7459
1 – 2 years	7,827	17,291	6,444	13,210	0.8233	0.7640
2 – 3 years	-	10,186	-	8,236	-	0.8086
<b>Total</b>	<b>22,719</b>	<b>53,713</b>	<b>17,832</b>	<b>41,016</b>	<b>0.7849</b>	<b>0.7636</b>

  

Maturity	Buy US dollars		Sell Australian dollars		Average exchange rate	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011	2010
Less than 1 year	11,388	16,050	14,892	21,600	0.7647	0.7431
1 – 2 years	6,444	9,520	7,827	12,537	0.8233	0.7594
<b>Total</b>	<b>17,832</b>	<b>25,570</b>	<b>22,719</b>	<b>34,137</b>	<b>0.7849</b>	<b>0.7490</b>

**Sensitivity analysis**

The Trust's foreign currency translation risk associated with the foreign investments results in some volatility to the foreign currency translation reserve. The impact on the foreign currency translation reserve relates to translation of the net assets of our foreign controlled entities including the impact of hedging.

The foreign currency derivative contracts are not deemed to be effective hedges under AAS. As a result they are recognised at fair values with changes in fair values during the year recognised in the consolidated statement of comprehensive income and therefore affect the net profit.

**Mirvac Industrial Trust**  
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**18 Financial risk management (continued)**

Net equity and profit movements that would result from a change by +/- 5% in the Australian/US dollar exchange rate during the year are as follow:

Consolidated	Equity foreign currency reserve		Net profit	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
- 5%	2,055	3,931	1,756	(1,613)
+ 5%	(1,859)	(3,557)	(1,588)	1,459

*(ii) Cash flow and fair value interest rate risk*

The Trust's interest rate risk arises from long term borrowings. Borrowings issued at floating rates expose the Trust to cash flow interest rate risk. Borrowings issued at fixed rates expose the Trust to fair value interest rate risk. At 30 June 2011, 95.83% (2010: 92.92%) of the Trust's borrowings are at fixed rates. During 2011 and 2010, all of the Trust's borrowings were in US dollars.

The Trust manages its cash flow interest rate risk by raising long term borrowings at fixed rates. As at the reporting date, the Trust had the following floating rate borrowings outstanding:

	2011 Weighted average interest rate %	Balance \$'000	2010 Weighted average interest rate %	Balance \$'000
Bank loans	6.28%	14,075	4.72%	29,349

An analysis by maturities is provided in (c) below.

**Sensitivity analysis**

Based upon a 100 basis point increase or decrease in interest rates, the impact on profit after tax has been calculated taking into account all underlying exposures. This sensitivity has been selected as this is considered reasonable given the current level of both short term and long term interest rates in the United States. If interest rates were to increase with all other variables held constant this would result in an increase in finance costs and a decrease in profit. Conversely the exact opposite will occur if interest rates were to decrease.

At 30 June 2011, if interest rates in the United States of America had changed by +/- 100 basis points from the year-end rates with all other variables held constant, the impact on the Trust's results for the year would have been US\$151,150 lower/higher (2010: US\$250,150 lower/higher).

**(b) Credit risk**

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to tenants, including outstanding receivables and committed transactions. Credit risk is managed on the Trust basis. Risk control assesses the credit quality of the tenants, taking into account the tenants financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Trust.

The compliance with credit limits by tenants is regularly monitored by management. Tenant receivables are required to be settled in cash, mitigating credit risk. For some receivables the Trust may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement. Tenant receivables are considered impaired when all legal measures have been exhausted unsuccessfully to recover receivables.

The Trust is also exposed to credit risk arising from transactions in cross currency swaps. For credit purposes, there is only a credit risk where the contracting entity is liable to pay us in the event of a closeout. Derivative counterparties and cash transactions are limited to financial institutions that meet minimum credit rating criteria in accordance with the Trust's policy requirements.



**Mirvac Industrial Trust**  
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**18 Financial risk management (continued)**

The credit quality of other financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2011 \$'000	Consolidated 2010 \$'000
Cash at bank and short term bank deposits	21,134	12,938
Trade receivables	2,508	3,630
Derivative financial assets	-	361
Derivative financial liabilities	-	(560)

**(c) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash, 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 with a variety of counterparties.

The tables below analyse the Trust's financial liabilities, net and 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.

Consolidated	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount (assets)/ liabilities \$'000
<b>At 30 June 2011</b>						
<b>Non-derivatives</b>						
Floating rate	15,107	-	-	-	15,107	14,075
Fixed rate	251,391	4,869	14,607	120,512	391,379	326,164
<b>Total non-derivatives</b>	266,498	4,869	14,607	120,512	406,486	340,239
<b>Derivatives</b>						
Net settled (cross currency swaps)	-	-	-	-	-	-
<b>Total derivatives</b>	-	-	-	-	-	-
<b>At 30 June 2010</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>						
Floating rate	19,971	11,247	-	-	31,218	29,349
Fixed rate	227,077	171,565	-	-	398,642	385,346
<b>Total non-derivatives</b>	247,048	182,812	-	-	429,860	414,695
<b>Derivatives</b>						
Net settled (cross currency swaps)	4,793	4,754	10,186	-	19,733	42
<b>Total derivatives</b>	4,793	4,754	10,186	-	19,733	42

**(i) Refinancing risk**

Refinancing risk, also part of liquidity risk, is the risk that the maturity profile of debt makes it difficult to re-finance (or rollover) maturing debt, or that it creates an excessive exposure to potentially unfavourable market conditions at any given time.

The Trust is exposed to refinancing risks arising from the availability of finance as well as the interest rates and credit margins at which financing is available. The Trust manages this risk, where appropriate, by refinancing borrowings in advance of the maturity of the borrowing and using interest rate derivatives to hedge known and forecast positions and reviewing potential transactions to understand the impact on the credit rating. Further details on the refinance of CJF1 and details on settlement of CJF4 fixed debt facility can be found in note 1(b) and note 23.

**Mirvac Industrial Trust**  
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**18 Financial risk management (continued)**

**(d) Fair value measurement**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The Trust has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Derivative financial instruments of the Trust have either expired or been netted off such that no further asset or liability will be carried going forward. The Trust does not have any other assets or liabilities measured and recognised at fair value.

**19 Remuneration of auditor**

During the year, the following fees were paid or payable for services provided by the auditor of the Trust, PricewaterhouseCoopers (PwC):

	<b>2011</b>	<b>Consolidated 2010</b>
	<b>\$</b>	<b>\$</b>
<b>Auditors of the Trust</b>		
Audit and review of financial reports and other audit work	<b>515,484</b>	506,315
<b>Other services</b>		
Taxation services	<b>112,367</b>	205,051
Other services	<b>51,500</b>	56,355
	<b>679,351</b>	<b>767,721</b>

**20 Contingent liabilities and contingent assets**

The following guarantee has been given by the Trust or its controlled entities.

- A controlled entity of the Trust, Mirvac Chicago Industrial LLC has provided a guarantee to JP Morgan Chase to guarantee the obligations due under the forward foreign exchange contracts entered into by the Mirvac Industrial Trust. The amounts due under the guarantee are limited to the amount otherwise distributable by Mirvac Chicago Industrial LLC to Mirvac US Industrial Property Trust. During the year, the Trust entered into new foreign exchange contracts to net off existing contracts such that no further asset or liability will be carried going forward.

No material claims are anticipated in respect of the above guarantee and the Trust had no other contingent liabilities and no contingent assets at 30 June 2011.

**21 Commitments**

There are no capital commitments at 30 June 2011.

**Mirvac Industrial Trust**  
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**22 Related parties**

**(a) Responsible Entity**

The Responsible Entity of the Trust is Mirvac Funds Management Limited, an entity incorporated in New South Wales. The immediate parent entity of the Responsible Entity is Mirvac Limited, incorporated in New South Wales.

**(b) Key management personnel**

*(i) Directors*

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly, including any director (whether executive or otherwise) of the Trust.

Key management personnel include persons who were Directors of the Responsible Entity at any time during the financial year as follows:

Paul Barker (Chairman)  
 Andrew Butler (was alternate to Nicholas Collishaw until his appointment on 13 December 2010)  
 Nicholas Collishaw (resigned on 29 June 2011)  
 Matthew Hardy  
 Kenneth Strang (resigned on 27 May 2011)

*(ii) 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 year include:

Nicholas Blake – Trust manager

*(iii) Key management personnel compensation*

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

*(iv) 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.

*(v) Key management personnel unit holdings*

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

**(c) Other transactions**

No key management personnel have entered into a material contract with the Trust and there were no material contracts involving director's interests existing throughout the year.

**(d) Responsible Entity**

The following related parties of the Responsible Entity hold and have acquired Mirvac Industrial Trust units at prevailing market rates. At 30 June 2011 these interests consisted of:

	2011 Number of Units	2010 Number of Units
Mirvac Property Trust	50,742,790	50,742,790

**(e) Responsible Entity's remuneration**

In accordance with the Trust Constitution, Mirvac Funds Management Limited (and its associates) are entitled to receive:

- a management fee of 0.50 per cent of the value of the Trust's direct or indirect proportionate interest in the properties and other assets of the Trust (on a gross value basis), calculated monthly based on the value of such assets at the end of the relevant month and payable at the end of each quarter;
- a due diligence fee of 0.25 per cent of the purchase price of any and all assets directly or indirectly acquired by the Trust;

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2011**

**22 Related parties (continued)**

- a debt arrangement fee of 0.50 per cent of the amount of any future borrowing drawn for the purpose of acquiring assets directly or indirectly for the Trust;
- an acquisition fee of 0.75 per cent of the purchase price of all assets directly or indirectly acquired by the Trust;
- a disposal fee of 0.75 per cent for all assets directly or indirectly disposed of by the Trust, where the sale price exceeds the original cost or carrying value including costs of any third party broker;
- reimbursement of trust expenses incurred on behalf of the Trust.

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

	2011 \$	Consolidated 2010 \$
Management fees	2,151,662	2,517,803
Reimbursement of trust expenses	348,188	409,019
The following amounts are included in accounts payable as owed to the Responsible Entity at balance date	695,752	9,152

**(f) Controlled entities**

Details of interests in controlled entities are set out in note 9.

**(g) Amounts owing to related parties**

	2011 \$	Consolidated 2010 \$
<b>Loans from Mirvac Group Finance Limited</b>		
Beginning of the year	10,618,326	21,937,392
Loans repayments made	-	(10,266,338)
Interest charged	1,187,306	1,891,736
Interest paid	(1,187,306)	(1,891,736)
Foreign currency translation movements	(2,191,098)	(1,052,728)
<b>End of year</b>	<b>8,427,228</b>	<b>10,618,326</b>

**Guarantees and Deed of Cross Indemnity**

The Responsible Entity in its capacity as Responsible Entity of the parent entity, as well as the controlled entities of the Trust, Mirvac US Industrial Property Trust and Mirvac Chicago Industrial LLC have provided a guarantee to Mirvac Group Finance Limited to guarantee the obligations due under the loan agreement between the borrower Mirvac US Industrial Property Fund, Inc (a controlled entity of the Trust) and the lender Mirvac Group Finance Limited.

The Responsible Entity in its capacity as Responsible Entity of the parent entity and its controlled entities the Mirvac US Industrial Property Trust and Mirvac Chicago Industrial LLC are parties to a deed of cross indemnity under which each company guarantees to indemnify each other should the above guarantee be enforced by the lender. The CJF2 LLC and CJF3 LLC loan facilities are cross-collateralised between the entities.

**(h) Distributions**

The Trust has not received distributions nor are there any distributions due and receivable from wholly-owned controlled entities.

**(i) Debt advisory services**

During the year a controlled entity of the Trust obtained debt advisory services from Quadrant Real Estate Advisors, LLC ("Quadrant") in the United State of America. Quadrant is a related party to the Responsible Entity.

	2011 \$	Consolidated 2010 \$
Debt advisory service fees relating to Quadrant incurred by the controlled entity of the Trust	732,466	340,097

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2011**

**23 Events occurring after reporting date**

**(a) Loans refinanced for CMBS 1 (\$109.4m) and Floating Interest Cap (\$5.6m), Sale of Elwood Assets**

The Responsible Entity announced on 4 July 2011 that it had repaid its CMBS 1 loan facilities (\$109.4m) and Floating Interest Cap (\$5.6m) held by CJF1 LLC ("CJF1") and replaced them with a Fixed Debt loan facility with ING USA Annuity and Life Insurance Company ("ING") on 1 July 2011 (US time). The loan for this controlled entity of the Trust is \$59.6m (US\$64.0m).

Included with the repayment of CJF1 loan facilities outstanding principal was an agreed amount of \$2.8m (US\$3.0m) for six months of default interest as a consequence of CMBS1 being in maturity default from 7 August 2010 (approximately 11 months). The late payment charge of \$5.8m (US\$6.2m), representing 5 per cent of the unpaid amount, was not imposed by the CJF1 loan facilities special servicer.

The refinance was achieved using a combination of sources including a new \$59.6m (US\$64.0m) loan from ING, proceeds before costs of \$50.4m (US\$54.1m) from the sale of the Trust's Elwood assets (27413 South Baseline Road and 21705-07 West Mississippi Street), a further \$4.7m (US\$5.0m) drawdown on the Mirvac Group Finance Limited ("MGFL") loan and cash at hand.

At 30 June 2011, CJF1 consisted of 14 assets with a value of \$148.4m, of which 3 assets were held for sale. The new loan facility with ING consists of 10 assets which at 30 June 2011 were valued at a total of \$92.5m (US\$99.3m). The ING facility is secured by the assets listed under note 11 in connection with CJF1 with the exception of the following four assets:

- 27413 South Baseline Road, Elwood (sold 1 July 2011 US time);
- 21705-07 West Mississippi Street, Elwood (sold 1 July 2011 US time);
- 9700 Harlem Ave, Bridgeview (sold 15 July 2011 US time); and
- 3145 Central Ave, Waukegan (remains an asset of CJF1 with no direct debt facility).

The material terms of the loan are as follows:

- A term of 4.8 years (the loan matures on 1 March 2031 but is callable on 1 March 2016, 1 March 2021 and 1 March 2026);
- Fixed interest rate of 4.30 per cent per annum;
- 23.5 year amortisation of the Fixed Debt facility;
- First mortgage security interest in all real property held by CJF1 with the exceptions noted above; and
- Limited recourse to CJF1 and cross-collateralised between CJF2 and CJF3.

As announced on 4 July 2011, to implement the refinancing of the CJF1 loan facilities, the Responsible Entity received consent to a drawdown of a further US\$5.0m under the MGFL loan. As a result of the Trust drawing these funds under the MGFL loan, certain conditions of the MGFL loan agreement were amended. These include:

- 100 per cent of the net proceeds from the future sale of 3145 Central Avenue, Waukegan, Illinois and 9700 Harlem Avenue, Bridgeview, Illinois in return for MGFL waiving the requirement that 50 per cent of the net proceeds from the sale of the two Elwood assets only be applied to the MGFL loan; and
- The maturity date of the MGFL loan was extended to 30 September 2012 (from 31 January 2012).

**(b) Settlement of CJF4, LLC loan (Fixed Debt facility)**

The Responsible Entity also announced on 4 July 2011 that negotiations between KTR WIM LLC and KTR WIM II LLC ("KTR") who are the lenders of the CJF4 (a controlled entity of the Trust) loan facility had commenced and were continuing. These negotiations related to the CJF4 loan facility that was due and payable on 1 July 2011 (US time).

To facilitate negotiations, KTR and CJF4 entered into a mutual short-term Forbearance Agreement (the "Agreement") on 2 July 2011. The Agreement set out that KTR will refrain from enforcement actions on the repayment of the CJF4 facility for a period of up to 28 days.

As announced on 2 August 2011 this resulted in the execution of a binding agreement on 31 July 2011 (US time). The binding agreement required CJF4 to expedite the transfer of all 30 CJF4 properties, with a collateral value at 30 June 2011 of \$152.3m (US\$163.6m) on an "as is, where is" basis to KTR in exchange for KTR releasing CJF4 from its obligation to repay \$134.2m (US\$144.1m) under the CJF4 facility, plus consideration of US\$5.0m being paid by KTR to CJF4. Settlement of the transaction occurred on 5 August 2011 (US time).

The terms of the settlement also result in the transfer of some assets and liabilities attached to the 30 investment properties transferred to KTR. The estimated impact of this transaction would be a loss on sale of US\$10.5m and a reduction in net assets of US\$10.5m. At the date of this report the Trust is still in the process of determining the overall impact of this settlement.

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2011**

**23 Events occurring after reporting date (continued)**

**(c) Sale of 9700 Harlem Avenue, Bridgeview**

On the 15 July 2011, the sale of 9700 Harlem Avenue, Bridgeview was finalised. The property was sold for \$1.9m (US\$2.0m) before costs.

Other than the circumstances disclosed above and expanded upon in note 1(b), no other circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

**24 Notes to the statement of cash flows**

**(a) Reconciliation of cash**

Cash at the end of the year as shown in the statement of cash flows is the same as the statement of financial position, the detail of which follows:

	2011 \$'000	Consolidated 2010 \$'000
Cash at bank	18,543	11,618
Restricted cash	2,591	1,320
<b>Cash and cash equivalents</b>	<b>21,134</b>	<b>12,938</b>

The cash balance above includes restricted cash totalling \$2,591,066 (2010: \$1,319,545). The restricted cash relates to cash of CJF1 LLC, CJF2 LLC and CJF3 LLC (controlled entities of the Trust) that is available for capital expenditure for CJF1 upon approval of the lender.

**(b) Reconciliation of loss attributable to unitholders to net cash inflow from operating activities**

	2011 \$'000	Consolidated 2010 \$'000
Net profit/(loss)	30,841	(30,907)
Straight-line of lease revenue	(823)	(1,583)
Net gain on financial instruments	(43)	(2,115)
Net (gain)/loss from fair value on investment properties	(28,259)	44,682
Amortisation of lease incentives	1,368	1,458
Provision for default costs	3,306	-
Net gain on foreign currency	(817)	(833)
<i>Change in operating assets and liabilities</i>		
Increase/(decrease) in trade debtors and prepayments	977	(1,929)
Decrease in trade creditors and payables	(4,146)	(3,708)
Net foreign exchange differences	(802)	2,440
<b>Net cash inflow from operating activities</b>	<b>1,602</b>	<b>7,505</b>

**Mirvac Industrial Trust**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2011**

**25 Parent entity financial information**

**(a) Summary financial information**

The individual financial statements for the parent entity show the following aggregate amounts:

	2011 \$'000	Parent entity 2010 \$'000
<b>Current assets</b>	<b>1,502</b>	<b>3,535</b>
<b>Total assets</b>	<b>73,891</b>	<b>47,835</b>
<b>Current liabilities</b>	<b>2,235</b>	<b>935</b>
<b>Total liabilities</b>	<b>2,235</b>	<b>1,338</b>
<b>Equity</b>		
Contributed equity	341,544	341,544
Undistributed loss	(269,888)	(295,047)
	<b>71,656</b>	<b>46,497</b>
<b>Profit or (loss) for the year</b>	<b>25,159</b>	<b>(36,079)</b>
<b>Total comprehensive income</b>	<b>25,159</b>	<b>(36,079)</b>

Except for the disclosure in note 14(b) and note 22(g), the parent entity did not have any guarantees, contingent liabilities or commitments as at 30 June 2011 or 30 June 2010.

**Mirvac Industrial Trust**  
**Directors' declaration**  
**For the year ended 30 June 2011**

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 20 to 53 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 Trust's and consolidated entity's financial position as at 30 June 2011 and of their performance, for the financial year ended on that date; and
  - (iii) the Trust has operated in accordance with the provisions of the constitution dated 21 March 2005, during the year ended 30 June 2011; and
- (b) at the date of this declaration, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Financial Controller required by Section 295A of the *Corporations Act 2001*.

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



Paul Barker  
Chairman

Sydney

23 August 2011





## **Independent auditor's report to the members of Mirvac Industrial Trust**

### **Report on the financial report**

We have audited the accompanying financial report of Mirvac Industrial Trust (the Trust), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Mirvac Industrial Trust 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 Funds Management Limited (the responsible entity of the Trust) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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 Industrial Trust is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its 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*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

### *Emphasis of Matter – Material events occurring after reporting period*

Without qualifying our opinion, we draw attention to the contents in Note 1(b) and Note 23 to the financial statements which indicate that after reporting date the Mirvac Industrial Trust Group settled certain financing arrangements, including the CJF4 facility. The agreement with the lender resulted in the settlement of the facility and a cash payment to CJF4 LLC in exchange for the transfer of all thirty CJF4 properties at a loss.

### *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 2011 included on the responsible entity 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 the financial report. 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.

A stylized, handwritten signature in black ink, likely representing a member of the PricewaterhouseCoopers audit team.

PricewaterhouseCoopers

A stylized, handwritten signature in black ink, reading 'J Reilly', positioned above the printed name and title.

Jane Reilly  
Partner

Sydney  
23 August 2011

### **Investor Information**

Enquiries or notifications from Mirvac Industrial Trust Investors regarding their investment in the Trust should be directed to:

Mirvac Industrial Trust Registry  
Link Market Services  
Locked Bag A14, Sydney South NSW 1235  
Telephone (within Australia): 1300 363 917  
Overseas Investors: +61 2 8280 7075  
Facsimile: +61 2 9287 0303  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

### **Receiving distributions**

If you currently receive your distributions by cheque, we encourage all Investors to bank their cheques as soon as possible. Alternatively, you could have your income distributions paid directly into a nominated account. Not only is this a quick and convenient way of receiving payments, it provides Investors with immediate access to funds deposited. To notify us of your bank account details, you can update your information through Link's online service at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au), (see details below regarding online access), download a form from Link's web site or advise Link in writing.

### **You can do so much more online**

Ongoing communication and information relating to the Trust, is updated via the Trust's website at [www.mirvac.com/mix](http://www.mirvac.com/mix). Investors may also login to the Investor Information area to access a wide variety of holding information, make some changes to their holding details online or download forms.

Once logged in, Investors can:

- > check holding balances;
- > access security prices;
- > change address details;
- > enter/update email addresses;
- > enter/amend TFN, ABN and exemption details;
- > provide/amend direct credit/bank instructions; and
- > consolidate holdings.

The website also contains general information on the Trust, such as property portfolio details, distribution information, news and reports. A hard copy of information available on the website will also be provided to Investors on request.

### **Other websites**

Mirvac: [www.mirvac.com](http://www.mirvac.com)

### **Annual financial reports**

In accordance with the Corporations Legislation Amendment (Simpler Regulatory System) Bill 2007, Mirvac Funds Management Limited has made annual financial reports available online. A hard copy of the annual financial report will still be available but will only be sent to Investors who elect to receive a copy. Annual financial reports can be accessed via [www.mirvac.com/mix](http://www.mirvac.com/mix).

### **Buying and selling securities in MIX**

MIX is listed on the Australian Securities Exchange ("ASX"). Units in MIX can only be bought or sold through a stockbroker. Each day, the major Australian newspapers carry the previous day's closing price for MIX units. For advice on how to buy and sell units in MIX, contact your stockbroker or investment adviser.

### **Handling complaints**

Mirvac Funds Management Limited has an established policy for dealing with complaints. Investors wishing to lodge a complaint should write to:

Mirvac Funds Management Limited  
C/- Link Market Services  
Locked Bag A14  
Sydney South NSW 1235

or

Manager, Investor Relations  
Mirvac Funds Management Limited  
Level 26, 60 Margaret Street  
Sydney NSW 2000

Mirvac Funds Management Limited is a member of an independent dispute resolution scheme, the Financial Ombudsman Service.

**Protecting privacy**

Mirvac Funds Management Limited is careful to protect the privacy of Investors. If Investors discover that personal information we hold is inaccurate, incomplete or out-of-date, or if you no longer wish to receive material from Mirvac Funds Management Limited, you should contact our Privacy Officer by calling 02 9080 8000 or by writing to:

The Privacy Officer  
Mirvac Funds Management Limited  
Level 26, 60 Margaret Street  
Sydney NSW 2000  
Facsimile 02 9080 8174

**Supplementary information**

The information set out below was prepared as at 28 July 2011 and applies to the Trust's ordinary units (ASX code: MIX).  
At 28 July 2011 there were 362,457,269 MIX ordinary units on issue.

**Largest Investors**

<b>Name</b>	<b>Units held</b>	<b>% of total units</b>
Mirvac Funds Limited <Mirvac Property A/C>	50,742,790	14.00
National Nominees Limited	31,975,010	8.82
Melic Pty Limited <The Melic Unit A/C>	22,062,328	6.09
Citicorp Nominees Pty Limited	17,285,827	4.77
J P Morgan Nominees Pty Limited	12,730,497	3.51
Murdesk Investments Pty Ltd	8,038,847	2.22
Edelle Two Pty Ltd (The Edelle Super Fund A/C>	7,000,000	1.93
HSBC Custody Nominees (Australia) Limited	6,989,653	1.93
Feta Nominees Pty Limited	4,530,471	1.25
Mr Andrew David Malko	4,300,915	1.19
Horrie Pty Ltd	4,000,000	1.10
Mrs Satwant Kaur Rai	3,800,000	1.05
Mr Brett McCarthy	3,638,026	1.00
Serlett Pty Ltd <Diligent Super Fund A/C>	3,614,299	1.00
Australian Executor Trustees Limited <No 1 Account>	3,307,151	0.91
Mr Paul Hill	3,024,772	0.83
Rundal Holdings Pty Ltd <Rundal Holdings P/L S/F A/C>	3,000,000	0.83
Mrs Melissa Jean Slattery	2,500,000	0.69
Ozhanza Pty Limited <Ozhanza Super Fund A/C>	2,330,000	0.64
Inston Pty Limited <Stringer Investment A/C>	2,175,000	0.60
<b>Total largest investors</b>	<b>197,045,586</b>	<b>54.36</b>
<b>Total other</b>	<b>165,411,683</b>	<b>45.64</b>
<b>TOTAL</b>	<b>362,457,269</b>	<b>100.00</b>

**Investor spread**

<b>Range</b>	<b>Number of Investors</b>	<b>Units Held</b>
1-1,000	31	19,971
1,001-5,000	208	870,406
5,001-10,000	341	3,002,908
10,001-100,000	980	38,150,382
100,001+	331	320,413,602
<b>Total</b>	<b>1,891</b>	<b>362,457,269</b>

Number of Investors holding less than a marketable parcel is 394.

**Substantial Investors**

<b>Investor</b>	<b>Units held<sup>1</sup></b>
Mirvac Funds Limited <Mirvac Property A/C>	50,742,790
Orbis Investment Management (Australia) Pty Ltd	40,567,085
Melic Pty Ltd	22,585,178

<sup>1</sup>At the time the notice was submitted

**Voting rights**

On a show of hands, MIX Investors have one vote each. On a poll, each Investor present in person or by proxy has one vote for each dollar of value of the total interests they hold in MIX.

## **Directory**

### **Responsible Entity**

Mirvac Funds Management Limited  
ABN 78 067 417 663 AFSL 220 718  
as Responsible Entity of  
Mirvac Industrial Trust  
ARSN 113 489 624

### **Registered office and postal address**

Level 26, 60 Margaret Street  
Sydney NSW 2000  
Telephone: 02 9080 8000  
Facsimile: 02 9080 8174  
Email: [enquiries\\_mfml@mirvac.com.au](mailto:enquiries_mfml@mirvac.com.au)  
Web: [www.mirvac.com/mix](http://www.mirvac.com/mix)

### **Board of Directors**

Paul Barker (Chairman)  
Andrew Butler  
Matthew Hardy

### **Company Secretary**

Varunika De Silva  
Sonya Harris  
Robyn Soranson

### **Auditors**

PricewaterhouseCoopers  
201 Sussex Street  
Sydney NSW 2000

### **Unit registry**

Link Market Services  
Level 12, 680 George Street  
Sydney NSW 2000  
Web: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### **Australian Securities Exchange listing**

Mirvac Industrial Trust is listed on the Australian Securities Exchange

### **ASX listing code**

MIX

### **Investor enquiries**

Correspondence:  
Mirvac Industrial Trust  
C/- Link Market Services  
Locked Bag A14  
Sydney South NSW 1235  
Telephone: 1300 363 917 (within Australia) or (02) 8280 7111 (outside Australia)