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Presentation

OPERATOR: Good morning ladies and gentlemen. Please welcome Mirvac's CEO and Managing Director, Susan Lloyd-Hurwitz .

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SUSAN LLOYD-HURWITZ, CEO AND MD, MIRVAC **GROUP** : Good morning. Thank you for joining us at Mirvac's FY14 full year presentation. With me here in Sydney is Shane Gannon , our Chief Financial Officer, he's going to give some comments on our financial results, and Brett Draffen , our Chief Investment Officer, he's going to give the operational update.

We do actually have a very unwelcome guest today in the form of my very persistent cough, so I'**m** apologising in advance, particularly to people on the line. I know a cough is very irritating. I'**m** going to do my best, but apologies for that unwelcome guest.

2014 was a very significant year for Mirvac. It was a year of strong performance, of delivering the strategy, setting the business up for the future, and delivering an operating result 16% ahead of FY13.

Each of the investment sectors in which we operate experienced different conditions during the year. The office markets remained challenging, with signs of weak demand recovery emerging, but with continued supply and very high persistent incentive levels. Retail sales have risen and conditions in the industrial sector have improved.

It's our view that Australia will remain in a low interest rate, lower growth environment for some time. This brings challenges in the form of subdued employment conditions and also in fragile consumer and business confidence.

There are positive indicators, but it's our view that a significant and rapid demand recovery is unlikely in the short term. At the same time, capital demand for assets has probably never been stronger, and so we have the unusual combination of weak fundamental conditions and firming cap rates.

In 2014 the recovery in the **residential** sector broadened out across Australia from Sydney. Combining entrenched undersupply with the interest rate cycle, it's our view that the Sydney **residential** market will continue to perform strongly for two to five years.

What is making this segment challenging is the intense competition for sites, and we're going to address that later.

So, how have we positioned Mirvac against that backdrop? 2014 has been all about three things; delivering on our strategy and our promises, improving the quality of Mirvac's assets and earnings across all sectors, and positioning the business for future success.

Delivering on our promises meant that we've succeeded in expanding the business within our strategic mandates and in line with our target returns, and we've delivered our **Group** earnings and development return on invested capital targets. As we said repeatedly at the half year, we did what we said we were going to do.

During the year we have substantially improved the quality of our assets and earnings across all of our sectors, and in so doing positioned the business for future success. AUD1.9 **billion** of capital **transactions** have seen the investment portfolio rise to now 98% on strategy and the active portfolio increase from 68% to 80% on strategy.

We've maintained solid leasing results on our office portfolio in a stubbornly difficult market. We've taken advantage of strong capital markets. 2014 was a year of continued turnaround in our retail portfolio and targeted reinvestment into the logistics sector. It was a year of improving the quality of the residential portfolio, providing a very high quality future pipeline, while at the same time avoiding those hypercompetitive areas of the market.

It was a year of feeding the demand in the residential market as quickly as possible and pushing price where appropriate. In 2014 we enhanced our commercial pipeline to deliver future earnings.

It was a year in which the balance sheet was strengthened, and finally 2014 was a year in which we continued to transform the way Mirvac is run, with a focused effort on innovation, safety, sustainability, and people.

2014 has been an excellent year. We're now setting course for the future, ensuring that the business is positioned to deliver.

Let's take a look at some headline numbers. In line with guidance, operating earnings per stapled security was AUD0.119 and distributions per security was AUD0.09.

As we move through the presentation you'll see that we delivered on all the specific objectives we set this time last year. You'll also see that metrics in our MPT portfolio have fallen slightly due to market headwinds, but they're still very strong, delivered by our in-house active asset management teams.

We achieved a 10.5% development return on invested capital, ahead of our target of 10%. And we exceeded our normalised residential development margins of 18% to 22% with the exceptional 40% margin at Era in Chatswood driving the overall margin to 24.3%. For the year we delivered a total securityholder return of 19.8%.

We've been extremely active in capital transactions during the year. All that activity designed to improve the positioning of the portfolio and to take advantage of market conditions.

We executed AUD607 million of on strategy acquisitions across all investment sectors, but focused specifically on Sydney and Melbourne.

At 367 Collins Street we're looking to unlock value through leasing, while 477 Collins Street will deliver current income with the potential for a future development when the time is right. We have submitted a DA and we're actively looking for an anchor tenant.

Our logistics purchase at 60 Wallgrove Road illustrates the same theme, income in place with future development opportunity. We're progressing with our development plans and we've received very strong tenant inquiries so far.

Our purchase of Harbourside Shopping Centre in Sydney will allow us to deploy our asset management skills in a catchment we know very well to further enhance this strategically located metropolitan asset.

We've also been carefully restocking the residential pipeline in a very disciplined way, in line with our mandates, and we completed AUD250 million of acquisitions forecast to deliver AUD1.2 billion of revenue from 2,671 lots from 2017 onwards.

We're forecasting an IRR for those projects in excess of 18% and, importantly, 64% of that capital has been deployed in the very strong Sydney market.

Improving the quality of the asset base isn't just about acquisitions. It's also about divestment. So, taking advantage of strong capital demand, we accelerated our non-core divestment program, with a total of AUD624 million sold, above book value and, in the case of the transaction with Blackstone , no agency fees. We reduced our single asset risk from 18% to 10% with the sale of 50% of 275 Kent Street, again above book value.

We were successful in releasing provision in line with target at AUD130 million, and were able to divest seven englobo projects in line with our expectations and ahead of schedule.

What this means is that the proportion of revenue coming from provision projects is going to continue to fall. It was approximately 24% in FY14. In FY15 it's going to be approximately 14%. This increase in quality is expected to continue to drive ongoing normalised gross margins of 18% to 22% and over time return on invested capital trending upwards towards 12%.

During the year we launched our next generation sustainability strategy, known as This Changes Everything, and our targeted safety strategy Be Safe for Life, and we initiated a program known as hatch to accelerate our focus on innovation.

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We're always working on how to improve the operations of the business, and in 2014 that resulted in redesigning our procurement practices and focusing on bureaucracy busting.

Our people make Mirvac what it is, and in 2014 we refocused on investing in our people. Our employee engagement score increased again and I'm very proud to say that we remain in best employer range.

During the year we rolled out several Insead programs to the top 150, with a focus on culture, innovation, and leadership.

Finally, we're in the process of recrafting our diversity strategy, which will focus on both diversity and inclusion, and we'll share that strategy with you in due course.

I'm now going to hand to Shane Gannon to make some comments about our financial results.

SHANE GANNON , CFO, MIRVAC GROUP : Thank you, Sue, and good morning everyone. As Sue mentioned, it has been a significant year for Mirvac. We have achieved a considerable amount over the past 12 months.

We delivered substantial growth in earnings. We further strengthened our capital position, and importantly, the quality of our earnings improved as we enhanced the quality of our entire portfolio.

So whilst we were busy strategically buying and selling assets, we managed to maintain Mirvac's strong balance sheet and deliver on our capital management initiatives, which I'll expand upon in a moment.

Firstly, I'd like to take you through slide 10, the financial results, in a little more detail, focusing on statutory profit first.

For the full year, we achieved a statutory profit after tax of AUD447.3 million, or AUD0.122 per stable security, a significant improvement on the previous year which most of you would know was negatively impacted by the AUD273 million provision for loss on inventories, loans, and investments.

At the operating profit line, the result of AUD437.8 million is 15.9% up on last year. This represents EPS of AUD0.119 per stable security, up 9.2% from FY13. Our dividend per security increased by 3.4% to AUD0.09 per stable security, representing a Group payout ratio of 75.6%.

Operating EBIT increased from AUD446 million to AUD590.5 million, up 32% on last period. This was driven by a AUD52.8 million increase in investments and AUD94.7 million increase from developments.

Just addressing those two components. Investment earnings growth was primarily a result of the full year impact of the GE portfolio acquired in May last year, income from the more recent acquisitions of 367 and 477 Collins Street, acquisition of Harbourside Shopping Centre, and, as Sue mentioned, 60 Wallgrove Road.

These positive contributions were partly offset by the impact of the divestments, which included Logan Megacentre and Gippsland. The development earnings was primarily generated by the settlements of the Era project at Chatswood and the completion of 8 Chifley in Sydney.

Turning to slide 11 and addressing some of the financial highlights for Mirvac. The first one, Mirvac's net tangible assets increased 2.5% from FY13 and is now AUD1.66. Let me just share the key drivers of the improvement, which were as mentioned before, development business returning to normalised earnings, with an operating profit improving by circa AUD75 million.

Asset revaluations were driven by a slight tightening in the cap rate. The improved values, however, were partly offset by the fall in value of two single-tenanted assets, being Salmon Street Victoria with GMH as the tenant there, and Coonara Avenue in New South Wales, with IBM being the tenant.

You will also note in the Mirvac accounts a AUD24.5 million impairment loss of goodwill was recognised resulting from the disposal of the 50% of 275 Kent Street.

Addressing finance costs. In the profit and loss for FY14, finance costs were AUD144.8 million, compared with AUD87.1 million last year. Let me just explain the major components of the movements in the finance costs.

The external interest paid increased by AUD22 million to a total of AUD135.7 million, compared with FY13. This is due to an increase in borrowings to fund the acquisitions that I mentioned earlier.

Our interest capitalised to balance sheet was lower in FY14 at [35.9%] compared to [62%] in FY13. There are two reasons for this material change.

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Firstly, most of you recall the full year impact of the capital reallocation of AUD500 million that was done last financial year in June, and six months' impact of AUD300 million where we transferred capital from Mirvac Property Trust to Mirvac Limited .

This resulted in an increased interest expense through the Mirvac Property Trust and the lower interest in developments.

Secondly, a greater number of multi-stage developments where interest is capitalised on active stages rather than the whole project.

Finally, impacting finance costs was the cost of goods sold interest released to profit and loss. This increased to AUD38.4 million in FY14 compared to AUD32.2 million in FY13, and was due to the increase in development settlements during the year, with the major contributor being Era at Chatswood.

The next area I wanted to comment on were Mirvac's overheads. As a percentage of our asset base, overheads remain stable from FY13 at 1.8%. In absolute terms, this represented an increase in overheads from AUD165.7 million to AUD176.9 million.

There were two major drivers for this increase. Importantly, sales and marketing expenses for FY14 increased by approximately AUD9 million, a rise of 42% on the prior year. We must remember this was, of course, off the back of a 54% rise in residential releases from FY13, which will underpin future earnings.

As a result of the improvement in the earnings this year, as explained in the remuneration report, the results include a bonus accrual of AUD21.1 million compared to AUD11.2 million the prior year.

I'll just make the comment that if we were to exclude sales and marketing from the calculations of Mirvac's overheads, as a percentage of our asset base, overheads fell from 1.6% at FY13 to 1.5% this year, so a slight improvement.

Finally, Mirvac also remains disciplined with our capital allocation. We have maintained our passive versus active capital split in line with our strategic mandates. That is, targeting approximately 80% passive and 20% active.

We have now materially completed our development englobo sales program, selling key sites. These site sales contributed to our AUD129 million provision release in FY14, taking our provision balance down now to AUD183 million and taking our development of non-core capital to less than 20%, so quite a sizeable achievement during the year.

Slide 12, moving on to capital management. It's been a busy year, as we've spoken, and we delivered on a number of capital management objectives.

If we take a look at the operating cash flow over the 12 month period, you can see at the half year we were negative AUD112.7 million. A lot of discussion at the half year.

As outlined at the first half results, this was largely due to a number of acquisitions, as an example Bondi and Baldivis in Western Australia, and the construction of our residential projects, and the fact that we had no material inflows from fund throughs and apartment settlements.

As expected, in the second half settlements at Chatswood, Era Chatswood, and commercial fund through payments from 200 George Street increased our net operating cash flow by AUD512 million to finish at AUD399 million for the full year. Our full year operating cash flow is consistent with the prior year.

The balance sheet gearing for the Group at the end of the period was 27.8%, remaining within that target range of 20% to 30%.

On July 1 I'll just make mention of the settlement of the Blackstonetransaction, which as you know is the sale of 50% of 275 Kent Street and seven non-core assets. The net proceeds from this transaction lowered gearing to approximately 23%, so a sizeable change in our gearing.

From a capital structure perspective, during the year we achieved a number of strategic objectives. Importantly, we received a credit rating upgrade from S&P to BBB+ from BBB. The upgrade was followed by AUD200 million issuance of MTNs and a AUD560 million USPP, both achieving more attractive pricing as a result of the upgrade. The initiatives led to improved weighted average debt maturity of 4.3 years, and a 30 basis points reduction in the average cost of our debt, which is quoted at 5.6%.

From my perspective, debt markets are in a good position for Mirvac, with competition evident between lenders. We expect pricing to settle around current levels, hence relatively stable.

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In closing, we have executed against our strategic objectives for FY14 and the current financial position of Mirvac ensures we are well placed for future success.

On that note, I'll now pass back to Brett to commence our operational summary. Thank you.

BRETT DRAFFEN , CIO, MIRVAC GROUP : Good morning everyone. Thanks, Shane, and let's now move into the next level of detail. Overall, the MPT portfolio has outperformed the IPD index over one, three, and five years, delivering an ungeared one year return of 9.4%.

Like-for-like NOI growth is strong at 3.1%. Occupancy is virtually unchanged at a high 97.6% and future earnings are underpinned by a solid WALE at 4.7 years.

In the development division, we delivered a return on invested capital of 10.5% as promised, and almost double the development EBIT, delivering AUD190 million.

Looking forward, we've already secured 69% of our expected FY15 development EBIT and are focused on delivering a return on invested capital of greater than 10%. Our expectation is that office fundamentals remain challenging in the short term, with elevated vacancy, high incentives, and no effective rent growth.

However, leading indicators are pointing to improved demand, particularly in Sydney and Melbourne, and the current supply cycle is starting to come to an end over the next few years. We expect prime vacancy rates to rise and remain in low double digit territory for the next two years, and we believe that incentives are close to stabilising.

We expect prime effective rents to start to improve from FY16 in Sydney and Melbourne and FY17 in Perth and Brisbane.

The abundance of domestic and global equity flowing into the real estate sector continues to place upward pressure on asset prices. Importantly, this is predominantly fuelled by equity rather than debt.

Prime CBD office remains the preferred investment sector for this capital, and we are well positioned to benefit from this resulting cap rate compression, as 92% of our office portfolio is prime. Sydney and Melbourne are acting as the gateway cities for this foreign investment and 81% of our office portfolio is concentrated in these cities.

Our view is that prime office markets will continue to experience cap rate compression, supplemented by accelerated income growth from 2017.

As you know, our office strategy is to buy and create prime CBD assets and target IPD outperformance. Our high quality office portfolio has outperformed the IPD index over one, three, and five years.

Overall, there is a net valuation uplift of 0.4% and post the Blackstonetransaction the weighted average cap rate has narrowed to 7.33%. We saw cap rate compression at 275 Kent Street, 8 Chifley, 10-20 Bond, and Riverside Quay.

Like-for-like NOI growth of 3.4% was driven by rent reviews averaging 3.8% and spreads on leasing renewals at 2.1%. Incentives remain below the market at 21.5%, with net effective rent growth slightly negative at 0.5% but still significantly better than the market at negative 5%.

The portfolio has a strong WALE of 4.7 years, slightly lower than the previous period due to the acquisition of short WALE assets for future development potential.

Occupancy remains high at 96%, underpinned by 132 lease deals completed over the period, covering almost 50,000 square metres. This is critical during a period of extended fundamental weakness.

One of our objectives this year was to focus on leasing the portfolio we acquired from GE in May of 2013. In FY14, we completed 57 lease deals of these assets, representing approximately 15,000 square metres.

A further objective was to substantially complete the leasing of 8 Chifley, and I'm pleased to say that we only have 570 square metres now left to lease at Chifley, and 8 Chifley is truly setting the standard for Sydney. In FY14 we received a number of rewards and accolades for that development, but more pleasingly our tenants are giving us wonderful feedback of really how they really love their workplace.

We're already making pleasing progress towards the FY15 and FY16 lease expiries, having secured 11.3% and 7.5% of those expiries already committed by heads of agreement.

We exceeded our NABERS target for the year, having achieved 4.9 Star Energy and 3.8 Star Water. Right across the Group we've embedded our This Changes Everything sustainability strategy into the business and will release our annual sustainability review in October of this year.

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An example of the implementation of this strategy was the installation of an 80 kilowatt solar array at Furzer Street in Canberra. This is a significant move to our target and goal of producing 1 megawatt of a renewable energy by 2018.

As a result of the positioning efforts of the portfolio, it is now 98% on strategy, up from 96% in FY13.

One of Mirvac's key competitive advantages is our integrated model, which is delivering high quality office assets containing workplaces that enhance our customer's businesses.

In FY14 commercial development delivered EBIT of AUD29.3 million with a major contribution from 8 Chifley.

Excellent progress has been made on the pipeline which now has an expected end value of AUD3.4 billion, and is substantially de-risked with the current projects -- active projects 88% pre-leased.

699 Bourke Street Melbourne is now 100% leased to AGL and we've agreed a fund through structure with TIAA-CREF . Construction is on track and has now reached level 12.

At the Treasury Building in Perth, where we're at 98% to the WA government, construction of the low rise is now complete and fit out is underway for the lower level floors.

At 200 George Street, which is 74% leased to E&Y, construction is on track and the jump form which many of you may have seen is now at level 5 and accelerating very quickly.

Looking at the future pipeline, we're delighted to have signed a heads of agreement with PwC in Melbourne for 82% of the proposed Riverside Quay development, on a lease term of 12 years. What is particularly exciting about this project is that the shared vision of Mirvac and -- is the shared vision of both Mirvac and PwC about how their workplaces can drive their business success. We're very excited about the transformation of that project, and the opportunity that it gives us for the wider precinct working with the City of Melbourne to really change that Riverside precinct that you know today.

Looking further ahead, we continue to make good progress with potential developments at 55 Pitt Street, 664 Collins Street, 477 Collins Street, and the Perth City Link project.

I want to emphasise that we'll continue to be disciplined and patient about how we unlock this pipeline. Income in place and capital efficient structures on this pipeline mean that we can afford to sit and wait, and will only commence construction and development of the next stage when a pre-commitment is in place.

Our future pipeline demonstrates that we already have secured future - a significant amount of future earnings for the commercial segment.

Switching sectors, let's turn to retail. Retail turnover is accelerating again with rising consumer confidence, and we expect continued sales momentum in FY15, as net wealth rises and household balance sheets strengthen. We also expect non-discretionary retailing to continue to perform and are pleased that, with our positioning, with 42% of the retail revenue coming from food-based tenants.

Retailer business confidence has lifted, but is still marginally negative, meaning that leasing will continue to be challenging.

The Sydney retail market continues to be the strongest in the country, supported by population and wealth growth. We continue to re-weight our portfolio away from regional exposure, which has halved, dropping from 16% to 8% of the portfolio, and towards Sydney, which has risen from 44% to 60% of the portfolio.

The substantial turnaround in the performance of Mirvac's retail portfolio is well underway. Our strategy is to unlock embedded value in the portfolio and acquire assets on line, or in line with our mandate, which focuses on non-discretionary and CBD retailing.

The portfolio is now out-performing the IPD index on a one, three and five year basis. If you cast your mind back to FY12, at that time the portfolio was under-performing on all those three metrics. So a significant turnaround in the past two years.

This remarkable turnaround has been achieved by discipline acquisitions in -- consistent with our strategy, divestment of non-core assets, active asset management, and by expansion through development.

Net valuation and uplift of 1% was driven again by Broadway Shopping Centre, Kawana Shoppingworld and Stanhope Village. Broadway is once again the most productive shopping centre in Australia, winning the Big Guns award for the second year in a row.

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Like-for-like NOI growth at 2% has been driven by fixed rent reviews and leasing spreads, both sitting at 4.5%. This in turn has been driven by strong performances from food-based leasing spreads of 12%, and a strong contribution from the Sydney market. The positive NOI drive is a particularly -- was partially offset by lower leasing spreads for renewals and a high retention rate. The portfolio remains almost fully leased.

Turning now to occupancy costs, they've risen to 16.8% supported by increased sales productivity. In fact sales productivity has improved 20.8% over the year, a clear indication of outstanding improvement in the quality of the portfolio.

Overall MAT growth was 2.2% driven by specialties, food catering and mini majors. The overall portfolio weighted average cap rate following the Blackstone**transaction** narrowed to 6.82%, again demonstrating the quality of the portfolio and the compression we're seeing in some of the cap rates.

Our retail portfolio is now 98% on strategy, up from 80% a year ago.

With respect to retail developments, we remain on track to deliver an overall yield within our stated range of 7% to 8% on cost, and IRRs in the region of 10% to 12%.

At Kawana in Queensland the project is nearing completion and sits at 97% leased, and is now basically all but fully operational.

At Stanhope Village, construction is underway with 31% pre-leased and completion expected May next year.

Construction is also underway at Orion Springfield with completion expected in March of 2016.

At Rhodes we have completed the restaurant precinct and commenced the food court upgrade, and we have good visibility of future value creation with master planning underway at Cherrybrook, Como, Broadway, Harbourside, St Mary's and Greenwood. So a pretty large program still to come in terms of retail development.

Demand in the industrial sector is well supported by positive outlooks for housing investment, consumer spending, and exports. In addition, a sizeable committed infrastructure pipeline, particularly in New South Wales, will boost demand for well-connected centres.

Pricing is supported by increasing institutional and global demand for prime logistics assets in gateway markets. We demonstrated again in FY14 that we have the capacity to source locations in key sites and also look at repositioning for redevelopment in terms of leveraging our integrated model going forward.

We're in the process of repositioning and expanding the industrial portfolio to deliver outperformance over IPD, which has now been achieved on a one and a three year basis. The net valuation uplift of 0.9% was driven predominantly by Hoxton **Park** and Nexus, both in New South Wales, and following the Blackstone**transaction** the weighted average cap rate narrowed to 7.43%.

Like-for-like NOI growth was 4%, supported by rent reviews achieving 3.4% on average.

Importantly occupancy is still very high at 99.5% and despite the impact of strategic short term leases at 60 Wallgrove Road the overall WALE is a solid 8.7 years.

Overall the industrial portfolio is now 91% on-strategy, up from 61% a year ago, and obviously with the 60 Wallgrove Road opportunity, we are well positioned for the future.

Let's turn to **residential**. The market saw strong sales and price momentum in the first half of the year. This has certainly continued in the second half, although at a slightly reduced pace. We expect price growth in the markets to continue through FY15, but at a slightly more moderate level.

Fundamentally increased stock levels are insufficient to overcome the national under-supply. There is a high level of activity from offshore buyers in select locations and product types, as well as increased level of activity from offshore developers acquiring sites. We expect demand volumes to continue to grow, driven by tight rental vacancy, population growth, and a strengthening of the economy.

Strength in the Sydney market is supported by supply shortage, low vacancy, above-average population growth, and a strengthening state economy. We're very well positioned in this market and our near-term release schedule and subsequent earnings profile is enhanced by our overweight position to Sydney. In fact over 50% of the lots to be released in FY15 are in Sydney, and 85% of those are in apartments.

Despite the exceptionally competitive market for sites, we've clearly demonstrated that we can maintain our Sydney exposure through off-market **transactions** and playing to our strengths. The advantages of the Mirvac integrated model, our balance sheet, our upfront approach to due diligence, and our reputation for

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being a reliable buyer, all combine to mean that we can create an edge for more complex sites. I think you've seen this in our acquisitions, in the fact that we continue to restock our pipeline.

As demand increases in our major capital cities, we are concentrating on the larger cities with deep employment markets in line with our strategic mandates.

The chart on the right shows the continued shift of customer preferences to high density living, with approximately 45% of all approvals now for attached dwellings. We are well positioned to serve these customers with over 50% of our expected **residential** revenue coming from apartments.

FY14 **residential** EBIT was AUD202 **million** with the settlement of 2,482 lots. We continue to have a high level of **residential** presales on -- with contracts in hand at AUD1.2 **billion**, and AUD980 **million** of this was secured in FY14.

During the year we released 2,320 lots of which 88% are pre-**sold**, and we acquired 2,671 lots. Our recent acquisitions in the **apartment** segment have a short average project duration of 3.3 years. Last week we announced that we acquired the Leighton Properties 25% interest in Green Square, and are delighted to have increased our exposure to this important major urban regeneration project.

Our constant focus on cash repatriation from provision projects means that our provision balance is now below AUD200 **million**.

Looking into FY15, we're expecting to settle 2,200 lots, of which 80% are expected to be coming from profit generating projects. So a percentage of provisioned lots as a composition is continuing to reduce to 20% for FY15.

Taking advantage of the positive **residential** market conditions, we are deliberately accelerating releases over FY15 with 2,700 lots driven predominantly in Sydney and in there -- with our **apartment** exposure. Apartments represent 85% of our FY15 **residential** releases. This means that the sales and marketing expense, as Shane mentioned previously, will be significantly higher than FY14. Earnings should start to flow from these releases by 2017.

The strong release profile for high quality projects represents more than AUD1.9 **billion** in forecast revenue, in addition to the very strong level of pre-sales we're holding at AUD1.2 **billion**. This gives us excellent visibility and we've certainly set the business up for the future.

I'll now hand back to Sue to talk more about the FY15 outlook. Thank you.

SUSAN LLOYD-HURWITZ: Thanks Brett. So that's 2014. What can you expect of us in FY15. Guidance is AUD443 **million** to AUD455 **million** in **Group** operating profit which delivers operating EPS of AUD0.12 to AUD0.123 per stapled security, and an increased dividend of AUD0.092 to AUD0.094 per stapled security.

In the office sector, expect us to continue to focus on leasing to keep income high. We're going to keep looking for future development opportunities with income in place and will persist in improving the quality of the portfolio.

With respect to our retail portfolio, we're going to keep looking for acquisitions where we can add value through our asset management and repositioning expertise. We're going to continue to reduce exposure to regional markets and focus on strong metro markets, and will keep continuing to improve the quality of those existing assets.

In the industrial sector, we're going to look for strategically significant sites with future development opportunities.

In the **residential** sector we're going to carefully restock, being smart about where and how we compete for sites. We're going to continue to focus on medium and high density urban opportunities in strong markets, and we're going to accelerate releases and push price where that's appropriate.

With respect to the **operations** of the business, you can expect us to progress towards operational excellence. We're going to make progress on our long term innovation, safety and sustainability strategies; we will create that next generation diversity and inclusion strategy, and will further develop our people.

If we look out a bit further into the medium term, we do see the office market eventually strengthening with -- as the supply cycle ends and demand improves. Our upcoming development completions will lift the quality of the portfolio and deliver earnings.

In the retail sector we believe that retailers will improve in confidence once the current sales increase is proven. A large -- a proportion of our current redevelopments will be coming online in the medium term, which will add to quality and increase income.

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In the industrial sector, improving fundamentals and a strong pipeline of infrastructure projects will increase the demand for logistic assets, and so expect us to try and capitalise on this to create new assets that suit tenant requirements.

The residential recovery will continue to expand beyond Sydney into other capital markets, and so expect us to continue to focus on restocking the pipeline in a careful way.

At a Group level we're going to focus on driving development return on invested capital to 12% by FY17, maintain our strong capital management disciplines, and deliver growing distributions. I know you're not going to be surprised if I say we're also going to continue to focus on delivering in the areas of safety, sustainability, innovation, and most importantly, our people.

That concludes the formal presentation and we'd now like to open up for questions. So let's -- we'll start in the room and then we'll go to the line.

Paul?

Questions and Answers

UNIDENTIFIED AUDIENCE MEMBER: Just on guidance for next year, obviously showing a lower level of growth and initiative, but I don't think that should come as a surprise to anyone. Dependent on two key areas, one is settlements at Harold Park, and secondly any commercial profit out of Treasury? Maybe just expand on the timing of those a little bit for us?

SUSAN LLOYD-HURWITZ: Yes. Brett?

BRETT DRAFFEN : Yes, no we've already commenced our settlement at Harold Park, so the first stage, Locarno's settlements, have already started, so we're obviously very, very comfortable with the settlement profile there in terms of recognising a significant amount of earnings from Harold Park in FY15. In fact I think it's pleasing to see probably the first time we've ever -- that we've actually got a more even skew first half, second half, for FY15. So expect about 45% of our earnings from the development segment to be skewed to the first half, which is a significant improvement because as I said previously, I'm not sure why, but it tends to be obviously highly skewed to the second half typically. It's nice to see it a bit more balanced in FY15 going forward.

In relation to Treasury, yes we're expecting a significant contribution there, obviously in the second half of FY15. Again, we remain balanced -- very comfortable with the program there. We're on track in terms of delivery. Expect that earnings to be coming through in -- late in the second half.

UNIDENTIFIED AUDIENCE MEMBER: Just one quick follow up question. On three development projects it looks like the initial yield's come down for Kawana, 699 Bourke, and 664 Collins. Any insight as to why that might have happened?

BRETT DRAFFEN : Yes, well maybe if we talk to them individually. In terms of Kawana, we have had some wet weather delays there and what that's meant is that we have had some delays in the construction program. What's happened out of that is that we've had to re-sequence some of our construction to meet some of the obligations to our tenants, and that has led us to a -- probably a sub-optimal construction sequencing on site. So we're still tracking within our stated range, the 7% to 8% yield on cost, but accept that it has moved down slightly.

Certainly in terms of the way Kawana's already trading to date, it's been very, very pleasing and we expect to still be within the band of 10% to 12% incremental IRR out of that project.

Probably the other significant one you mentioned, 699 Bourke Street. Again we did have some delays with interface issues with the rail enclosure on that project. That has led to again a slight deterioration in terms of the yield on cost, but we still will be within band and certainly the project continues to track to our visibility expectations.

UNIDENTIFIED AUDIENCE MEMBER: Great, thank you.

JOHN KIM , ANALYST, CLSA: Good morning Susan, it's John Kim with CLSA.

SUSAN LLOYD-HURWITZ: Hi John.

JOHN KIM : Hi. I had a question for you on your earnings growth for this year it's about 2%. It's a little bit more volatile than I think a [normal] trust which is expected given some of your big projects. But in this current environment interest rate's low, and consumer confidence is high as far as the res market. What kind of EPS growth should we be expecting over say a three and five year period?

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SUSAN LLOYD-HURWITZ: You're right to point out that the EPS growth into FY15 could be up to 3% given where we land in that range. We're obviously coming off a year of 9%, so coming off an extremely strong year into another 3% for next year.

I think in -- when we talk about how we make decisions in the business, we always talk about return on invested capital first, and EPS is a result of that. Now we also say that if you think about the balance of the business from 80% in the passive business and 20% in the active business. Now the run rate that we're getting on NOI growth in the passive business, you should see that continue. We have a very high level of fixed increases, obviously very high occupancy so you could expect a constant run rate similar to what we've had this year in the passive and then you have to look specifically at what's coming through the pipeline knowing that we focus first and foremost on return on invested capital and EPS will drive out of that.

JOHN KIM : Sure, but with today's environment with your spread investing ability as well as resi prices growing I would imagine you'd be disappointed if you didn't grow with the CPI . I was just wondering if you have a target above CPI or some number that you could guide the market to as far as an [annual growth].

SUSAN LLOYD-HURWITZ: I think what I'd be more disappointed with if we fail to reach our return on invested capital targets because we're very focused on restocking the pipeline but as we talked about several times during the presentation in a very disciplined way. The markets are very competitive in **residential**. We're not going to compete for sites for the sake of it to create earnings. We're going to focus on return on invested capital. So I'd be disappointed if we don't get to our return on invested capital targets and EPS will flow as it does. Obviously we'd like it to grow.

BRETT DRAFFEN : Perhaps, John, the other comment would be that I think what you see in the outlook for 2015 is quite a massive investment in release program going forward, 2,700 lots. Now that obviously will have a significant flow on impact to FY17 in terms of the expectation and as Sue said in the presentation, we expect to move to 12% return on invested capital on that basis.

Your comment around three, five year outlook I think in the development division looks pretty robust.

JOHN KIM : Okay on your resi gross margin target of 18% to 22%, that hasn't changed over the last 12 months but prices have gone up 11% and 16% in New South Wales. Why haven't you taken up the top end of that margin range?

SUSAN LLOYD-HURWITZ: Sorry, I didn't quite hear the back end of the question.

JOHN KIM : Why haven't you taken up the top end of that gross margin range just given how strong prices have been growing? You'd have thought the top line growth would have followed through to your gross margins.

SUSAN LLOYD-HURWITZ: I think two things are moving there. The **sale** price is moving but also the price and the competition for sites is moving so we continually look at all our ranges and our targets and we continue to believe that 18% to 22% is the appropriate target given both the competition for sites and price growth in the market. So we're very comfortable with that remaining and don't believe it would be appropriate. We obviously did outperform it in 2014 and I think we'll have a pretty strong performance on that metric as well in 2015.

JOHN KIM : A question on 275 Kent Street. I'**m** just wondering if this is a core asset for you given your partner on this is probably going to sell it. I would imagine if they do sell it they would get a higher price if they **sold** 100% of the asset versus 50%; (A), do you agree with that statement? (**B**), would you be willing to sell that asset at that time?

SUSAN LLOYD-HURWITZ: There's a lot of questions in there so I'**m** going to try and get them all. Absolutely it's a core asset. It's delivered a fantastic return for the Trust since it was acquired. It's a very big asset so we took advantage of strong capital markets to get that rating down from 18% to 10% in that single asset but absolutely a core asset for us. You'll have to ask Blackstone about their intentions.

We never comment on what anybody else might do. We are always looking at all the portfolio in terms of capital recycling and you saw us in FY14 really try to take advantage of strong capital markets by accelerating non-core divestments so we have a very open mind to the entire portfolio about how we recycle capital and use that as one way to fund the business. But 275 Kent Street is a core asset for us.

JOHN KIM : So you mentioned there was an impairment this period on 275 Kent Street?

BRETT DRAFFEN : It was just a write-off of the goodwill. So at the time of acquiring the Westpac assets there was some goodwill associated with that **acquisition**. As part of our review following the 50% **sale** of 275 we just took a prudent approach to write-off the goodwill. That was AUD24.5 **million**.

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JOHN KIM : But you **sold** the asset at a premium to book, or a premium to what you bought it at actually.

BRETT DRAFFEN : It's really just looking at the future cash flows from the balance of assets that relate to that investment and that's what was influencing the decision to write off the goodwill.

JOHN KIM : Okay.

BRETT DRAFFEN : Future cash flows --

JOHN KIM : Just one final question from me. With resi prices going up so strongly, Susan, are you concerned at all about any cooling measures that the RBA might do or maybe as far as limiting foreign capital into the market, increasing lending standards, changes to SMSF investing? Are you concerned at all about the macro environment as far as resi prices in (multiple speakers).

SUSAN LLOYD-HURWITZ: I'll start and then Brett can make some comments as well. How I think about that is that we, certainly the very high velocity of price growth that we've seen over the first -- of FY14 moderated in the second half of 2014 and we would see that being more moderate going forward. It's not [sustainable] - the rate it was running at the beginning of FY14, continuing to grow but at a more moderate pace.

Households are in good shape so the net debt position of households is better than it's been for many, many years, I think something like 75% of all mortgage holders are ahead on their payments and the amount of [off-set] (technical difficulty) is significant. So households are in good shape from that perspective so we don't see distress in the household sector motivating any significant changes.

But there are obviously topics that are of interest in discussion about SMS and is there any measure to reduce foreign investments. Our view at the moment is that there's plenty of room both from a demand and a supply point of view for continued modest price growth and moving out around Australia.

Don't forget the very strong story that you hear is really a Sydney story. That is not the same across the rest of the market.

BRETT DRAFFEN : Yes, I think Sue covered it very well. I think it -- you've got to be not -- too careful not to get caught up in a Sydney only story. I think it's mixed obviously as you get out of Sydney. I think equally if you look at the outlook in terms of interest rate environment, underlying fundamentals I think we're at the formative stages of shall we say a business cycle recovery and I think that's the other factor to weigh in.

So yes, there's some opposing forces in terms of a little bit of momentum in terms of the wider business recovery but I think there's some affordability cap issues particularly in some markets. Our view is that I think the market outlook is strong. It's obviously different state by state but as we said in the presentation, the outlook for Sydney we think is fairly robust over the next two to five years.

JOHN KIM : Thank you.

JOHN RICHMOND, ANALYST, CREDIT SUISSE : John Richmond, Credit Suisse .

SUSAN LLOYD-HURWITZ: Hi John.

JOHN RICHMOND: Good day. Just looking at your investment portfolio the CapEx there fell 34% but the overall valuation uplift was only 0.4%. Just wondering what the cap rate movement was on a like for like basis understanding that there was a lot of portfolio acquisitions and dispositions in the period but also is that somewhat a function of a downward revision by your valuers in terms of cash flows, high incentives, rental growth and the like?

SUSAN LLOYD-HURWITZ: I'll make the sort of overall comment and Brett can talk to the detail of that. There are two things fundamentally going on, there's those market forces with cap rate compression and we've seen that 90 Collins Street, 10-20 Bond Street, 8 Chifley, all of those assets that we mentioned in the presentation. That's a market force going on.

We've got asset specific issues, two assets which caused significant cap rate softening and so those two things balance them out. And as you pointed out we've done a lot of buying and selling so unpacking exactly what's going on. But I would make those two comments, market forces on one hand are pushing cap rates down, two asset specific issues causing those cap rates to soften.

Do you want to talk to more detail on that?

BRETT DRAFFEN : Yes, I think that's exactly what's [happened now]. The real issue there is the two assets, 197 Salmon Street where we had 150 basis point movement in the cap rate and also IBM at

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Coonara Avenue where we had 100 basis point movement. If you look at the core portfolio, obviously performing very, very well but offset by basically those two assets.

JOHN RICHMOND: Just looking at your ROIC targets in **residential**, forecasting's still above 10% for FY15. Just sort of unpacking that I guess you've got forecast for lower sales volumes, lower margins plus you've got high sales and marketing costs and a fairly flat capital base moving from FY14 into FY15. To get it sort of breakeven or constant on an FY14 basis you're really simply making it up there from **commercial** sales and also higher fees? Is that the way to think about it?

SUSAN LLOYD-HURWITZ: I'll make one comment on it. Also you have to take into account the amount of impaired assets the provision is coming off and so that is a drag. So as that's coming off that is pushing us up towards the 10% on a combined basis.

Do you want to add to that?

BRETT DRAFFEN : Obviously that's a significant movement in terms of the change of composition, provisioned and profit performing projects so reducing to 20% provisioned is a significant driver even on less lots.

The other thing as you mentioned is a more significant contribution coming through from **commercial** with the Treasury asset so a combination of those two factors. We would still expect the EBIT for 2015 to be slightly above where we are for 2014.

JOHN RICHMOND: Do you know what the ROIC would have been this year excluding impaired projects?

BRETT DRAFFEN : Off the top of my head no but we could probably do some further work and give you some idea on that.

JOHN RICHMOND: Okay, terrific. And then just last question from me. You obviously acquired Leighton's position at Green Square. Can you just give us an update on the first City Link development in terms of, A the progress with that project but **B** the likelihood that you may acquire their position there also?

SUSAN LLOYD-HURWITZ: I'll give that one to Brett.

BRETT DRAFFEN : In relation to City Link we remain in a preferred status with MRA on that project. We are in ongoing dialogue with them in terms of advancing basically the agreement so that project is moving ahead. We're in master planning exercise, a lot happening day to day on that project.

In relation to the Leighton position, obviously we'll just have to see how their **sale** process runs. We have some consent positions in there but we'll really just make a decision based on how we see their **sale** program run over the next few months.

JOHN RICHMOND: Thanks very much. Terrific.

BRETT DRAFFEN : Sorry, just back to your first question. I think it's around 12% we'd see as a ROIC target in the portfolio if you backed out those elements.

JOHN RICHMOND: You would have been (multiple speakers) --

BRETT DRAFFEN : Correct.

JOHN RICHMOND: Great, thank you.

JAMES DRUCE, ANALYST, UBS : James Druce from UBS . Just a quick question around the resi portfolio. You've done a large amount of restocking in the past 12 months. At what sort of run rate should we expect over the next couple of years and any changes to composition?

SUSAN LLOYD-HURWITZ: I think as we said in terms of composition expect us to continue to focus on strong urban markets, high and medium density. We obviously have a thriving master plan community business as well, but we're very focused on the high and medium density. The run rate really will depend on where we see ability to create return on invested capital, coming back to the same theme again.

We have demonstrated I think in an exceptionally competitive market an ability to restock carefully during the year where we were able to acquire 2,671 lots in what I think we would all acknowledge is a very competitive market.

So as long as those conditions hold and we're able to **buy** within our strategic targets and within our mandates I think we are demonstrating that given the swings and roundabouts we can restock as much as

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we can sell, but that's on the proviso that the market conditions remain where we can deliver return on invested capital given the competitive nature of the markets.

JAMES DRUCE: Maybe just touching on the Perth City Link project again. As I understand it's a mixed use project with some **commercial** and some **residential** and retail, can you just sort of expand on just the mix that you'll be doing?

SUSAN LLOYD-HURWITZ: Brett?

BRETT DRAFFEN : Look, it's obviously early days on that project because we're in the preferred status, it's not a secured project yet and we continue to go through the master planning exercise. But it's slightly more office than **residential**, but as you rightly say, there's basically almost a similar ratio between office and **residential** and a significant retail component obviously with the mixed use opportunity that's there as well.

So as we get a little bit further down the planning and we start to release details on the concept obviously we'll give you a bit more detail.

JAMES DRUCE: Thank you.

SUSAN LLOYD-HURWITZ: There was a question down here.

DANNY HIGGINS, ANALYST, DEUTSCHE ASSET & WEALTH MANAGEMENT: [Danny Higgins] from [Deutsche Asset & Wealth Management].

SUSAN LLOYD-HURWITZ: Hi Danny.

DANNY HIGGINS: A question, in terms of return on shareholder capital being the primary driver for your investment decisions; and in the hot **residential** markets that we have at the moment, where perhaps there's a premium that's paid for sites that have planning approval, at what point would it actually be a better outcome for return on shareholders' investment to sell a planned **site** as opposed to carrying it through to completion?

And is the market indeed at that stage where pricing is such that such opportunities are presenting themselves or approaching that point?

SUSAN LLOYD-HURWITZ: It's a very interesting question. It's something we do think about, actively we think about what is the best course of action for every project that we have and we think about that not just in terms of our provision projects where we've got a very clear decision to make, shall we build that out or should we sell it englobo.

We do think about that in the context of our portfolio. Also being aware that our job is to deliver earnings and so we don't have any current plans at the moment to (inaudible) but it's something we certainly think about as we look through the portfolio, what is the best use of capital at any point in time in funding the business and in generating return on that capital and earnings profile.

DANNY HIGGINS: So if you took a **site** that had a pre-existing planning approval you don't think it would, you'd get to -- were nearly at the point or are at the point where you could put that on the market and in all probability get a bid for that that's above what your gross realisation would be?

SUSAN LLOYD-HURWITZ: That's certainly possible and so that's something that we do look at throughout the portfolio.

Brett, do you want to comment on that?

BRETT DRAFFEN : I think that's a valid observation. Part of my role is, I think, to look at those sort of decisions sort of agnostically in terms of those sorts of opportunities. So we have a view around how those, the forward outlook on those markets and the expectations of the returns on a risk adjusted basis that those projects will return. And if we see the potential where we see basically the current market or a perception in the near term that we'll get a higher return by looking at those sorts of opportunities we will.

SHANE GANNON : Danny, I'll just add as someone relatively new I think the discussion about the optimisation of our capital is very much a discussion that is evident within Mirvac and just reinforcing what Brett's just said, challenging is this the most efficient use of our capital is very much on the agenda for Mirvac.

DANNY HIGGINS: Okay, thanks.

SUSAN LLOYD-HURWITZ: Any other questions in the room? Yes?

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UNIDENTIFIED AUDIENCE MEMBER: Just a quick one following on from Danny's question. To that extent how are you guys positions with launching another potential **residential** club? Obviously that was on the agenda previously. I imagine right now it's more and more in your conversations.

SUSAN LLOYD-HURWITZ: Certainly in our conversations. We're actively thinking about how we think about capital structure in that. There are no imminent plans. Obviously we would disclose if we have anything further to say. But we do think about capital partnering whether that's in a club or a fund or a joint venture with a single other partner.

We're very focused on the right partner so getting the right sort of capital to sit alongside us but in each of our sectors we continue to think about how we efficiently use third party capital.

UNIDENTIFIED AUDIENCE MEMBER: Thank you.

SUSAN LLOYD-HURWITZ: I think we're ready to go on the line.

OPERATOR: Richard Jones , J.P. Morgan .

RICHARD JONES , ANALYST, JP MORGAN : Good morning. Just in relation to Harold **Park** just given the materiality of that project for this year's profit is there any guidance you can give like you did with Chatswood on where the margin sits on that project?

SUSAN LLOYD-HURWITZ: Brett?

BRETT DRAFFEN : Probably the only comment I'd make is that it's in the normalised band but probably sort of towards the upper end of that band.

RICHARD JONES : Okay. And the prospects of the margin increasing through the life of the project?

BRETT DRAFFEN : I think we've made constant comment on Harold **Park** in the sense that we've been obviously look at price opportunities as we go but equally we're very conscious that it's a large multiple stage project and velocity of release is equally important.

So if the market continues to keep performing and as I say our outlook for the market over the next two to five years is relatively robust, expect us to continue to look at that trade-off between taking forest growth where we see it but equally not stalling the project in terms of pushing it too hard.

RICHARD JONES : Just in terms of the fact that the future stages are perhaps further ahead of feasibility than the initial stages, what impact does that have on the margin?

BRETT DRAFFEN : Look, I think there is definitely opportunity. If you look at the original feasibility of the project there's been opportunity to improve margin. Equally and as you've seen if you look at some of the charts in the additional information pack, you've seen that we've been able to pull forward some of the commencement of settlements on some of the future stages. So obviously that becomes -- is an ongoing focus for us because our focus is to maximise obviously the margin and the potential to improve our return on investor capital.

RICHARD JONES : Yes, sorry but I guess what I mean is the fact that the future stages are further ahead of feasibility in the initial stages does that make the future stages more profitable or do you [smooth that]?

BRETT DRAFFEN : It does -- well basically, obviously there's an apportionment that happens stage by stage, but in the instances you're talking about, probably the biggest factor if we keep revenue at a similar point is the saving in interest charge over time if we can pull forward.

RICHARD JONES : Okay. Just one follow-up on just on Leighton Properties . The fact that you took up one pre-emptive does that mean you pass on Section 63 pre-emptive?

SUSAN LLOYD-HURWITZ: It would be -- Section 63 obviously is the same as Perth City Link so we're just currently watching what happens with the Leighton **sale** process and similar to Perth City Link we have consents in place. So we'll watch and see what happens with the **sale** process and make any decisions at that time.

RICHARD JONES : Did you have a pre-emptive on that --

SUSAN LLOYD-HURWITZ: No, we did not.

RICHARD JONES : -- no, you didn't. Okay. Thanks.

OPERATOR: Your next question comes from the line of Paul Checchin from Macquarie. Please go ahead.

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PAUL CHECCHIN, ANALYST, MACQUARIE GROUP: Thanks. Good morning. Just a few questions. The first one, I'm just keen to understand your outlook for cash flow in 2015. Appreciate that extra disclosure you've given us on slide 11. There's obviously been a [NAT] development inflow in 2014, I'm wondering if you're expecting the same to happen in 2015?

I ask that question particular in reference to the point that I notice your dividend growth for 2015 is greater than your earnings growth. I'm just wondering is that driven by an expectation that cash flows will be stronger?

SUSAN LLOYD-HURWITZ: Paul, firstly thanks for the compliment on the disclosure and I'll get Shane to answer the question.

SHANE GANNON : Paul, the first comment I'd make about the operating cash flow for 2015, just picking up one point that Brett made earlier in terms of the split first half and second half. We would expect a more stable sort of contribution by each half and therefore, we'll avoid a lot of the negative operating cash flow that we experienced for FY14 in the first half.

What I would say to you is we would expect operating cash flows for 2015 to be, what I would say, relatively consistent with what we have for FY14.

Your question about the distribution, that decision in terms of our cash flows is not what's the driver in terms of that distribution. I would remind you that, what Mirvac has communicated in the past around distributions is distribution of 100% of the taxable earnings from the Trust. So that's the first point.

Clearly, as you can see, the operating profit that is generated from the Trust versus the taxable earnings, I think the payout ratio is about 79%, so it does sort of add additional cash. But I think there are a number of factors that weigh up in terms of the distributions that we finally settle on.

PAUL CHECCHIN: Okay. So you're -- actually you're saying that the distribution growth is driven more by your obligation or, well, not even obligation, but desire to pay 100% of taxable Trust earnings.

SHANE GANNON : That's the first starting point, a minimum of paying the taxable earnings of the Trust. Yes.

PAUL CHECCHIN: Okay. Great. Thank you. Hey, can I understand a little bit more what's happened to your retail lease expiries? Obviously the composition of the portfolio has changed significantly, with Harbourside moving into the numbers. Your fiscal year 2015 expiries have jumped up from 16% to 22%. What would that number be if you excluded Harbourside?

I'm just trying to understand how much of your 2016 expiries you've already in fact mitigated, if any. And sorry, that's 2015 expiries; or if, in fact, there are an elevated number of holdovers or short term deals that are lifting that near term expiry profile?

SUSAN LLOYD-HURWITZ: First of all, I'll say that we're quite excited by that expiry profile because of the composition of where they are. We think it's actually a really good thing.

BRETT DRAFFEN : Yeah. There is a -- as you say, the 2015 expiry has increased. But it actually primarily relates to the profile coming through on both Broadway and Rhodes. You know, when you think about when those centres were developed and obviously just the significant, basically, expiry profile coming through is a result of those initial leases.

As Sue said, we actually see it as an opportunity. Because if you think about the sort of performance that's been coming out of the portfolio from those two assets, we do see it as a significant opportunity.

Probably the only other thing I'd say there is that, in terms of composition, it will be about 30% apparel in terms of that expiry profile on those two assets. So, you know, we've seen very, very good growth obviously in the spreads out of -- predominantly -- food. It will skew a little bit more to apparel in FY15.

PAUL CHECCHIN: Sure. But, sorry, if it was predominantly Rhodes and Broadway that would have already been in the numbers at the half year. At the half year the proportion of leases expiring was only 16% and now it's 22%.

BRETT DRAFFEN : Yeah, 22% in 2015. Yep. It does relate to those two assets.

SUSAN LLOYD-HURWITZ: Yeah. There's a lot of moving parts, Paul, in that portfolio, in terms of what we bought and sold during the year. So, if you want, we can after the call go and unpack exactly, stepping through how that all worked. But there were so many assets bought and sold, you can't just peg it to the impact of Harbourside on that profile.

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PAUL CHECCHIN: Okay. Thank you. Then, look, just -- can I just get some colour on the MAT growth? There have been some very, very significant moves relative to December, as well.

I know you guys called out some of the factors underpinning some of the extraordinary growth that you saw in the first half and it's obviously moderated, like, the other retail has dropped from 30% to 0.2%. Can you please just give us some colour, by category, in terms of those MAT moves in the half?

BRETT DRAFFEN : Yeah. In terms of the MAT moves, predominantly driven again by supermarkets and food catering and obviously, mini majors. They're sort of the three categories that have continued to drive. I think in terms of specialty sales though, you saw a positive contribution there, which is obviously the first time since FY11. So that was encouraging as well.

PAUL CHECCHIN: Okay. Look, just a last one. Can you give us any colour in terms of the profit agreements on Green Square? It's obviously in PDA, but can you give us any more colour as to your kind of profit entitlement as it currently stands?

BRETT DRAFFEN : Yeah. Look, as you say, it is a PDA structure. So obviously, our partner is Urban Growth New South Wales. They retain the land. In a normal PDA structure, we fund the balance of development costs. The combination of making a development margin plus the combination of fees, basically gets us to a -- what we would classify as normalised development return, out of that project.

PAUL CHECCHIN: Great. Thanks, very much.

SUSAN LLOYD-HURWITZ: Are there any other questions on the line?

OPERATOR: David Gleeson, Merrill Lynch .

SUSAN LLOYD-HURWITZ: Hi, David.

DAVID GLEESON, ANALYST, BANK OF AMERICAMERRILL LYNCH : Thank you. Good morning. Just firstly, I guess, referencing the relative strength of the **residential** market versus the office markets at the moment, can we expect a material shift in your invested capital in the development division further towards a **residential** space on say, a two year view vis-a-vis the **commercial site**?

SUSAN LLOYD-HURWITZ: I think we're currently sitting at an 80/20 split between passive and active and I don't see a significant shift in that. Now while the **residential** markets are strong, you know, they're also very competitive. So, I think I would expect us to remain around the 80/20 split in terms of active versus passive capital.

DAVID GLEESON: Sure. Sorry, I meant particularly within the development component --

SUSAN LLOYD-HURWITZ: Oh, sorry.

DAVID GLEESON: -- so within the one particular development there, I think there's an 85/15 split at the moment?

SUSAN LLOYD-HURWITZ: Yeah, that's -- sorry, I thought you were talking about the active passive split. I think we are, as we always say, relatively agnostic within our return targets. So if we can find an office development opportunity which has income in place, which allows us to be patient about the development cycle, we're indifferent about current weakness in the market if it's with those characteristics.

So I think we're very keen to keep expanding that portfolio in terms of office. We've demonstrated during the year, with being able to significantly expand that portfolio and particularly in to Melbourne. We're keeping on looking for opportunities. I don't see a dramatic shift and swing between those two sectors that can expect us to continue to focus on both of them equally.

DAVID GLEESON: Okay. Then, just in reference to the comments made about offshore buyers at the moment, just whether you were able to provide any sort of split for us on overall, particularly in the **apartment** market, I guess at the moment, the sort of sales that were secured over the last 12 months?

SUSAN LLOYD-HURWITZ: Yes, sure. So in terms of our offshore buyers, the average is 11% across the portfolio. That's about 33% in the **apartment** market and 4% in the MPC market.

As we've always said before, we've got very strict controls and disciplines around how much we sell offshore. Anything over 20% on a particular project, every single marginal **sale** to a foreign buyer after that point has to be approved by the head of the **residential** division. So we're very conscious of that as a risk.

Having said that, actually our overall default rate is 0.5%, our default rate from foreign buyers in FY14 was zero.

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DAVID GLEESON: Are there any differences in deposit policies for domestic versus offshore?

SUSAN LLOYD-HURWITZ: No. No there's not. We can't differentiate.

DAVID GLEESON: Okay. All right. Thank you.

OPERATOR: Philip Cheetham, Citigroup .

SUSAN LLOYD-HURWITZ: Hi, Philip.

PHILIP CHEETHAM, ANALYST, CITIGROUP : Good morning, guys. Just curious, it looks like you had a lot of success there with the provision stock. Can you talk through achievements here and what expectations are? Is there any upside risk in rolling through the balance of provisions early?

SUSAN LLOYD-HURWITZ: Brett, do you want to take that one.

BRETT DRAFFEN : Yeah. In terms of the provision, I think FY14 was really a year of doing slightly better than we promised. In terms of the englobo sales, as you saw in the presentation, we were basically slightly ahead of target. We managed to secure seven englobo sales, which was very, very encouraging and basically, we're in a position now where, pretty much, our englobo **sale** program is all but done.

In relation to the provision projects, what you've seen is a very, very significant increase from the contribution from Gainsborough Greens. Basically, a stronger **sale** rate than we were forecasting. So in terms of how that provision roll-off happened, slightly ahead of where we forecasted it.

But, you know, in terms of it being a significant drive back in terms of other opportunity, I think the reality is we've been focused on getting that provision of stock off, rather than necessarily looking at it as an opportunity.

The one thing I will say is that, with the Skyring project up in Queensland, as we said in the half year, we did move that from an englobo **sale** to a develop out scenario. That project - the Unison project, obviously the sales have already started there and it is performing well.

PHILIP CHEETHAM: Great. Thanks. Just quickly, on margins, what -- are you prepared to say what margins would have been without Era in FY14?

SUSAN LLOYD-HURWITZ: They would have been 17%.

PHILIP CHEETHAM: 17%, great. Thanks, very much.

SUSAN LLOYD-HURWITZ: Oh, let me clarify that, if you normalise Era. So if you made, if you -- so instead of being 40%, Era was 20%, like a normal project, then the number would be 17%.

PHILIP CHEETHAM: So, if we took Era out, what, so you -- what would the margin have been on the rest of the book?

SUSAN LLOYD-HURWITZ: I don't have that number to hand. It's about the same. It's not really a relevant metric because we assume it's a performing project. But I don't have that number to hand.

PHILIP CHEETHAM: Sure. Just looking at say, if we use Era as a similar sort of idea for Harold **Park**, trying to get an idea of where the book goes?

SUSAN LLOYD-HURWITZ: Yeah, I'd love Harold **Park** to be like Era but I have to say, very clearly, it's not going to be 40%.

PHILIP CHEETHAM: Fair enough. Thanks, very much.

OPERATOR: (Operator Instructions).

SUSAN LLOYD-HURWITZ: I think we've got a couple more in the room.

UNIDENTIFIED AUDIENCE MEMBER: Just a follow up question on offshore investors. Have you gone through the books and had a look at just, investors generally? Do you have any visibility on where some of that money is coming from investors, whether it's being funnelled in from offshore?

SUSAN LLOYD-HURWITZ: Brett, do you want to take that one?

BRETT DRAFFEN : In terms of source, are you saying?

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UNIDENTIFIED AUDIENCE MEMBER: Yes, as -- yes. So they're residents in Australia but the money is being sourced offshore.

BRETT DRAFFEN : Look, in terms of the investor percentage, across the whole book it's basically tracked at around 33% of the composition. In terms of the third component, obviously, it's predominantly sourced out of Asia. We've seen a higher skew progressively to, you know, obviously, sourced out of **China**.

But it's equally focused around, obviously, children's education needs and pure investment. So, you know, that percentage, as we've seen it, is within about normalised band. We don't see it as a significant skew.

I think, from our perspective, we're more focused on making sure that we've got the right composition of our sales. So, importantly, from our perspective, around 46% of our total sales for 2014 were really coming from upgraders and empty nesters. Basically the investor percentage was -- what we'd classify in an acceptable, normalised band.

CHARLES DALZIELL, ANALYST, MAPLE-BROWN ABBOTT: Hi, Susan. Charles Dalziell from Maple-Brown Abbott.

SUSAN LLOYD-HURWITZ: Hi, Charles.

CHARLES DALZIELL: My question sort of follows up a bit from John Richmond's question. Your [NTA] went up about AUD0.04 for the year but, you know, almost AUD0.03 of that could be explained just by retained earnings alone. Therefore, you know, the asset appreciation within the portfolio seems to be pretty anaemic. That seems pretty counterintuitive, given the strength in asset prices we've seen in the physical market and the talk of cap rate compression, et cetera, et cetera.

You know, when are we going to start seeing some of this asset appreciation come through the portfolio? Because it seems to be pretty weak across the (inaudible) sector, it's not just in Mirvac. Is it valuers just being cautious or is it just a reflection of the income growth or --

SUSAN LLOYD-HURWITZ: I'll make a couple of comments to that. One, as we said before, on an overall portfolio basis, there were the two things pulling against each other. So assets that had cap rate compression were 25 to 50 basis points of cap rate compression. The two assets that have single tenant issues were minus 100 and softening of 100 and 150. So you've got the higher softening than you had cap rate compression, just because of asset specific issues.

You also have to take into account how valuers are looking not just at cap rates but also about tenant retention rates and fundamental weakness, which we've said is continuing in the market. The demand recovery looks like it might be emerging, but it's not here now. So, again, demand fundamentals are pulling against cap rate compression and that's what you're seeing, those three forces combining to create the 0.4% cap rate uplift.

We do see cap rate compression continuing and as we've said in the presentation, in 2017 if you get accelerating income growth, then you've got both things working for you.

BRETT DRAFFEN : Yeah, I mean, I think it's a core versus non-core observation. You know, the core portfolio performed very, very well. In the case of what we saw with 197 Salmon and IBM , you know, there was about AUD50 **million** -- just over AUD50 **million** worth of negative adjustment there, in terms of the net uplift.

SUSAN LLOYD-HURWITZ: I think Winston has a question.

WINSTON SAMMUT , ANALYST, FOLKESTONE MAXIM ASSET MANAGEMENT: Winston Sammut , Folkestone Maxim Asset Management. Just looking at slide 10, in terms of the overheads, they've been -- they've remained stable for the year at 1.8%. But there was an increase in the selling and marketing expenses, which was, I presume, based on the 54% increase in **residential** releases. If you look at what's going to happen over the course of this year, the releases are up like five-fold. Can we expect a decent jump in overheads, as a result?

SUSAN LLOYD-HURWITZ: Yes, and I think in the presentation we acknowledged that sales and marketing expense will be higher in FY15. The way that we look at that is, that we are deliberately reinvesting into the business for a strong release profile that will deliver earnings in FY17.

While the market is running, we should accelerate our releases as quickly as we can to get into the market and the deliberate -- that deliberate action has the consequence of increasing sales and marketing, again. So you should see a significant jump in sales and marketing as a consequence of that considered action.

Anymore? I think we're out of time, demonstrated by people having to leave for the next event.

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Thank you, very much. We do appreciate you coming to spend time with us, this morning. We look forward to speaking with you individually, later on. Thank you.

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