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Media and Stock Exchange Announcement

## **Mirvac Increases Profit Forecast and Announces Higher Distribution**

The Mirvac Group today announced an increase in its forecast net profit after tax for the year ended June 2003. The previous forecast of \$188 million has been increased to \$220 million because of stronger than expected results and because of an accounting policy change.

Of the \$32 million increase, \$24 million is attributable to the new accounting policy and \$8 million is the result of stronger than expected performance. Excluding the effect of the revised accounting policy this forecast represents an increase of 15 per cent on the 2002 net profit.

Mirvac managing director Mr Robert Hamilton said the profit upgrade was driven by improved performances across all divisions, particularly the Investment Division which is forecast to deliver a 10 per cent increase in profit compared with 2002.

Following from the strong performance, the Mirvac Board today announced a final distribution for the 12 months to June 2003 of 8.3 cents per security, bringing the total distribution for the year to 29 cents. This is an increase of 10.7 per cent over the 2002 distribution and represents a payout ratio of 95 per cent of the 2003 forecast profit of \$196 million (under Mirvac's previous accounting policy).

In April the Australian Accounting Standards Board adopted an Urgent Issues Group Abstract relating to the recognition of revenue on pre-completion contracts for the sale of residential properties. Following this decision by the AASB, Mirvac has had to alter its accounting policy for the June 2003 Financial Statements.

Mirvac has about \$1 billion in exchanged contracts on which profit has not been realised.

Mr Hamilton said Mirvac's existing pre-sales would settle over the next two years and were expected to deliver margins consistent with Mirvac's previous projects.

Following the decision by the AASB, some of the profits from existing pre-sales must now be recognised earlier. The new accounting policy adopted by Mirvac will result

in the recognition of revenue on residential pre-sales in accordance with the proportion of construction costs booked.

At each reporting date all projects on which pre-sales have occurred will be analysed to establish the level of reliability on which profits may be accurately reported.

This may vary from project to project but as a general Mirvac policy, profits will not be reported until at least 50 per cent of forecast construction costs have been booked. A conservative level of profits will then be recognised until completion.

The Mirvac Group Board is concerned that the adoption of the UIG Abstract may cause residential developers to bring to account their profits earlier than is prudent, which in turn may lead shareholders to expect higher distributions and dividends to be paid.

In applying the new policy the Group has taken a conservative approach. Further, Mirvac wishes to inform the market that it will determine distribution payments to security holders based on actual realised profits, excluding profits resulting from the adoption of the new accounting policy.

Mr Hamilton said that with the strong performance of the Investment Division and the settlements forecast by the Development Division, Mirvac was on track to continue its current rate of growth in 2004.

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Further Information  
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