Leighton Holdings Half Year Report
11 February 2003

Speaker: Wal King
Good afternoon ladies and gentlemen, thanks for coming here to hear about the release of our results today. I'll give you a bit of an overview of the financial position, I'll talk later a bit about strategy and then I'll focus on some of the major opportunities that we have in Australia. So we'll just get underway here.

You'll see from our results that our performance we believe has been quite strong for the period. Revenue is up and operating profit is up both in Australia and Asia. The Directors have decided to write down the value of our investment in Nextgen so that's written down to zero and we've also decided to close our South American operations and that's involved us in a write off.

We have a very strong workload boosted by the acquisition of Transfield and the eminent finalisation of the WSO the Western Sydney Orbital, I think as we speak the documents are being signed some 50 sets of documents so we expect that to be finalised perhaps by Friday.

There's a strong upturn coming in the engineering and building business in Australia and we're really just at the start of the cycle. I think it's a cycle that we can really take a lot of advantage of.

In terms of the financial highlights that are on the board there and I guess you've had time to digest the figures and Dieter will lead you through the figures shortly, but the half year ended with revenues up some 8% to $2.6bn and this was driven by an 18% increase in Australia with Asia down some 22%.

Operating profit before tax is up 14% to $107.8m with profit after tax excluding outside equity interests up 6% to $71m. Dividends have been increased by 6%, dividends per share to 17 cents per share and the dividend will be fully franked at 100%.

The work in hand position at the end of December some $8.6bn and this doesn't include a whole set of projects that are coming through the pipeline. The acquisition of Transfield added some $470m, the deal with Transfield in fact was finally signed about 2 weeks ago and we'll talk a little more about that. The Western Sydney Orbital we're signing the documents I said as I speak, that's some $750m and there's probably about another billion dollars worth of projects that are either awarded or going to be awarded in the next few days. So perhaps I'll just ask Dieter to run you through the detail of the financial statements and take any questions.

Speaker: Dieter Adamsas
What I'll do is I'll walk you through the Stock Exchange announcement which you will all have a copy of and starting on page 17 and I'll wander through the numbers and pointing out the areas which I think are of significance or of interest to you and then we can either take questions as we go or take questions at the end. So starting on page 17 and what

we're comparing to is the previous corresponding period last year so it's December 02 compared to December 01 the 6 month period. So we've got our revenue as Wal mentioned and coming down if you like to our profit before tax, the minority, a fair increase there of 14% from 97 odd to 115.5 odd so a fairly strong increase there. Then we run down to an unpalatable number, the tax and we're there seeing some of our improvements eaten away through tax where the tax rate in fact is above our nominal rates of 34% and driven by in part our South American losses which obviously are non deductable so we've gone from a roughly 28% tax rate to a 34. Then coming down the minorities that figure I don't mind too much that's largely driven by the Heytsbury interests in John Holland so we've gone from a 1.4-1.5 to a 5.3-5.4 number which is indicating if you like a good performance coming out of the John Holland organisation and that's I suppose consistent or in line with what we've been saying that Holland's will become a more significant contributor over time and Wal will elaborate on that in terms of what we're doing with Holland's as far as its further growth in concerned and obviously the Transfield situation is where we will integrate Transfield into Holland's and that obviously will bulk it up and we have a fair level of confidence that Holland could build on its current performance and go on with it.

Then we run down to beyond that to our head line number which is the 71 compared to the 67 very broadly a 6% increase. The next line is I suppose is the marker to the Nextgen write down offset by a if you like re-evaluation of our interests, our 15% increase in casino management. The residual initial investment in Nextgen was $47m the original investment as most of you would know was $92m we wrote off $45m at June and then we've now taken a position to write off the balance if you like of that initial investment. That leaves us with a exposure going forward there of $58m being if you like the additional monies we have either put in or are committed to put in for the completion of that particular project. That runs down to a couple of other statistical issues there which are quite easily mathematically derived.

On the following page, on page 18 just an elaboration I suppose on some of the numbers that go in to make up our headline if you like statistics there. The following page similarly so I'll run down to on page 19 to the income tax note and pick up I suppose the tax issue again and comparing ourselves to the previous 6 months you see there the overseas tax differential and that's driven largely by South America. You see a significant reduction in tax losses on previously recognised well this time last year we had a plus from a tax point of view in relationship to the Guyana Greens if you like income and we haven't got it on this particular occasion. And the I suppose the rest of it is broadly increases but not of any significance.

On the following page, on page 20 in terms of and this will pop up throughout the dissertation in terms of the way that we are reporting under the new requirements for our dividend whereas previously we affectively eliminated or taken dividend out of our balance sheet, we've on this particular occasion left it in so our balance sheet net worth in fact has been enhanced and in that particular context down there we're showing if you like as a note 134 effectively the in and out in terms of provisioning in terms of cash of the June 02 balance 06/02 balance sheet if you like, so the 43611 which is there which would have been a 46 number on this occasion doesn't appear and in fact sits in our net worth and in terms of description I will indicate to you on a comparative basis what we would look like if we were consistent in that treatment.

On the following page, the balance sheet, the cash is down from the 588 we had at June to the current period, that's driven by the $92m we put into Nextgen which was a cash contribution, some property expenditure as well a fair lump of money which we'll see in the table side which has gone into the working capital. You can see our table has gone from a 1.2 to a $940m so it's a combination if you like of principle in terms of Nextgen, some property and working capital. And I suppose going forward as the business grows and obviously without doubt the business is on a growth path, the working capital requirement as we've mentioned on previous occasion will even become in fact more of an issue for us.

The equity situation I touched on that, where the headline number there you see prior to minority is 869 if we adjust that to compare it with the 789 for the dividend in fact that number is 832 so that's a comparative number we've gone from effectively 789 to 832 on a comparative basis.

On the cash flow on page 23, the operating side of the cash flow is down and that's again the context of working capital as inclusive of a higher tax payments, you can see there that our tax payments have gone from 55 to 73 so there's about $18m increment from cash payable or cash paid point of view in that particular line and then we've got the capital items if you like or the principle items and the plant then in 712 and the 82 includes Nextgen and then the rest of Nextgen in fact sits 714 the 43 so overall we've spent in terms of equity if you like investments in the very broad without getting into the formalities of classification of about $125m.

On the following page. On page 24 we show up some ratios and I suppose on 91 we look like a bunch of heroes gone from 4 to 4.6 but we're seeing there if you like the effects of a change in the way that we account and in fact the realistic assessment there is 4 to 4.4 so the improvement there is about 4.4 if we adjust for the joint ventures in the way that we're required to do on this particular occasion. In terms of the next one we've gone from 8.2 to 8.7 indicating if you like that things have tightened up. The reality is that we adjust for the dividend which in other words take the dividend out of the equity balance from 869 to 832 you will find that the return is virtually identical 8.7 to 8.7 on a 6 monthly basis annualised obviously we're talking about 17 or 18% and we expect for the full year to be closer to about 20%.

In a similar vein the NTA 3.13 includes the dividend if you adjust that we in fact have gone from 2.76 to 3.05.

On the next page, on page 25 the segmental reporting which is a bit of I suppose complicated by the fact that we tried to in fact show realistically how the company has performed that's distinct to if you like the strict guidelines under which we have to operate so in that context we're showing the revenue inclusive of joint venture revenue as far as our particular perspective joint venture revenue is just normal business it's a reflection that we do a fair whack of work on a joint venture basis and that will continue and become more significant WSO kicks away that's a $1.5bn job in joint venture and obviously we'd take up our share and take it from a revenue point of view and our profit and it's I suppose the proper assessment of this organisation is to look at it in that context. In other words the effect of our share on our profitability. So the numbers that we're looking at there from a revenue point of view for Australia is $2.1bn and if you like a profitability of 95 compared to 1.8 and a profit of 57 so significant increase in the Australian context spread right across all the elements being obviously civil, building, mining, services and telco's. Asia an improvement probably a stronger improvement than it's shown there, in part because of the exchange rate we've gone from last year at 51 to 56 so obviously if you want to apply the same exchange rate of 51 that number we got out of Asia would have been enhanced. Then we pick up what Wal mentioned was the loss associated with South America and the cost inclusive in that number there abstracting ourselves from South America so it's a $16m loss associated with that situation. Wal will talk a little bit more about that as he goes on.

So that's the thrust of the results. Any questions?

Question: Julia
Can you please elaborate on the write up of the Star City management contract?

Speaker: Dieter Adamsas
What the directors did there, they have a valuation and the valuation is in a range, they've taken the lower end of that range and taken a conservative position on the lower end of that range. So they've taken a very conservative line in terms of that valuation process. That 15% is for sale and we would expect within a reasonable period to have sold that and obviously in that context Directors are being conservative in their assessment of what that is worth.

Speaker: Wal King
OK. Thank you, I'll just move on and we'll have opportunities for questions at the end. We've continued to maintain the diversity of the Group and our financial strengths really central to the overall strategy of the Group. The Nextgen issue well we entered into the Nextgen project some years ago when all graphs in the telco market was pointing up, it hasn't worked and you'd have to say that was a mistake, we need to put it behind us and move on. If you were to ask me are we going to continue with our entrepreneurial ventures into projects, the answer is clearly yes. We have before us a broad range of privatisation opportunities be they in tollways, hospitals, prisons, schools etc and some of those I will talk about as a central plank of our strategy. So Nextgen was a mistake we weren't Robinson Crusoe and when it was put together I think all of the predictions of the future for broadband uptake have been wrong by not 100% but by several hundred percent. A number of people have seen this diagram that's on the screen there as representing our strategy of being geography, brands, delivery systems and market products. This is really all about diversity, it's a model that has served us well, the model is a little bit more complicated with John Holland these days but it's still central to our strategy going forward. We operate across a diverse range of markets in terms of engineering, infrastructure, mining, resources, building, properties, telco market I'll talk a little bit more about later on, environmental services. The brands that we have we operate in Australia and across Asia in some degree and we deliver our products through a whole range of delivery systems. The delivery systems being more important in terms

of the end profit and product, rather than the type of business. The questions continue to ask is what's happening with the margins in the building business or what's happening with the margins in the mining business. I think a lot often said all of the above it really relates to the delivery system. So in terms of our strategy also is the strength of our balance sheet which allows us to invest in projects and support the levels of bonds and guarantees and provide working capital. Certainly in the big projects going forward we would see that there are very few companies that are capable of putting together a competitive tender.

In terms of our structure if I could just dwell on this a little in terms of the changes, if I start with the far right hand side with John Holland. John Holland last year absorbed a small company called Lucon which in fact was set up in Australia by Lurgi. We believe that company should be able to deliver some work. In terms of what Lurgi do Lurgi have a presence in Australia. They did also absorb Fletcher Construction a bit over 12 months ago. The recent acquisition of course was the Transfield, Transfield brings some $470m worth of work and 800 people, that deals was finally done a few days ago, and in fact a couple of weeks ago most of the people have now transferred across so we're in the process of integrating it. We believe that Transfield brings a number of strengths that the company hasn't had in the past, particularly areas like power transmission where we've had little capability and little track record in power generation. So it's certainly augments the strength of John Holland to the point where John Holland in fact running forward we believe will be running to the billion and a half dollar area. Some of the projects, I'll just touch on a few of the projects that came across with Transfield. They have a number of projects on an alliance basis for the expansions for the Alumina Refinery Queensland at Gladstone, the did also have a major alliance project with John Holland at Sandgate in Queensland, so John Holland will become 100% participant in that alliance project. In NSW they have coal preparation plant at Mount Arthur, they have various telecommunication projects and we've had pretty much over the top with telecommunication projects. They have a big water alliance with Sydney. In Western Australia they have a number of projects including power transmission work. In Victoria they have a number of projects on the regional fast train. So all in all the Transfield acquisition adds up to just under half a billion dollars worth of work and in fact transforms the John Holland organisation from when we were involved or when we became involved it was doing maybe $600-700m a year, it will certainly run up next financial year to probably $1.5bn.

We're still evaluating the Walter Construction, we've been evaluating that for some period of time, we are subject to confidentiality agreements. I don't think you could easily work out that it's going particularly slowly whether we in fact do anything or not remains to be seen, I don't think there's any chance that we'll take over the company, we may take some of the selected assets of Walters but that's yet to be I suppose determined.

So you have the John Holland organisation, you have the Leighton Properties organisation, which I'll talk about some of their opportunities. You in fact have Leighton Contractors there they've absorbed a company called Broad Construction which is a smaller building company and you have that organisation now running probably around the $1.5bn per annum and increasing. You have the two components now of Leighton Asia being split into a Northern and Southern operation running around $1bn and then of course you've got the Thiess organisation running in excess of $2bn so in terms of our structure and our position, the thrust is upwards, in terms of volume whereby we would see that the volumes would run probably towards the $5.7-5.8bn for this year and then next year running over the $6bn.

If I can talk about the market outlook, there's been a lot of discussion in the newspapers about an impending boom. I'm not sure whether it's a boom or not but certainly there's a large upswing in the market place and these graphs have been put together by Shrapnel and you can see there the downturn that after the Olympics that wasn't going to be a downturn but nonetheless did occur and I guess we would be I suppose relatively pleased that we've navigated our way through that downturn without a substantial impact on the company and you can see that downturn certainly has impacted on a number of players in the industry. The upswing is clearly underway and should continue through to at lease 06/07 and at our presentation at lunch time a few people immediately asked me what I was going to do with the company in 06 and 07, I said other than probably agreeing with a time and date with Dieter we haven't actually thought too much about what we're doing in 06 or 07. I think in any business next year is really the focus and I've said many times in the construction industry when someone asks me what's long term planning I said well long term planning is what you're doing tomorrow in a bit of a cynical way. So in our business we're not really focused on what's happening in 06 or 07 if you believe the forecasts. But nonetheless there is a large upturn in the business and I think these figures which you've probably got in front of you just indicates really the increases going forward, so a very substantial increase over the next few years and I think the challenge to the organisation is not lack of opportunity it's whether we can collectively, and I'm using the rule 'we' whether we can collectively manage those opportunities and continue to produce profit.

One of the large sectors on the screen of course is the road sector which is by 04/05 will be worth $10bn a year so it's an enormous market. Some of the major road jobs that are around is the Western Sydney Orbital and as we speak the documents are being signed, some 52 sets of documents. I think Dieter would like a cut of the legal fees Dieter I mean the legal fees are beyond believe, but nonetheless 52 sets of documents and we expect all that to be finalised in the next couple of days. The Western Sydney Orbital is worth about $1.5bn which Leighton Contractors have 50% so it's some $750m. Most people are aware that runs from the end of the M2 around west of Sydney through Minchinbury right down to Liverpool, it will change the face of Western Sydney in an unbelievable fashion it's the single largest road project ever awarded in NSW and I think it's the single biggest project actually awarded in Australia. I think City Link in Victoria was about $1.2bn as a road. Hopefully out there Dieter there's no rivers to go under for leaky tunnels or that sort of thing. So we're quite pleased with that. The other opportunities that are coming forward very quickly is a billion dollar Lane Cove Tunnel that in fact has closed there is 4 bids on that, Leighton companies have 2 of the 4. It's caught up in the election period where the NSW Government goes into caretaker mode in a weeks time. We would expect in early mid April they will go to a short list of 2 assuming the government gets re-elected and I'm sure the government will be re-elected so the question whether we're on the shortlist, I'd be highly confident at least one of our companies will be on the shortlist. In Victoria there is a major tollway that used to be called the Scorsebury Bypass that's called the Mitcham to Frankston Motorway now that's $1.8bn it's coming forward to bid very shortly. In Queensland there's an $800m duplication of the Gateway Bridge. There is about a $900m-$1bn connection between the M4 at Concord to Leichardt, that will be I suppose toward the end of this year. A bit later on there's the F3 connector up at Hornsby. There's other major jobs kicking around like the $400m Albury Bypass and the Craigieburn Bypass $300m in Melbourne and there's a very substantial amount of work on the Pacific Highway to a point I think where they're saying in 2006 or 2007 the Pacific Highway will be dual carriageway all the way to Brisbane, it includes things like a connector at Hexham, Karruah to Buladelah and Buladelah Bypass and so on all the way up the coast, so there is literally billions of dollars worth of work coming up on the Pacific Highway.

In terms of rail fir the first time we're seeing a very substantial investment in rail projects, we have the lions share in the regional fast trains in Victoria through Thiess or John Holland. John Holland in fact partners on those particular packages down there, was in fact Transfield so we think we know something about those particular jobs, Transfield being absorbed by John Holland they will have 100% of those particular packages. Thiess is also continuing to supply maintenance services to the M trains and the M trams in Victoria and there's been some degree of publicity over National Express beating a path back to England in terms of one of the concessions down there, we don't believe that's going to impact on us that the government have taken the concession over will continue to supply maintenance services.

In NSW here there is a $900m Parramatta Rail Link, the first stage of it is from Chatswood to Epping, it's the biggest single rail project awarded in NSW history. Thiess have a 50% share of that and is in fact underway now includes from Chatswood to Epping and in due course some time later this year we might in fact organise some site visits to that particular project be interesting to see. Other rail opportunities of course there's the Perth to Mandurah gets underway from a tendering perspective very shortly.

In the mining and resource business, we are the largest contract miner in Australia. Caterpillar tell us that we're the 4th largest user of Caterpillar equipment in the world and it even surprises me. So we see a positive environment leading up to a lot of infrastructure spending in Australia and there's a whole series of jobs that we're looking at. Some of the particular jobs, Thiess have a number of long term coal mining contracts both in Australia and Indonesia during the latest period Hunter Valley Earthmoving a subsidiary of Thiess in fact won the contract for the renewal of Waddell which is $180m and Westside in the Hunter Valley some $37m, Thiess also won contracts at Yallourn in the La Trobe Valley for coal mining, at North Goonyella Thiess sold their interest in the underground mine to RAG they in fact will get an open cut mine there. Thiess also have a number of other mines that should be awarded to them in Queensland either Leighton Contractors or Thiess Contractors, there's about $400m worth of other mining work coming down the track in Queensland. Leighton Contractors during the period were awarded the renewal of the Yarrie Nimingarra contract for BHP Biliton in Western Australia, some $170m and Thiess were recently advised that they will be awarded contract at Mt Keith for $250m to undertake the mining work there on an alliance basis. So the mining market continues on to be very positive for us. Also in the infrastructure area, this is the Mt Arthur coal mine in the Hunter Valley where John Holland have been undertaking a substantial amount of the initial preparation work for BHP Biliton, Transfield have the coal preparation plant there and of course that comes over to John Holland.

In oil and gas there's a whole series of opportunities coming forward the 4^{th} train LNG Plant up at Karrathu both John Holland and Thiess are undertaking work there. There's a whole series of other projects planned in the North West Shelf Barrow Island ore and LNG Plant called Philips up in the Northern Territory. This is a shot of the AMC Project at Stanwell in Queensland that Leighton Contractors the engineering procurement manager it's some $1.3-$1.4bn, engineering is now 50% complete for the project and earthworks have been completed, that project will be continuing on and obviously Gladstone and Rockhampton area is a very interesting area. There is a number of these big complicated projects in Australia what we would say with probably limited competition. This map is a little difficult to read but if you look at some of the projects that are around starting in Western Australia with Thiess have the initial siteworks for the $1.2bn Hysmet pig island plant, if you move up the north to Karratha up the North West Shelf, Thiess are negotiating to build a $1bn nitrogen fertiliser facility and I suppose we should know in the next 6 months whether that will go, other projects include an ammonia plant at Karrathu and a billion dollar methanol plant, so a lot of activity at Karrathu, up in the Northern Territory I mentioned the LNG facilities in Darwin and there is an expansion for the Gove project which there is 3 bids for Thiess Contractors, Leighton Contractors in joint venture with S&C Laviland and Bector, that's a $1.5bn project. Leighton Contractors if you move then over into the Qld coast there is the AMC project and also the Aldoga project and down into South Australia where Thiess are involved in a management role reconstructing the Olympic Dam facilities which were damaged by an explosion there some recent time ago. So there's a lot of activity in the resource business, again the issues are can we manage these large projects that are coming our way in many cases we would see limited competition.

If you move into the building and property market these figures just really come off the graphs we see a recovery there presence in the building market has been boosted by the acquisition of Fletchers and absorption of Fletchers and also the recent acquisition of Broad Construction. Some of the more interesting jobs that are around on the screen there is the reconstruction and refurbishment of the Hilton Hotel, I think most people in Sydney would be familiar with the Hilton Hotel where they had all of the check-in facilities up on level 3 or level 4, complicated ramp structure in Pitt Street it involves taking all that down and bringing it to a drive through check-in area at the ground level, that's about a $200m job, very well underway. John Holland have been successful with a number of hospitals around the place including work in Newcastle. John Holland with the redevelopment of the Garden City Shopping Centre in Brisbane and defence continues to be a significant interest for us defence work, construction of defence facilities either through Thiess or Leighton Contractors at places like Townsville and Oakey etc.

We turn to our property we have probably the best portfolio of property opportunities in front of us in a considerable period of time, we've gone to a lot of lengths to do the property either through joint ventures or in some limited structure to protect ourselves, this job on the screen is 700 Collins Street in joint venture with Folkestone in Victoria, that's underway. Leighton Properties have got sites in Victoria for Mornington and at Casey for Homemaker Centres. Here in Sydney we acquired the old Telstra House up in

Castlereagh Street, in joint venture with Lend Lease of all people which will in fact be a refurbishment job, it's the old Telstra office corner of Castlereagh and Bathurst Street. The KENS site here in Sydney which is down the bottom of Margaret Street just across the road in Kent Street, we expect to make an announcement within several days about that particular project proceeding. I believe it will be the biggest property deal ever in Australia. In Brisbane we have the Macarthur Chambers where the shopping centre has been completed that's the lower level there, Properties has secured the Department of Veteran Affairs as tenant and that sort of 16 storey building is now to proceed in joint venture with Arry Admy. In Noosa after much, much time the Bayview Noosa Property Development will proceed, construction work should start on that in the next few weeks. The level of interest is extremely high, it involves a lot of units, there's only 6 detached houses there available, 3 have been snapped up at $3 million each, so if anyone wants to put in an order with Dieter after the other 3 you can snap them up for at least $3 million each. I think there's some 40 units initially going to come on the market at $1.5 million each so don't be bashful if you want to secure an early deal. So Properties have in front of us probably the best opportunities they've had for considerable period of time.

In our other markets which is essentially the telecommunications market, the telecommunications market we believe has bottomed out albeit a recovery is out there somewhere we're not going to abandon the telecommunications market, we're certainly the largest construction contractor in that particular market and maybe one day again might come some privatisation opportunities. We did do as some people recall the fibre optic cable from Brisbane to Cairns which was a fantastic success, maybe we should have stopped there without proceeding on with Nextgen. There is other opportunities around here in New South Wales for example there is an Optus ABN consortium that has been bidding for the provision of broadband services to the NSW Government and that involves something like $250m a year. There is also opportunities in Victoria for similar outsourcing, so we'll continue in the telecommunication market as a contractor. There is also in the O & M market we're increasing our exposure to the operating and maintenance areas through Thiess Contractors and John Holland and certainly with the Transfield acquisition we believe that there will be other opportunities come our way.

In the environmental market, we are continuing on albeit remains very competitive but that is a successful part of our business.

If you look at the work in hand in Australia by the various components on the screen there, engineering, mining, building and property, telecommunication, environmental, these graphs don't include the Transfield work but it's certainly not a bad balance of work for us going forward.

If I now turn to Asia, Asia has been a flatter period for us we remain very committed to Asia, prospects in the region remain varied and you really have to look at the various countries to see what the opportunities are. Indonesian market remains our largest contributor particularly focused on the mining market, the resource market, we have a number of coal mines there and it will continue on. We do have a solid workload in Hong Kong albeit the public sector housing has down-turned. We expect in a matter of today or tomorrow to be awarded a $400m civil contract in Hong Kong, which really is a great position for us, a good contract there. In the Philippines we have reasonable levels of activity and we're pursuing activities obviously in places like Malaysia and Vietnam and working in Taiwan on the High Speed Rail. In Indonesia there's a shot of the Satui Mine Thiess have maintained a good level of work in Indonesia focussing on the resource sector and Thiess have some $700m of work in hand in the coal mining activity areas there. Leighton Asia our southern part of Leighton Asia has continuing operations in the coal mining market also in Indonesia and this is a shot of a rail rehabilitation project in Indonesia, a good project for us funded by the Japanese, there is more work to come in the rail area in Indonesia. So we're committed to remain in Indonesia and there's a number of resource projects particularly in the oil and gas business that we believe will emerge. In Hong Kong rail continues to be an area that we're interested in and the government are continuing to invest, this shot here is a site remediation job for the Disneyland project which is out on Lantau Island, a remediation project, an interesting project for us. The Hong Kong Government have a significant program in transport and infrastructure but certainly the public housing sector is very subdued and limited opportunities ahead. In the Philippines here's a shot of the Philip Morris Factory which we're running to conclusion. We're now underway with work on the North Luzon Expressway which is a major tollway running north of Manila worth about $250m. So we should maintain a level of activity in the Philippines to support our business. In Kuala Lumpur in Malaysia we're bringing to conclusion the Teachers Housing project which is some 10,000 units, we're pursing power generation and telecommunication activities, this is a shot here of a commercial development in Kuala Lumpur that we're getting underway. Our telecommunication activities for Maxis in Malaysia have been quite good and we're pursuing opportunities elsewhere in the region like Singapore and Sri Lanka. If you look at the work in hand by countries you can see Indonesia the dominant, followed by Hong Kong and the Philippines, so it's a reasonable position we expect our activities to remain comparatively flat in the period ahead in Asia, albeit as I said we're very committed to continuing on it's been an important part of our strategy.

So if I try and bring all of this to summary of where we see ourselves, operating performance we believe is quite strong, work in hand at the end of the year was $8.6bn albeit that some $2bn worth of work that's coming down the track, we have a diverse range of major construction projects in Australia. There is a significant upturn in the Australian construction market in engineering, building and resources, we expect a stronger second half so as I was indicating I think the revenues will be like the $5.7 - $5.8bn for the year and the following year crossing over the $6bn. And we're confident that we'll produce at least equivalent profit if not better for the year. Thank you got any questions?

Thanks Dieter or Wal just a question on the $6bn revenue forecast that you previously gave for this year and pulling that back to $5.5bn can you just clarify perhaps why that's slipped a bit and also to what extent the revenues out of joint ventures explains part of that difference.

Speaker: Wal King
Well Dieter might be able to comment on the specifics of the joint ventures and the numbers but in these larger projects we have a deliberate strategy of laying off the risk as a sensible strategy of mitigating our position, so you can see major jobs like Western

Sydney Orbital in joint venture with the Abi Group, the Chatswood to Epping Railway lines in joint venture, a number of these project in Victoria in joint venture. The numbers that we calculate Dieter includes only our share of the joint venture, so it's really a risk mitigations strategy, if you went back some years the big project was probably $200-300m we have now in front of us a whole series of projects that are in excess of a billion dollars and the key issue for us collectively as I think I said earlier on is can we manage these projects, there's another level of risk involved, another level of performance involved and upper most in our mind is in fact putting some safety net under the risk that we face, we're in the risk taking business but we're not in the unlimited risk taking business I think as we've indicated like Nextgen, we put a lot of issues there to in fact cap our exposure and we try continually to limit our exposure on these particular projects and joint venturing is one sensible way of sharing the risks.

Speaker: Dieter Adamsas
Just to add a comment there, I think in terms of if you look at the predictions or forecasts that we were looking at earlier and it related to a bunch of projects which we've got but it's a question of when we're effectively going to sign off like the WSO we're only signing off now, it's a question of when the projects effectively come into play we start work and we start punching away the turnover if you like and the NLE that Wal mentioned that's only going to really start kicking on big time now, whereas we expected that would start last July/August something like that, so it's a function basically of our expectation as to when these major projects would come through, as far as the joint ventures are concerned and that came through as a significant issue 6 months ago and that will continue as I mentioned because of the size and complexity of the work and for the reasons Wal mentioned we will enter into joint ventures whether it's technical reasons, whether its from simple risk mitigation reasons as such so you'd always see a lump there but you shouldn't confuse the accounting treatment with the reality and the reality is that there is a joint venture and we are effectively responsible and we take up our share of it.

Question:
I have a question here on the screen what are the odds re a further and final provision against our Nextgen investment?

Speaker: Dieter Adamsas
Well I suppose when looking at what we should do in terms of that original initial of 92, the question is where is Nextgen and where is Nextgen going and the judgement that the Directors made was that Nextgen in fact is going through a review of itself looking at restructuring options if you like and a number of those options are quite positive and the view was that they have got a real probability of achieving a restructure and in that context achieving a position in the market that allow it to develop a sustainable business. The problem has been in part because of the financial cloud hanging over it, its ability to get customers in the current climate so they are in fact going beyond just simply trying to get customers which they're obviously still pursuing but gone beyond that now and looking at a restructure of its business, and the Directors have felt that they have got a reasonable, probable, possible call it any word you like, chance of doing it and that context will decide we're going to run with the 58 obviously review it at June.

Question:

(Can't hear question)

Speaker: Dieter Adamsas
Good question if you find out let me know. I don't know, obviously we've had some dialogue with the Board of Nextgen to make an assessment as to how they in fact see the business developing where they are and where they're going if you like and we've made our own judgement and maybe if there's some associates here of the other investors you might ask them and let me know.

Question:
The contribution from property development looked like it was pretty small in the first half can you give us an indication of what we'd be looking at for the 2nd half.

Speaker: Dieter Adamsas
Well property obviously comes in lumps, as you know last year we had quite a good contribution, we'd expect the overall contribution for the full year to be better than last year, so obviously we're expecting quite a strong contribution based on a number of property transactions occurring in the 2nd half, it's not like contracting where you take profits as the jobs emerge, you've effectively got to complete a transaction and take the profits up. So as Wal mentioned they're in fact pursuing a whole bunch of transactions at the moment and I suppose our planning forecasts if you like these will in fact be consummated in the next 6 months and we'll have a fairly good 6 months and therefore a good contribution.

Question:
I have 2 questions. Firstly given the effective tax rate was so high in the first half, what would you see as a more normalised effective tax rate going forward with the losses and things washing out?

Speaker: Dieter Adamsas
Good question. I suppose one of the benefits that we've had in the Asian operations in the past has been the lower tax rates in a lot of the Asian jurisdictions and the same I suppose context we up until recently have had a fairly high tax rate, so our tax rate has just come down and some of the Asian tax rates in fact have gone up so broadly it's a seamless situation right throughout the regions in which we operate with the exception of Hong Kong, it's about the only place we get a bit of a tax break at the moment. So I suppose the short answer is that our tax rate will stay up and obviously the burden that we're carrying at the moment is in fact with the likes of South America which pushes over the normal rate and you'd expect that to be more of a short term phenomena but in the long term we'd expect our tax rate to remain relatively high and hence I suppose if you were at the AGM the question about franking of course if we're making money we're paying more tax than I suppose we would like to pay, then obviously we're going to be fully franked and hence this dividend is fully franked and going forward we'd expect that to continue. Another question?

Question:
If you back out the South American operations in the first half, the result looks very strong, and just marrying that with Wal's comments that the full year will be equivalent if

not better for the full year, what would be the main risks for the 2nd half if you've had a really good 1st half taking out the South American losses why wouldn't we be really on track for where the market is lying at the moment which is about 10% I think.

Speaker: Dieter Adamsas
Traditionally if you like our 2nd half has always been stronger than the 1st half and given the issues we've had as you've pointed out in South America, it's been a relatively good 1st half for us and the 2nd half you pick up the points I made on Properties if you like and an improved or increased level of activity given that some of these jobs in fact have started later but in fact will contribute in the 2nd half, I suppose in the broad we're saying the 2nd half will be stronger.

Question:
Not sure if I was misunderstanding your answer there. Just on South America are there any more losses to be booked on that.

Speaker: Dieter Adamsas
Stephanie do you really want to know that? We're exiting the place and until we're completely out you won't have a complete handle on it, but I'd say the probability is we're just about there but there could be minor leakage but it won't be anything out of the box.

Question:
Too low to hear. Can you just expand on what that's likely to be going forward the reasons for it first of all.

Speaker: Dieter Adamsas
I suppose in terms of how we manage our debtors and creditors depends on the nature of them and also I suppose depends a bit on how strong we are in managing our …………we do from time to time run into this situation we've seen here I think I remember about a year ago we had a similar sort of situation we're reached that particular point where our working capital particularly in the creditors side in fact blew out it has blown out, in part it's a way of being hard and more vigilant on that particular site if you like. I would expect that over the next 12 or so months that situation will if you like be better for us but that will be mitigated through increased turnover and in terms of our planning and so on, as the turnover kicks along some of the front end issues associated with that will in fact absorb some of the working capital, so we're in fact running in a two-way thing we're obviously having to manage that working capital a little harder if you like but running into a situation where through the improvements there absorb that in terms of funding increased turnover.

Question:
The annual meeting the completion of the Alice Springs to Darwin Railway is something which you anticipated early next year is it still or late this year and I presume in fact that you can utilise all the machinery, people etc in the rest of the rail infrastructure jobs.

Speaker: Wal King
Well the railway line will be completed towards the end of the year I think calendar year, sorry what was the 2nd part of the question.

Question:
This build up of experience will flow through to your ability in other jobs in the transport sector.

Speaker: Wal King
Well I think with the railway investment in Australia there's plenty of opportunities but we're ruled by the Government I think we see in terms of new railway construction, there's a lot of talk about Melbourne to everywhere and Brisbane to everywhere and all those sorts of railways, I mean the most major railway we've pursued was the high speed train which the Government decided not to go ahead with. We are the biggest rail contractor in Australia by a country mile. The area that we see increased opportunity is in the operations and maintenance area, it's a question of whether the politicians are prepared to handle those issues there's a lot of barriers there, the barriers are really labour related and whether you can get into that but it's a big and significant market for us, the most significant new project coming forward is the Perth to Mandurah which is about half a billion dollars. John Holland have a lot of maintenance activities, they maintain for example the rail network in Western Australia excepting the private lines they do a lot of maintenance work in Victoria the question is, if you go to Queensland for example it's 100.0% done by day labour so it's a question of if we can ever break into those particular markets so it's an interesting market for us we have a good position we're the biggest in that particular market, in terms of new construction, the most significant one that I am aware of is Perth to Mandurah.

Speaker: Dieter Adamsas
And overseas of course we've had quite significant work overseas as well in Thailand very recently, obviously we mentioned Indonesia, there's another job we believe we can have a good run at Indonesia going through now, we're pursuing some opportunities in Malaysia. So the rail opportunities based on the experience that we in part bought through Holland's in fact has been good and we see it as being an area in fact that we can grown on.

Speaker: Wal King
We're working on the North South High Speed line in Taiwan where we have a reasonably significant job and we probably have some hopes that we'll win another job on that and that's just on the track area not in the engineering area.

Question:
I'm just wondering on what your intentions were if you could comment on your other two coal mining assets after you've sold your largest one 95% of Burton and Southland being a pretty marginal operation.

Speaker: Dieter Adamsas
Well I suppose the strategy was to develop an alliance type contract which we can control our pricing particularly in underground, Goonyella wasn't a clear if you like run at that. It proved difficult so it was best to dissolve the alliance and get out of it so Rag took it over completely, we got out and I suppose we'll be more circumspect in terms of

pursuing underground type mining opportunities. Where a good open cut opportunity comes along we can provide sponsorship type capital we'd certainly go for it but they're pretty hard to get at this point in time.

Question:
Dieter with the cash balance being a bit lower and your potential cause on that in the next half with maybe WSO and the additional amount in Nextgen how does that affect your target dividend payout ratio?

Speaker: Dieter Adamsas
Well this time WSO the capital requirements will go in towards the end of the job so it's not a short term issue if you like, but in terms of our dividend payout our intent is to maintain it round about current levels we've been fairly consistent on that, so we don't see a change emerging.

Speaker: Wal King
OK. Any other questions. Thank you very much for your attendance and I'll see you for a drink outside.

End of Transcript
