

Leighton Holdings Preliminary Final Report 14 August 2006

Speaker: Wal King

Good afternoon everyone and welcome here to our presentation of our full year results. What I will do is run through a few of the issues for the Group and then as per our normal situation I'll get Dieter to take you through the detailed financial figures and you can ask him all the tricky questions.

So just starting – we're very pleased with the full year result. We've turned in as you see from the figures that been handed out a record profit of \$276m after tax up some 28%. Thiess recorded a very strong contribution on the back of their mining and infrastructure work. John Holland has also had a great performance. Leighton Contractors returned to a satisfactory level of profitability. Leighton Asia South based out of Kuala Lumpur have had a great year. Leighton Asia North was satisfactory, there is a few issues there that we've dealt with and Leighton Properties are performing very well.

The highlights for the figures obviously total revenue was up substantially to \$10bn. New contracts, extensions, variations etc also over \$10bn \$10.2bn, a record level of work in hand sitting at \$16bn, operating profit before and after tax both up substantially and dividend was increased by 32% from 50 cents per share to 66 cents per share, 50% franked which we think is a good result. The work in hand has continued their increase, work in hand an all time high of \$16bn up from \$14.8bn at December and \$15.5bn at June last year.

Major new work flowing in during the year Henry Walker Eltin brought in \$1.8bn of work, we've won at equestrian centre in Qatar which I'll talk more about later for \$545m, there's \$300m of mining at the new Poitrel mine in Queensland and \$266m to construct the Inner Northern Busway project in Brisbane. We have at this point in time probably around \$3bn worth of work that we're waiting on the award of, it should be awarded in the next several weeks. We have since the close of the period won the North South Bypass Tunnel in Queensland which reached financial close last week and that added \$1bn worth of work and we also have had achieved financial close on the new Defence Headquarters in Canberra which added \$250m. Later on I'll talk to you about more of these significant projects.

If you look at currently the Australian engineering and infrastructure projects there's a stack of big projects that we're involved in, the Australian engineering and infrastructure market provided a strong contribution to Australian revenue at \$3.6bn up 57%. Work in hand was down some 20% to \$4.4bn due to the early completion of the Westlink M7 in December some 8 months early, which we believe was a great achievement. This chart shows our biggest Australian engineering projects by dollar value and their current status as at 30 June in terms of percent complete, most of our jobs have progressed very well over the period and we're very pleased with the progress on Eastlink and Lane Cove Tunnel. So you see the major projects there listed on the screen.

A major highlight was the award to River City Motor Consortium of the North South Bypass Tunnel, a new tollway connecting traffic under Brisbane between Woolangabba and Bowen Hills, you can see there the Storey Bridge. Those of you that know Brisbane and the lava rock flow indicated over the underlying rock material and anyone that's interested that's why the shape of the river is as it is in Brisbane, there was an old lava flow that flowed out in the area of the Storey Bridge. The consortium comprises of Leighton Contractors, Boulderstone Hornibrook, Bilfinger Berger and ABN Amro who will finance, design, build and operate the North South Bypass tunnels. The project is some 5.8km long and includes dual twin lane tunnels approximately 4.8km in length. During construction 3.5 million tonnes of spoil and rock are to be removed by two tunnel boring machines and 6 road headers. Leighton Contractors will take an \$80m equity stake in the project, approximately 8%. As I said earlier financial close was achieved on the 7 August and this brings in an additional \$1bn worth of work to Leighton Contractors.

Here in Sydney the Lane Cove Tunnel has performed very well and we've seen no further negative impact from the tunnel subsidence that occurred in November last year. The project is on track to open later this year.

In Victoria Eastlink has proceeded very well. Thiess John Holland has moved some 3.7 million cubic metres of earthworks and placed some 4.9 million cubic metres of fill. Two thirds of the 86 bridges are either structurally complete or under construction and tunnel is progressing well with approximately 2km of tunnel completed. Some initial asphalt has been laid and over the next 12 months at least 1 million or more than 1 million tonnes of asphalt will be laid.

In Western Australia we've seen plenty of press about Package F on the Perth to Mandurah Railway Line. There's been a whole series of issues early on industrially and in the later period contractual issues including contaminated material and various other issues. The project now is over 70% complete and running to conclusion early next year. A loss has been recognised on the project which reflects our view of where the project will finish up. We have claims on the government which we believe are legitimate and we only want our fair entitlement under the contract. Package A which is 65% John Holland has also received some controversial press but recently a settlement was achieved on this particular project and the contract is profitable.

Turning to property you can see on the screen here some of our largest building and property development projects. Australian building and property revenue was down 16% to \$1.5bn, work in hand was down by 9% to \$1bn as we remain selective in our bidding processes for building work here in Australia. During the year we completed the KENS project for Westpac some 5 months ahead of schedule and this has been a profitable job both for Leighton Properties and Leighton Contractors and a great result, great building. I'm sure Westpac should be delirious.

Spencer Street or now as it's called Southern Cross Station, the new station was substantially completed prior to the Commonwealth Games and achieved practical completion in early August. We're now finalising the minor outstanding works largely associated with the commercial development. We've settled with all the client parties, our settlement reflects contract variations, the removal of contaminated materials and

other contractual matters. The settlement reflected our entitlement as agreed some considerable period of time ago and underwrites completely the financial result of the project. So Spencer Street is well and truly behind us and I can categorically say there will be no further impact from the project and you might say that's experience we didn't need.

Turning to our property organisation, Leighton Properties have had a very good year and have probably the best projects in the pipeline ever. Leighton Properties are currently development properties with a total end value of more than \$2bn and in those figures of course there's the \$700m KENS project that I referred to earlier. You can see from the chart here now that Leighton Properties have a development pipeline running out which we think is terrific, this pipeline is also providing a great level of construction work for our construction subsidiaries.

If you look at the Australian mining and resource market, there is here a list of major projects this is not complete, there is obviously other projects outside the list here, this is just a mix of them. The Australian mining and resource made a very strong contribution to revenue of \$1.8bn up some 32%, mining work in hand was boosted to \$4.7bn by the acquisition of HWE, mining and resource is now larger in terms of work in hand than engineering and infrastructure. We're currently mining some 90 million tonnes of iron ore a year and in excess of 90 million tonnes of coal, 50 to 60 million tonnes per annum of which is mined in Australia. The HWE acquisition was completed in February 2006 for \$261m and extends Leighton Contractors in mining. The price differs somewhat to the \$211m announced mainly due to the level of increased receivables. HWE bring \$1.6bn worth of work in hand and annual revenues of some \$650m. We're very pleased with the integration and I believe over time this will be an excellent acquisition. Tyres remain a high profile issue but we have this under control and are managing the tyre supply through tyre preservation programs, driver training, reduced loads and not working in severe conditions such as our extreme wet conditions, improved haul road and loading areas. We're seeing an improvement in tyre life of up to 20 or 30% as a result. The other challenge in the industry at the moment is obviously labour and we're responding to labour shortages by recruiting internationally for people so increased costs of labour generally is built into our pricing.

In the operation and maintenance area O&M or services remains a solid market for the Group. Australia's O&M provide at least \$1.4bn of revenue up some 52% and our work in hand stands at around \$2.4bn or 15% of the total work in hand. Services include facilities management, the operation and maintenance of utilities, telecommunication, rail, non-residential building, waste facilities, road and mining infrastructure. In the waste area Thiess provide a fully integrated waste management services, collecting waste, operating transfer stations and owning and operating landfills.

If I can now turn to Asia, some of the major projects in Asia are listed on the screen there. From the projects we have a good mixture of large mining and construction projects across Indonesia, Hong Kong, Macau and Malaysia. Asia contributed some 17% of revenue and had a good profit contribution. Leighton Asia North cleaned up some residual issues we had which reduced the result somewhat. Work in hand stands at \$3.5bn or 22% of the total, \$2.1bn in Indonesia 59% of the Asian total, \$409m in Hong

Kong/Macau or 12%, \$206m in Malaysia or 6% and the remaining \$800m or 23% split across the Gulf, India and the Philippines. Our Indonesian operations were again the largest contributor from Asia. The Satui, Senakin, KPC mines continued to perform very well for Thiess and Leighton Asia South the two operations in Indonesia produced around 30 million tonnes of coal. Thiess are also developing their presence in the process engineering market in Indonesia working on gas plants and geothermal plants. Leighton Asia progressed well on their 3 coal mines in Kalimantan and were awarded a gold mining contract in the northern Sulawesi's. Also work has progressed well on the LNG plant off West Papua.

A major highlight was the entry into the Gulf region and our success in India. Leighton Asia Southern won the \$545m equestrian centre in Qatar and it's quite enormous. Very interesting the equestrian centre, the overall budget for the equestrian centre is some billion dollars and it has the most expensive horse hospital in the world. The horse hospital is some \$60m or \$80m and has in the hospital 2 full size MRI machines for horses. I don't know if anyone has ever been through an MRI machine but these machines are apparently \$10m each, very interesting project.

We're also pleased the way that Leighton Asia has entered the Indian market, Leighton Asia has completed a mobile phone facility for Nokia and we've been awarded further work in India to build factories and work on oil refinery pipelines. Thiess has bid for the coal mining contract at Raj Mahal in East India.

In Hong Kong the shot there of the Central Reclamation. In Hong Kong Central Reclamation and Eagle's Nest Tunnel has underwritten activity levels. In Macau Leighton Asia North has completed the first phase of the Wynn's Casino and were recently awarded a substantial extension. Leighton Asia North combined with John Holland was awarded a half share in the \$340m Kowloon Southern Rail Link and in Malaysia the KL to Putrajaya Highway is proceeding ok.

I'll ask Dieter to perhaps run through the detailed financial figures and I'll come back and talk about the future.

Speaker: Dieter Adamsas

Thanks very much Wal, from my perspective welcome. It's a very pleasing set of numbers to walk you through. So I'll walk you through Appendix 4E and I'll walk you through what I consider to be the highlights and then you can all pelt your various questions at me following that.

OK well start with the revenue on page 2 and the headline number there is \$10bn which Wal has talked about and broken up into the \$8.5bn and the \$1.5bn being the joint ventures which we've talked about in previous presentations the likes of the M7, the Chatswood PRL, a series of jobs in Hong Kong including the Reclamation job that Wal referred to, Wynn's Casino, a whole bunch of jobs and ends sadly to Package F. Now that number has plateaued a bit, last year I think it was up 30% and with the M7 sort of reaching its peak albeit we had a fair whack of turnover run through Package F there without any profit and that will probably show up in the later numbers. Then of course the headline profit number up 28% \$276m.

Then the next page 3 and 4 is the commentary which you can look at your leisure. Page 5 profit after tax again look at the headline number expenses, finance costs, will that's the Leighton Notes largely driven by that and the share of associates down, as I mentioned early in the piece we had some profitless turnover there in terms of Package F where in fact we took a loss which has obviously reduced that particular number. The tax number is up in percentage terms down so we're about 25% there and then the headline earning per share a dollar, so we've reached new heights there and it's nice to see we got to a dollar isn't it Travis. The franking 50% franked dividend of 61 cents for the whole year and next dividend we will be unfranked so we're 50% franked now but the next dividend will be unfranked.

Following page 6, the highlight there if it is to be a highlight is really the reflection of the move in the exchange rate and last year we were all a bit aghast I suppose at the translation difference there of \$28m and that was the reflection of the exchange rate going from 69 to 76, it's dropped back a little bit from 76 to 74 in terms of June 30 and so we've clawed some of that \$28m back to \$8m and that's largely the difference there. The change in fair value was for sale assets, the 8.9 is largely NLE and the change in associates is Sedgman's for \$10m or so.

Following page we're talking about the financial position and cash flow on the screen there which is our balance sheet, the major items there the cash of course headline number \$810m you can see in the cash flow statement there in line with a very good result, we've had a very strong cash flow, trade number receivables that's the reflection of the size of the business, we're talking about a \$10bn a year business in fact we're running over the \$10bn on an annualised basis now. Inventories we've got a bunch on consumables in there, about roughly half and the balance is the normal properties sitting in that number there. The equity accounted investments picks up the likes of Sedgman's, some of the Noosa and construction joint ventures. Other investments picks up the investments we made in the equity in the likes of the M7, LCT or Lane Cove Tunnel which is to be opened shortly. NLE deferred tax is the net now deferred tax DTL deferred tax liability and the asset the oldand that's a net number of \$70m, you can ask Carlos why we net that off, he can explain that. Then the property, plant and equipment the headline number there is the \$800m being plant total plant fleet is \$1.6bn very broad terms about \$800m sits on our balance sheet, \$800m sits in forms of operating leases and then the goodwill number, the increase there is Henry Walker Eltin which Wal talked about earlier in the piece in terms of fairly glowing terms and the \$23m or so of that increase which is the guts of it I suppose relates to HWE, but HWE without doubt in terms of what it's brought to the organisation in terms of work in hand and expected profitability it's obviously a fantastic investment and goodwill is not an issue. In terms of trades and other payables, that's a bit like the receivables size of the business, current liabilities, tax liabilities Australian tax roughly at 30 overseas modest 6. Provisions driven by employees and I suppose there's a big increase there and a lump of that relates to the acquisition of Henry Walker Eltin where we picked up about 1600 employees so we picked up a whole bunch of employees so obviously a big swag of provision went through. So it's a reflection again in the broad terms of the size of the business. Then we've got the \$148m which is the new notes we used to have in Indonesia during the year and then of course the \$200m was the old faithful hybrid. The reserve reduction there I've already touched on that the improvement there in terms of

that's the forex translation reserve largely driven by that difference there. Headline number \$1.1bn.

Cash flow – I referred earlier in the piece that in fact we had a very strong cash flow during the year and you can see that there the \$800m the major components you can see there, we bought the plant and equipment \$570 odd, and then payments for plant and equipment the component side of it as distinct from the actual plant itself you see the depreciation in fact is broken in two components as well, and I'll talk about that a little later on, is \$164m.

Then proceeds from sale a big number it sounds like we're getting out of the plant business there, in fact that's the sale on lease back of \$360m worth of plant which we did right at the end of June. Then we had the payments for the investments that was Henry Walker Eltin \$260m and the other investments there relate to Lane Cove Tunnel and M7, so there's nothing untoward there it's largely plant and then a sale on lease back and then Henry Walker Eltin and then of course our investments in two tollroads. So pretty clean, nothing untoward there. Then the other one there the borrowing \$151 is that Indonesian note issue I referred to earlier. So pretty stock standard, ending up with the headline number down the bottom there of \$810m. A whole bunch of notes which Carlos will run through in detail to anyone who wants to go through it in detail, I shall not on this occasion here.

Then on page 20 we break down the revenue of the various segments and we go on construction the primary contracting activities \$5bn obviously up and that's a reflection of our major engineering jobs kicking on very strongly. Mining up 2.6 obviously picks up the strong performance from Thiess, Leighton Asia South in Indonesia and of course a contribution from Henry Walker Eltin so that's another strong number and the rest of it is a much of a muchness.

Next page – we look at the expenses and I suppose as expected of an organisation such as ours you've got materials, subcontractors and if you add together all the plant components there it's about \$1.4bn, so it's subbies and materials and plant and then of course personnel costs of \$1.8bn and that's I suppose the guts of it there. Net gain on sale of other investment that's Sedgman and net gain on sale of property, plant, equipment that's plant \$70m and then the writedown of our residual investment in Adrail last year we wrote down 7.4 of that and this year we wrote down 47, so we've totally written off our investment in Adrail and the impairment of goodwill that's writing off the goodwill associated with an investment which we don't shout from the roof tops too much it's an outfit called Mayfields. And then depreciation we break that down rather than one headline number of \$450m we break that down into various components and the two I want to share with you is the headline number there is the \$271m which relates to the \$800m of plant that we have on balance sheet, so that's the depreciation against that. The other major component the \$176m relates to the depreciation of the major components within that plant so we depreciate the components and then of course as the components replaced it's added back to the plant, so we consider that to be the proper way to do it rather than have the profit going up and down depending upon whether the plant's repaired. The rest of it is only rats and mice.

TheI think Wal touched on a bit of it down there, from a revenue point of view of course the big increase is in Asia we've gone up about 58% or 60% in terms of revenue, Australia about 28%, profit in Asia has gone up about \$43m to \$107m and in Australia \$272m up about \$25m in part that reflects the last year in Asia we had a write down on the North Luzon Expressway which is obviously now showing up to a fairly significant increase in profitability, so it's not as good as that albeit still a very strong performance in Asia all up.

On page 24 we've touched on the dividend of 41 cents total 66 cents, and on page 25 just the liquidity analysis indicates again like the rest of the particular results, very strong element of liquidity in the organisation and then the MTA 377 compared to 317. So that's the overall broad outlook, review of the particular results.

Just before we finish that I just want to talk a little bit about the financial strength which I think you've probably picked up by now is exceptionally strong and we're sitting beyond what I've talked about billion MTA, the big lump of cash, we've got about \$3bn worth of bank guarantees and bonds and facilities approximately \$800m is available and I'd say Scott no major issues levering up to that if we so needed to. It obviously allows us to be opportunistic as we were with Henry Walker Eltin. And I suppose it allows us to support the businesses in terms of their further development in the resources area, as I mentioned we've got about \$1.6bn in plant which \$800m is on balance sheet, \$800m is off balance sheet, we've got facilities which can take even more off balance sheet and if we wanted to put more on the balance sheet we've got the ability to do so. So it's obviously an incredible platform to take the business beyond where it is if and when the opportunities arise, I'm not sure if it's if or when Wal but you can comment on that later on if someone asks you a question.

During the year we entered into a \$750m sale on Lease back facility with the CBA and I mentioned that towards the end of June used \$360m of that, so we've still got a whole lump of that available and that's in our view a fantastic facility to besides laying additional leverage and it also allows us to manage our risk better in terms of plant exposure in the sense that we've got the ability to put the plant back to the Leasor after 12 months on 3 months notice, so once we've gone through a 12 month period we give them 3 months notice and we put the plant back at a pre-agreed value. From a risk management perspective and Bill's sitting here as the expert on risk management he would applaud that with both hands I'm sure. Then on top of that towards the February/March we finalised that \$US110m Indonesian note facility which we've been talking about for a while, the market came right for us Scott during that particular year and that gave us the ability to issue that Indonesia pledge against Indonesian assets so we've got an Indonesian assets against Indonesian liabilities which from a hedging point of view and risk management point of view was a great move we so believe.

So that is the overview thank you very much and I'll answer the questions after Wal's finished.

Speaker: Wal King

OK thanks Dieter, I'll just run through and talk about our strategy and the like. There's a couple of things coming out of questions and there seems to be a lot of concern about

rising material costs, rising labour costs and most of our contracts are either rise and fall and if they're not rise and fall we have fixed price contracts but there's a whole series of things that relate to how we manage increased costs. I think one of the differences in this cycle particularly in labour is that we have now a new set of industrial relations laws underpinning the issues in Australia. In the construction industry there's 2 sets of laws, one is the Building Industry Construction Improvement Bill under the regulator the ABCC and the ABCC has extremely wide sweeping powers to pull into line errant behaviour whether that errant behaviour is from the workforce or the employers. And of course you then have Work Choice which is another set of laws. In former times when labour shortages appeared what you really had happening was the unions came along in a typical demand and supply situation and demanded increases, if those increases didn't occur they then took industrial action and then of course at the end of the day companies always had to make a commercial decision to get the job back to work and invariably you paid more money which ratcheted around the industry and so on and so forth. I mean this time around we're not seeing that, it's virtually impossible in Australia now to get a strike up. So it's interesting that you've got shortages of supply in terms of labour particularly in Queensland and Western Australia but you don't have these outrageous claims in relation to labour costs. So whilst there is pressures on it's different to the former cycle and at the moment and the period ahead we see pretty much a neutral position, there is wage increases occurring which is really the 3% or the 5% or whatever they are. In former cycles when you had these shortages the wages ran out of control and of course that produced problems. In most of our contracts that are fixed price, we do have a strategy to mitigate the risk either we add the money onto the contract or we underpin the expected inflation through buyout of the materials or subcontractors. So somewhat different to the last cycle.

The other comment that's being put to us – is this as good as it gets. I would respond by saying well the star and the moon and the planets, whatever else are not fully aligned but they're coming into alignment so we think some good periods ahead.

So against that background I can talk about where we're going and certainly our strategy as Dieter indicated is based on our financial strengths, our diversity and our people. The strategy and outlook will obviously be taken in the context of what the outlook is for the market and I'll talk about some of the market issues.

The strategic framework which many of you have seen, there's no further magic to this, our model is based on diversity for providing continued extension to the business in which we work. We're continuing to evaluate and develop options for growth, these options include further geographic diversity by growing our offshore business in India and the Gulf and greater delivery system diversity by expanding our development business in property, infrastructure and resources. Increasingly diversifying our contracting base in markets such as services and potentially defence and when I come along to the maintenance business you'll see we really do have a very big business in the maintenance business in Australia.

Turning to our markets and this is all public information obviously the non-residential construction market it's expected to be worth around \$49bn this year the highest ever recorded. Further growth is predicted in 06/07 but a mild downturn is forecast in 07/08.

If this downturn does in fact happen it will be quite mild we believe. Privatised road, rail infrastructure is contributing to the current market upswing. State Governments and Austlink are investing in major tollways and projects such as the Gateway Bridge in Queensland and other roads for bypasses and the like around cities on our major highways. More will be spent on rail, there is some \$1.3bn will be spent by ARTC on the East Coast Rail Network. There's a whole series of major projects available in Australia, they're listed on the screen there, I'll run through some of them. There's the \$1.6bn Gateway Duplication project in Brisbane and we're down to a shortlist of 2 people, that's Leighton Contractors in joint venture with Abi Group and Thiess in joint venture with Baulderstone. It's to be awarded I believe before the end of September and I have a high suspicion somehow the Group might be successful. There's the \$450m the Perth to Bunbury Highway, we're down to a shortlist of 2 people which is Thiess and Leighton Contractors and again I have a high level of suspicion that we could be successful there. There's the \$960m Pacific Highway upgrade, there's other major projects going to come back on the drawing board here in NSW which includes the \$2bn M4 East from the Homebush site through to Leichardt, there's the \$1.6bn F3/M2 Connector from Hornsby down. There's the \$1.3bn Airport Link in Brisbane which goes to expression of interest in September, there's \$870m Ipswich Motorway and there's a \$1.7bn tunnel at Tullermarine in Melbourne. So there's no shortages of big projects and all things being equal we would win at least our share of that.

The Australian engineering and construction market is on the screen there, there's significant investment being made in water storage, recycling and desalination and obviously there's no great secret that water is a major issue now around Australia in most places other than Darwin water is very, very short. Holland's for example have entered into an alliance to build a major desalination plant on the Gold Coast, we're not sure whether it's worth \$400m or \$800m but they've just said here's \$100m get on with the job and we'll work it out after the event. I don't object to that. There's some \$13bn to be spent around Australia on water and water related projects and also power, in the energy sector there's estimates of some \$30bn of investment required in Australia by the year 2020, there's \$11bn or so will be invested in electricity generation and transmission and also there's obviously issues in the oil and gas business. So there's no shortage of demand for infrastructure.

In the non-residential building market the outlook for non-residential property market is expected to remain strong until at least 2007, this market is expected to grow by around 7% this year to over \$21bn. The outlook is supported by business investment which has created demand for new offices, industrial and bulky goods.

We see the Governments around Australia spending large amounts of money on health for example, there is the \$700m Royal Children's Hospital in Victoria, \$500m for new hospitals on the Gold Coast and Sunshine Coast, the \$700m Royal North Shore Hospital only announced 5 times, probably happen this time but it's announced again. \$500m for the Auburn and Liverpool hospitals and a \$700m Fiona Stanley Hospital in Western Australia.

If you look at the resource projects there's a staggering number of projects around, you can see there on the chart we're seeing a very positive outlook for contract mining in coal

and iron ore and certainly the industrialisation and urbanisation in China is driving tremendous growth in demand for these commodities. We see this trend continuing for at least the next few years with developments in India particularly ramping up and HWE will provide a substantial boost to activity levels and our presence in that market. Thiess is currently mobilising for early works on the Oxiana Prominent Hill project in South Australia and we have signed subject to Board approval a 6 year contract on this major gold and copper project. Oxiana Board is expected to approve the project later this month, similarly that 6 year project is not in our work in hand figures. Growth in demand for commodities is also driving infrastructure in the resource area and this should offer good opportunities for our process business over the next few years.

I mentioned earlier the Australian maintenance market, we have more than \$2bn worth of work in the O&M area in hand, this market includes facilities management, the operations and maintenance of utilities, telecommunications, rail, non-residential buildings, waste management, road and mining infrastructure. A moderate level of growth is expected from the services market boosted by trends towards greater level of outsourcing to the private sector. All Group companies are pursuing opportunities to further expand their presence in this market. Rail maintenance and telecommunication will provide the main opportunities for new work over the next year or so.

If I can turn now to Asia. In Hong Kong a large number of long term government funded infrastructure projects will underwrite activity levels over the next few years. Indonesia will continue to support a strong resource base business and will pursue things such as tollways and energy related projects in Indonesia. Malaysia will provide selective transport, power and telecommunication opportunities and will maintain a selective approach across the smaller countries such as we're pursuing opportunities in the Philippines, Thailand, Vietnam, Laos and coal mining opportunities in China and Mongolia.

In Macau which is quite remarkable what's happening in Macau anyone that hasn't been to Macau gone from being a back water has suddenly being transferred into a major, major market, this is the Wynn's Casino which we're finishing off that's the first stage will be open on the 6th or 7th September. It's one of the fastest or I think the fastest growing gambling market in the world. In 2005 Macau's gambling revenues were \$US5.8bn versus Las Vegas, the total of Las Vegas was about \$US6bn. The gambling revenues in Macau this 2006 period will exceed the gambling revenues of Las Vegas, it's pretty hard to imagine, in Macau the gambling revenues are 90% and 10% are non gambling in Las Vegas it's 40% gambling, 60% non-gambling, in Macau the 90% gambling this year will exceed the 40% of Las Vegas and most people have been to Las Vegas, it's pretty hard to imagine but there it is, Macau is projected to double tourism from 18.7m visitors in 2005 to 30 million in 2010 I said that's a lot of fried rice isn't it. Analysts are suggesting there's some \$20bn of new projects to be committed in Macau. To cater for this growth Macau is proposing a \$3.8bn bridge from Hong Kong to Macau via Zhuhai, developing light rail transit systems, new ferry terminals, expanding airports, public roads, road systems, transport and utilities. I'm very pleased to advise that we've made the final round of negotiations to manage the construction for the PBL Melco City of Dreams project in Macau, expected to be worth more than \$1bn. PBL Melco's decision should be finalised by this time next week, it is a major undertaking, the City of Dreams as they're

calling it is proposed to be an integrated entertainment resort housing a variety of luxurious and if you look on the screen the one on the left hand side at the bottom, the oval egg shaped thing is a 40 storey Crown Hotel, the one in the foreground here is a Hard Rock Hotel 30 storeys, the one up on the right hand corner is a Grand Hyatt 40 storeys, the one on the left is a Hyatt Regency which is 30 or 40 storeys, there's a major theatre complex a little box that sits up there, and just up from the egg shaped hotel is a 30 or 40 storey apartment block and that footprint of the building is about 20 acres. The 72,000 sqm casino features world class gambling facilities with around 450 gambling tables and around 3,000 slot machines or as we call them poker machines just the most massive undertaking and I would have a high level of confidence that PBL Melco will favour our company.

Moving onto India, this is a mobile phone facility we've completed in Chennai, I think the most astounding thing about it is makes 4 million mobile phones a month. That's a lot of phones and I think Bill they're talking about moving up to 6 million phones a month out of this particular plant, that's staggering. So we have a strong presence in India now and there's great opportunities in tollways, industrial buildings and resource projects, there's some \$40bn to be invested over the next 5 years in infrastructure, some \$19bn on roads, several billion on hydro plant, several billion on railways. Whilst there are numerous small competitors in India there's very few large contractors and most of them have capital constraints, we bring size, skill and funding. In India they're planning to add every year the total installed power capacity of Australia. Coal mining is also opening up in India and we're pursuing through Thiess and Leighton Asia the coal mining market. India already produces more coal than Australia, total coal, it's all used for domestic consumption and that's expected to grow at 8% or 9% over the next several years. So we have a great position in India and we see that opening up particularly in the mining market for us.

The Arabian Gulf is obviously booming. I think Bill Wild could tell you that over and above their expenses which includes running the place they have I think still more than \$US500bn a year to invest in infrastructure at the current price of oil. The region is diversifying away from oil and tourism has been growing at 10% per annum. There has been 30 4 to 5 star hotels built in the last 5 years, 300 high rise buildings and there's another 224 high rise buildings approved and 20% of the world's tower cranes are in Dubai. In this City of Arabia which contains offices, schools, cinemas complex, restaurants we're doing some work there for a development. It's a very hot place the Middle East and therefore we need to be quite careful about what we pursue.

So to try and bring all this to summary we remain very positive about the outlook, we expect to maintain work in the range at least of \$14bn to \$16bn driven by the extended construction resources cycle in Australia and solid opportunities in Asia. As I said from the close of market or the close of the year at June there's probably at least \$3bn worth of work that either has been awarded or will be awarded. This upswing is providing the Group with substantial momentum which should deliver increased revenue and profit over the next few years. We have a strong competitive position, our balance sheet is strong as Dieter indicated and the outlook is positive. So for the year ahead we believe that our revenues will move over at least \$11bn and our profit will be up at least 15% on

the top of this years \$276m. So that's our story and I'm happy to take any questions as I'm sure Dieter is.

Question: Simon Thackray, ABN Amro
Just a couple of quick questions. Not on Spencer Street. Henry Walker Eltin just a sense I guess of the contribution of profit we've got the work in hand at \$1.6bn, the 5 months of contribution you said the annual run rate is 650 in revenue is it straight

Speaker: Dieter Adamsas
The revenue during the year was for the 5 months was somewhere around the \$250m to \$300m wasn't a big lump and the profit contribution relatively modest as we're ramping the organisation into shape, so fairly modest contribution this 5 months but our expectations are fairly positive going forward.

Question: Simon Thackray, ABN Amro
So probably marginal expansion coming from that next year.

Speaker: Dieter Adamsas
We'd expect you read about resources booms particularly in the iron ore area and we'd expect Henry Walker Eltin to participate in that yes.

Speaker: Wal King
I think you'd say that obviously when we got inside of HWE it was quite a fragile business, hence the reason why it went under. We went in with our eyes wide open there was an array of contracts there, and at the end of the day a number of those contracts are not producing or performing to our level of expectation and the improvement in profit has to happen or we'll give segments of that business away. So we know about the profitability of BHP. Henry Walker produce some probably 80 million tonne of iron ore for BHP and we want a fair share of the result.

Question: Simon Thackray, ABN Amro
Just then I guess related to that point we talk about cost pressures in terms of the industry, you said there's been a lot of commentary and you've managed with your contracts rise and fall and otherwise to manage those and I can see that obviously coming through in the margins. But to grow your business from here with where we see labour constraints just in terms of the number of personnel and new projects, how do you handle that going forward.

Speaker: Wal King
Well we've been recruiting very actively overseas, for example we're bringing electricians probably a couple of hundred electricians from Serbia, we've been getting people out of South Africa, the Philippines. So the labour supply is of concern but it's not of over concern and we're coping with that, I mean the area where we are probably more difficult is in the what you call a supervisor engineer level and we're recruiting overseas, we're getting people from overseas. The place where we can't get people out of is America surprisingly and there's 2 reasons for that, first of all the Americans don't travel all that well as we know and secondly when you try and recruit them into places like the Middle East and Hong Kong, I mean the taxing kills them dead because they're topped up to

American tax. But we're coping with it, the contracts that we have are either fixed price or rise and fall, I'm trying to simplify it Michael Pascoe last year tried to lead me through a complicated exercise and I said well if you seem to know more about managing the business than I do, but anyway putting that aside. The rise and fall contracts essentially is all cast through to the client under a whole series of arrangements, and those arrangements are very complicated in terms of formulas, direct reimbursement and the thing that you need to guard against in rise and fall contracts, if you get a sudden burst of inflation that runs up to 20% I mean your recovery from your formula could diverge and sometimes it might diverge positively or negatively and obviously inflation picks up to 20% there will be a few people in this room outside of a job including me. So you've got the rise and fall contracts, you've got the fixed price contracts and fixed price contracts we make an estimate when the bid goes in about the future costs and wherever possible we try to get that estimate underwritten by suppliers, either concrete suppliers or sub-contract suppliers or whatever and when the contract is awarded the first thing you do is buy out the subcontractors and buy out the materials to lay off the risk and again that pretty much works well unless there's some sudden surge in demand, like a couple of years ago where the price of structural steel effectively in a 9 month period double and that sends things crazy. The other big problem is fuel and we're a big consumer of fuel and most of that is passed through to the client, some of it's not passed through but most of it's passed through. If it's not passed through we have re-set provisions in the contract. So against rise and fall we do have these mitigation strategies to mitigate the impact of it. The biggest single thing that's changed this cycle as I indicated is in the labour, I mean when you've got shortages before the CFMEU went out and hung you out to dry and of course you get into it extremely, if you're building a new process plant for someone and they're out on strike demanding more money and there's always do we tough it out or pay and you go along to the client who might have spent \$150m on this plant and you just say to this client 'oh by the way we're going to do the unions over, we'll screw them but your plant will be 2 years late, don't worry about that.' And they'll say well thanks for that but you'll never work for us again, they say just give us our plant, get it finished. So there's always a commercial arrangement and at the end of the day 99% of the time in former times you paid, if they went out on strike you did what it'd take would take us the time to finish the project, to protect your own commercial interests, but also to protect the interest of the client. I mean you're going to get no medals for having a project 2 years late, and saying we did the unions over we didn't give them a dollar more, but this time around the industrial law is such through the ABCC which is the Independent Regulator and the Workchoice these guys they've got nowhere to go. So you see whilst there's shortages you're not seeing in the construction industry the ramp up and you just think of how many strikes that have occurred over the last 3 or 4 months, can anyone think of a major strike that's happened, I can't think of one.

Question: Simon Thackray, ABN Amro

As a percentage then rise and fall versus fix can you just give us a benchmark figure in terms of the contracts either by percentage by revenue or percentage by number.

Speaker: Wal King

I don't have that. You talk about the fully protected, I would think probably the number is probably in terms of revenue Dieter.

Speaker: Dieter Adamsas

I don't think it's that relevant I think it would give you the wrong impression, we're trying to find where we've got this enth degree of protection as such, at the end of the day we make an assessment on any particular job that hasn't got escalation, the escalation would be during that particular period of the job, so the job a smaller job as distinct to like an Eastlink or an NSBT runs over 18 months-2 years you'd assess what the inflation would be over that period and you generally get it right, it's only when you have a real spur in inflation like we had in our particular organisation back in 04 that you do find that you have a rumble around the joint. But if inflation is running in our industry at 6%, 7% or 8% we allow for that in all bids and

Speaker: Wal King
And underwrite it.

Speaker: Dieter Adamsas

And underwrite it, it becomes a big cost and generally except for the 04 period we did pick up some red ink there \$30m or \$40m whatever it was, we've got it right. So if you have a look at the history of the organisation over the last say 12 to 13 years we've generally got it right. If you get a job that's an alliance type job, if you get a job where you've got escalation then you don't need to make that judgement, but we do make the judgement those jobs that we have to Eastlink is one example for example or NSBT a major job as such but we do generally get it right.

Speaker: Wal King

Or we call re-set periods I mean there's a particular contract we're bidding in India, one of these mega power projects in India, they're bidding 5 x 4,000 megawatt power stations one after the other now whether they happen or not remains to be seen, I mean the one that we're bidding is a 25 year coal supply contract that's worth \$US5bn, now we're not going to bid firm price for 25 years you'd have rocks in your head, so I mean you've got to have source of re-set period to protect yourself.

Speaker: Dieter Adamsas

As we do on these long term mining contracts, we've got these mining contracts where life of mine so to speak 10 – 12 whatever they are, and we do have these re-set periods or if an event occurred a significant kick in costs we have the ability to go back and reset the price. Our business is managing risk and escalation is a risk that we have that we're managing and as I said earlier in the piece we do generally get it right.

Speaker: Wal King
Any other questions?

Question: Andrew Johnston, Citi Group

Couple of questions first on the property development business, can you break down the earnings that came out of the property group as a whole as well as the profit that came from specific development of properties.

Speaker: Dieter Adamsas

I'm not sure what you're getting at they all are from our particular perspective development property profits the so called construction component sits in the construction side of the business we do separate the two and we had a very good year, we achieved before tax \$65m as a development component of our property business.

Question: Andrew Johnston, Citi Group

On the Eastlink project have you finalised or agreed on the calculation of the bonus payment on that project if in fact there is one.

Speaker: Wal King

Yes. Do you want to know what it is, I'm not going to tell you, besides I can't remember.

Question: Andrew Johnston, Citi Group

I don't believe the last bit Wal. Finally on tax can you talk about the tax rate going forward.

Speaker: Dieter Adamsas

The tax rate as you've seen it's down 25% I mentioned that and we expect it to remain low over the next few years and I suppose put it in the context of the size and the diversity of the company is incredible at the moment and from the type of jobs that we do from a complexity perspective, innovation perspective as such and some of the innovative ideas and concepts that we've developed over the last few years has been quite incredible, I suppose you can even argue that it's given us a leading edge to be able to win and execute some of these jobs at fairly good returns, so what's this got to do with tax Scott so what it's got to do with the tax is that we do in fact participate in the research and development allowance and that allows us to in fact besides providing a first class service and development new techniques and ideas get a tax credit. So that's not a significant component from our point of view and that's come through this year, the previous year and we expect it to be part of our results on top of always keeping an eye on where our earnings do in fact come from. So to the event we get a good level of earnings from the Gulf which is obviously very tax effective at 0. Or Hong Kong, Macau our tax rate is going to be positively impacted in terms of the bottom line number. So they're the broad components there Andrew. Short answer is we will have a rate somewhere around about where you're seeing it now in the next year or so.

Question:

Just on the 15% profit growth for 07, can you comment on whether there are any large contracts that would hit 20% in that year or if there are any expectations of the performance bonus included in that number.

Speaker: Dieter Adamsas

Well I think I indicated that when we bought the 20% threshold change in that there would be a one-off kick and we took that one-off kick and from now on to the extent that there is a shall we say a growth in the organisation in terms of revenue you are getting a slight expansion of that kick I suppose. But once it's plateaued that's it finito so there will not be a significant kick from any major project out of the one project winding down and another project taking over it's dollar in dollar out situation. So for me to say for example

NSBT is going to reach 20% next year, it doesn't really mean very much because on the other hand Lane Cove Tunnel is out of the system so to speak. So really we've taken advantage of that change and from now on as long as the revenue profitability remains relatively constant or broadly the same which we're saying it will go up a little bit, it's not going to have a significant impact as you may be looking for.

Speaker: Wal King

Well there's no distortion, very little distortion in the system.

Question:

What about performance bonuses included in that

Speaker: Dieter Adamsas

Well we do in terms of taking up profitability look at what sort of performance bonuses we can achieve and we take a very conservative outlook on that and in terms of our profit take up. But it is a very conservative component.

Speaker: Wal King

And you've got the angel music there for you Dieter. OK next question.

Question:

I'll compete with the music but I've got a question about plant costs. Plant costs have gone up 7% of revenue to about 9% just wondering if you can comment on that please.

Speaker: Dieter Adamsas

Well plant costs I sort of touched on earlier in the piece as being one of our significant components of our total cost and if you look at the revenue that's construction activity gone up and I said the revenue in the resource sector has gone up it's all driven by contract mining and that's obviously all driven by plant and by any measure whether it's revenue or cost of plant fleet, everything has gone up. So we are a bigger operator of plant in the context of the bigger contract miner, if you look at our work in hand or our backlog of say the \$16bn about \$6.8bn or so of that is in contract mining so it's 42% or 43% there's more in that than there is in civil engineering, and if you talk about the opportunities for expansion and so on that figure will probably go up as such so that next year the plant costs will go up again, revenue will go up and over here my friend will say the profitability will go up.

Question:

So how does that explain the move from 7% last year to 9% this year, ratio of plant costs to revenue.

Speaker: Dieter Adamsas

Well I mentioned earlier in the piece too that the Henry Walker Eltin in particular in fact was a fairly modest return relative to the level of activity, that's the specific answer I suppose to your question.

Speaker: Wal King

I think mining is more of the total cake so plant is more of mining so it's bigger as a percentage of the total cake.

Question:

I'll ask another question. You mentioned quite a few perspective engineering road projects down in the pipeline, just given the float of River City it's not exactly hit my hot button in terms of a potential investor, what sort of thing do you think is going to give rise to funding of more investments like that going forward given the recent experience and I know it's a market thing, but I'm sure you've got a view there.

Speaker: Wal King

Will the issue whether these things are PPP's or privatised is really a political decision and I mean there's been endless criticism of the Cross City Tunnel here in Sydney and at the end of the day the government got exactly what they demanded, I mean they were the ones that wanted the road closures, they were the ones that wanted this and so on and so forth. So in a particular model you can do whatever you want in the model, some of these models are freestanding that is that they don't need government contributions and of course here in New South Wales what they did was that the excess over and above of the model was creamed off by the government and literally hundreds of millions of dollars was creamed off by the government and here in NSW they've come to a view as they probably have elsewhere is that if there's excess money that it should be used to reduce the tolls or to improve the economic viability. So they're a bit gun shy at the moment on privatised roads but there is a number that's planned and at the end of the day it's really a political decision of whether they go and what form of enticements that they use. I mean there's a lot rattled on about fair value to the government and you see all the academics writing the newspapers with PHD's about PPP's but I mean most of that is just clear academics, I mean the government can construct a model to make these things work. In Victoria for example Brack's down there, they're deliriously happy with what we're doing, I mean here in NSW they're very gun shy and after the election we'll see what happens with the M4 East which will be the next big test here in NSW, but if they do come forward in a PPP model there will be no road closures, no this, no that, which is fair enough that's the rules of racing that's what you'll do. But government got exactly what they demanded for the Cross City Tunnel, albeit that you'd probably say the basic model was floored but putting that aside that was the decision. So PPPs I think as you go forward there will be more infrastructure implemented by PPPs but it's a bit of a political process, a bit like the stock market, goes up, down, sideways. The Pacific Highway for example they said was all going to be 4 lane by 2010, under the current model it won't be finished until 2030 and that will be a complete traffic jam from the Hunter River Bridge to Tweed Heads for that time. Politics will come along and they'll do something else. So it's a political decision really at the end of the day.

Question: John Freeman, UBS

Just a question on the guidance looking to go from 270 to 320 almost

Speaker: Wal King

Is that 15% on 276

Question: John Freeman, UBS

Roughly. You wrote off \$48m on the Alice to Darwin, so that would have boosted this year considerably by \$50m. So like on like growth seems pretty low, are there any write offs planned for next year.

Speaker: Dieter Adamsas

Well at any particular point in time and an organisation such as ours we're talking about \$10bn in the last \$7.6bn and next year \$11bn or so, you're going to have some issues you've got to deal with and every now and then like planning a Spencer and a Hilton at the same time you have difficulty in dealing with but any particular point in time this level of revenue and this level of diversity and size and perplexity and so on you're going to have some problems and you guys just don't see it. You just see a headline profit number below it the issues that we're dealing with around the joint. Because this is an item that's clearly up in the headlines, it's disclosed and so on you see it. I suppose we put to you guys that we are not planning to have any write-offs if you like but the reality is that some issues will emerge but the inherent profit momentum is so strong that we can handle a bunch of issues and achieve the sort of returns we're talking on a year to year basis. But in the event that nothing does happen and everything goes hunky dory as they say in the books, well obviously the result is going to be a real whopper.

Question: John Freeman, UBS

I think this year original guidance is something like 215 or

Speaker: Dieter Adamsas

We've talked about 10% growth on top of the 215 last year and with the market I suppose initially was talking about 230/240 then the market had it at 260 and we came at it at 266. I think the market would much rather have that type of progression than the other way round, if you look at some of our other peers in the industry in more recent times. So we're saying and Mr King used the word at least 215 so we're being cautious in our guidance to you guys.

Speaker: Wal King

The 215 was adjusted because without it would have been 205. Ifferess got our profit up from 205 to 215.

Speaker: Dieter Adamsas

So Wal's blaming the accountants for losing \$10m, he comes into the office everyday and says where's that bloody \$10m and so he has seen the simplicity it's really 276 and 205.

Speaker: Wal King

I did the City to Surf yesterday and I past a guy with a t-shirt on it say 'this is as fast as I can go I'm an accountant' I said 'excellent t-shirt as I walked past him.

Speaker: Dieter Adamsas

That's no way to talk about Steve Monegetti

Next question.

Question: John Freeman, UBS

Just on the dividend policy you said the next one was franked do you mean the full-year dividend?

Speaker: Dieter Adamsas

I'm talking about the next half year, the half year dividend 50% franked and the next dividend which is obviously the December dividend will be un-franked and I would suggest that given the earnings the one after that will be un-franked as well.

Question: John Freeman, UBS

And do you plan to grow the dividend in line with earnings.

Speaker: Dieter Adamsas

Yes.

Speaker: Wal King

Our earnings per share this year was \$1.00 and I said to Dieter our dividend policy is a 66% payout so what's the difference.

Speaker: Dieter Adamsas

That's right. So we sought advice from our accountants.

Speaker: Wal King

Other questions?

Question: John Purtell, Macquarie

I've got 2 questions Wal, just looking out into NSW, there's obviously a pause in new major contracts in NSW being bid until the state election. How confident are you that looking forward 12 months that Victoria and Queensland can make up for the inertia in NSW so that's the first question, and secondly regarding Perth to Mandurah are you able to give us any update on the status of your claims against the WA government and any timing for potential resolution.

Speaker: Wal King

Well first of all on the infrastructure question you really have to segregate the infrastructure into what class it is and there is no doubt there is in some places in Australia there's near panic on this water situation and you'd have to say that over the years ahead there's going to be enormous investment, so whilst I was being somewhat flippant about Gold Coast Desalination Plant, I'm pretty accurate in what I said that it started off as a \$300m-400m project and is now planned to be an \$800m project at Southport. And they've said here's \$100m just get on with the job and as we all well know there's major water shortages and here in NSW whilst the desalination plant has disappeared over the horizon if you get a dry period and Warragamba drops down to 30% complete panic will set in, because I mean a big user of the water is of course industrial. I believe that after the next election when we get past here in NSW the State Government will push on with infrastructure projects, there certainly has been a pause and that pause has been political and a converse of that if they don't get on with the infrastructure, I mean they'll be completely bagged and of course they won't be around

for the election after that. But notwithstanding all of that we're not short of opportunities, I mean there's plenty of opportunities around, Queensland, NSW, Victoria. I think in Victoria Bracks has done a great job on pressing on and they've got a big array of projects down there and of course Victoria in reality I think NSW it's not a recession but it's not too far away from a recession compared to the other states obviously Queensland and Western Australia get a huge boost from the mineral resources boom and what you see of course is all of that wealth from the resources in Queensland is being distributed into those country towns, Rockhampton, Mackay, Bundaberg, Cairns, Townsville. Where in Western Australia all the wealth is distributed straight into Perth, it's not distributed into Port Hedland and Karratha and Dampier and so you've got distortion.

The Perth to Mandurah railway line, construction has, there's a number of packages that we're doing on that, the one that I referred to on my ramblings was Package A which is a joint venture between John Holland, Multiplex and Macmahon that has been settled out with the client and the contract is profitable and will make its original profit margin, there's a lot of press on that. Package F which is a joint venture between 55% Leighton Contractors and Kumagai, the construction has continued to improve and the tunnel boring machine if it goes any faster it will fly out of the ground, we're paying bonuses and it's amazing of course the union activity there was just terrible early on and the productivity on the TBM has gone from being I think the best we could get before the industrial situation was sorted out and we started paying probably get 8 or 9 metres a day and yesterday we got 19.2 metres, so productivity is flying on the job. The contractual issues essentially relate to rise and fall where the index under which we were reimbursed has been discontinued and we're arguing over the quantum and secondly contaminated material I think are the two major claims. The government is showing no signs of wanting to take what I'd call a pragmatic position and solve the issues so we're going down the court route, we believe we've fully provided to the contract in terms of outcome, there's obviously games played in the press both by the government and myself. I think most of those games will probably end and we'll be substantially finished the job by about March or April next year and it could be a long tale to sort them out, on the other hand it might happen quickly and the government take a more realistic and pragmatic view of the world.

Question: Peter Chiltern, Consolation

Some views and opinions on write-offs you might make and spoken about rise and falls in your contracts. Last week Downer EDI came out with some quite large write-offs and they've taken under interest that while there was contract variation and some issues regarding that maybe some doubt as to what the actual final price might be that they should write it off and make a provision and I just wondered what your opinion was of how they've gone about things might be implications for you.

Speaker: Wal King

Sounds like a question you might ask Downer actually. If you went back historically before changed accounting conditions, contractors had a view that they would judge what the final outcome was and if there was so called claims in some cases they would carry claims. Leighton have had a policy for years that we don't value claims, so there's no claims sitting on our books, I suppose you might speculate and it's really a question

for Downer that they were carrying claims on their books and under the new accounting standards they're absolutely not allowable, I think that's a view that you could come to.

Speaker: Dieter Adamsas

We can tell you what we do and you've just got to go and ask the Downer EDI people what they do as far as that's concerned. But our particular situation is we don't value claims and we are if you like what we believe to be fairly conservative in terms of any variations and so on we've got to be pretty sure we get them before they are taken to account.

Just one going to ask me this question about return on revenue NPAT and at the half I suppose got a bit of a pasting about the 2.5% return on revenue and this year's pretty easy to work out \$10bn 2.75% everything is easy this year, 66 on one 2.76 on 10 and so on and I indicated that the 2nd half would in fact be better in fact a few of the components 2nd half we're running towards the 3% now and we would expect to stay around the 3% next year so we're getting back to the levels of return on revenue that we had say prior to our little excursion in Victoria. Obviously the major headline number from our particular point of view is return on shareholders' funds and Wal touched on it early in his presentation of 28%.

Speaker: Dieter Adamsas

Nearly as good as Macquarie Bank I think.

Speaker: Dieter Adamsas

What is Macquarie Bank?

Speaker: Wal King

Joke.

Speaker: Dieter Adamsas

So we're at 28 and for the half year we're at about 25 so the headline I suppose number is return on shareholders' funds, it is a point that people keep sort of down my throat why did you drop from 3 to 2.5 well we are back to or getting close to the 3 as we talk and we expect to maintain that number going forward.

Speaker: Wal King

Any other questions.

OK I thank you very much for your attendance and I think there's drinks outside. Thank you.

End of Transcript

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