ANNUAL GENERAL MEETING 8 NOVEMBER 2002

CHAIRMAN'S INTRODUCTORY REMARKS TO KEY ISSUES AND QUESTIONS

Before I open the floor to general questions, there are some comments I would like to make about the issues that have been emerging for me about the company in correspondence with shareholders, in meetings with them and in comments from many of our own employees.

REI Review

The first question, which is high on everybody's consciousness, is: Why on earth can't you say more about the REI review? It has been going on since May. What on earth is the matter that you can't bring it to a conclusion and tell us something about the plans for this business?

You have to realise that our Real Estate Investments business in the US involves a $1.5 billion investment. It involves a very complex group of businesses in a variety of different business streams. It has a very large employee base and we have a very broad and diverse range of clients. In order to really assess all the options open to us in getting the maximum value out of this business for our investors we have had to undertake a very complex process of investigation. As I mentioned, it has occupied more than 100 of our staff in detailed work analysing all the possible alternatives for increasing value from the business, so it is a task that is lengthy, takes really serious deliberation and involves us working across many geographies and with many areas of the company. So we are not hurrying to finish it.

We are certainly approaching a conclusion of the work. As soon as it is done we will report the outcomes immediately, but we just have to say that to make some premature comments on the results of a project of this seriousness and complexity for our business would not be in the interests of shareholders or our employees and clients. So, in response to your questions, please understand that we are far along in this project. We want to communicate to you as soon as we have firm results, but that is not quite yet.

Executive Compensation

Secondly, I hear a great deal from shareholders in particular about our executive compensation and, in order to talk a little bit about that today, I want to give you some framework for thinking about it.

A knowledge based service business, which is what Lend Lease is, has really two components to its capacity to build wealth. First of all, it has the financial capital of investors through their share purchases, but secondly it has what we call intellectual capital because a knowledge based enterprise can really only add value through the intellectual power, expertise and talent of its management team and employees.

So you have to think about how wealth is created as the combination of those two things and, in thinking about a service business which is knowledge based, you have to understand that the capacity to grow the returns from that financial capital is in the heads of people who drive to work every day and we need to think of a way of compensating them that recognises that contribution to wealth building.

It is not as though we were producing widgets or some very concrete physical object; we are producing concepts, knowledge, insight and judgment. So our compensation schemes have to take all of those issues into account because, of course, we have to invest in that intellectual capital, we have to invest to acquire it, we have to invest to grow it and then to retain it, and when you think about

compensation I think you have to ask what might be the loss to the enterprise of losing particular pools and groups of talent.

So we approach our compensation by paying salaries that are benchmarked to competitive employment markets, not at the top, usually in the third quartile of compensation. We do not have them right at the top because we want the fixed component of our compensation expenses to be as small as possible while appropriately meeting the market.
The second thing we do is contrive a short term bonus incentive system which is paid out on the basis of agreed objectives that will be met in relation to our business plan. That is worked on by the senior executive team with the Board. We agree upon a set of targets and agree on what will be the incentive bonus if those targets are reached, although it is always the Board's judgment about how well they have been reached and what obstacles have been overcome along the way.

The third component, which is the component we think of as the one that should retain our talent and keep it committed to growing the business, is our long term incentive compensation, and that is paid on the basis of the performance of Lend Lease shares. We introduced two years ago a long term incentive plan that keyed the awards to employees in the vesting of those awards in terms of our shares' performance against a series of benchmarks. So that longer term incentive is reported in terms of the accruals that we make which could be earned by executives, but are not vested for them if benchmarks and share performance are not met.

That means that Lend Lease executives, over the last two years, have actually suffered more from the share performance than shareholders. Now at down 9 percent, they have zero. Our long-term service incentive scheme is not paid out because we have not met the benchmarks for share performance.

So when you are comparing the experience of shareholders with our executive team, please remember that they have actually experienced a bigger loss in relation to the share performance than anybody else.

I think that it is also important to have you understand that Lend Lease has no option scheme, it has no special deals, no special deferred payment; it is a compensation system that is open, clearly reported and has no special perks for anyone. So many of the things that have been of concern to shareholders in the public in other companies are just not part of the way Lend Lease operates.

Dividend Policy

The third one, and the one that I hear about particularly from shareholders, is: Why can't you change our dividend? Why can't we go back to paying out a larger proportion of Lend Lease's earnings as dividends?

We are paying the price of being an Australian based company moving offshore, and that means that the 80 percent of our earnings that are earned offshore do not generate franking credits, and so to pay out a larger percentage of our earnings would be an uneconomic action because it would be taxable to shareholders and would not achieve the level of returns we ought to be aiming at.

However, there is good news in one sense, because the Federal government is now reviewing its tax policies in relation to the earnings of Australian based companies overseas. Lend Lease is playing a part in advising the government on how it might revise its policies in regard to offshore earnings, and while there is no firm conclusion yet, we are encouraged by the approach being taken by the government. In the event of a change in law to allow foreign tax paid to generate franking credits, we would return immediately to paying out a larger proportion percentage of our earnings.

So with those three general comments about questions you all clearly care about a lot, I would like to turn the meeting over and we would like to hear from you.

SUMMARY OF QUESTIONS & ANSWERS

SHAREHOLDER # 1: I notice in the annual report the company has ceased political donations, so I commend the company for that. I have been fighting a losing battle against many listed public companies and thankfully one crack has appeared in the wall.

My first question, Chairman, here is I just perceive a lack of direction at the top of this company. There are a few things. First of all, the Board is reducing its number from 12 to 7, which causes some concern.

Secondly, the Real Estate Investment business, I take on board your comments this morning, and I thank you for that, but still it seems a long time and we don't have any real comfort as shareholders that something positive is coming out of that.

The next point is we have a CEO, who the company and the CEO have agreed that he won't continue on as CEO, but that decision was announced in May and presumably that decision wasn't reached overnight. It was reached some time before May I presume. In any event, it has been at least six months. We haven't got a successor and we don't even have somebody from within the company who can act as an interim CEO. So that to me speaks pretty poorly about the company's succession planning.

I would like you please to address those concerns, just on the direction of the company at the top please.

MS JILL CONWAY: Thank you. First of all, if you think about the reduced Board numbers and reduced Board size, actually the general consensus is that smaller boards who can work closely with a senior management team are probably the preferred form today, so that everybody is involved very directly, rather than through a series of committees where they participate in only one aspect of the company's governance. So we believe that the reduction in size will actually enable the Board to work more effectively with management than in the past, although in the past we needed to have a larger number of directors dispersed around the globe while we were building our businesses there. So the reason for the change is not lack of direction, but simply perception, which all our Board members shared, that that first building task was done and now it was a focus on operations and the efficiency of the operations that was of key importance.

I can't really add too much to what I have already said about the review of our REI investments and the time it is taking us. All I can repeat it is that we expect to bring it to conclusion very soon and will be reporting the results as soon as we can responsibly do so for our employees and our clients as well as for our shareholders.

On the question of the CEO, we made a decision last May that it was time for the company to bring a new style of leadership to the next stage of its development, but we also knew that we had to do some very serious study of our Real Estate Investment businesses, and we asked David Higgins to carry out the task of leading that study, so that we could take advantage of the relationships and knowledge base that he had built in acquiring and developing that business. It may not look to the outside world like a normal succession planning process, but it is one we believe will serve the company well.

We are very close to identifying a new CEO. A global search for executive talent is a lengthy and quite complex process, and I will ask Peter Goldmark, who is the Chairman of our Personnel and Organisation Committee and who is in charge of the search process, to tell you just how complex it is.

MR PETER GOLDMARK: Thank you, Jill. The first thing I would say is that every search is different, and this one is particularly challenging and exciting, and very frightening because Lend Lease is a global company and it is a company that is in several different lines of business and activity. It is not realistic in this situation to expect very many people, if any, in the world to have great competence and knowledge in every single aspect of the variety of businesses in which Lend Lease enages.

Secondly, as you know, we have major activities in different continents and a major issue here is: What kind of talent does it take to run a global company, a company that has several cultures, a company that is changing at quite a fast rate - something many of you have remarked upon at past meetings.

We selected a firm and launched it over the summer. It has in fact moved rather fast. The best news I can give you is that I have seen a lot of different searches and I can tell you this search is in good, strong shape, and beyond that, I will not surprise you, I am not going to go at this moment, because there are classically two key announcements in a search. One is when you begin it and the other is when you end it, and that is when you will hear from us again.

SHAREHOLDER # 1: Just to clarify that, that was the northern hemisphere summer you were referring to, not the southern hemisphere?

MR PETER GOLDMARK: That was the northern hemisphere I was referring to.

SHAREHOLDER # 1: Thank you. Chairman, my second question is on corporate governance, a few relatively minor concerns because I think the company does reasonably well in its corporate governance statements and its accounts, but the main one is having David Crawford chairing the Audit Committee. Now I think the Board is very lucky to have somebody of David Crawford's experience and skills on the Board. My concern is the obvious connection in the fact that he was former chairman of KPMG, which is the firm's auditors, so I would just like you, if you could, to address that concern.

My other concern is, just looking at the accounts, KPMG and its predecessor firms has audited this company since 1958, which must be some sort of record I think. I didn't see any statement in there as to what the company's policy was on putting out the audit to competitive tender and I notice there is a policy of partner rotation of seven years, which seems to be about the standard, and also the other obvious one was that the non-audit fees have almost doubled from $6.3 million to $11.3 million despite the statements in the annual report that the company was looking at ways to reduce the non-audit fees.

The final concern I have on corporate governance is, with the Board reducing to seven members, we have two non-executive directors in that seven person Board and we have David Crawford with his past connection with KPMG, so we only have a slender majority, four to three, of truly independent directors, so I just have those concerns on corporate governance, please, Chairman. Thanks.

MS JILL CONWAY: First of all, with respect to David Crawford's service on our Board, it is true that he had, now some time ago, that affiliation with KPMG. His practice there did not lead him into any contact or work for Lend Lease, thankfully, because he is an expert in corporate bankruptcy. We feel very confident that nothing in his past work for KPMG has brought him into contact with Lend Lease and its accounts and we believe that his talent, ability, business judgment and understanding of

complex global operations are really tremendous contributions to the Board and I think, if you could see and hear our deliberations, you would understand that he is a very independent individual indeed, but I will also ask David to say a word himself on this matter and also about the question of audit partner rotation.

MR DAVID CRAWFORD: Thanks very much, Jill. I did in fact address this question at the last annual general meeting, but I am happy to repeat: Since I have stepped down from KPMG I no longer have any financial association or other association, apart from the fact that I worked there for many years, with the firm, I don't maintain an office there and, as I said, no financial relationship whatsoever.

In terms of the area of work in which I conducted my professional practice, Jill rightly referred to corporate recovery work. I can go further than that and say that I don't think I ever conducted an audit all the time I was at KPMG.

You raised two other issues which I think are important to address. One relates to rotation of audit firms and the other relates to the quantum of fees earned from the provision of other services.

Insofar as the rotation of audit firms is concerned, we have set ourselves a benchmark of being at the top end of the governance scale and I am happy to say that in looking at the reports that have come out, that is the Ramsey report here in Australia or the reports that led to the Sarbanes-Oxley legislation in the US, there is not a recommendation that audit firms per se be rotated, but, having said that, it is important and we believe it important here at Lend Lease that we keep the performance of the external auditors constantly under review and for that purpose, at the conclusion of every audit, we do conduct a review and that review involves members of the Risk and Compliance Committee giving their views on the way in which the audit was conducted as well as seeking input from the employees who are located around the world who also are associated with the auditors in the conduct of their business.

In addition to that, the external auditors have appointed an independent consultant to conduct a review and they have spoken with each member of the Risk and Compliance Committee and we are getting separate feedback from that independent consultant, so we are keeping their performance under review and will continue to do so.

In relation to the provision of other services, I want to assure you that we, as a Board but as the Risk and Compliance Committee, have adopted the recommendations which were put forward by the US SEC two or three years ago whereby they listed a number of services that they believed were inappropriate for an external audit firm to conduct and we have made it very plain to the auditors that they are prohibited from conducting those services.

In respect to the provision of other services there are two points I wish to make. One is that when you are operating a global company it is important that the taxation affairs be looked at in ways which are totally integrated and don't, as a result of a decision taken in one continent, have an adverse impact in another continent.

To that end KPMG have provided significant taxation services. We have, however, said two things in respect to the taxation services. One is that they cannot conduct taxation services where they are acting in an advocacy role for the corporation because we believe that would put them into a conflict position. The second is that we have said, if the auditors are asked or wish to provide additional services, then those services have to be approved if they exceed a pre-set dollar amount by the Audit Committee on an assignment by assignment basis and, if they provide services which are below that limit, they have to be reported to the Risk and Compliance Committee on a quarterly basis for review. So we have a very strict regimen which ensures that the provision of other services is not going to

conflict with their audit report.

The final point I would say in connection with the provision of other services is that there is a requirement in seeking the approval of the Audit Committee to do those services that they, the auditors, give a statement that they do not believe the provision of those services conflicts with their independence, but, in addition, the executives who are recommending they conduct this work have to also give that statement and, on top of that, the Risk and Compliance Committee have to form a similar view. So we do have and I can assure you we do implement very robust procedures.

SHAREHOLDER # 2: My first question relates to an issue you made comment on and that was the executive salaries and the bonuses of the company and, in spite of what you said, I still would like to ask a question on that and perhaps get some clarification.

I put it to you or my question is: That when the share price loses 10 percent in the last 12 months, or 9.5 percent, around that, performs twice as bad as the ASX, in the last two years it loses 55 percent, performs eight times as bad as the ASX, yet we still pay million dollar bonuses to the executives.

You said you had an agreed target to get these bonuses. I have no concept of what those targets can be, if they are benchmarked against the ASX, if they are benchmarked against the share price, and, in a further question, if they are benchmarked on the return to the shareholder, which happens to be 1.83 percent at the present time.

Thank you for listening to me. As I say, I do have another question, but I would be happy if you could just perhaps help me out and perhaps others as to how we equate what I have said with the bonus payments.

MS JILL CONWAY: I would like to bring you back to my opening comments, because in them I explained that there are three components to compensation for the Lend Lease executive team. One is an annual cash salary, which is benchmarked against competitive markets wherever the executive may serve, and the second is a short term cash bonus which is related to the performance of the current financial year. So bonuses that were paid in August related to the previous 2002 financial year.

Share price is one indicator of company performance but there are other things that executives have to do besides boost the share price, and anyone who wants to read the history of Enron or any of the major financial collapse disasters of the American company scene will recognise that it is very easy to cook the books and push up the share price, but you may be doing so to the detriment of the long-term health of the company.

I am not defending our share price for one second. As I have explained to you, we are all in the same boat about the losses that have been experienced, but I think it is important to measure some other aspects of what we require executives to do. Some of them are to build the business, and building a business is something that you can measure on an annual basis, but it also is a longer term activity, and in the 2002 financial year we, as a Board, decided that the major goal for our executive team would be to meet the financial forecast which we had agreed upon in the budget process for the year, that we had a very high priority placed on proving that we could have consistency in earnings and that we could develop those earnings from core businesses rather than one-off gains of one kind or another. They did that. We did meet the earnings target and it was of a higher quality than in previous years. So with that as the agreed upon target for the performance that year, we paid bonuses based on that achievement.

As far as the compensation related to stock price is concerned, that is zero because none of the benchmarks have been met and so our senior executive team has actually experienced a much greater reduction in wealth than the shareholders who lost that nine percent in that particular year.

Long-term compensation is meant to reward achievements over a three, five, ten year period, and it is highly possible that our executives will, in fact, manage to retrieve the share price, though that is not really under their control, except by delivering consistent performance, but if a particular company's business is out of favour as an investment sector, there is not too much executives can do but run as good a business as they can and wait for the market priorities to shift.

But I wouldn't want you to believe for one instant that our executives have gained significant rewards from the performance of Lend Lease's stock. The result has really been zero, and in the year previous to 2002, 2001, because we did not meet the earnings target agreed upon, Robert Tsenin's and David Higgins' bonuses were zero.

So we do take into account, in a very consistent fashion, the performance in the short run against objectives. The actual amounts of those bonuses are part of an agreed on executive compensation scheme which has been in place for a number of years now and it is listed by the Board through the Personnel and Organisation Committee.

SHAREHOLDER # 2: I would ask you to consider putting a paper together, one page, using someone as an example without in any way putting anything confidential there or whatever, so that people like me can actually see how these salaries come about. I put that as a challenge - well, not a challenge but a suggestion.

MR PETER GOLDMARK: Thank you. I wanted to respond to your challenge because I think it's very fair, so let me take an example that is in the pages you're referring to and make it as crystal clear as I can. I am going to refer to David Higgins's short term bonus. Jill explained to you the philosophy of that. Let me explain to you how it worked this year. The payment you see there under the fourth column, "Performance Related Cash Bonus", is the payment awarded to Mr Higgins, as you say, because the company met and exceeded its financial performance target this year.

We felt that the 2001 results, as you heard Jill say, were not satisfactory and we set as a major focus for the year we've just completed to bounce back from those. We exceeded the target we set and, as we had told all the senior executives this is where we wanted their attention and their focus and as we told them in advance that the incentives that are variable would be hitched to that performance, when they hit it, we awarded the incentive, and I would submit to you, that is an example of a system working.

Let me tell you where I think you haven't got it quite right: There is a picture of bonuses, you know, you come to work and that's meat and potatoes and you get paid for that and then a bonus is some sort of vanilla ice cream or whipped cream that goes on that. What we really have here is a short term incentive system that is an integral part of an executive's compensation. You should regard that like a tide: It goes up and down. It is really a form of variable compensation and last year it was very low for Mr Higgins because - by "last year" I mean 2001 - we did not have a very successful year. We set a target, we did not hit it and that portion of this compensation that moves with performance reflects that. Now that is standard procedure around the world and I hope that is not a surprising thought to many of the people here.

SHAREHOLDER # 3: May I firstly compliment you for causing the meeting to be convened for a sensible and appropriate hour of the day this year.

Chairman - I rise notwithstanding your earlier observation to speak in opposition to the company's dividend policy. Chairman, I hear what you've said, but may I remind you that the policy recently adopted, which you referred to in the Chairman's Address in the 2001 Annual Report said:

> *As the proportion of our earnings generated outside Australia increases in future years we will limit the dividend component of our returns to the amounts that can be fully franked and seek to return further value to shareholders through other* (might I add unexplained) *means.*

Chairman, one could interpret that policy as being expressed this way: We have chosen to take the bulk of the company's business outside Australia and, for the future, our dividend policy is to pay no dividends on profits earned outside Australia. That's what it means.

Chairman, in the year ended 30 June 2002 the Board, as has been previously observed, returned further value to shareholders through other means by presiding over a fall in the value of the company's shares of about 6 percent and since 30 June the position has deteriorated further with a fall of a further 6 percent.

Chairman, in respect of the year ended 30 June 2001, the company paid dividends totalling 21 cents per share. In respect of the year just past, it has paid dividends totalling 18 cents per share. It has reduced the dividend pay-out by 14 percent. In the same two years, the Chief Executive Officer's remuneration has gone from $2,144,194 to $2,831,671, a rise of 32 percent. The earnings per share - thank you, Mr Higgins - have gone up from 33.5 cents per share in 2001 to 52.4 cents per share in 2002, so that the profits per share have gone up 56 percent and the dividends per share have been reduced by 14 percent.

Chairman, I would like to suggest - and I'm not asking a question, I would like to suggest - that the company adopt a dividend pay-out ratio of a minimum of 75 percent of net earnings per share. If the shareholders wish to reinvest in the company rather than have their money taken from them by the Board they may use the dividend reinvestment plan as a means of increasing the amount of their capital rather than simply having their dividends retained as a way whereby the company can increase its capital.

Chairman, the taxation issue is, with great respect, a myth. Franking credits only ensure that the company's profits earned in Australia are not taxed twice in Australia. May I address my fellow shareholders by suggesting that the profits of this company are not the property of the directors; they are not the property of the management; they are our profits.

If the directors fail to recognise this and act accordingly, could I suggest that we may have to question the suitability of our directors. Thank you.

MS JILL CONWAY: I think your comments might also take into account a slightly longer period and the return of $1.8 billion to shareholders as a result of the profits realised on the sale of MLC. So one needs to consider both the good years and the bad.

SHAREHOLDER # 4: Jill, can you please tell us how the results of the REI review will be communicated to the shareholders? That is my first question and I have another.

MS JILL CONWAY: We will communicate the results of our review, as would normally be required of any strategic decision, through standard letter to shareholders and also, if it is required in terms of the

corporation law, any change that we might plan would be required that it be communicated to the stock exchange and that would immediately constitute for public disclosure. We can't communicate anything to any special group of people that is not available to all investors.

SHAREHOLDER # 4: The second question is addressed to Peter Goldmark. What sort of succession plans have you got to replace Albert who is retiring at the end of this year?

MR PETER GOLDMARK: What we have put in place is the appointment of an individual going forward from the date of Albert's retirement, which is December 31. Beyond that, our expectation is that the issue of the long range IT leadership in the company will be something that falls to the next CEO, but there are arrangements in place to go forward starting the day that Mr Aiello leaves.

SHAREHOLDER # 5: I represent the Family Superannuation Fund and also 270 shareholder members of the Australian Shareholders Association and the proxies of just over half a million.

A fair bit has been said on payments and so on, but if I might just quickly summarise my own reflection on the accounts, there is a recovery this year, but when you look at the gain to shareholders I have quibbled already that the $226 million is before you deduct the loss of exchange rate of the value of overseas subsidiaries, so in that case, as you have published at the bottom of the table in the accounts, $165 million is only 13 percent up. Then, when you look at that, you find that now we consolidate associates an extra $29 million has come from that and the sale of the last of the Westpac options was worth $28 million, so $58 million out of the claimed $75 million - or, I'm sorry, the reported net profit of $75 million was from those two items and $58 million out of $19 million is the difference if you work out what we've lost as shareholders. So we, as shareholders, have gone backwards in assets if you take into account that there's a $60 million drop in the value of our overseas subsidiaries. So it's like the curate's egg - good in parts - there aren't some good things that I like about it.

I've raised with the company the remark by the Chairman that Lend Lease is well-positioned to achieve a slight increase over the 2002 results, but when you look to each of the divisions - Real Estate Investments and RES - those both claimed things are a long way ahead. It was pointed out to me that the $28 million profit from the sale of the Westpac shares was taken above the line and that replacing that is going to be part of the major effort of coming back to where we were last year.

Now coming around to my concerns, I also am concerned about the amount of money that is paid out to people and I just happened to bring last year's accounts with me and you find that, taking the top six people who happen to be the same for the last three years, they earned $18.5 million this year, $13 million the year before and $17.5 the year before that. There's not much difference and some are up, some are down, but basically David Higgins, $4.8 million, $2.1 million and then $2.8 million; Mr Tsenin, $3.1 million, $3.4 million, $2.3 million. They keep getting, by one mechanism or another, roughly the same amount of money year by year, despite what you've been saying, Chairman.

I think most of the other things have been covered, but one of the problems I think in the construction industry is the synchronisation of world industry cycles that globalisation is bringing about. Construction projects are getting bigger and bigger: We were talking about 4 billion pounds in one hit. Now those long tail projects have a tremendous potential for loss of growth margin and the closer you get to the finalisation day the bigger the risks become, so risk management is, to me, a critical issue for this company and corporate strategy to spread the risks, to minimise the risks - it would be nice to find another cash cow like MLC that gave you that steady flow of money to offset the swings of the construction industry.

So I have one question, which is: Do you annually report, twice annually review the tail of your GPM, gross profit margin, to make sure that they are adjusted for the real world because $100 million can be a very small sum in that Greenwich site. A year's profit could vanish in just an ordinary stuff-up in that one site.

We need to have some more positive Board performance to help overcome negative sentiment. This Board has been, I believe, rightly criticised. At the moment there's almost a gap between the Board and the people who are managing the two main individual divisions of the company. Can we use some cash - we've got a heap of cash - buy back some of the shares and get the price a little bit at least above $10?

MR ROBERT TSENIN: I think you've asked very, very good questions, they come to the real heart of how to look at our company. I'm not sure if I got all of your questions down, but let me try and then tell me if I've missed anything.

First of all, in terms of your comments about the Westpac profit, that's absolutely right. There was a $28 million recognised profit which was an accounting profit that we recognised this year and it was on the basis of transactions that were entered into several years ago, and this is why, when we've gone to the market, we've said that our actual operative profit performance is steadily improving. The reason for that is that, if you consider that we have to replace that $28 million accounting profit from transactions entered into previously and we're going to get an increase, as we said, we've provided the market with guidance that we expect to earn a profit in excess of what we earned at June '02, then you can see that that is already a very significant increase - just that number alone - of about 14 percent on our operating results. That is really what we've been striving for as a company, that is to increase the proportion of our earnings that come from operating businesses rather than, as you've identified yourself, the one-offs such as Westpac, and it is in that context that we believe that the operating performance is improving because we are replacing what is essentially an accounting profit with true operating returns. So the question you've asked is absolutely the critical question on how we're looking at the company, so I've tried to answer that question.

On the question of the FX treatment, again that's a critical question and we've spent a lot of time talking to large investors, analysts, as to how we should look at the treatment of hedging, because that's really what you're getting to. All of the advice we're getting is that, as a company, we get value on an earnings basis and so we go through a lot of some sophisticated analysis to ensure that we protect our A$ earnings, profit earnings, because that is really at the end of the day how the market values us and, if you look at our accounts, you will see that the net impact, despite the depreciation of the Australian dollar, the net impact of foreign exchange on our profit line was minimal. Pre-tax it was less than $2.5 million.

What we have decided not to do is to hedge the overseas assets and the reason for that is that we're predominantly an overseas company and the values of those assets and liabilities are going to move around and there are significant transaction costs involved in that and yet we don't see any benefit from that because, from a valuation perspective, we don't think that's how the market looks at us. So yes, net there has been a reduction in our, if you like, translation of our overseas assets, but that reflects the movement of the Australian dollar at that point in time. If the Australian dollar depreciates then the value will go up; if the Australian dollar appreciates, the value will go down, but what we are really on about as a policy matter is protecting the earnings in Australian dollars because that is really where we can pay out dividends, that's really how we get value. So your question - a very good question - cuts to the very issue of how we look at valuation and what are the drivers of valuation and we believe that is A$ earnings.

On the question of the dividend policy and the cash, and a number of people have asked that question so maybe I'll answer it in a broader manner than your specific question, what we've said is that we will pay out dividends to the extent that we have franking credits, but what I think some of the speakers omitted was that we also said that, to the extent that our capital structure allows it, we will supplement that with other means, and one obvious other mean is on market buy-back.

Now we know, as we finished the June 30 year this year, that we have a significantly under-leveraged balance sheet. We have enormous capacity to return value to shareholders in some form. The difficulty we had was that Jill and the Board had announced that we were going through a strategic review of what is a very important part of our business. In the light of that we felt it was inappropriate to do an on market buy-back at that point in time on the basis that an important decision was going to be made, the market was not fully informed as to where that decision may lead to, what the shape of our company would look like, and therefore we did not feel it was appropriate at that point in time to do an on market buy-back, but we fully understand that we have an under leveraged balance sheet today.

We understand that the economics of a buy-back are very sensible and we would love to have done that and announced it at the time of our full year results in August, but there was an issue to do with strategic review, but that's something that the Board is constantly monitoring. We talked about it even yesterday or the day before yesterday, this very topic, so we understand the issue, but I just wanted to expand as to where it is that we are on that point.

On the tail of the gross profit margin - and you're right, the nature of that business is risky because it is a long tail business and maybe Ross Taylor might want to expand on what I'm going to say - first of all, that doesn't come through our P&L. We only bring to account that portion that we realise as profit.

The gross profit margin, as we disclose in our MD&A, that is really there to show to the investors, shareholders, that there is a very solid quantum of business out there which, provided Ross can manage the costs and the execution of those particular contracts, will generate significant profits with a degree of predictability for many years going forward.

That is what that shows and, yes, it is absolutely foremost in Ross's mind, the risk management issues, and in fact at a Risk and Compliance Committee meeting we had on Monday that was one of the topics that was discussed. So that is uppermost in our minds, we understand that, but just to be very clear: We don't bring to account those future unrealised profits into our accounts today. They are there to give you a sense of the shape of the company.

MR ROSS TAYLOR: Robert outlined the GPM as a forward profit indicator. I'd just give you some comfort about reviews, because I think you're absolutely right. We don't quarterly review, we don't six monthly review, we do it monthly or six weekly in cost reports, and I guess all the comfort I give you: Doing this well is what differentiates the leaders in Bovis's industry from the ones that don't succeed. I'd point to our last four or five years of really good results and solid profit growth and that is where I think one of our core skills are, so if you just need to take some satisfaction, we do take that element very seriously.

On the big projects which you are concerned about, what you'll find with a lot of our big projects, the reason we're attracted to them is we don't end up with a penultimate profit. Quite often they have a lot of stages in them. In other words, you progressively finish the project in $50 million bites and it works that way, so that sort of tends to de-risk some of those as well.

SHAREHOLDER # 5: Might I just come back on a couple of points? The issue on what is the final profit, I am not suggesting we hedge value of our companies, but there are two views of profit. One is the profit you make and the other one is the potential profit which has been affected by the change in the value of the company.

Now, as far as how much money you put into a share buy-back, I believe that like Leightons, where I was yesterday, you should not have debt because of the nature of the industry you are in, but at least there is a bit of room to manouevre before you move into a debt ratio, but a net debt.

And the final one, when I was going through the accounts I was looking at the directors' fees and they were all over $100,000, and I thought there are not many Australian companies paying more than $100,000 for non-executive directors, and then when I read it the third time, the heading says US dollars. So you are the only non-executive Chairman that I know of on $450,000 Australian dollars a year and all the other non-executive directors are on $180,000 Australian a year, and that was a shock to the system.

MS JILL CONWAY: Just a quick comment on your last question. The shareholders voted to approve those levels of compensation two years ago, and that is a question that we can take up again, but that was as a result of a shareholder approved plan.

SHAREHOLDER # 5: When you have got four directors less, does that mean everybody else's pay goes up by 45 percent?

MS JILL CONWAY: No, there is no change in the compensation of the sitting directors because of the reduction size of the Board.

SHAREHOLDER # 1: The specific question I'd like to know is in relation to the ATO audit. Has the ATO given us specific numbers as to the potential adjustments that they propose to make? I appreciate that the company will contest pretty vigorously whatever the ATO decides is an appropriate adjustment and I'm sure shareholders would expect nothing less, but I would like to know what sort of numbers the ATO are talking about in their audit of the company.

MR ROBERT TSENIN: The answer is no, they have not provided any numbers. And let me just say that we are in discussions with them on these issues, as we are in a number of jurisdictions, and that's exactly what you'd expect from a big complex company like ours.

SHAREHOLDER # 1: Thank you. My second question is on the Cole Royal Commission into the Building Industry.

Now I think I may have read this in the Sydney Morning Herald, but what I recall is that it was reported that there was some sort of deal between this company and the unions to facilitate some sort of compulsory unionism. Now I'd have grave concerns if any sort of deal is being entered into along those lines.

I'd just like you to confirm, if you could, what has come out of the Cole Royal Commission, whether it's accurate, and what the company's policy is on these sorts of arrangements. I would expect that the company doesn't condone it and, if so, if this has happened, could you please confirm that it's just an isolated occurrence and, if it hasn't happened, that appropriate action has been taken in terms of making somebody accountable for it?

MR ROSS TAYLOR: The simple answer to that is no, there is no compulsory unionism on our sites.

SHAREHOLDER # 6: It is very similar to the previous question, but I want an assurance from you and the entire Board that there are no "under the table" payments to unions, as we found out about Leightons yesterday. Can we have an assurance from all the Board that Lend Lease has not been party to such actions?

MS JILL CONWAY: I think you can certainly have that assurance from the Board and, as Ross Taylor said, speaking as the CEO of Real Estate Solutions, we have no involvement in any of the activities currently described by the previous speaker and we certainly do not engage in under the counter payments to any party anywhere in our business.

SHAREHOLDER # 7: There were a number of points I intended to make, but many of them have been covered. I have one comment, though, that it seems extraordinary that it is taking David Higgins and 100 employees to examine a section of our business. One would have thought we'd learn more about it than that - the REI business I'm referring to.

Secondly, the directors fees which the Shareholders Association mentioned, on page 50 the executive remunerations are all set out in Australian dollars and, as he said, the non-executive is set out in US dollars with no conversion to Australia. Since all the other figures in the report are in Australian dollars, I am wondering why we don't convert the US remuneration for non-executive directors into A$.

MS JILL CONWAY: First of all, to respond to that last comment, we report the executive compensation in the currencies in which they are paid. Because our directors are from many different currency areas, we convert everything to Australian dollars so that there is a single currency in which we report them. That's the policy we follow and that's really all I can tell you about that particular issue.

SHAREHOLDER # 7: But why don't we do the same for the non-executive directors?

MS JILL CONWAY: Yes, that's something we can do as well and we'll do so in our future reports of the executive compensation.

SHAREHOLDER # 8: Ms Chairman, the thing I noticed with all your slides of all the directors and the executive management team, you are the only lady on the whole show. Surely, we could have more ladies maybe on the Board or executives. I have just seen no women at all. Have you tried to address this or have you had no applicants?

MS JILL CONWAY: Thank you for the comment. Up until July of this year there was another woman director, Diane Grady, and we do have plans certainly, as we think about the Board in the future, to look for more women directors, but in the executive team we also have that commitment going forward, and I am glad and grateful that you raised the question.

SHAREHOLDER # 9: Thank you, Chairman. First of all, I wish to agree with some of the shareholders who say that the directors are over-paid and I think in my opinion that is the case as well. Another point is that I agree that shareholders should speak up for whatever issues they feel hot about. However, I feel that some are using this forum to further their own interests. I wish you had stopped them in their tracks. Thank you.

SHAREHOLDER # 10: Chairman, I have noticed most people at this meeting like myself are getting grey. Most of us are retired and I suppose that is the cause of our envy about the salaries that people are being paid by this company and we would have liked to have been able to participate in that

ourselves and I suppose one year's salary would be equivalent to a lot of retired people's assets.

I suppose that is one of the reasons that people are anxious about salaries. But one matter that concerned me is that last year there seemed to be a fairly substantial pay-off to someone in the United States when they retired. I noticed during the course of this coming financial year there will be two executive directors retiring. Are we likely to be in for some big shocks about the emoluments that are paid upon retirement to those two executive directors or can you foreshadow what it is likely to cost the company please?

MS JILL CONWAY: First of all, I think it is important to explain what would be the components of any payments to a retiring executive director.

First of all, there would be the superannuation and other benefits that they had already accumulated through their years of service. David Higgins, for instance, has been an employee for 17 years. A considerable amount of the retirement benefits have already accrued and actually belong to him.

The second component would be a payment of separation under his executive contract, which is pretty standard in national contracts for executives serving in a global business, and we can't tell you what that component would be until the exact date of the person's retirement.

Those would be the two main components, and a very sizeable part for a long term service employee would be the benefits accrued over many years.

That is all I can tell you about those retirement events until the individuals in question actually leave the company.