

**2007 Annual Review**

## Contents

|    |   |
|----|---|
| 3  | Introduction                                |
| 4  | Report by Chairman and<br>Managing Director |
| 7  | Our new head office                         |
| 8  | Financial Calendar 2007/2008                |
| 9  | Results at a Glance                         |
| 10 | Five Year Comparison                        |
| 12 | Customer Service                            |
| 13 | What makes Bendigo different?               |
| 14 | Technology                                  |
| 15 | The Business                                |
| 16 | Director Profiles                           |
| 18 | Remuneration                                |

Bendigo Bank Limited  
ABN 11 068 049 178

Registered Head Office  
The Bendigo Centre  
PO Box 480  
Bendigo, VIC  
Australia, 3552

Telephone: (03) 5485 6444

Facsimile: (03) 5485 7668

Email: [share.register@bendigobank.com.au](mailto:share.register@bendigobank.com.au)

In this report, the expressions “the Bank”, “the Bendigo” and “Bendigo” refer to Bendigo Bank Limited; the expressions “the Group” and “the Company” refer to Bendigo Bank Limited and its controlled entities.

### Customer/Shareholder inquiries

Customer Help Centre  
(Head Office inquiries)  
1300 361 911 (local call)  
8.30am – 6.30pm (Australian Eastern  
Standard Time/ Australian Eastern Daylight  
Time (AEST/AEDT))

Bendigo Bank OnCall  
(Customer inquiries)  
1300 366 666 (local call)  
8.00am – 8.00pm weekdays  
9.00am – 4.00pm Saturdays  
10.00am – 4.00pm Sundays  
(Australian Eastern Standard Time/ Australian  
Eastern Daylight Time (AEST/AEDT))

### 24-hour Phone Bank

1300 366 666 (local call)

### 24-hour e-banking

[www.bendigobank.com.au](http://www.bendigobank.com.au)

Website: [www.bendigobank.com.au](http://www.bendigobank.com.au)

Securities Registry: 1800 646 042

# Annual Review 2007

This Annual Review reports on our progress during the past financial year. It will be sent to all shareholders (unless they have asked not to receive it). The Full Annual Report has been mailed to shareholders who requested a copy. Both documents are also available on the Internet. To download copies, please visit our website [www.bendigobank.com.au](http://www.bendigobank.com.au)



# Report by Chairman and Managing Director

Bendigo Bank completed a successful 2007 financial year.

New customers and communities continue to join us. We opened 22 new branches, increased customer numbers by 77,000 and continued to lead the banking industry for customer satisfaction.

These factors contributed to an excellent financial performance.

A record profit and sixth consecutive year of double-digit earnings per share growth reaffirmed the earnings momentum generated by our customer and community focused strategy.

Cash earnings increased by 15.6 per cent, to \$118.5 million, and we lifted total dividends to 58.0 cents per share (fully franked).

These results were achieved through a disciplined approach, focused on achieving growth at profitable prices. This produced quality revenues and therefore quality earnings.

We continued to broaden our distribution networks, enhance products and boost our technology capacity and balance sheet and risk management capabilities.



**Rob Hunt**  
Managing Director

**Robert Johanson**  
Chairman

There were a number of significant achievements during the year.

- > Dromana, in Victoria, opened our 200th **Community Bank®** branch.
- > Our first Northern Territory branch opened, meaning the Bendigo brand is now represented in each Australian State and Territory.
- > Our computing capacity was significantly boosted by our new \$10 million data centre in Bendigo.
- > Staff began moving into our new \$100 million head office in Bendigo.
- > And with partners Mastercard and Customers, we formed Australia's newest financial transactions switching service, Strategic Payment Services.

We entered the new financial year buoyed by our prospects. Our positioning, and the success we have achieved, is generating many opportunities to grow and expand our business.

The most significant is our proposed merger with Adelaide Bank, which we announced on 9 August 2007. This merger will better position us to continue our strong growth. It will give us capacity in wholesale banking and significantly expand our retail business into South Australia. The merger is the next logical step in our development. It will free up capital to invest in the many opportunities we have created. This will enable us to accelerate development of our customer and community focused strategy.

The past financial year was not without its challenges.

We rejected a proposal from the Bank of Queensland for the acquisition of Bendigo Bank. This proposal caused unease among our staff, customers, shareholders and community partners. But this did not affect our performance; our fourth quarter saw our strongest lending growth for the year, with record monthly volumes in June.

Of more serious concern is the credit issue now facing banks. This began in August 2007 when increasing defaults among US 'sub-prime' borrowers resulted in a tightening of credit and sharply increased pricing for wholesale funding across the globe.

Currently, around 80 per cent of Bendigo Bank loans are funded by retail deposits, so this limits the direct impact on us of rising wholesale funding costs. There is, however, the potential for this issue to be felt more widely across financial sectors and economies. We are certainly confident of Bendigo's credit quality and the strong Australian economy and job market will help the nation absorb possible flow-on effects.

External issues such as these test our mettle as managers of our business.

Calendar year 2008 is our Company's 150th anniversary. Our first antecedent company was formed on 9 July 1858. We aim to make our 150th birthday memorable. Celebrations will be held and we plan to end the year with the official opening of our new head office. We expect to further increase profitability and shareholder returns, and we aim to complete much of the work needed to



merge Bendigo and Adelaide banks (assuming, of course, that Adelaide Bank shareholders support the proposal).

Mergers are not new to us. Bendigo Bank is the product of many mergers throughout its history. All have strengthened the company, as we are confident the merger with Adelaide Bank will do. While in 2008 we will spend a little time looking back on our past, our vision is very much for our future and the next 150 years of the Bendigo way of banking.

*Robert Johanson* 

**Robert N Johanson**  
Chairman

**Rob Hunt AM**  
Managing Director



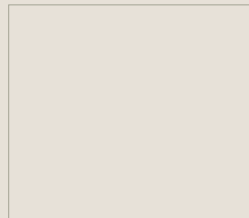
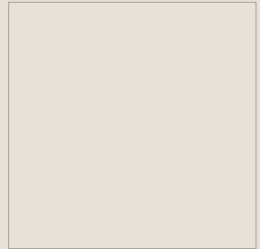
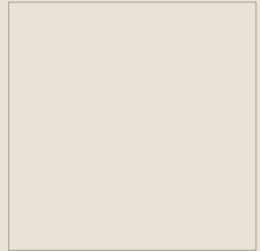
# Our new head office

Most Bendigo-based staff have moved into our new \$100 million head office complex, The Bendigo Centre.

Stage one of the building is now virtually completed, with stages two and three due for completion by the end of 2008.

Staff love their new home, with its ample space and light, excellent amenities and raft of environmental features including water recycling, underfloor air conditioning and low-energy lighting.

We have no doubt productivity will improve, with most staff now working under one roof in conditions more conducive to good communication, concentration and collegiality.



# Financial Calendar 2007/2008

## 2007

|              |                                   |
|--------------|-----------------------------------|
| 27 August    | Ex-dividend date                  |
| 31 August    | Final dividend record date        |
| 17 September | Bendigo Preference Share dividend |
| 28 September | Distribution of final dividend    |
| 29 October   | Annual General Meeting            |
| 17 December  | Bendigo Preference Share dividend |

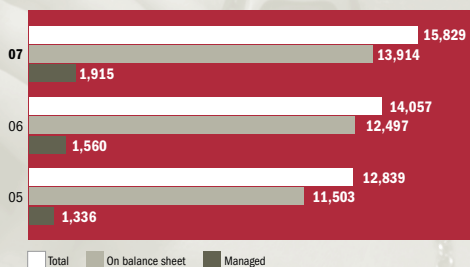
## Proposed dates 2008

|              |  |
|--------------|--|
| 18 February  | Announcement of interim results and interim dividend |
| 25 February  | Ex-dividend date                                     |
| 29 February  | Interim dividend record date                         |
| 17 March     | Bendigo Preference Share dividend                    |
| 31 March     | Distribution of interim dividend                     |
| 16 June      | Bendigo Preference Share dividend                    |
| 11 August    | Announcement of final results and final dividend     |
| 27 August    | Ex-dividend date                                     |
| 2 September  | Final dividend record date                           |
| 15 September | Bendigo Preference Share dividend                    |
| 30 September | Distribution of final dividend                       |
| 27 October   | Annual General Meeting                               |
| 15 December  | Bendigo Preference Share dividend                    |

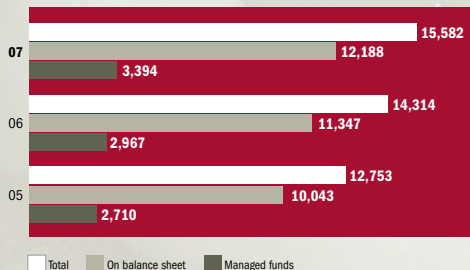
Cash basis earnings (\$mil)



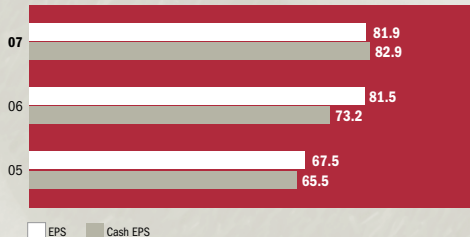
Group-managed loans (\$mil)



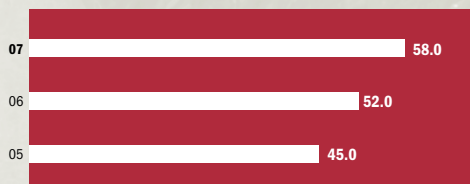
Retail deposits and funds under management (\$mil)



Earnings per share (EPS - cents)



Dividends (cents per share)





## Results at a Glance

↑ 15.6%

Cash earnings

Cash earnings increased to \$118.5 million, up 15.6% from 2005/06

Cash basis earnings per ordinary share increased from 73.2 cents to 82.9 cents, a 13.3% increase

Dividends for 2006/2007 totalled 58.0 cents per share (fully franked), up from 52.0 cents in 2005/2006

> We grew our customer base by 77,000

> We plan to open further **Community Bank**<sup>®</sup> and company owned branches – which shows community demand for our model remains strong in the face of growing branch banking competition

> Customer satisfaction continued to lead the banking industry and tells us our service standards have kept pace with business growth

> Our **Community Bank**<sup>®</sup> partners are increasing the financial contributions they make to their communities

↑ 13.3%

Cash basis earnings per ordinary share

↑ 58.0 cents per share (fully franked)

Total dividends

↑ 6000

Customer base growth per month

# Five Year Comparison

## The Bendigo Group

|  | Disclosure prepared under AIFRS |           |                        | Comparatives prepared under previous AGAAP |           |
|--|---------------------------------|-----------|------------------------|--|-----------|
|  | 07<br>\$m                       | 06<br>\$m | 05 <sup>1</sup><br>\$m | 04<br>\$m                                  | 03<br>\$m |
| Net interest income  | 357.1                           | 315.1     | 286.1                  | 253.6                                      | 222.3     |
| Other income   | 205.1                           | 201.8     | 172.9                  | 157.5                                      | 125.6     |
| Bad & doubtful debts expense<br>(net of bad debts recovered) | 8.2                             | 7.0       | 13.6                   | 13.8                                       | 15.3      |
| Other expenses   | 376.1                           | 344.2     | 309.9                  | 282.0                                      | 243.3     |
| Profit before income tax expense                             | 177.9                           | 165.7     | 135.5                  | 115.3                                      | 89.3      |
| Income tax expense   | (56.2)                          | (49.0)    | (41.2)                 | (35.8)                                     | (30.2)    |
| Profit after income tax expense                              | 121.8                           | 116.7     | 94.7                   | 79.8                                       | 59.0      |
| Adjustments  | (3.3)                           | (14.2)    | (3.0)                  | (6.6)                                      | -         |
| Cash basis earnings  | 118.5                           | 102.5     | 91.7                   | 73.2                                       | 59.0      |

### Financial Position at 30 June

|              |          |          |          |          |         |
|--------------|----------|----------|----------|----------|---------|
| Total assets | 17,001.6 | 15,196.1 | 13,858.6 | 11,284.5 | 9,256.6 |
| Equity       | 1,015.0  | 899.5    | 720.7    | 676.4    | 552.7   |
| Deposits     | 15,231.0 | 13,599.8 | 12,572.2 | 10,148.9 | 8,241.2 |

### Share Information

|  |      |      |      |      |      |
|--|------|------|------|------|------|
| Cash basis earnings per ordinary share - cents | 82.9 | 73.2 | 65.5 | 58.5 | 50.2 |
| Total - cents                                  | 58.0 | 52.0 | 45.0 | 40.0 | 33.5 |

### Ratios

|  |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|
| After tax and significant items return on average assets | 0.80%  | 0.75%  | 0.73%  | 0.71%  | 0.69%  |
| Return on average assets                                 | 0.76%  | 0.80%  | 0.75%  | 0.78%  | 0.69%  |
| Cash basis return on average ordinary equity             | 15.38% | 14.51% | 13.54% | 11.91% | 11.06% |
| Return on average ordinary equity                        | 15.18% | 16.16% | 13.98% | 12.99% | 11.06% |

<sup>1</sup> Figures for 2005 include the acquisition of Oxford Funding Pty Ltd effective 1 May 2005.

Comparatives for financial years 2004 and prior are not prepared under AIFRS. The main adjustments that would make the figures comply with AIFRS are:

#### Profit

- > goodwill and trustee licence are not amortised under AIFRS
- > movements in general provision for doubtful debts (general reserve for credit losses) reflect as appropriations of profit under AIFRS rather than expense under AGAAP
- > application fees and loan origination fees are recognised on an effective interest rate basis (deferred and amortised) and are disclosed as net interest income under AIFRS.

#### Balance sheet

- > general provision for doubtful debts now disclosed as general reserve for credit losses in equity.

- > establishment of new collective provision for doubtful debts under AIFRS. This provision is treated as a general provision for prudential purposes.
- > specific provisions for doubtful debts are assessed on the basis of discounted estimated future cash flows under AIFRS. Future cash flows were not discounted under AGAAP
- > loans to employees in relation to employee share ownership plan disclosed as reduction of equity under AIFRS.
- > assets and liabilities of securitisation trusts are consolidated under AIFRS.
- > share investments are carried at fair value under AIFRS.
- > derivative financial instruments are carried at fair value under AIFRS.
- > computer software assets have been reclassified from property, plant & equipment to intangible assets under AIFRS.
- > deferred tax assets and liabilities have been recognised in relation to asset revaluation reserves under AIFRS

# Five Year Comparison

The Bendigo Group

|  |       | Disclosure prepared under AIFRS |         |                    | Comparatives prepared under previous AGAAP |         |
|--|-------|---------------------------------|---------|--------------------|--|---------|
|  |       | 07                              | 06      | 05                 | 04   | 03      |
|  |       | \$m                             | \$m     | \$m                | \$m  | \$m     |
| <b>Key Trading Indicators</b>  |       |                                 |         |                    |  |         |
| Total loans approved   | (\$m) | 7,018.0                         | 6,189.6 | 5,872.6            | 6,077.8                                    | 4,822.8 |
| Number of branches <sup>1</sup>                                      |       | 357                             | 335     | 302                | 276  | 246     |
| Number of staff (excluding <b>Community Bank</b> <sup>®</sup> staff) | (FTE) | 2,428                           | 2,343   | 2,214 <sup>2</sup> | 2,063                                      | 1,904   |
| <b>Asset Quality</b>   |       |                                 |         |                    |  |         |
| Loan write-offs as % of average total assets                         |       | 0.04                            | 0.04    | 0.06               | 0.07                                       | 0.08    |

<sup>1</sup> Includes **Community Bank**<sup>®</sup> branches.

<sup>2</sup> Includes staff increase from the acquisition of Oxford Funding Pty Ltd.

Comparatives for financial years 2004 and prior are not prepared under AIFRS. The main adjustments that would make the figures comply with AIFRS are:

Profit

- > goodwill and trustee licence are not amortised under AIFRS
- > movements in general provision for doubtful debts (general reserve for credit losses) reflect as appropriations of profit under AIFRS rather than expense under AGAAP
- > application fees and loan origination fees are recognised on an effective interest rate basis (deferred and amortised) and are disclosed as net interest income under AIFRS.

Balance sheet

- > general provision for doubtful debts now disclosed as general reserve for credit losses in equity.
- > establishment of new collective provision for doubtful debts under AIFRS. This provision is treated as a general provision for prudential purposes.
- > specific provisions for doubtful debts are assessed on the basis of discounted estimated future cash flows under AIFRS. Future cash flows were not discounted under AGAAP.
- > loans to employees in relation to employee share ownership plan disclosed as reduction of equity under AIFRS.
- > assets and liabilities of securitisation trusts are consolidated under AIFRS.
- > share investments are carried at fair value under AIFRS.
- > derivative financial instruments are carried at fair value under AIFRS.
- > computer software assets have been reclassified from property, plant & equipment to intangible assets under AIFRS.
- > deferred tax assets and liabilities have been recognised in relation to asset revaluation reserves under AIFRS

Please note that only Key Trading Indicators based on asset values are impacted by AIFRS.

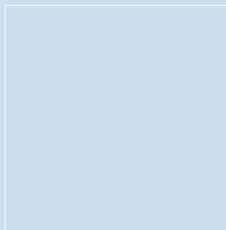
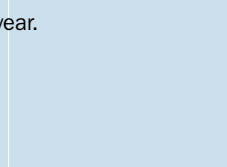
# Customer Service

Today, more than half of our branches are outside our home state of Victoria. In 2007/2008 we plan to open a further six company branches, in Darwin (NT), Bunbury (WA), Belconnen (ACT), Lilydale (Vic), Epping (Vic) and Capalaba (Qld).

Further **Community Bank**<sup>®</sup> branches will open during the financial year. The growth of our branch network, both company and community owned, continues to be an important aspect of our strategy.

> There are 494 Bendigo Bank ATMs throughout Australia processing more than two million transactions each month. There are plans for another 70 to 80 machines to open in the current financial year.

- > Our internet banking service continues to gain in popularity, with 353,753 registered users in June 2007, up by more than 69,000 in the 12-month period. Internet bank customer registrations are growing by average of 5600 per month.
- > Phone banking users increased by 14 per cent to 264,260 in June 2007.
- > Our customer satisfaction rating remains the highest of any financial institution in Australia.
- > A new training program, "BEing The Bendigo", aims to further improve our service by teaching staff better ways to improve customer outcomes. The program was underway in late 2006/2007 and will be rolled out across the rest of the nation this year.



# What makes Bendigo different?

As we grow, so too does our belief in the capacity of communities. We are steadily deepening our involvement with the hundreds of communities in which we are represented. Communities have the leadership, the will and the capacity to work collectively to improve their circumstances. Our role is to listen to their aims, apply our skills to help build solutions and then help them to run their various enterprises. This builds prosperity for the community and connections for our business. Both of us then profit in a much more sustainable way.

- > Since the inception of **Community Bank®**, local companies have distributed \$10 million to fund local community projects and shareholder dividends total \$7 million. These contributions are growing rapidly.
- > Community Enterprise Foundation™ is the philanthropic arm of Bendigo Bank. By 30 June 2007, the Foundation had administered funds totalling \$16 million.
- > We are working with several rural communities to pilot a scheme in which farmers agree to buy a cleaner 80/20 biodiesel fuel through a locally owned company. The first pilot started in the Victorian Wimmera in June 2006. The objectives are to encourage cleaner fuel and to retain more capital in local communities.
- > We are partnering numerous communities throughout Australia on a broad range of local projects and initiatives of importance to them. The Victorian community of Strathfieldsaye is well on the way to its goal of establishing a sporting complex with the help of Bendigo Bank and Bendigo Community Telco. For its part, the Bank pays a commission on all new business committed by local customers wishing to support the initiative. This generates income for the community and business for us and is a model we will expand.
- > Each of the 290 indigenous students attending the West Cape College – Aurukun Campus receives a Bendigo Bank Passbook Savings Account with a \$10 deposit. For each full week of school that students attend, an additional \$5 is deposited into their account. There has been a significant increase in attendance since the program's inception. Our motivation is simple – education will improve the prospects of these students.



## Technology

We continue to invest in technology infrastructure and capability. We are building upgraded data warehouse and customer information management systems in order to improve customer service and business intelligence. These major technology enhancements will also help us to comply with new international capital standards (Basel II Accord) and Australian anti-terrorism measures (Anti-Money Laundering Counter Terrorist Financing legislation).

- > Opened our \$10 million Data Centre in Bendigo.
- > Our IT department has completed all of the technology requirements for our new headquarters, The Bendigo Centre.



# The Business

Our strong business growth has been driven by robust retail banking performance, a growing diversity of revenues and a strong net interest margin reflecting the broad mix of business attracted to Bendigo's branded retail strategy. Our results have been achieved through a disciplined approach, focused on achieving growth at profitable prices. We are not being drawn into unsustainable price discounting to win business – we win it on fair pricing that reflects our high service proposition and our commitment to improve the prospects of the communities we serve.

- > Lending volumes increased strongly from late 2006. Loans under management increased by 12.6 per cent, to \$15.8 billion.

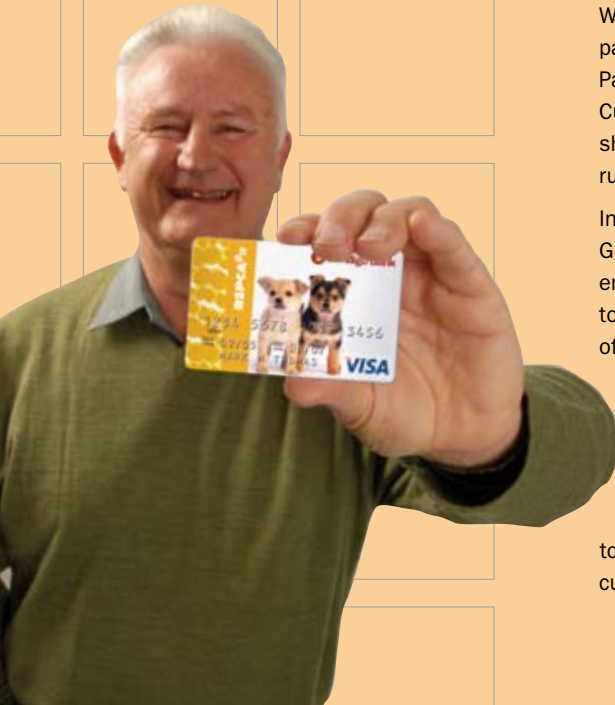
- > Credit quality is excellent. Net impaired loans constituted just 0.07 per cent of loan receivables.
- > Our retail bank and Elders Rural Bank joint venture are in excellent shape. These operations together contributed significantly to our 2006/2007 profit.
- > Sandhurst Trustees Limited launched two new products – Sandhurst Professional Series managed funds and the Bendigo Super Easy® Superannuation Plan.
- > Funds under management grew by 14 per cent, to \$3.4 billion. Bendigo Financial Planning funds under advice grew by 11 per cent to \$1.3 billion.
- > Our capital position is strong, with total equity topping \$1 billion for the first time.

## Strategic initiatives

We continue to progress Australia's newest payments processing business Strategic Payments Services, of which Bendigo, Customers Limited and MasterCard are the shareholders. The first test transactions were run early in the current financial year.

In February 2007, we launched Generation Green. It will release a series of environmental products as well as working to raise customer and community awareness of, and participation in, initiatives to promote sustainable living. At the launch, we released several Carbon Offset products.

We also entered the field of health insurance, teaming with Australian Unity to make Bendigo Health Cover available to our customers.



# Director Profiles



Top L > R Robert Johanson, Rob Hunt, Neal Axelby  
Middle L > R Jennifer Dawson, Donald Erskine, Terence O'Dwyer  
Bottom L > R Deborah Radford, Kevin Roache, Antony Robinson.

---

**Robert Johanson, Chairman, Age 56**

Mr Johanson has been a Director for 20 years and was appointed Chairman during 2006. He was previously Deputy Chairman for five years. Mr Johanson has expertise in corporate strategy and capital and risk management. He has provided independent corporate advice in respect to capital market transactions to a wide range of public and private companies.

---

**Rob Hunt AM, Managing Director, Age 56**

Mr Hunt has been an employee with Bendigo Bank since 1973 and was appointed CEO in 1988. He was appointed to the Board in 1990. Based in Bendigo, Mr Hunt has led the Bank's development from a provincial building society to a nationally represented, uniquely positioned and diverse banking and financial services group.

---

**Neal Axelby, Age 57**

A Queensland-based Director, Mr Axelby had 15 years combined experience as an employee and director in the finance industry before joining the board. He also has 22 years experience in senior management positions in the private sector.

---

**Jennifer Dawson, Age 42**

Ms Dawson has been a Director for eight years. Bendigo-based, Ms Dawson spent 10 years with Arthur Andersen in the audit and IT controls division. Ms Dawson has experience in the areas of financial reporting and audit, IT internal control reviews, internal audit and risk management.

---

**Donald Erskine, Age 61**

A Director for eight years, Mr Erskine is a Bendigo-based mechanical engineer and Chairman of several private companies. Mr Erskine has an extensive background in manufacturing and property development and experience in international trade.

---

**Terence O'Dwyer, Age 57**

A Queensland-based Director, Mr O'Dwyer has been a director for the past seven years and is the former Chairman and managing partner of BDO Kendalls (Chartered Accountants). He was a partner in the firm for 28 years and headed its corporate finance division prior to being appointed its independent chairman.

---

**Deborah Radford, Age 51**

A Melbourne-based Director, Ms Radford has been a member of the board for the past two years. Ms Radford is an economics graduate with experience in both the public and private sector. Ms Radford has 15 years experience in the banking industry with both international and local banks.

---

**Kevin Roache, Age 67**

A Geelong-based Director, Mr Roache has been a member of the board for the past 15 years. Mr Roache has extensive experience in advising clients on business and taxation issues. Mr Roache was the Chairman of Capital Building Society, the business integrated into Bendigo Bank in 1992.

---

**Antony Robinson, Age 49**

Mr Robinson has been a director for the past two years. Based in Melbourne, Mr Robinson commenced employment in April 2007 as an Executive Director and CEO of the listed financial services company, IOOF Holdings Ltd. Mr Robinson was the Managing Director and CEO of OAMPS Limited, before it was acquired by Wesfarmers Limited in November 2006.

---

Full profiles contained in the Governance statement in the Full Annual Report 2007.

# Remuneration

## Non-Executive Director Fees

As the focus of the Board is to build sustainable shareholder value by taking a longer-term strategic perspective, there is no direct link between non-executive directors' fees and the annual results of the Bank. In accordance with the Board policy, non-executive director remuneration comprises the following elements.

- > Base fee; and
- > Superannuation Guarantee Charge ("SGC") payments - currently at 9 per cent of directors' fees.

The Bank has not paid additional fees in relation to committee memberships or subsidiary and joint venture directorships. Non-executive directors do not receive

bonuses or incentive payments, nor participate in the Bank's equity participation plans.

At the date of this report, the base fee paid to each non-executive director is \$93,600 per annum (plus SGC payments). The fee was effective from 1 November 2006 following an increase by the CPI index. The board has recently determined that the base fee paid to each non-executive director shall increase to \$100,000 per annum (plus SGC payments).

## Executive Remuneration

The Board and Managing Director have sought to maintain a remuneration framework that provides the desired flexibility and reward structure to support this strategy whilst recognising the need to provide remuneration arrangements which are aligned with shareholder interests and commensurate with executive roles, responsibilities and market relativities. To achieve the above objective, executive remuneration arrangements have been structured to comprise:

- > Fixed annual remuneration;
- > Short and Long Term Incentive arrangements; and
- > Superannuation Guarantee Charge payments

The incentive arrangements comprise:

- > an annual (cash) incentive; and
- > participation in the Executive Incentive Plan.

It is intended that executive base salaries take into account market relativities having regard to the need for Bendigo Bank to attract, motivate and retain the appropriate executive management. The base salary is a specified dollar amount that the executive may receive in a form agreed by the Company. The base salary component is set by reference to appropriate benchmark information relevant to the executive's role, responsibilities, experience and expertise.

The incentive arrangements in place during the year were designed to reward the achievement of annual financial goals, individual performance criteria and to drive continued improvement in sustainable shareholder value.

The amount of the annual incentive component paid to executives, including the Managing Director, is contingent primarily upon the Group achieving budgeted profit performance and in addition, subject to the discretion of the Board and Managing Director, the technical competence, leadership, operational management performance and achievement of agreed business outcomes.

The Company established an Executive Incentive Plan (the "Plan") in 2006. Grants under the Plan are made on an annual basis. Under the Plan, eligible executives are granted options and performance rights subject to performance conditions set by the Board.

The performance condition for options granted under the Plan is based on the Company's total shareholder return ("TSR"). The performance condition for performance rights granted to the Managing Director and key executives is based on the Company's compound growth in cash basis earnings per share ("EPS"), both measured over a three year initial performance period.

Grants have been made under the Plan as presented to shareholders in the 2006 Notice of Annual General Meeting



