

Leighton Holdings Limited
**Financial
Report 1999**



Leighton
Holdings
Limited

Profit and Loss Statements

for the year ended 30 June 1999

	Consolidated		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Operating Profit before Abnormal Items and Income Tax	181,818	164,171	88,341	76,623
Abnormal Items	5	(9,023)	—	—
Operating Profit before Income Tax	181,818	155,148	88,341	76,623
Income Tax (Expense)/Benefit Attributable to Operating Profit	4	(44,981)	(5,838)	25,942
Operating Profit after Income Tax	131,394	110,167	82,503	102,565
Outside Equity Interest in Operating Profit after Income Tax	(9,585)	(7,315)	—	—
Operating Profit after Income Tax Attributable to Members of the Company	121,809	102,852	82,503	102,565
Retained Profits at the Beginning of the Financial Year	203,299	168,429	55,549	20,877
Total Available for Appropriation	325,108	271,281	138,052	123,442
Dividends provided for or paid	27	(67,893)	(78,511)	(67,893)
Aggregate of Amounts Transferred (to)/from Reserves	25	569	569	—
Retained Profits at the End of the Financial Year	247,166	203,299	60,110	55,549

The profit and loss statements are to be read in conjunction with the notes to the financial statements set out on pages 4 to 28.

Balance Sheets

as at 30 June 1999

	Note	Consolidated		Company	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Current Assets					
Cash	6	364,262	368,368	77,407	64,383
Receivables	7	335,945	285,146	9,264	8,283
Investments	8	34,052	28,452	—	—
Inventories	9	90,254	121,627	—	—
Other	10	35,612	36,964	—	—
Total Current Assets		860,125	840,557	86,671	72,666
Non-Current Assets					
Receivables	11	23,930	5,415	4,728	459
Investments	12	14,921	27,729	914,045	921,803
Inventories	13	86,872	37,792	—	—
Property, Plant and Equipment	14	480,140	486,658	26,195	27,515
Intangibles	15	—	—	—	—
Other	16	110,006	108,752	10,133	30,416
Total Non-Current Assets		715,869	666,346	955,101	980,193
Total Assets		1,575,994	1,506,903	1,041,772	1,052,859
Current Liabilities					
Accounts Payable	17	567,534	519,924	6,606	13,797
Borrowings	18	20,247	20,871	19,689	20,871
Provisions	19	118,881	127,800	47,694	50,734
Other	20	5,470	1,720	—	—
Total Current Liabilities		712,132	670,315	73,989	85,402
Non-Current Liabilities					
Accounts Payable	21	14,574	13,930	—	—
Borrowings	22	72,921	98,519	524,628	505,025
Provisions	23	143,489	133,545	11,415	37,880
Total Non-Current Liabilities		230,984	245,994	536,043	542,905
Total Liabilities		943,116	916,309	610,032	628,307
Net Assets		632,878	590,594	431,740	424,552
Shareholders' Equity					
Share Capital	24	361,884	130,563	361,884	130,563
Reserves	25	3,289	239,941	9,746	238,440
Retained Profits		247,166	203,299	60,110	55,549
Shareholders' Equity Attributable to Members of the Company		612,339	573,803	431,740	424,552
Outside Equity Interest in Controlled Entities	26	20,539	16,791	—	—
Total Shareholders' Equity		632,878	590,594	431,740	424,552

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 4 to 28.

Statements of Cash Flows

for the year ended 30 June 1999

	Consolidated		Company	
	1999	1998	1999	1998
Note	\$'000	\$'000	\$'000	\$'000
Cash Flows From Operating Activities				
Cash receipts in the course of operations	3,121,174	2,861,848	25,943	24,157
Cash payments in the course of operations	(2,758,666)	(2,539,102)	(33,469)	(30,074)
Dividends received	—	—	62,443	116,836
Interest received	12,154	16,577	370	531
Borrowing costs paid	(6,976)	(6,052)	(6,450)	(10,278)
Income taxes paid	(67,622)	(69,932)	(108)	(2,536)
Net cash provided by operating activities	41	300,064	263,339	48,729
Cash Flows From Investing Activities				
(Increase) in investment in controlled entities and businesses	(6,150)	—	(136,266)	(75,931)
Decrease in investment in controlled entities	—	—	—	34,295
Payments for property, plant and equipment	(289,649)	(289,974)	(619)	(372)
Proceeds from sale of non-trading assets	49,570	103,253	10	188
(Increase)/decrease in partnerships	11,795	(6,008)	—	—
(Increase) in investment in other entities	(12,955)	(812)	—	(499)
Decrease in investment in other entities	35,993	27,563	—	898
(Loans to)/repayments by executives and staff shareholders	(377)	14	(377)	14
Net cash used in investing activities	(211,773)	(165,964)	(137,252)	(41,407)
Cash Flows From Financing Activities				
Proceeds from share issues	3,196	9,079	3,196	9,079
Repayment of borrowings	(19,675)	(79,942)	(19,675)	(19,770)
Loans from/(to) related entities	—	—	188,658	93,129
Dividends paid	(70,571)	(88,392)	(70,571)	(88,392)
Dividends paid to outside equity interests	—	(6,303)	—	—
Net cash provided by/(used in) financing activities	(87,050)	(165,558)	101,608	(5,954)
Net increase/(decrease) in cash held	1,241	(68,183)	13,085	51,275
Net cash at the beginning of the financial year	41	368,368	422,840	64,383
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the year	(5,905)	13,711	(61)	1,582
Net cash at the end of the financial year	41	363,704	368,368	77,407

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 4 to 28.

Statement of Significant Accounting Policies

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law. It has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. The carrying amounts of all non-current assets are reviewed to determine whether they are in excess of their

recoverable amount and in assessing recoverable amounts net present value methods have not been used.

These accounting policies have been consistently applied by each entity in the Consolidated Entity and are consistent with those of the previous year.

a

Consolidation

The consolidated financial statements comprise the financial statements of Leighton Holdings Limited, being the parent entity, and its controlled entities ("the Consolidated Entity"). These controlled entities are listed in note 39 to the financial statements. Profits and losses of controlled entities are included in the consolidated profit and loss from the date control is obtained and excluded from the date the entity is no longer controlled. Transactions and balances between entities within the Consolidated Entity have been eliminated in full.

b

Trade Debtors

Trade debtors includes all net receivables and includes the progressive valuation of work completed on construction contracts represented by amounts billed to and receivable from clients less cash received. The valuation of work completed is made after bringing to account a proportion of the estimated contract profits available and after recognising all known losses. Trade and other debtors are normally settled within 60 days. The collectibility of debts is assessed at balance date and provision is made for any doubtful debts.

c

Revenue and Profit Recognition

(i) Profit is recognised on construction contracts on the basis of the value of work completed. Stage of completion is measured by reference to costs incurred to date as a percentage of estimated total costs for each contract.
(ii) The whole of any expected loss on a construction contract is recognised in the financial statements as soon as a loss has become apparent.
(iii) The Consolidated Entity recognises each year its proportion of revenue and profits from construction partnerships on the

basis of the value of work completed. The whole of any expected loss is brought to account as soon as it becomes apparent.

(iv) Holding charges comprising rates, taxes and borrowing costs on properties under active development are capitalised. Holding charges on all other development properties are written off as incurred.

(v) Revenue and profits from property development, housing and land sales are recognised on settlement of the contracts.

(vi) Interest income is recognised as it accrues.

(vii) Dividends from controlled entities are brought to account in the profit and loss statement when they are declared.

(viii) The gross proceeds of asset sales are included as revenue of the Consolidated Entity. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

d

Income Tax

The Consolidated Entity adopts the liability method of tax effect accounting in accordance with the Accounting Standard AASB 1020 "Accounting for Income Tax (Tax-effect Accounting)".

e

Foreign Currency

Overseas controlled entities' financial statements, investments, loans and borrowings are translated in accordance with the Accounting Standard AASB1012 "Foreign Currency Translation".

f

Property, Plant and Equipment

(i) Depreciation is calculated so as to write off the net book value of property, plant and equipment over their estimated effective useful lives using in the case of:
freehold buildings – the straight line method;
major plant and equipment – the cumulative number of hours worked;
other equipment – the diminishing value method.

(ii) Leasehold properties and improvements are amortised over the terms of the leases.

(iii) Depreciation periods for each class of asset are as follows:

buildings 25 to 40 years;
leasehold buildings to 40 years;
plant and equipment 2 to 10 years;
leasehold improvements 2 to 10 years.

(iv) In accordance with U IG 26 "Accounting for Major Cyclical Maintenance and the Depreciation of Complex Assets", expenditure on the major overhaul and refurbishment of existing plant and equipment is capitalised and depreciated over their estimated effective useful lives.

(v) Land and buildings are revalued at least every three years and any potential capital gains tax has not been taken into account as the Directors believe it is unlikely the

Consolidated Entity will be liable for this tax on the basis there is no intention to sell the applicable properties.

(vi) Where fixed assets are acquired by means of finance leases, the present value of the lease rentals and residuals is included as an asset in the balance sheet and is depreciated over the expected effective useful life of those assets. The net present value of future finance lease rentals and residuals is included in the balance sheet as a leasing liability. Operating lease rentals are charged to the profit and loss statement as incurred.

g

Inventories

Development properties are carried at the lower of cost and net realisable value.

h

Employee Entitlements

(i) Wages, Salaries, Annual Leave

The provisions for employee entitlements to wages, salaries and annual leave represent the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at nominal amounts based on current wage and salary rates and include related on-costs.

(ii) Long Service Leave

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the Consolidated Entity resulting from employees' services provided up to the balance date. Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities. In determining the liability

for these employee entitlements, consideration has been given to estimated future increases in wage and salary rates, and the Consolidated Entity's experience with staff departures. Related on-costs have also been included in the liability.

(iii) Superannuation

Employee superannuation funds exist to provide benefits for eligible employees or their dependants. Contributions by members of the Consolidated Entity are charged against profits.

i

Accounts Payable, Bills Payable and Promissory Notes

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Consolidated Entity. Trade accounts payable are normally settled within 60 days. The liability for bills payable and promissory notes is shown at face value.

j

Goodwill

The excess of the purchase consideration for the acquisition of controlled entity operations over the fair value of the identifiable net assets acquired is amortised using the straight line method over the period during which the benefits are expected to arise, which period at present does not exceed ten years.

k

Non Current Assets - Other

(i) Waste Management Assets

Waste management assets are capitalised at the lower of cost and recoverable amount and are amortised over the economic life of the waste operations, which period at present does not exceed twenty years.

(ii) Mining Tenements

Mining tenements are capitalised at the lower of cost and recoverable amount and are amortised over the economic life of the investment.

l

Investments

(i) Associates

In the consolidated financial statements, investments in associates are accounted for using equity accounting principles.

(ii) Partnerships

Interests in partnerships are accounted for using equity accounting principles.

(iii) Other investments

Interests in other entities which are not controlled entities are carried at the lower of cost and recoverable amount and where applicable, dividends are included in operating profit as they are received.

m

Derivatives

Members of the Consolidated Entity from time to time are exposed to changes in interest rates and foreign exchange rates from their activities. It is the Consolidated Entity's policy to use derivative financial instruments to hedge these risks. Derivative financial instruments are not held for speculative purposes. Controls have been put in place to monitor compliance with this policy.

Interest Rate Swaps

Interest payments and receipts under interest rate swap contracts are recognised on an accruals basis in the profit and loss statement as an adjustment to borrowing costs during the period.

Forward Foreign Exchange Contracts

Exchange differences on specific hedge transactions arising up to the date of purchase or sale, together with any costs or gains arising at the time of entering the hedge, are deferred and included in the measurement of the purchase or sale.

n

Rounding off of Amounts

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

o

Comparative Figures

Comparative figures have been, where appropriate, reclassified so as to be comparable with the figures stated in the current year.

Notes to the Financial Statements

for the year ended 30 June 19 99

	Consolidated		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
1 Revenue				
Construction contracts	3,013,986	2,754,451	—	—
Other contracting services	141,656	116,048	—	—
Property development	64,903	36,452	—	—
Interest	12,204	16,212	14,612	20,307
Dividends	—	—	62,443	116,836
Proceeds from sale of Non-Current Assets				
-Plant	90,060	103,254	10	189
-Investments	5,069	8,129	4,896	184
	29	3,327,878	81,961	137,516

2 Operating Profit

The operating profit before income tax is arrived at after:

Crediting as Revenue:

Gain on sale of Property, Plant and Equipment	13,078	15,832	—	19
Gain on sale of Investments	4,896	7,557	4,896	—
Dividends received/receivable				
– Wholly owned controlled entities	—	—	62,443	116,836
Gain on foreign exchange	673	—	10,562	—

Charging as Expense:

Loss on sale of Property, Plant and Equipment	8,567	10,075	22	18
Depreciation and Amortisation				
– Buildings	783	735	481	447
– Leasehold Land and Buildings	25	25	—	—
– Leasehold Improvements	720	852	—	—
– Plant and Equipment	201,624	234,857	489	441
– Waste Management Assets	1,045	682	—	—
– Mining Tenements	95	—	—	—
– Goodwill	3,037	8,295	—	—
Operating lease rental expense	35,224	35,525	—	—
Bad debts written off	—	13,181	—	—
Auditors' Remuneration				
– Amounts received or due and receivable for audit services by:				
Auditors of the Company	1,132	1,000	—	159
Other Auditors	80	61	—	—
– Amounts received or due and receivable for other services by:				
Auditors of the Company	687	394	68	74
Share of Associates' net loss	107	—	—	—
Loss on foreign exchange	—	—	—	22,587
Property writedowns	5	12,349	—	—
Other writedowns	—	250	—	—
Provision for employee entitlements	82,687	71,393	240	7,244

	Consolidated		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
3 Interest Revenue and Borrowing Costs				
The operating profit before income tax is arrived at after including:				
Interest Revenue				
Wholly owned controlled entities	–	–	14,223	19,775
Other Related Parties	50	35	26	23
Other Parties	12,154	16,177	363	509
	12,204	16,212	14,612	20,307
Borrowing Costs				
Wholly owned controlled entities	–	–	1,688	2,474
Other Parties	6,679	7,603	6,153	7,094
	6,679	7,603	7,841	9,568
Borrowing costs previously capitalised expensed against property sale proceeds	147	266	–	–

	Consolidated		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
4 Income Tax Expense				
Operating profit before income tax	181,818	155,148	88,341	76,623
Prima facie income tax expense at 36%	65,454	55,853	31,802	27,584
The following items have affected income tax expense for the period:				
– Entertainment and other non-allowable items	1,156	575	199	206
– Depreciation and amortisation not allowable for tax	893	3,492	173	161
– Revaluation and capital profits	(827)	(1,280)	(107)	127
– Building allowance	(646)	(630)	(71)	(71)
– Income not subject to tax/rebateable dividends	(582)	(694)	(22,480)	(35,152)
– Tax losses not previously recognised	(12,025)	(12,639)	(6,274)	(12,639)
– Tax losses not recognised	151	2,307	–	–
– Overseas income tax rate differential	(4,916)	(2,274)	238	(5,519)
Current period income tax expense/(benefit)	48,658	44,710	3,480	(25,303)
– Under/(over) provision for prior year	1,766	271	2,358	(639)
	50,424	44,981	5,838	(25,942)

Future Income Tax Benefits

The future income tax benefit (note 16) of \$85,840 (1998 - \$89,458) includes provision for employee benefits and asset writedowns not currently allowable as an income tax deduction and tax losses carried forward of \$13,834 (1998: Nil). The unrecorded future tax benefit available to some members of the Consolidated Entity at 30 June 1999 in respect of tax losses, including capital losses, for which there is a possibility of recoupment at the applicable rates of tax was \$19,938 (1998 – \$15,416). The benefit of these tax losses will be utilised only if the relevant entities earn sufficient profit or capital gains in the future and continue to comply with the provisions of the relevant tax legislation relating to the deduction of carried forward tax losses.

	Consolidated		Company		
	Note	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
5 Abnormal Items (Net of Tax)					
Sale of Investments					
Eastern Distributor – Gain on sale		–	4,500	–	–
Tax Expense		–	(1,620)	–	–
		–	2,880	–	–
Leighton Terraform – Gain on sale		–	3,026	–	–
Tax Expense		–	(1,089)	–	–
		–	1,937	–	–
Tax Benefit					
USA tax losses		–	9,491	–	9,491
Property Writedowns					
Property writedowns - Australia		–	(12,349)	–	–
Tax Benefit		–	4,445	–	–
		–	(7,904)	–	–
Asian Currency devaluation					
Transfer from Translation Reserve	25	–	(4,200)	–	–
Tax Expense		–	–	–	–
		–	(4,200)	–	–
Total Abnormal Items		–	(9,023)	–	–
Tax Benefit		–	11,227	–	9,491
Net Abnormal Items		–	2,204	–	9,491

	Consolidated		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
6				
Current Assets – Cash				
Funds on deposit	335,113	353,957	1,231	492
Cash at bank and on hand	29,149	14,411	76,176	63,891
	364,262	368,368	77,407	64,383
7				
Current Assets – Receivables				
Contract debtors receivable	279,237	234,245	–	–
Trade and other amounts receivable	56,708	50,856	9,264	8,238
Loans – secured	–	45	–	45
	335,945	285,146	9,264	8,283
Contract Valuations				
Progressive value of work completed at 30 June	5,769,146	4,405,803	–	–
Progressive Receivable				
Net contract receivables	226,017	161,556	–	–
Retentions held by clients	6,485	16,251	–	–
Net contract debtors receivable from clients	232,502	177,807	–	–
Cash received to date	5,536,644	4,227,996	–	–
Total Progressive Value	5,769,146	4,405,803	–	–
Amounts due from customers - contract debtors receivable	279,237	234,245	–	–
Amounts due to customers - trade creditors	(46,735)	(56,438)	–	–
Net contract debtors receivable from clients	232,502	177,807	–	–
8				
Current Assets – Investments				
Interest in partnerships	33,855	27,989	–	–
Loans to associates	197	463	–	–
	34,052	28,452	–	–
9				
Current Assets – Inventories				
Development Properties				
Cost	62,055	61,448	–	–
Development expenses capitalised	50,269	88,855	–	–
Rates, taxes, borrowing costs, etc capitalised	7,898	30,683	–	–
	120,222	180,986	–	–
Less: Property provisions	29,968	59,359	–	–
	90,254	121,627	–	–
10				
Current Assets – Other				
Prepayments	16,460	11,478	–	–
Plant and equipment held for sale	19,152	25,486	–	–
	35,612	36,964	–	–

	Consolidated		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
11 Non-Current Assets – Receivables				
Loans – secured	4,728	459	4,728	459
Other accounts receivable	19,202	4,956	–	–
	23,930	5,415	4,728	459

	Consolidated		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
12 Non-Current Assets – Investments				
Controlled Entities				
Shares – Cost	–	–	787,602	651,336
Amounts receivable from controlled entities	–	–	125,943	269,967
	–	–	913,545	921,303
Other Entities				
Interest in Trusts				
– Cost	–	22	–	–
– Directors Valuation June 1994	–	221	–	–
Shares				
– Listed - Cost [#]	12,605	25,000	–	–
– Unlisted - Cost	853	813	500	500
	13,458	26,056	500	500
Associates				
Equity accounted	28	1,673	–	–
	14,921	27,729	914,045	921,803

[#]Quoted market value of shares \$10.6 million (1998 - \$23.5 million). Listed investments have not been written down to market value at balance date as the directors consider the recoverable amount of the shares to be in excess of their carrying value.

13 Non-Current Assets – Inventories				
Development Properties				
Cost	38,811	30,703	–	–
Development expenses capitalised	68,216	27,760	–	–
Rates, taxes, borrowing costs, etc capitalised	21,774	8,522	–	–
	128,801	66,985	–	–
Less: Property provisions	41,929	29,193	–	–
	86,872	37,792	–	–

	Consolidated		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
14 Non-Current Assets – Property, Plant, and Equipment				
Land				
Cost	628	–	–	–
Independent valuation – June 1998	14,130	14,130	6,950	6,950
	14,758	14,130	6,950	6,950
Buildings				
Cost	22,424	–	103	–
Independent valuation – June 1998	25,850	25,850	19,250	19,250
	48,274	25,850	19,353	–
Provision for depreciation	(783)	–	(481)	–
	47,491	25,850	18,872	19,250
Leasehold Land and Buildings				
Independent valuation – June 1998	1,244	1,267	–	–
Provision for amortisation	(25)	–	–	–
	1,219	1,267	–	–
Leasehold Improvements				
Cost	6,495	6,165	–	–
Provision for amortisation	(5,108)	(4,417)	–	–
	1,387	1,748	–	–
Plant and Equipment				
Cost	933,029	939,612	1,704	6,834
Provision for depreciation	(517,744)	(495,949)	(1,331)	(5,519)
	415,285	443,663	373	1,315
	480,140	486,658	26,195	27,515

Plant and equipment includes construction equipment, motor vehicles and office furniture and equipment. Land and buildings are independently revalued at least every three years and included in the financial statements at the revalued amounts. As part of this policy all land and buildings were revalued as at 30 June 1998 on an open market basis.

15 Non-Current Assets – Intangibles				
Cost of goodwill	23,736	20,699	–	–
Accumulated amortisation	(23,736)	(20,699)	–	–
	–	–	–	–

16 Non-Current Assets – Other				
Waste management assets	23,492	15,551	–	–
Provision for amortisation	(1,914)	(869)	–	–
	21,578	14,682	–	–
Mining tenements	2,002	2,002	–	–
Provision for amortisation	(95)	–	–	–
	1,907	2,002	–	–
Future income tax benefit	4 85,840	89,458	10,133	30,416
Other assets	681	2,610	–	–
	110,006	108,752	10,133	30,416

	Consolidated		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
17 Current Liabilities – Accounts Payable				
Trade creditors	550,246	491,308	6,606	13,797
Other creditors	17,288	28,616	–	–
	567,534	519,924	6,606	13,797
18 Current Liabilities – Borrowings				
Bank overdraft	558	–	–	–
Unsecured loans [#]	19,689	20,871	19,689	20,871
	20,247	20,871	19,689	20,871
	#The unsecured loans are provided under negative pledge agreements with financial institutions.			
19 Current Liabilities – Provisions				
Income tax payable	31,942	52,808	585	3,027
Employee entitlements	39,830	35,823	–	8,538
Dividend	47,109	39,169	47,109	39,169
	118,881	127,800	47,694	50,734
20 Current Liabilities – Other				
Amounts payable to partnerships	4,974	1,720	–	–
Amounts payable to associates	496	–	–	–
	5,470	1,720	–	–
21 Non-Current Liabilities – Accounts Payable				
Trade creditors	14,574	13,930	–	–
22 Non-Current Liabilities – Borrowings				
Unsecured loans [#]	72,921	98,519	72,921	98,519
Payable to controlled entities	–	–	451,707	406,506
	72,921	98,519	524,628	505,025
	#The unsecured loans are provided under negative pledge agreements with financial institutions.			
23 Non-Current Liabilities – Provisions				
Deferred income tax	70,283	65,616	9,006	9,269
Employee entitlements	73,206	67,929	2,409	28,611
	143,489	133,545	11,415	37,880

	Consolidated		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
24 Share Capital Issued				
261,716,620 Ordinary shares fully paid (1998 – 261,125,820 of 50¢ par value each)	361,884	130,563	361,884	130,563
Movements				
Opening balance	130,563	129,714	130,563	129,714
Transfer from				
– share premium reserve	25	–	228,065	–
– redemption reserve	25	–	60	–
Shares Issued				
– 590,800 shares issued from the exercise of options	36	–	3,196	–
– Nil (1998 – 1,696,934) shares issued under the Share Purchase Plan	–	849	–	849
Closing balance	361,884	130,563	361,884	130,563

The Company Law Review Act 1998 ("the Act") came into effect on 1 July 1998. The Act abolished par value shares, and any amount standing to the credit of the share premium and redemption reserves became part of the Company's share capital on 1 July 1998. From 1 July 1998, share capital does not have a nominal (par) value.

25 Reserves				
General	25	25	25	25
Redemption	–	60	–	60
Foreign currency translation	(11,820)	(3,293)	–	569
Asset revaluation	15,084	15,084	9,721	9,721
Share premium	–	228,065	–	228,065
	3,289	239,941	9,746	238,440
Movements				
Foreign currency translation				
Opening balance	(3,293)	(4,664)	569	569
Translation adjustment on controlled foreign entities' financial statements and borrowings applicable to overseas investments (net of hedge)	(7,958)	(2,829)	–	–
Transfer to profit and loss statement	(569)	–	(569)	–
Loss transferred to profit and loss statement	5	4,200	–	–
Closing balance	(11,820)	(3,293)	–	569
Asset revaluation				
Opening balance	15,084	10,907	9,721	5,301
Surplus on revaluation	–	4,088	–	4,420
Transfer from profit and loss statement	–	89	–	–
Closing balance	15,084	15,084	9,721	9,721
Share premium				
Opening balance	228,065	219,835	228,065	219,835
Included with share capital	24	(228,065)	(228,065)	–
Ordinary shares issued at a premium – 1,696,934 shares in 1998	–	8,230	–	8,230
Closing balance	–	228,065	–	228,065
Redemption				
Opening balance	60	60	60	60
Included with share capital	24	–	(60)	–
Closing balance	–	60	–	60

	Consolidated		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
26 Outside Equity Interests in Controlled Entities				
Share capital	118	738	—	—
Reserves	(528)	(1,443)	—	—
Retained profits	20,949	17,496	—	—
	20,539	16,791	—	—

27 Dividends and Earnings Per Share

Dividends

Dividends provided for or paid by the Company are:

Interim Dividend

A fully franked interim ordinary dividend of 12 cents per share, (1998: 11 cents per share) was paid on 31 March 1999.

Franked at 36%

31,402	28,724	31,402	28,724
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Final Dividend

A fully franked final ordinary dividend of 18 cents per share, (1998: 15 cents per share) will be paid on 30 September 1999.

Franked at 36%

47,109	39,169	47,109	39,169
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78,511	67,893	78,511	67,893
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Dividend Franking Account

Balance of the franking account adjusted for franking credits which arise from the payment of income tax provided for in the financial statements, and after deducting franking credits to be used in payment of the above dividend:

5,120	30,645	5,120	30,645
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Further franking credits will arise in the 2000 financial year from the payment of provisional income tax instalments on 2000 profits.

Earnings

Basic earnings per share (cents per share)

46.6¢	39.5¢
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Diluted earnings per share (cents per share)

46.1¢	39.5¢
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Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share

261,420,099	260,270,379
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Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share

265,560,919	260,270,379
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Since the end of the financial year, 331,000 options have been exercised to acquire ordinary shares under the Leighton Staff Equity Participation Plan. On the 5th August, 1999, the Company granted options over 6,965,000 unissued ordinary shares to 274 employees under the Leighton Executive Share Option Plan (Note 36). Except as disclosed above there have been no other conversions to, calls of or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of these financial statements.

28 Investments – Associates

Name	Principal Activities	Balance Date	Ownership Interest		Investment Carrying Amount	
			1999 %	1998 %	1999 \$'000	1998 \$'000
Vina Leighton Ltd	construction	30 June	50	50	738	975
Zappaway Ltd	waste services	30 June	50	50	642	567
Other	—	—	—	—	83	131
					1,463	1,673

There were no post balance date events which would materially affect the financial position or performance of any associate and there were no dissimilar accounting policies used by associates. The Consolidated Entity's interests in associates, at 30 June 1999, were not of a material size or contribution to the Consolidated Entity's activities to warrant additional disclosure.

29 Segment Information

Industry	Contracting & Project Management \$'000	Property Development \$'000	Unallocated \$'000	Total \$'000
1999				
Total Revenue	3,245,702	64,903	17,273	3,327,878
Operating Profit/(Loss) Before Tax	179,329	5,495	(3,006)	181,818
Total Assets	1,154,736	178,603	242,655	1,575,994
1998				
Total Revenue	2,974,231	36,452	23,863	3,034,546
Operating Profit/(Loss) Before Tax	176,290	(8,544)	(12,598)	155,148
Total Assets	1,087,001	167,462	252,440	1,506,903
Geographic	Australia/ Pacific \$'000	Asia \$'000	Americas \$'000	Total \$'000
1999				
Total Revenue	2,614,143	693,119	20,616	3,327,878
Operating Profit Before Tax	118,055	51,768	11,995	181,818
Total Assets	1,187,970	366,165	21,859	1,575,994
1998				
Total Revenue	2,333,730	695,542	5,274	3,034,546
Operating Profit Before Tax	100,727	52,616	1,805	155,148
Total Assets	1,157,878	315,155	33,870	1,506,903

All transactions with related parties are made on normal commercial terms and conditions and the aggregate of related party transactions are not material in the overall operations of the Consolidated Entity. The division of the operating profit/(loss) and assets into industry and geographic segments has been ascertained by reference to direct identification of assets and revenue/cost centres. Other expenses and assets which cannot be allocated to an industry segment are reported as unallocated.

	Note	Consolidated		Company	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
30 Capital Commitments					
Plant and equipment - payable no later than one year		41,899	42,455	—	—
Investments - payable no later than one year		43,172	—	—	—
- payable within two to five years		—	25,495	—	—

31 Bank Guarantees, Insurance Bonds and Letters of Credit					
Contingent liability under indemnities given on behalf of controlled entities in respect of:					
i) Bank guarantees		364,455	394,737	364,455	394,737
ii) Insurance, performance and payment bonds		45,627	18,159	45,627	18,159
iii) Letters of credit		6,424	6,984	6,424	6,984

32 Financial Instruments**(a) Interest rate risk**

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rates for classes of financial assets and financial liabilities is set out below:

	Weighted average rate	Floating rate	Fixed interest maturing in:			Non interest bearing	Total
	%	\$'000	1 year or less	Over 1 year to 5 years	More than 5 years	\$'000	\$'000
1999							
Financial assets							
Cash	4.88	360,044	—	—	—	4,218	364,262
Receivables	7.48	500	—	28,122	359	331,687	360,668
Non-interest bearing assets	—	—	—	—	—	48,861	48,861
		360,544	—	28,122	359	384,766	773,791
Financial liabilities							
Borrowings	5.57	558	—	92,610	—	—	93,168
Non-interest bearing liabilities	—	—	—	—	—	587,578	587,578
		558	—	92,610	—	587,578	680,746
Interest rate swap (fixed to floating) #		90,110	—	(90,110)	—	—	—

1998

Financial assets							
Cash	5.20	364,278	—	—	—	4,090	368,368
Receivables	4.94	—	4,956	213	246	285,868	291,283
Non-interest bearing assets	—	—	—	—	—	56,181	56,181
		364,278	4,956	213	246	346,139	715,832
Financial liabilities							
Borrowings	5.65	—	—	4,167	115,223	—	119,390
Non-interest bearing liabilities	—	—	—	—	—	535,574	535,574
		—	—	4,167	115,223	535,574	654,964
Interest rate swap (fixed to floating) #		115,223	—	—	(115,223)	—	—

#Notional principal amounts. Interest rate swaps are entered into for the purpose of managing exposure to interest rate fluctuations. A swap is in place to convert the fixed rate interest of 7.21% (1998 - 7.21%) of the Consolidated Entity's medium term borrowing to a variable interest rate which was 5.62% as at 30 June 1999 (1998 - 5.71%).

32

Financial Instruments (continued)**(b) Foreign exchange risk**

To manage foreign exchange exposure, members of the Consolidated Entity enter into forward exchange contracts to hedge specific project receipts or expenditure and plant and equipment purchase commitments denominated in foreign currencies. The following table summarises by currency the Australian dollar value of forward exchange contracts not recognised at balance date.

	1999 Weighted average rate	1998	Consolidated	
			1999 \$'000	1998 \$'000
Buy US Dollars				
Not later than one year	0.655	0.668	779	5,479
Buy German Deutsche Marks				
Not later than one year	1.223	—	7,056	—

As these contracts are hedging anticipated purchases, any unrealised gains and losses on the contracts, together with the costs of the transactions will be recognised in the financial statements at the time the underlying transaction occurs. At balance date unrecognised gains/(losses) on hedges of anticipated foreign currency purchases amounted to a net loss of \$90 (1998: net gain of \$478).

(c) Credit risk

Credit risk represents the accounting loss that would be recognised if counterparties failed to perform as contracted.

On - Balance sheet financial instruments

The Consolidated Entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet. The Consolidated Entity minimises concentrations of credit risk by undertaking transactions with a large number of customers in various countries. At balance date, the Consolidated Entity was not materially exposed to any individual overseas country or individual customer.

Off - Balance sheet financial instruments

Credit risk on off-balance sheet derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. The maximum credit risk exposure on foreign exchange contracts is the full amount of the foreign currency the Consolidated Entity will be required to pay when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Consolidated Entity. The full amount of the exposure is disclosed at Note 32(b) above. The credit risk on interest rate swaps is limited to the next amount to be received from counterparties on contracts that are favourable to the Consolidated Entity. The accrued amount due to the Consolidated Entity at 30 June 1999 amounted to \$361 (1998:\$486).

(d) Net Fair Values of Financial Assets and Liabilities

On - Balance sheet financial instruments

The Consolidated Entity's financial assets and liabilities, excluding listed investments, included in the balance sheet are carried at amounts that approximate net fair value. The market value of listed investments is disclosed in Note 12.

Off - Balance sheet financial instruments

The net fair value of off-balance sheet financial instruments, being the amounts receivable or (payable) in order to realise favourable contracts and settle unfavourable contracts at balance date are:

	Consolidated	
	1999 \$'000	1998 \$'000
Interest rate swap	3,472	7,175
Forward foreign exchange contracts	(90)	478

	Consolidated		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
33 Other Contingent Liabilities				
(i) The Company is called upon to give in the ordinary course of business guarantees and indemnities in respect of the performance by controlled entities, associates and related parties of their contractual and financial obligations. These guarantees and indemnities are indeterminable in amount.				
(ii) There exists in some members of the Consolidated Entity the normal design liability in relation to completed design and construction projects. The Directors are of the opinion that there is adequate insurance cover for this liability.				
(iii) Certain members of the Consolidated Entity have the normal contractor's liability in relation to construction contracts which liability may include litigation by or against the entities.				
(iv) Controlled entities have entered into various partnership and trust arrangements under which the controlled entity may be jointly and severally liable for the liabilities of the partnership or trust.				
(v) Under the terms of the Class Order described in Note 39 the Company has entered into approved deeds of indemnity for the cross-guarantee of liabilities with participating Australian subsidiary companies.				
(vi) The Company has entered into a transaction whereby it will participate for a short period in any movement in the economic value of the 25 million shares in Star City Holdings Ltd sold during the current year.				
(vii) Certain executives are entitled to a benefit pursuant to service agreements with the Consolidated Entity subject to ongoing conditions being fulfilled. The amounts are provided in the financial statements of the Consolidated Entity. Any amounts that become payable will be disclosed as remuneration in the relevant year.				
(viii) Amounts Payable/Receivable in Foreign Currencies				
The Australian dollar equivalents of unhedged amounts payable or receivable in foreign currencies, calculated at year end exchange rates are as follows:				
Amounts payable				
Non Current				
United States Dollar	—	—	—	37,833
No significant claims are anticipated in respect of contingent liabilities.				

	Consolidated		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
34 Directors' Remuneration				
Income paid or payable or otherwise made available to Directors of Leighton Holdings Limited and Executive and Non-executive Directors of controlled entities.	47,979	36,092	16,179	6,837
Number of Directors of Leighton Holdings Limited whose remuneration were within the following bands:				
\$10,000 – \$19,999			—	1
\$40,000 – \$49,999			—	2
\$60,000 – \$69,999			4	5
\$70,000 – \$79,999			2	—
\$80,000 – \$89,999			1	—
\$120,000 – \$129,999			1	1
\$140,000 – \$149,999			—	1
\$160,000 – \$169,999			1	—
\$1,440,000 – \$1,449,999			—	1
\$1,980,000 – \$1,989,999			—	1
\$2,220,000 – \$2,229,999			1	—
\$2,690,000 – \$2,699,999			—	1
\$3,110,000 – \$3,119,999			1	—
\$10,040,000 – \$10,049,999#			1	—

#Includes \$9.8 million paid on retirement in August 1998 pursuant to an employment agreement.

	Consolidated		Company		
	Note	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
35 Remuneration of Executives		34,599	23,352	–	6,079
The number of executive officers whose remuneration equals or exceeds \$100,000 were within the following bands:					
\$150,000 – \$159,999		–	–	–	1
\$160,000 – \$169,999		–	2	–	–
\$210,000 – \$219,999		–	1	–	–
\$230,000 – \$239,999		–	1	–	–
\$290,000 – \$299,999		–	1	–	–
\$370,000 – \$379,999		1	–	–	–
\$390,000 – \$399,999		–	1	–	–
\$400,000 – \$409,999		1	–	–	–
\$410,000 – \$419,999		2	–	–	–
\$430,000 – \$439,999		1	–	–	–
\$440,000 – \$449,999		1	1	–	–
\$450,000 – \$459,999		3	2	–	–
\$490,000 – \$499,999		–	1	–	–
\$500,000 – \$509,999		2	–	–	–
\$540,000 – \$549,999		1	–	–	–
\$550,000 – \$559,999		1	–	–	–
\$560,000 – \$569,999		–	1	–	–
\$600,000 – \$609,999		–	1	–	1
\$610,000 – \$619,999		1	1	–	–
\$620,000 – \$629,999		1	2	–	–
\$640,000 – \$649,999		–	2	–	1
\$660,000 – \$669,999		–	1	–	–
\$670,000 – \$679,999		1	–	–	–
\$690,000 – \$699,999		1	–	–	–
\$700,000 – \$709,999		1	1	–	–
\$720,000 – \$729,999		1	1	–	–
\$730,000 – \$739,999		–	1	–	–
\$750,000 – \$759,999		–	1	–	–
\$770,000 – \$779,999		1	–	–	–
\$780,000 – \$789,999		1	1	–	–
\$810,000 – \$819,999		–	1	–	–
\$860,000 – \$869,999		1	–	–	–
\$990,000 – \$999,999		1	–	–	–
\$1,120,000 – \$1,129,999		–	1	–	–
\$1,230,000 – \$1,239,999		1	–	–	–
\$1,440,000 – \$1,449,999		–	1	–	–
\$1,460,000 – \$1,469,999		1	1	–	–
\$1,470,000 – \$1,479,999		1	–	–	–
\$1,600,000 – \$1,609,999		1	–	–	–
\$1,820,000 – \$1,829,999		–	1	–	–
\$1,980,000 – \$1,989,000		–	1	–	1
\$2,220,000 – \$2,229,999		1	–	–	–
\$2,690,000 – \$2,699,999		–	1	–	1
\$3,110,000 – \$3,119,999		1	–	–	–
\$10,040,000 – \$10,049,999#		1	–	–	–

#Includes \$9.8 million paid on retirement in August 1998 pursuant to an employment agreement.

	Consolidated		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000

36 Employee Entitlements

Aggregate employee entitlements

Current	19	39,830	35,823	–	8,538
Non-Current	23	73,206	67,929	2,409	28,611
		113,036	103,752	2,409	37,149

Superannuation

The superannuation plans provide defined benefits based on years of service and final average salary or accumulated benefits based on contributions and the actual earnings of the fund. Employees contribute to the plans at various percentages of their salaries or wages. The Consolidated Entity also contributes to the plans at various percentages of the employee's salary or wages. Future contributions to superannuation plans sponsored by the Consolidated Entity are not legally enforceable provided that vested benefits are fully funded. The Consolidated Entity also contributes to various industry award funds in accordance with the relevant awards. Contributions are enforceable in accordance with the relevant award.

The Leighton Superannuation Fund and the Leighton Asia Superannuation Fund are the only plans providing defined benefits to employee members.

Actuarial assessments are performed every three years. The Leighton Superannuation Fund was assessed at 30 June 1997 by Mercer Campbell Cook & Knight Pty Ltd. The Leighton Asia Superannuation Fund was assessed at 30 June 1997 by the Wyatt Company. Based on these assessments, the Directors are of the view that the assets of each of the funds are sufficient to satisfy all benefits that would have vested under the plans in the event of termination of the plans, and voluntary or compulsory termination of each employee. The following values are based on the defined benefits section only of the most recent financial reports of the funds which were prepared as at 30 June 1998 for the Leighton Superannuation Fund and the Leighton Asia Superannuation Fund.

Fund	Accrued Benefits	Market Value of Assets	Surplus	Vested Benefits
Leighton Superannuation Fund - 30 June 1998	62,840	64,757	1,917	53,646
Leighton Asia Superannuation Fund - 30 June 1998	2,623	2,984	361	1,838
Total	65,463	67,741	2,278	55,484

Accrued benefits have been determined based on the amounts calculated in the last actuarial assessments and Directors' estimates, based on the advice of the trustees of the funds, of the benefits that have accrued in the periods between the last actuarial assessment and the financial year end. Accrued benefits are benefits the plans are presently expected to pay at some future date, resulting from membership of the plans. Vested benefits are benefits which are not conditional upon the continued membership of the plan or any factor, other than resignation from the plan.

Leighton Staff Equity Participation Plan

The Company has an employee share acquisition scheme known as the Leighton Staff Equity Participation Plan ("LSEPP") established by a Trust Deed dated 23 June 1981, as amended by further Deeds dated 18 March 1983 and 6 October 1995 ("the Trust Deed").

Under LSEPP, options to acquire ordinary shares in the Company may be granted to Group employees. Interest free loans may be provided by the Company to assist in financing the acquisition of shares allotted pursuant to LSEPP.

The total number of shares and options which may be issued under LSEPP, when aggregated with the number of shares issued by the Company during the previous 5 years under all employee share schemes adopted by the Company, must not exceed 5% of the Company's issued ordinary shares as at the date any invitation to acquire shares or options under LSEPP is extended. Further, under the Australian Stock Exchange Listing Rules no shares or options may be granted to Directors or their associates without shareholder approval.

On 24 October 1996, the Company granted options over 5,005,500 unissued ordinary shares to 184 employees under LSEPP. The options may be exercised at any time at a price of \$5.41 per share. 590,800 options were exercised during the year. The options will lapse on the earlier of 24 October 2001 or termination of the employee's employment for any reason other than death or retirement. During the financial year 25,000 options have lapsed leaving a balance of 4,089,700 options. The market value of shares under these options at 30 June 1999 was \$5.90.

As at 30 June 1999 there were on issue under LSEPP no shares in respect of which there were outstanding loans (1998 - \$45). There have been 10,584,800 shares issued under the terms of LSEPP since its inception.

In accordance with amendments approved by shareholders at the Company's Annual General Meeting on 5 November 1998, no further invitations will be issued to employees to acquire shares or options under LSEPP unless and until shareholders determine otherwise.

	Consolidated		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Note				

36 Employee Entitlements (continued)

Leighton Employees Share Plan and Leighton Executive Share Option Plan

Shareholder approval was obtained at the Annual General Meeting on 5 November, 1998 to establish the Leighton Employees Share Plan ("LESP") and the Leighton Executive Share Options Plan ("LESOP"). Subject to certain eligibility criteria, all permanent employees of the Consolidated Entity are entitled to participate in LESP. The rules of LESP permit the Company to make an annual offer of shares in the Company to eligible employees. The maximum value of shares which may be offered to any employee in any one year is \$1,000. The rules of LESOP allows the Company to offer selected executives options over unissued ordinary shares in the Company.

All offers under both of the above plans are at the discretion of the Company and are subject to two pre-conditions:

(i) No offer may be made unless in the financial year last occurring before the date of the offer, the return on shareholders funds was not less than the most recently published media return on ordinary shareholders funds for companies included in the ASX 100 Industries Accumulation Index.

(ii) No offer may be made if the number of shares so offered, when aggregated with the number of shares issued by the Company during the previous five years under all employee share schemes, would exceed 5% of the total number of issued shares in the Company.

No shares or options were issued under LESP and LESOP during the current financial year. Subsequent to balance date, the Company granted options over 6,965,000 unissued ordinary shares in the Company to 274 executives under LESOP.

37 Loans to Executive Directors

Approval was given by shareholders for the establishment of the Leighton Staff Equity Participation Plan on 22 July 1981 and a senior executive loan plan on 29 October 1982. Loans outstanding under the Leighton Staff Equity Participation Plan amount to Nil (1998: \$19,566). Under the Senior Executive Loan Plan, loans outstanding of \$881,583 (1998 – \$381,583) and ranging from \$60,000 to \$500,000 (1998: \$60,000 to \$246,583) have been made to 4 (1998 – 3) Executive Directors of Leighton Holdings Limited and related entities. Interest of \$23,826 (1998 – \$18,366) was received on senior executive loans from Executive Directors.

Loans under the Staff Equity Participation Plan are interest free and repayable from dividend income earned by the shares acquired under the Plan. The loans are secured by a charge over the shares issued under the Plan. No new loans were issued during the year. During the year repayments from Executive Directors of \$19,566 (1998 – \$51,697) were received in respect of the Plan from D. Adamsas, R. Gussey, R. Hunter, N. Sallustio and E. Young.

Loans under the Senior Executive Loan Plan were charged interest between 6% p.a. and 10% p.a. (1998 – 6% p.a. and 10% p.a.), were secured by mortgages over property and were repayable up to 20 years from the dates of the loans. A loan of \$500,000 (1998 - \$135,000) was made during the year to an Executive Director. The recipient of the loan was R. Merkenhof. Repayments of principal of \$Nil (1998 - \$18,568) in respect of senior executive loans were received during the year from Executive Directors.

The amounts in this note have not been rounded off to the nearest thousand dollars.

38 Lease and Rental Commitments

Operating Leases

Plant, equipment and motor vehicle leases	33,747	37,714	—	—
Carpark leases	2,472	6,554	—	—
Property leases	22,043	27,348	—	—
	58,262	71,616	—	—
Lease commitments not capitalised				
– Not later than one year	26,964	28,254	—	—
– Later than one year but not later than two years	17,463	22,641	—	—
– Later than two years but not later than five years	12,957	19,004	—	—
– Later than five years	878	1,717	—	—
	58,262	71,616	—	—

Plant and equipment used in contract mining and civil engineering is leased over its economic life and the leases are structured to match income from contracts.

39 Leighton Holdings Limited and Controlled Entities

		Interest held	Place of Incorporation
† Leighton Holdings Limited			Vic.
† Adelaide Terrace Investments Pty Ltd		100%	S.A.
Asia Mining Services		80%	Vietnam
Asian Region Investment Ltd		80%	Hong Kong
Ausindo Holdings Pte Ltd		100%	Singapore
Australian Paper Recovery Pty Ltd		100%	N.S.W.
Australian Services Joint Venture		65%	N/A
Australian Waste Machinery Pty Ltd	(3)	100%	Vic.
Burton Properties Pty Ltd (In Liq)		100%	N.S.W.
Doan Ket (Hong Kong) Ltd		80%	Hong Kong
† Dovida Pty Limited (In Liq)		100%	N.S.W.
Ewenissa Pty Ltd	(2)	100%	A.C.T.
Garretts Waste Management Pty Ltd	(3)	100%	Vic.
Giddens Investment Ltd		80%	Hong Kong
Green Builders Inc		100%	U.S.A.
Green Construction Company		100%	U.S.A.
Green Engineering and Mining Company		100%	U.S.A.
Hai Van Thiess Construction & Consultant Ltd		56%	Vietnam
Jackimort Pty Ltd	(2)	100%	A.C.T.
Kaparidge Pty Ltd		100%	Qld.
Lai Lap Foundation Engineering Ltd		80%	Hong Kong
Landetting Nominees Pty Ltd (In Liq)		100%	Vic.
† Leighton Admin Services Pty Ltd	(2)	100%	N.S.W.
Leighton Asia Finance Ltd		80%	Hong Kong
Leighton Asia (Hong Kong) Holdings Ltd		80%	Hong Kong
Leighton Asia Ltd		80%	Cayman Islands
Leighton Contractors (Asia) Ltd		80%	Hong Kong
Leighton Contractors (China) Ltd		80%	Hong Kong
Leighton Contractors (India) Private Ltd	(2)	80%	India
Leighton Contractors (Indo-China) Ltd		80%	Hong Kong
Leighton Contractors (Laos) Co Ltd (formerly Lao Thiess Constructors Co Ltd)		80%	Laos
Leighton Contractors (Malaysia) Sdn. Bhd.		80%	Malaysia
Leighton Contractors (Philippines) Inc.	(1)	32%	Philippines
† Leighton Contractors Pty Ltd		100%	N.S.W.
Leighton Contractors (Singapore) Pte Ltd		80%	Singapore
Leighton Development Inc	(2)	100%	U.S.A.
* Leighton Equipment Leasing Pty Ltd		100%	N.S.W.
† Leighton Finance Ltd		100%	N.S.W.
Leighton Foundation Engineering Ltd		80%	Hong Kong
* Leighton Funds Management Pty Ltd		100%	Qld.
Leighton Geotech Ltd	(1)	39%	Thailand
Leighton Investment Inc		100%	U.S.A.
Leighton Investments Malaysia (L) Ltd		80%	Malaysia
Leighton Investments Singapore Pte Ltd		80%	Singapore
* Leighton Motorway Investment Pty Ltd		100%	N.S.W.
Leighton NA Inc		100%	U.S.A.
Leighton Office Trust		100%	N/A
Leighton Pacific Developments Inc		100%	U.S.A.
† Leighton Parking Pty Ltd		100%	N.S.W.
† Leighton Properties (Brisbane) Pty Ltd		100%	Qld.
* Leighton Properties Pty Ltd (formally Leighton Properties (Qld) Pty Ltd)		100%	Qld.

39 Leighton Holdings Limited and Controlled Entities (continued)

		Interest held	Place of Incorporation
* Leighton Properties (Vic) Pty Ltd	(2)	100%	Vic.
† Leighton Property Development Pty Ltd (formerly Leighton Properties Pty Ltd)		100%	N.S.W.
* Leighton Property Funds Management Limited		100%	A.C.T.
† Leighton Property Management Pty Ltd		100%	N.S.W.
Leighton Staff Shares Pty Ltd	(4)	100%	Vic.
Leighton Superannuation Pty Ltd	(4)	100%	N.S.W.
Leighton USA Holdings Inc		100%	U.S.A.
Leighton USA Finance Inc		100%	U.S.A.
Leighton USA Inc		100%	U.S.A.
† Mamasan Pty Ltd (In Liq)		100%	A.C.T.
† Moussewood Pty Ltd		100%	Qld.
† Multicon Engineering Pty Ltd		100%	N.S.W.
Multicon Holdings Pty Ltd (In Liq)		100%	N.S.W.
* Northcoast Motorway Pty Ltd		100%	N.S.W.
Northcrest Development Inc		100%	U.S.A.
Northland Maintenance Inc		100%	U.S.A.
Pacific Water Pty Ltd		100%	N.S.W.
Pluteus ACT (No 7) Pty Ltd (In Liq)		100%	A.C.T.
PT Thiess Contractors Indonesia		100%	Indonesia
Quantum Explosives Pty Ltd	(2)	100%	Qld.
Reef Networks Pty Ltd	(2)	100%	N.S.W.
† Ridgewood Development Pty Ltd		100%	Qld.
Speedrail Group Pty Ltd		100%	N.S.W.
St Kilda Road Trust		100%	N/A
Swanblaze Pty Ltd		100%	A.C.T.
† Technical Resources Pty Ltd		100%	N.S.W.
Thai-Leighton Ltd	(1)	39%	Thailand
Thiess Argentina SA		100%	Argentina
Thiess Carey Joint Venture		75%	N/A
Thiess Chile SA		100%	Chile
Thiess Contractors International Pty Ltd		100%	Qld.
Thiess Contractors (Malaysia) Sdn.Bhd.		100%	Malaysia
Thiess Contractors (NZ) Ltd		100%	New Zealand
Thiess Contractors (PNG) Ltd		100%	P.N.G.
Thiess Contractors Pty Ltd		100%	Qld.
Thiess Environmental Services Pty Ltd		100%	Qld.
Thiess Peru SA	(2)	100%	Peru
Thiess Investments Pty Ltd		100%	Qld.
Thiess Property Services Pty Ltd		100%	Qld.
Thiess Roche Lihir Joint Venture		65%	N/A
Thiess Venezeula SA	(2)	100%	Venezeula
Thiess Services Pty Ltd		100%	Vic.
† Visionstream Pty Ltd		100%	Qld.
† Yifta Pty Ltd		100%	A.C.T.
80 Pacific Highway Trust		100%	N/A
ACN 002 821 892 Pty Ltd (In Liq)		100%	N.S.W.

(1) Entities controlled under shareholder agreements

(2) Incorporated in 1999 year

(3) Entities acquired in 1999 year

(4) Trustee Company

† These companies (Leighton Holdings Limited (LHL) Class Order Companies) have the benefit of an ASIC Class Order 98/1418.

* These companies are parties to the Deed of Cross Guarantee but do not have the benefit of ASIC Class Order 98/1418 at 30 June 1999 as they are small proprietary companies.

39 Leighton Holdings Limited and Controlled Entities (continued)

Acquisition of Controlled Entities and Businesses

Name	Date Acquired	Proportion Acquired
Garretts Waste Business (including Garretts Waste Management Pty Ltd and Australian Waste Machinery Pty Ltd)	1 December 1998	100%

Disposal of Controlled Entities and Businesses

Nil

Liquidation of Controlled Entities

Citysky Ltd
Leighton Asia Management Services Co. Ltd
Leighton Contractors (Philippines) Ltd
Technical Resources Asia Ltd

Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 dated 13 August 1998, relief was granted to the LHL Class Order Companies from the Corporations Law requirements for preparation, audit and publication of financial statements. As a condition of the Class Order the Company and each of the LHL Class Order Companies are party to a Deed of Cross Guarantee dated 9 June 1994. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt of a LHL Class Order Company in the event of its winding up under certain provisions of the Corporations Law. If a winding up occurs under other provisions of the Law, the Company will only be liable in the event that after six months any creditor has not been paid in full. The LHL Class Order Companies have also given similar guarantees in the event that the Company or other LHL Class Order Companies party to the Deed of Cross Guarantee are wound up.

Leighton Admin Services Pty Limited, Leighton Contractors Pty Limited, Leighton Equipment Leasing Pty Limited, Leighton Funds Management Pty Limited, Leighton Motorway Investments Pty Limited, Leighton Properties Pty Limited, Leighton Properties (Vic) Pty Limited, Leighton Properties Funds Management Limited, Northcoast Motorway Pty Limited and Visionstream Pty Limited became parties to the Deed on 15 June 1999 by virtue of a Deed of Assumption approved by the ASIC.

Burton Properties Pty Limited and Multicon Holdings Pty Limited have been released from their obligations under the Deed by executing Revocation Deeds dated 15 June 1999 which have been lodged with the ASIC.

A consolidated profit and loss statement and consolidated balance sheet, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 1999 is set out below:

Profit and Loss Statement	1999 \$000
Operating Profit before Income Tax	78,948
Income Tax (Expense) Attributable to Operating Profit	(19,286)
Operating Profit after Income Tax	59,662
Retained Profits at the Beginning of the Financial Year	155,872
Dividends provided for or paid	(78,511)
Aggregate of Amounts Transferred (to)/from Reserves	569
Retained Profits at the End of the Financial Year	137,592

39	Leighton Holdings Limited and Controlled Entities (continued)	1999
		\$'000
	Balance Sheet	
	Current Assets	
	Cash	26,911
	Receivables	139,447
	Inventories	46,911
	Other	8,144
	Total Current Assets	221,413
	Non-Current Assets	
	Receivables	36,186
	Investments	724,148
	Inventories	14,372
	Property, Plant and Equipment	108,165
	Other	59,471
	Total Non-Current Assets	942,342
	Total Assets	1,163,755
	Current Liabilities	
	Accounts Payable	183,715
	Borrowings	19,131
	Provisions	73,281
	Total Current Liabilities	276,127
	Non-Current Liabilities	
	Accounts Payable	209,477
	Borrowings	72,951
	Provisions	89,553
	Total Non-Current Liabilities	371,981
	Total Liabilities	648,108
	Net Assets	515,647
	Shareholders' Equity	
	Share Capital	361,884
	Reserves	16,171
	Retained Profits	137,592
	Total Shareholders' Equity	515,647

Related Party Information**Directors**

40 The Directors who held office as Directors of Leighton Holdings Limited during the year ended 30 June 1999 were:

Morrish Alexander Besley, AO
Wallace MacArthur King, AM
Dieter Siegfried Adamsas
Geoffrey John Ashton
Keith Leslie Bennett (retired 28 August 1998)
Achim Drescher
Ian Rutledge Johnson
Hans-Peter Keitel
David Allen Mortimer
Busso Peus
David Paul Robinson
Rodney Malcolm Wylie, OBE

	Consolidated		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Note				

40 Related Party Information (continued)

Directors' Transactions

During the year dividends were paid to Directors on their shareholdings on the same basis as other shareholders.

M.A. Besley is Chairman of the Commonwealth Bank. This bank provides banking services and facilities on normal commercial terms to the Consolidated Entity.

G.J. Ashton is a director of Evans Deakins Industries Limited and the NSW State Transit Authority. A. Drescher is a director of Columbus Line Australia Pty Limited and Otto Plastics Pty Limited. D.A. Mortimer is a director of Ci Technologies Group Limited, Petsec Energy Limited, FH Faulding and Co Limited and Adsteam Marine Limited. R.M. Wylie is a director of AMP Limited. A.C. Hardy, a director of a controlled entity, is a director of the Frankpile Group. E.F. Finger, a director of a controlled entity is a director of Queensland Motorways Ltd. M.E. Tugade, a director of a controlled entity is a director of Asia Contractors Holdings Inc. These companies may provide or receive from time to time on normal commercial terms general construction materials and services.

D.P. Robinson is a partner in the firm of chartered accountants Harveys which receives fees from Hochtief Limited for services provided to that company which is a related party.

Financial advice has been provided to certain members of the Consolidated Entity on normal commercial terms and conditions by a company, a director of which is a director related entity of R.M. Wylie, a director of the Company.

I.R. Johnson, a director of the Company, A.C. Hardy and R. Kelly, directors of controlled entities, provided engineering advice and consulting services to certain members of the Consolidated Entity on normal commercial terms and conditions.

Legal and consulting services were provided to members of the Consolidated Entity on normal commercial terms and conditions by firms in which M.L. Bomchil, G.A. De Jesus, P.P. Gutierrez, G.J. Lay and M. Vazquez, who are directors of controlled entities, are partners.

Engineering advice has been provided to certain members of the Consolidated Entity on normal commercial terms and conditions by firms, a partner of which is a director related entity of P. Bingham-Hall, a director of a controlled entity.

D. Clark, a director of a controlled entity, provided property services on normal commercial terms and conditions to a member of the Consolidated Entity.

During the year Directors or director related entities of Leighton Holdings Limited acquired and disposed of shares on the open market. The aggregate details of those transactions were Nil (1998 - 31,920) shares acquired and Nil (1998 - Nil) shares sold. During the year Hochtief Limited acquired 360,000 (1998 - 6,024,572) shares giving a shareholding at year end of 122,992,016 (1998 - 122,632,016) shares. H.P. Keitel, B. Peus and D.P. Robinson were directors of Hochtief Limited during the year.

Directors' holdings of shares and share options

The interest of Directors of the Company in shares and share options of the Company at balance date are set out below:

	1999 No. held	1998 No. held
Ordinary shares	195,552	195,552
Options over ordinary shares	400,000	400,000

Transactions with Related Parties

The Consolidated Entity has interests in a number of partnerships and trading trusts which are included in other related parties shown below.

Transactions with related parties are made on normal commercial terms and conditions and the aggregate of the related party transactions was not material in the overall operations of the Consolidated Entity.

Amounts Receivable from and Payable to Related Parties

Aggregate amounts receivable at balance date from

Directors of the Company and Controlled Entities:

– Current	–	20	–	8
– Non-current	882	382	882	382
Other related parties:				
Associates - current	197	463	–	–
Partnerships - current	33,855	27,989	–	–
Aggregate amounts payable at balance date to other related parties:				
Partnerships - current	4,974	1,720	–	–
Associates - current	496	–	–	–

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Cash Flow Information**Reconciliation of Cash Balances**

For the purposes of the Statements of Cash Flows, cash includes cash on hand, at bank and short term deposits at call, net of outstanding overdrafts. Cash as at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the balance sheet as follows:

	Consolidated		Company		
	Note	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Cash at bank and on hand		29,149	14,411	76,176	63,891
Interest bearing deposits#		335,113	353,957	1,231	492
Bank overdraft		(558)	—	—	—
		363,704	368,368	77,407	64,383

#Includes \$42,585 (1998: Nil) held in trust as required by the Casino Control Authority.

Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities

Operating profit after income tax		131,394	110,167	82,503	102,565
Add (less) non-cash items					
Depreciation		204,292	237,151	970	888
Amortisation of goodwill		3,037	8,295	—	—
Amounts set aside to provisions		82,687	71,393	240	7,244
Abnormal writedowns		—	16,549	—	—
Other writedowns		—	250	—	—
Foreign currency (gains)/losses		—	—	(8,589)	23,243
Income tax payable		(17,197)	(24,950)	5,731	(28,478)
(Gain)/loss on sales of non-current assets		(9,407)	(13,314)	(4,874)	(1)
Partnership results		(14,434)	(10,254)	—	—
Intercompany transactions		—	—	(18,205)	(11,158)
Bad debts written off		—	13,181	—	—
Net cash provided by operating activities before changes in assets and liabilities		380,372	408,468	57,776	94,303
Net changes in assets/liabilities					
(Increase)/decrease in prepayments		(4,982)	358	—	—
(Increase)/decrease in other receivables		(2,313)	10,497	6,069	3,062
(Decrease)/increase in trade creditors		70,057	2,078	(11,958)	2,014
(Decrease)/increase in other creditors		(11,020)	(21,824)	14	(512)
(Decrease)/increase in provisions		(73,403)	(51,559)	(3,172)	(231)
Proceeds of sales of development properties		17,188	4,891	—	—
(Other net movement) in development properties		(39,535)	(10,252)	—	—
(Increase)/decrease in trade debtors		(36,300)	(79,318)	—	—
		(80,308)	(145,129)	(9,047)	4,333
Net cash provided by operating activities		300,064	263,339	48,729	98,636

Details of Credit Facilities

The Consolidated Entity has a total of \$269 million (1998 - \$295 million) committed facilities of which \$176 million (1998 - \$176 million) were undrawn as at 30 June 1999. These facilities include a Private Unsecured Loan Placement in the USA of \$US59 million (1998 - \$US70 million). These facilities have maturity dates up to May 2004.

Fair Value of Assets of Controlled Entities and Businesses Acquired

Cash consideration		6,150	—	—	—
Property, Plant and Equipment		3,013	—	—	—
Other assets		100	—	—	—
Net Assets Acquired		3,113	—	—	—
Goodwill on acquisition		3,037	—	—	—

42 Events Subsequent to Balance Date

Since 30 June 1999, certain controlled entities have completed the following acquisitions:

- (i) 100% of the issued share capital of Hunter Valley Earthmoving Co. Pty Ltd.
- (ii) The business and assets of an explosives manufacturer, Total Energy Systems.
- (iii) 11.6 million shares in Portman Mining Limited.
- (iv) 2.5 million convertible redeemable preference shares in Tanganyika Gold NL.

The total cost of the above acquisitions was \$53 million. The financial effects of these transactions have not been brought to account in the financial statements for the year ended 30 June 1999.

Directors Declaration on the Financial Statements set out on pages 1 to 28

1. In the opinion of the Directors of Leighton Holdings Limited:

(a) The financial statements and notes are in accordance with the Corporations Law, including:

(i) giving a true and fair view of the financial position of the Company and Consolidated Entity as at 30 June 1999 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the subsidiaries identified in Note 39 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.

Dated at Sydney this 3rd day of September, 1999.

Signed in accordance with a resolution of Directors:



M A Besley AO
Chairman



W M King AM
Chief Executive Officer

Independent Auditors' Report to the Members of Leighton Holdings Limited Scope

We have audited the financial report of Leighton Holdings Limited for the financial year ended 30 June 1999, consisting of the profit and loss statements, balance sheets, statements of cash flows, accompanying notes, and the Directors' Declaration set out on pages 1 to 29. The financial report includes the consolidated financial statements of the Consolidated Entity, comprising the Company and the entities it controlled at the year end or from time to time during the financial year. The Company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position and performance as represented by the results of their operations and their cashflows.

The audit opinion expressed in this report has been formed on the abovebasis.

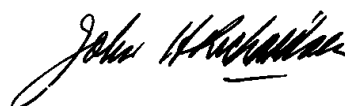
Audit Opinion

In our opinion, the financial report of Leighton Holdings Limited is in accordance with:

- (a) the Corporations Law, including:
- (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 1999 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



KPMG
Chartered Accountants



John H Richardson
Partner
Dated at Sydney this 3rd day of September, 1999.