

32/33

Review of Operating Company Activity

Operating





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Satui coal mine
Indonesia



Multi-purpose Venue stadium
Melbourne, Victoria

Mortlake rehabilitation
New South Wales



Infrastructure maintenance for Bayside
Trains and Swanston Trams
Melbourne, Victoria

Kwinana Freeway interchanges and
extension
Perth, Western Australia



"We are committed to a whole-of-business, triple bottom line approach that delivers integrated engineering solutions."

Martin Albrecht Managing Director



Board

R M Wylie OBE Chairman
M C Albrecht Managing Director
D S Adams, D J Argent, E F F Finger AO,
R J Flew, A C Hardy, Hon R J Kelly, W M King AM, R S Trundle
Associate Directors
B J Campain, N N Jukes, D K Saxelby, D G Stewart
Secretary
D J Argent

Senior Executives

M C Albrecht Managing Director (retires 30th October 2000)
R S Trundle Managing Director (elect)
D J Argent Director, Finance & Administration
B J Campain Associate Director, General Manager, Thiess Services
N N Jukes Associate Director, Executive General Manager, Operations
D K Saxelby Associate Director, General Manager, NSW/ACT
D G Stewart Associate Director, General Manager, International
D E Bettess General Manager Quantum Explosives
N G Bowra Manager, Process Engineering
E P Buratto General Manager, WA
D A Clark General Manager, Vic/Tas/SA/NZ
M L Fox General Manager, Qld/NT/Pacific
I H Irwin Group Manager, Human Resources
B H Kenny Group Plant Manager
R F McTavish Area Manager, South America
B A Munro President Director, Indonesia
I D Wade Group Manager, Information Systems
R H Wilson General Manager, Development & Technical Services

Overview

The record level of capital investment in new business opportunities and plant, creates a solid platform to sustain our growth. Improved profit and an all time record level of work in hand endorses our commitment to being an integrated service provider of first choice. Our focus is on 'whole-of-business' solutions, making the fullest use of our unique capabilities to produce superior value and outcomes for clients.

Our dedication to servicing repeat business clients culminated in the award of our largest-ever contract in Indonesia and our first contract in South America with BHP. In the future, Thiess will be less defined by geographical boundaries in order to support clients like BHP in their need for our services to be delivered across various regions.

We aim to source over 30% of our work from overseas markets. We recognise that both in Australia and internationally, clients are seeking contractors who are able to offer a wide range of integrated services, with a greater acceptance of risk in delivery. Our ability to drive life-cycle efficiency gains with our asset management and facilities maintenance services gives us a continuing work stream, and the opportunity to add substantially greater value than previously possible.

The year in review

The award of an \$800 million coal mining contract at BHP's Senakin and Satui mines in Indonesia was our largest ever, and a major milestone. This contract for integrated service delivery, ranging from mine planning to product loadout, epitomises our 'whole-of-business' approach. This project also commits Thiess to a wider and deeper corporate social responsibility at a time when we seek a new balance between business, government and society in a rapidly changing global environment.

Our first South American contract was also secured with long-standing client BHP, this time in Peru. With three small contracts at their Tintaya Mine we are now positioned to participate in BHP's planned expansion.

In New South Wales, the recently acquired Hunter Valley Earthmoving business contributed positively to the Business Unit's overall strength. Ansett's Sydney Terminal Redevelopment was successfully completed for a very long-standing business partner, and good progress was made at the Royal Prince Alfred Hospital.

Our Environmental Services business is rapidly transforming into a multi-utilities service business and continues to grow. Securing the Rochedale contract in Brisbane was a major milestone giving us a strong regional position as a fully-integrated waste management service provider. Our utilities business expanded in Melbourne with the award of the Multinet gas maintenance contract and a five-year extension to the existing South East Water contract.

Telecommunications is the fastest growing market sector. Thiess' acquisition of a 50% stake in Silcar, a joint venture with Siemens, is a significant strategic expansion in the range of our process engineering services. Silcar recently secured Telstra's \$500 million National Telepower contract for the design, construction and maintenance of power supply to 36,000 installations.

The recently awarded rail maintenance works in Victoria was an equally significant contract. The value of this contract could be up to \$1 billion in work over 12 years. We also completed Melbourne's new Multi-purpose Venue at Flinders Park.

Overall performance of the Queensland/NT/Pacific Business Unit, led by Managing Director elect Roger Trundle, was outstanding with all disciplines contributing to an all time record year.

In Western Australia we commenced the \$128 million Kwinana Freeway extensions and that Business Unit is now well positioned to take advantage of major infrastructure projects in the coming year.

Occupational health and safety remains integral to the Thiess culture. This year's challenge was to maintain continuous improvement while absorbing large numbers of employees and subcontractors from new business acquisitions, ensuring they quickly embrace the high safety standards which are core to our business.

Our strategic five-year alliance with the University of Queensland has extended with the development of a successful work experience program for undergraduate mining and minerals processing students. We plan to expand the alliance in the year ahead.

Management changes

With my retirement pending late this calendar year, succession planning and management development has been high on the agenda. I am pleased to confirm that Roger Trundle has been appointed as my successor. His wealth of over 20 years experience, and support throughout the company, auger well for him to lead Thiess and build on our remarkable history.

As a result of this change, and the growth in our business, we have made a number of senior management appointments both here and overseas to maintain the strength of the management team.

Outlook

Thiess' customers have global interests and our international presence enables us to support their growth plans. Our technology, equipment and process-engineering partners similarly have international interests and accordingly, globalisation is a profound factor for our future.

The business is strong and healthy, with exceptionally dedicated staff and resources with an absolute customer focus. Thiess is focused like never before on sustaining growth into the future with the real seeds for future growth lying in the use of the Group's strong balance sheet and strategic equity investments.

There are some exciting possibilities ahead in the resources area. We see further opportunities in coal mining in both Queensland and New South Wales and will look at further investment possibilities in Indonesia.

Thiess will continue to supply clients with integrated services and solutions. We have a solid platform to build on and the focus and energy to drive forward.

36/37

Leighton Contractors

Eastern Distributor maintenance and operation
Sydney, New South Wales



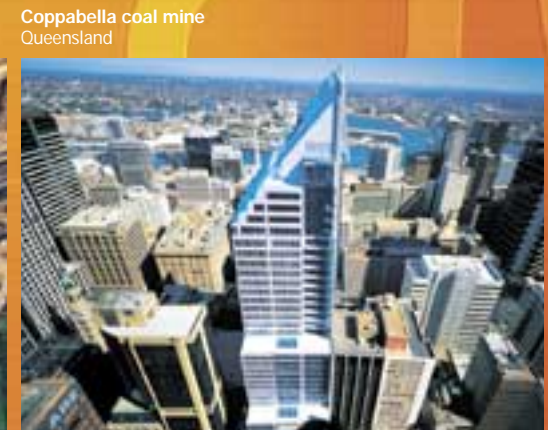
Optus Mobile Digital Network
New South Wales



Geelong freeway
Victoria



Angel Place
Sydney, New South Wales



Coppabella coal mine
Queensland



"Our strength in transport infrastructure and telecommunications is aligned to a number of exciting opportunities."

Bob Merkenhof Managing Director



Board

W M King AM Chairman
R J Merkenhof Managing Director
D S Adamsas, C H Clark, J J Dunkley, R G Gussey, R L Hawkins,
I M Luck, R F Morris, R P Turchini, L W Voyer,
Secretaries C H Clark, K J Steen

Senior Executives

R J Merkenhof Managing Director
J J Dunkley General Manager, WA
I M Luck General Manager, Vic, SA & Tas
R P Turchini General Manager, NSW & ACT
L W Voyer General Manager, Old & NT
B A Bowman Manager, Information Systems
D R Boyling National Plant Manager
C H Clark National Manager, Financial Services
R G Collins Manager, Contractual Services
M G Delaney Manager, Central Engineering Services
R L Hawkins National Manager, Development
J D McNab National Estimating Manager
R F Morris General Manager, Land Transport
K J Steen National Administration Manager
J T Walsh Manager, Employee Relations and Environment
D E Wilson General Manager, Engineering

Vytel Pty Limited

P R Cooper Managing Director
B T J de Boer Operations Director
D Phizacklea Commercial Manager
B M Faulks Business Development Director

Overview

Leighton Contractors put in a solid year's performance, with revenue of \$883 million and work in hand up by 15% from the previous year.

The company spent much of the last two years finalising the delivery of significant building and infrastructure projects. During that time, it also began analysing its business in anticipation of the downturn in the Australian construction industry. This review culminated in a strategic restructure of the business and the introduction of a number of key initiatives.

The company's rapidly expanding telecommunications capability has been consolidated with the formation of Vytel Pty Ltd. Vytel, a focused telecommunications company, will co-ordinate the activities of Visionstream and LSE Technology – a recently acquired specialist wireless and microwave radio contractor. Vytel will also manage our investments in Reef Networks and Nextgen, and our off-shore joint-venture activity with Leighton Asia.

Emphasis is also being placed on industries with strategic fit, such as oil and gas, defence and process engineering. Central functions and support across the commercial and financial, engineering, HR and business development areas have been rationalised.

Safety performance continues to improve and we are compiling our own data to complement available insurance and industry data to drive our continual improvement program to the highest standards.

Victoria was very strong on the back of our Geelong freeway contracts. New South Wales performed well, with the undoubted highlight being the delivery of the Eastern Distributor eight months ahead of schedule. Queensland significantly increased its workload, particularly in transport infrastructure and looks forward

to a number of prospects in oil and gas. West Australia, however, had a difficult year, with modest levels of civil engineering and infrastructure work.

The year in review

In December, Reef Networks and our long-term client Cable and Wireless Optus jointly commenced a privatised \$80 million, 1,820 km Brisbane to Cairns fibre-optic cable. The Reef project is being constructed and maintained by Visionstream, with equity being funded by Leighton Contractors and ABN Amro who are also underwriting the long-term finance.

LSE was acquired during the year to expand our skills into wireless and microwave radio technology. The acquisition broadens our expertise within telecommunications and is fundamental to the company's long-term strategy to maximise opportunities in this hi-tech, growth industry.

Engineering infrastructure activity focused on the delivery of major road projects. Scheduled for completion before the Sydney Olympics, the December 1999 opening of the Eastern Distributor was an outstanding achievement. Its staged completion saw the last William Street ramps open in July 2000. We are contracted to carry out the operations and maintenance of the tollroad. This 48-year contract concludes in 2047.

In Queensland, the \$130 million contract to construct a section of the Pacific Motorway was completed ahead of schedule and we secured a two-year, \$205 million contract for construction of Brisbane's Inner City Bypass. The successful environmental management and community consultation undertaken on Sydney's Eastern Distributor and Perth's Narrows Bridge was a significant factor in the award of the Inner City Bypass.

In Victoria, we were awarded a \$116 million contract for two sections of the Melbourne-Geelong freeway upgrade.

Work continues at the Yarrie Nimingarra iron-ore mine in Western Australia for BHP and has assisted our diversification into the coal-mining sector, with the award of a \$43 million contract at Coppabella coal mine, some 125km south-west of Mackay in Queensland.

In building, new management contracts in Sydney include the \$95 million St Vincents Hospital upgrade and the construction and fit-out of a \$109 million new building for the Australian Broadcasting Corporation. A \$70 million contract to manage the upgrade of the Royal Australian Air Force's Townsville base represents a strategic return for us to defence industry contracting.

Future outlook

Despite the current construction downturn, we forecast a better year ahead as we capitalise on some excellent emerging opportunities where we can add substantial value and focus on fostering client relationships.

Vytel's expanding telecommunications capabilities and industry relationships should enable it to take advantage of further infrastructure developments and technological change. Numerous opportunities exist in this sector as new carriers enter the market and new technologies are developed.

We see opportunities in New South Wales for transport projects such as the Cross City Tunnel, the Parramatta-Chatswood rail link, and further ahead, the Lane Cove tunnel and Western Orbital.

There are a significant number of resource projects due to come on stream in the near future, particularly in Western Australia where there are promising signs of activity in the oil, gas and iron ore sectors.

As government discussions and feasibility studies progress, the Leighton Contractors-ALSTOM consortium remain the preferred developer for the \$4.8 billion Speedrail project, the high speed train link between Sydney and Canberra. Prospects are promising for this massive project, where our size, experience and ability to deliver major infrastructure is an advantage.

38/39 Leighton Asia

Tin Shui Wai housing development
Hong Kong
Aqueducts, Tai Po to Butterfly Valley
Hong Kong



Tseung Kwan O railway station and tunnels
Hong Kong

Sebuku coal mine
Indonesia



Teachers' Housing project
Malaysia



"In our 25th year in Asia, our record level of work across different industries and countries promises sustainable future growth."

John Faulkner Managing Director



Board

N K Chan Chairman
J Faulkner Managing Director
Dr H M Bastlein, D C Bray, R F Grosvenor, W K Hamilton,
A L Jacobs, W M King AM, P J McMorro, Dr K Rönnerberg
Secretary M Wong

Senior Executives

J Faulkner Managing Director
A L Jacobs Director, Finance & Administration
D Petridge Group Commercial Manager
M Wong Group Financial Controller
M Chan Personnel Manager
C I Gordon Corporate Communications Manager
B Cunningham Business Development Director, Australia/Asia

Hong Kong, China, Philippines

P J McMorro Director & General Manager
J Dujmovic Executive Director, Civil Engineering
R F Grosvenor Executive Director, Hong Kong Building & China
M J Plummer Executive Director, Major Projects
S Chau Executive Director, Special Works
P F Gomm Country Manager, Philippines
J F Nash Executive Director, Engineering and Estimating
P G Pollard Financial Controller
B R Gillon Manager, Petrochemical & Process Engineering
R R Sowter Business Development Manager, China
I Lam Manager, Safety

Thailand and Indochina

W K Hamilton Director & General Manager
P E Gibney Finance & Administration Manager
J P Leslie Construction Manager, Civil
S Despotidis Business Development Manager
L Thornton Estimating Manager
G Francis Country Manager, Vietnam

South-East Asian Region

D Savage Director & General Manager
J S Holland Corporate Manager, Finance & Administration
C O Aspinall Area Manager, East Malaysia & Brunei
K G Plumble Projects Director
R W Glover Commercial Manager
M J Cuel Estimating Manager
E O Wardle Operation Manager, Malaysia & Singapore
T McGuire Quality & Safety Manager

PT John Holland Constructions Indonesia

R D Hodgson President Director
Tjoeng Hing Kok Director and Business Development Manager
J Russell Finance & Administration Manager
J McBreen Operation Manager, Mining
R F Logan Commercial Manager

Overview

In an excellent year our revenue climbed to record levels, up some 26% from 1998/99, while work in hand stands at \$1.2 billion, a record for year end. This new level of work across various countries and markets promises to deliver sustainable future growth.

Our success is due in part to the market's appreciation of our stability and resilience through Asia's economic crisis, when many competitors scaled back their operations. This year was Leighton Asia's 25th anniversary and record levels of work and revenue are a testament to our long-term commitment to the region. We have won some exciting new contracts, expanded our geographic presence and entered new market sectors, taking the company to new levels of activity.

During the year we selectively purchased some of John Holland Asia's businesses. The projects involved have launched us into rail rehabilitation in Thailand and re-established our regional presence in contract mining.

The year in summary

Hong Kong again contributed the bulk of our profit, with Malaysia the outstanding performer in winning new work. Malaysia now has the largest current workload of all our divisions. Most prominent of Malaysia's new work is the project to build 10,000 apartments for teachers' accommodation across the country.

The other significant Malaysian win this year has been a series of civil and building contracts associated with a new 2,500 MW power station at Manjung, in the State of Perak.

In Hong Kong work continues to be driven by government or quasi-government bodies. We finished two major housing developments during the year, the \$140 million development at Fanling and the \$224 million Tsz Oi project in Kowloon. Work is progressing well on the \$176 million Tin Shui Wai development in the New Territories.

Our rail track laying and station construction projects in Hong Kong are progressing well and will continue to run through to 2002.

Work levels in Thailand have been boosted by the acquisition of John Holland's share of a joint-venture rail track rehabilitation project with a local Thai company for the State Railway of Thailand. We now have a strong presence in rail infrastructure in that country and are well placed to compete for further rail opportunities.

In the Philippines, the \$98 million Rockwell retail centre in Manila will be completed at the end of 2000. This project is setting new standards in quality and safety in the Philippines. We also successfully completed a petroleum and LPG handling jetty at Bataan for Total.

We now have two new Indonesian contract mining projects as a result of our acquisition of PT John Holland Constructions Indonesia. We will continue to operate as John Holland in Indonesia where that company has a 25-year history and a solid reputation.

Our strong environmental and health and safety orientation continues to enhance our reputation across Asia. The Rockwell retail centre reached six million man-hours without a lost time accident – an all-time record. We continue to maintain our ISO14001 environmental certification for Hong Kong and are the first construction company to achieve this rating in the Philippines.

Outlook

Leighton Asia's performance this year has provided an excellent platform for future growth. We have won large, profitable projects and will start the coming year with record levels of work and several very good prospects.

We are observing increased economic activity in the region as countries continue to emerge from the 1997 financial crisis. Malaysia, the Philippines, Hong Kong and now Indonesia, should perform well for us this year.

Rail opportunities will be the key civil engineering focus in Hong Kong with tenders for the Kowloon-Canton Railway Corporation's East Rail extension expected to be awarded by the end of the financial year.

On the back of the SRT rail contract, Thailand will have a good year and we continue to seek opportunities in that country's rail sector.

In Malaysia our prime focus is on profitably undertaking our current workload and closely monitoring our performance following a significant increase in new work which will now carry us forward for several years.

In the Philippines, we are the preferred contractor on the Tagaloan power station and we await the finalisation of the client's power purchase agreement with the Government. We anticipate the client's funding for the North Luzon Expressway will be in place by year end.

Capital expenditure continues to remain at low levels, however further expansion into mining through John Holland may moderately increase our need for plant and equipment. We finalised the sale of our Hong Kong foundation engineering business during the year.

We are assessing new geographical regions and new disciplines and are reviewing opportunities to utilise HOCHTIEF's experience. We are also looking at penetrating Asia's telecommunications markets under a joint-venture arrangement with Vytel, a Leighton Contractors subsidiary. This arrangement will allow us to capitalise on the dot com economy by utilising Australian telecommunications experience.

Clients are increasingly searching for contractors who demonstrate a professional approach to all aspects of construction. Our stability, coupled with our extensive experience in the region and our ultimate focus on project delivery is providing us with an important competitive advantage.

Our primary focus in the next year will be to profitably handle the large volume of new work that we've secured.

40/41

John Holland

Vodafone base stations
Homebush Bay, New South Wales



Subiaco Oval redevelopment
Western Australia



Ryde Aquatic Leisure Centre
New South Wales



Malampaya CGS
Palawan, Philippines
Pacific Motorway
Yatala, Queensland



"The financial backing and support of the Leighton Group will allow John Holland to achieve its potential."

Bill Wild Managing Director



Board

J L Holmes à Court Chairman
W J Wild Managing Director
D A Adamsas, I R Johnson, D Karpin,
W M King AM, A Mairs
Secretary G W Coffey

Senior Executives

W J Wild Managing Director
R A Barton General Manager, Qld
R J Bennetto General Manager, Southern Region
V J Chudacek General Manager, Special Projects
G W Coffey General Manager, Commercial & Investment
D W Golightly General Manager, Regional & Corporate Services
S J Holden General Manager, NSW/ACT Region
J C Horsley General Manager, Administration & Accounting
R S Mickle General Manager, Western Region
D R Tasker General Manager, Rail

Overview

In February 2000, Leighton Holdings finalised the acquisition of a 70% interest in John Holland, from Janet Holmes à Court's private family company, Heytesbury. John Holland is one of Australia's oldest and most respected engineering contractors and it was identified as a complementary addition to the Group. It holds very strong positions in the defence, health, process engineering and rail maintenance sectors and is developing capabilities in telecommunications and maintenance and facilities management.

The acquisition has combined the reputation and skills of John Holland with the financial backing of Leighton, to enable what is fundamentally a strong business to achieve its potential.

In line with short-term expectations, John Holland delivered a break-even result for the six month period. A number of steps have been taken to reposition the company to leverage its reputation as a solid engineering specialist. These include the correction of the funding imbalance identified during the due diligence process, the introduction of proven Leighton Group financial and reporting systems, and strengthening of the existing management by the addition of several key personnel. Mitigating any destabilising effects of the acquisition, and maintaining the separate identity, culture and knowledge-base of the company, were of prime concern. However, the reaction to the ownership changes by both the John Holland staff and the market generally has been extremely positive. Janet Holmes à Court's continued role in the company has been particularly beneficial.

Over the past year the telecommunications sector has performed very well and its results have exceeded forecasts, as has rail maintenance. Building construction performed to expectations, while civil engineering was disappointing. Industrial and process engineering did not contribute in this financial year.

The year in review

The most significant project completed during the year was the \$210 million concrete gravity structure for the Shell Malampaya project in the Philippines. The completion of this major component of the Shell gas field development, three months ahead of the original completion date, will further enhance John Holland's reputation in the oil and gas and process engineering sectors.

In rail, the \$210 million Westrail Maintenance project was extended for an extra year and the Hillside Trains maintenance contract with ALSTOM was commenced. John Holland improved its penetration of the industry with the acquisition of the Mechanised Maintenance Group operations from the Victorian Public Transport Commission and the Australian railway maintenance business of the American Loram company.

The Asia Pacific Transport Consortium of which John Holland is a 20% shareholder was awarded preferred status for the construction of the \$1.4 billion Alice Springs to Darwin Railway Line. Award of this contract will provide a sizeable boost to the company.

Building activity was concentrated on health, defence and sporting facilities. In Queensland, work on the new \$124 million Townsville Hospital continued and in New South Wales the Allandale aged care facility in Cessnock was completed. Work commenced on the new Alice Springs hospital. As a number of projects for the Department of Defence in Darwin and at the Williamstown Airbase were completed, new defence work commenced at Williamstown and Amberley. The new grandstand at Subiaco Oval in Western Australia was completed as were the Aquatic Centres at Nunnawading in Victoria and Ryde in New South Wales.

John Holland's telecom business continued to expand, with significant additional work with Vodafone. Infratek Networks, the joint venture company John Holland has with ALSTOM and Sinclair, Knight Merz won several InterExchange Network contracts from Telstra and is well placed to win other contracts.

Our reputation for comprehensive engineering experience and long-term staff focused on client satisfaction, has resulted in a good record of repeat business. Integral to our approach is the high value we place on occupational health and safety, environment and quality. The company is widely recognised for its long-standing focus on safety issues.

At year end the John Holland-EDI-INVAP consortium won the contract to design and construct the replacement research reactor at Lucas Heights, in Sydney. Worth around \$85 million to John Holland, construction work will not commence until early 2002.

Outlook

Over the last 12 months, project wins have generally been modest, reflecting the company's previous inability to finance major projects. However, the current consolidation phase will lay the foundation for our near-to medium-term goal of improving prospects, revenue and the profit-base towards the levels set by Leighton Holdings. We expect to be profitable in 2001, confident that by focussing on profitability, and fine-tuning management processes and controls, we will enhance our performance.

Although the construction market has turned down and market pricing is tighter in some areas, the company is not significantly exposed in any one sector. Winning even a moderate amount of work in these traditional areas will complement our other growth opportunities and improve the business.

We have identified and penetrated telecommunications, rail and other maintenance sectors – markets with the potential to be strong businesses over the next decade.

While underperforming in recent years, John Holland is a strong business, with excellent people and a solid base of experience to build on. Our reputation and traditional expertise in process and heavy industrial engineering are bolstered by the strength of the Leighton Group. By leveraging our collective strengths we aim to regain a pre-eminent position in the Australian market place.

42/43

Leighton Properties

Mulgrave redevelopment
Victoria



80 Pacific Highway
North Sydney, New South Wales



"Carefully selected commercial and industrial developments continue to provide good opportunities going forward."

Vyriil Vella Managing Director



Board

V A Vella Managing Director & Chairman
D S Adamsas, A W Beck, R H Borger, B W Clark,
J C Elvy, M C Gray, W M King AM, D P Robinson
Secretary B W Clark

Senior Executives

V A Vella Managing Director
J C Barrett Manager, Corporate Services
R H Borger Manager, Queensland
B W Clark Commercial Manager
M C Gray Manager, New South Wales
A W Beck Manager, Victoria

Overview

Whilst Leighton Properties did not reach its target for the year it recorded an improved performance, with an increased profit and comparable sales and development income over the previous year.

The investment property market has become uncertain over recent months with many factors including the introduction of GST, volatile equity markets and uncertainty of interest rate movements influencing major property investors.

Whilst these market conditions have slowed down prospects on the sale of our property at 80 Pacific Highway, North Sydney, we anticipate that a sale will be completed later in the year.

The tenancy and commercial leasing market was exceptionally strong in comparison with the preceding year. Commercial and industrial markets remain relatively buoyant across the cities of our focus. Sydney shows the highest activity levels, following by Melbourne and Brisbane respectively.

Maintaining the existing level of development activity is currently our main focus as we identify and follow through on a number of opportunities. Geographically, Queensland and Victoria performed well but New South Wales was below expectations.

The year in review

The 80 Pacific Highway office development, is fully leased. US software company Siebel Systems signed up as a tenant for two floors and leading internet networking equipment and network management supplier, Cisco Systems, is leasing the balance of the commercial component of the building. There are only minor retail spaces outstanding in the development.

Our business requires us to carry significant investment in properties on our balance sheet and at the close of this financial year we hold some \$191 million. This is at a level which is within our constraints and which is forecast to significantly reduce with the anticipated sale of 80 Pacific Highway, North Sydney.

During the year we took a one-third investment stake in the high profile Macarthur Chambers project in Brisbane's CBD. The first stage of this \$93 million development will include apartments, a carpark and retail precinct. We are close to securing a retail anchor tenant before commencing construction.

Brisbane's leasing market has been relatively strong and we anticipate that construction of the second-stage office tower will commence in mid 2001. The development will be a Brisbane CBD landmark with an estimated final value of between \$180 and \$200 million.

Our presence in the Melbourne industrial market was expanded through the acquisition of an existing office complex occupied by Comalco Research Laboratories in Thomastown. Comalco leased back their premises for ten years, and this component of the site was sold in early July 2000. The remainder of the site will be developed as pre-commitments are negotiated.

We have also secured Hitachi as a new tenant at our Mulgrave location following development work and the leasing of some of the existing buildings. This major complex is now a top-quality location suitable for e-commerce, technology-oriented companies and when fully developed will have a value in excess of \$70 million.

A development application is now on public exhibition for the \$180 million Noosa resort and leisure development being progressed in a 50/50 joint venture with Ariadne. It is anticipated that this development should proceed in the first half of 2001.

Financial institutions are increasingly seeking development partners to take on development risk. We have strengthened relationships with several major institutions where we seek to assume the development on large-scale projects.

Our 383 Kent Street development in Sydney for property owner Diversified Property Trust should commence construction in October 2000. We are finalising a 25% level of leasing pre-commitment. This \$100 million office project involves redevelopment of the lower level carpark before construction of the office tower.

Outlook

We believe that the commercial and industrial markets still have further expansion in this cycle. We anticipate that both of these targeted markets will continue to present good opportunities over the next few years.

In the industrial sector, our expansion in Melbourne will continue steadily, whilst we are looking at some good opportunities in Brisbane.

Our main challenge in pursuing an enhanced profit result is to convert new opportunities in the relatively strong commercial development markets of Sydney, Melbourne and Brisbane. There are also some commercial opportunities in North Sydney, where we enjoy a good presence.

Our growth strategy is founded on fostering existing relationships with joint venture partners such as Ariadne in Queensland, where that company has strong local knowledge and relationships. We plan to sell our 80 Pacific Highway, North Sydney development and, in due course, our industrial property at Thomastown in Melbourne.

44/45

Technical Resources



"We continue to develop and apply our specialist skills to add value and enable the Group to deliver quality services."

Iain Scoular Manager



Senior Executives

I A Scoular Manager
G R Andrews Manager, Technical Computer Systems
J M Clark Engineering Adviser
M K McAuley Manager, Communications
N A Sallustio Manager, Engineering
E M Ferguson Senior Analyst Programmer
J M Malouf Group Information Manager
J R Randall Corporate Design Manager
P B Williams Project Review Manager

Overview

As the Group's specialist in-house company, Technical Resources had an active and successful year. Maintaining a focus on its core disciplines – project services, technical computing systems, communications and engineering – the company also extended its depth of expertise in these areas.

This strategic consolidation has been undertaken in parallel with the Group's steady expansion over the year and allows us to continue to provide the Group with the type and depth of service necessary to maintain competitive edge.

Technical Resources conducted a number of detailed project reviews in Australia and Asia throughout the year. These reviews require specialist experience in project management and project delivery and are part of our risk-management programme aimed at establishing or improving the level and quality of project delivery and reporting.

Our continuing role in researching and developing the very best in Information Technology (IT) helps to ensure that the Group is well placed to capitalise on the latest developments in this sector. We play a key role in Leighton Holdings' IT Issues Group and have further developed the standard-setting computer aided tendering system, CATS, over the year.

Communications activity is increasingly focused on developing expertise in web-based information systems through its work on Internet and intranet products. The demand for skill in sourcing and creating content for these systems is a factor driving this section's development.

Involvement in major projects

We played a vital role during Leighton Holdings' acquisition of John Holland in late 1999, mobilising an experienced project management team to undertake

due diligence reviews of current and recently-completed projects. The objective was to identify and understand issues that may have impacted on the transaction.

Project reviews confirm the operating company's confidence in a project's execution, management and progress, as well as providing pointers to warning signs which enable early remedial action to be taken.

Ongoing research into safety management, and the development of concepts and procedures for its improvement, has been a strong focus. We initiated a number of research projects including a comprehensive study on the location and management of buried services – such as electrical cables and high-pressure gas mains – for Leighton Contractors. The guidelines and recommendations were widely distributed using the company's intranet.

Participation in regular Project Review Groups (PRG) on significant projects is a valuable contribution to Group performance. Developing strong working relationships with project staff, ensuring that effective communications procedures are in place, and that appropriate planning and controls exist, are vital parts of the PRG process.

The development of industry-specific IT software and strategies continues to be high on our agenda. CATS, the new Windows-based version of the computer aided tendering system, is now in the process of being rolled-out. CATS is a radically enhanced version of the original system developed and managed by Technical Resources since 1983. Its ongoing development demonstrates our commitment to furthering the Group's use of tailored, industry-specific technology, ensuring performance is improved and market leadership is maintained.

Communications activities are a significant part of our business. Strengthening our reputation as a specialist communications provider, we established a corporate writing section which is closely tied to our increasing emphasis on knowledge capture, and knowledge and content management.

The self-published commemorative book, *Leighton: 50 years of achievement 1949-1999* provided an opportunity for the section to demonstrate its proven ability to develop and deliver large-scale communications projects. Other projects undertaken during the year included working closely with Leighton Contractors to develop a comprehensive community relations management plan for their Inner City Bypass project in Brisbane.

As the Group continues to grow, establishment of our own website was a symbolic and necessary step toward strengthening our profile and highlighting our range of services to our clients. The website is also planned to provide access to our extranet project sites. Currently in development, these virtual project sites will provide a central information exchange point between ourselves and our clients with access restricted to team members.

During the year we continued to provide general corporate governance support and services to the Group and conducted a detailed review for Leighton Asia on its IT and information management status and future requirements.

Outlook

We anticipate another busy year, in part due to the continued growth of the Leighton Group, and the need for project management, content management, knowledge management and IT expertise. We will be looking to further our activity in these sectors in the year ahead.

We will be expanding training and skills development in Australia and Asia and be promoting the value of further involvement in sponsored research.

In the year ahead, our focus will clearly be on those areas that add value to operating companies' businesses as their needs evolve, and to ensure our activities benefit the Group and its shareholders.