

AUDIT COMMITTEE OF THE BOARD OF LEIGHTON HOLDINGS LIMITED

Terms of Reference and Procedures

1.0 Objective

The Audit Committee's objective is to assist the Board in fulfilling its responsibilities under the Corporations Act 2001 in relation to financial reporting, risk management and internal control. The Audit Committee also monitors compliance with relevant requirements of applicable laws, regulations and rules.

2.0 Responsibilities and scope of activities

The responsibilities of the committee will include:

External Reporting

- Review the integrity of the Group's financial reporting, including:
 - the appropriateness of Group accounting policies.
 - significant estimates and judgments used in financial reports .
 - management's processes for ensuring compliance with laws, regulations and standards.
 - information from management, project audits or external auditors and
 - consider any other matter which affects the Committee's
 - recommendation to the Board concerning the adoption of the financial
 - statements.
- Ensure a process is in place for continuous disclosure to ASX .
- Seek independent judgment of the auditor regarding the appropriateness of
- Group accounting policies.
- Review documents, reports and statements required to be approved by the Board and recommend they be signed by the Board based on the Committee's assessment of them.

Related Party Transactions

- Review and monitor the propriety of related party transactions other than transactions with the major shareholder which shall be the responsibility of the Board.

Internal Control and Risk Management

- Assess internal processes for determining and managing key risk areas.
- Ensure that the Group has an effective risk management system and that macro risks are regularly reported to the Board.
- Monitor and review the scope, procedures and plans of the internal project review function of the Group.

- Receive from management reports on suspected and actual frauds, thefts or breaches of the law of a material nature.
- Review effectiveness of the entity's internal control system with management and external auditors.

Audit

- Review and make recommendations to the Board on the appointment of Auditors and approve the remuneration of auditors.
- Review the effectiveness and independence of the external auditor taking into account.
 - the length of appointment.
 - the last dates lead engagement partners were rotated.
 - an analysis and disclosure of fees paid to external auditors, including the materiality of fees paid for non-audit services and the nature of those services.
 - any relationships with the Company or any other body or organisation that may impair or appear to impair the external auditor's independence.
- Provide a line of communication between the Board and the external auditors.
- Review the scope, procedures and audit plans of the external auditors.
- Monitor and review management's responsiveness to the external auditors findings and recommendations.
- Meet privately with the external auditor as appropriate.

3.0 Reporting

The Board will be kept informed of the Committee's activities by an oral report from the Committee following each Committee meeting and Committee papers will be made available to all Directors.

During the course of each financial year and as appropriate, the Committee will report to the board on all matters relevant to the Committee's role and responsibilities including:

- Assessment of whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs.
- Assessment of the management processes supporting external reporting
- Procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners.
- Recommendations for the appointment or removal of an auditor.
- Assessment of the performance and independence of the external auditors and whether the Audit Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services.
- The results of its review of risk management systems.

4.0 Other Matters

- The committee will consist of at least three Non-executive Directors with the appropriate technical expertise appointed by the Board; a majority of members will be Independent Non-executive Directors and a quorum will be two; membership period will coincide with retirement by rotation and re-election as members of the Board; all Board members who are not Committee Members may attend meetings in an ex officio capacity.
- As from 1 July 2005 the Chairman will be an Independent Director.
- The Committee may invite such other person (eg. CEO, CFO, audit engagement partner) to its meetings as it deems necessary.
- The Committee will have the right to obtain information from any employee of the group and any relevant external party and to institute special investigations.
- The Committee will have the right of access to external auditors and meet with the external auditor without management at least twice per year.
- The committee will meet at least 4 times per year; any Non-executive Director may attend meetings; and a meeting can be called at any time at the request of any member of the Committee or the Board.
- The Committee will have a duty to carry out or arrange investigations as requested by the Board or identify and direct any special projects or investigations deemed necessary.
- The Board will monitor the performance of the Committee and the achievement of its objectives and the carrying out of its responsibilities.
- Minutes of proceedings and resolutions of Committee meetings shall be kept in accordance with the requirements of Clause 24 of the Company's Constitution and be circulated to each Director.