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## FINANCIAL REPORT

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Leighton Holdings Limited

ABN 57 004 482 982  
ACN 004 482 982

# Financial Report 2005

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## Statements of Financial Performance

for the year ended 30 June 2005

	Note	Consolidated		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenues from ordinary activities	2	<b>6,381,376</b>	4,926,276	<b>179,718</b>	137,319
Expenses from ordinary activities	3	<b>(6,196,615)</b>	(4,861,377)	<b>(52,651)</b>	(4,174)
Borrowing costs	4	<b>(26,352)</b>	(18,118)	<b>(16,491)</b>	(10,674)
Share of net profits of associates and joint venture entities*	28	<b>130,648</b>	114,577	-	-
<b>Profit from ordinary activities before income tax expense</b>		<b>289,057</b>	161,358	<b>110,576</b>	122,471
Income tax (expense)/benefit relating to ordinary activities	6	<b>(81,612)</b>	(39,296)	<b>1,311</b>	(4,552)
Profit from ordinary activities after income tax expense		<b>207,445</b>	122,062	<b>111,887</b>	117,919
Net profit attributable to outside equity interests		<b>(2,013)</b>	(12,031)	-	-
<b>Net profit attributable to members of the parent entity</b>	22	<b>205,432</b>	110,031	<b>111,887</b>	117,919
Other changes in equity attributable to members of the parent entity					
Net exchange difference on translation of financial statements of self-sustaining foreign operations	21	<b>(28,180)</b>	(6,437)	-	-
Total other changes in equity attributable to members of the parent entity		<b>(28,180)</b>	(6,437)	-	-
<b>Total changes in equity from non-owner transactions attributable to members of the parent entity</b>	24	<b>177,252</b>	103,594	<b>111,887</b>	117,919
Basic earnings per share - cents	26	<b>75.3</b>	40.4		
Diluted earnings per share - cents	26	<b>75.3</b>	40.4		
Dividends per share - cents - Interim	25	<b>20.0</b>	18.0		
- Final	25	<b>30.0</b>	27.0		

\* Interest costs, tendering expenses, overheads, corporate expenses and taxation of the Consolidated Entity have not been allocated to associates and joint venture results.

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 4 to 50.

## Statements of Financial Position

as at 30 June 2005

	Note	Consolidated		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Assets</b>					
Cash assets	7	635,210	737,733	75,347	80,047
Receivables	8	1,033,259	957,835	577,221	624,391
Inventories	9	71,349	42,619	-	-
Investments accounted for using the equity method	10	220,331	138,751	-	-
Investments in other entities	11	46,067	97,527	778,938	823,995
Deferred tax assets	12	141,613	104,801	100,122	81,299
Property, plant and equipment	13	856,303	639,686	-	-
Goodwill	14	25,654	25,931	-	-
<b>Total assets</b>		<b>3,029,786</b>	<b>2,744,883</b>	<b>1,531,628</b>	<b>1,609,732</b>
<b>Liabilities</b>					
Payables	15	1,557,182	1,353,744	683,332	773,816
Current tax liabilities	16	19,258	45,474	13,399	37,038
Provisions	17	263,399	256,040	2,867	2,740
Interest bearing liabilities	18	235,457	226,549	200,000	200,000
Deferred tax liabilities	19	59,847	7,161	53,612	1,443
<b>Total liabilities</b>		<b>2,135,143</b>	<b>1,888,968</b>	<b>953,210</b>	<b>1,015,037</b>
<b>Net assets</b>		<b>894,643</b>	<b>855,915</b>	<b>578,418</b>	<b>594,695</b>
<b>Equity</b>					
Contributed equity	20	421,851	421,851	421,851	421,851
Reserves	21	(101,798)	(73,618)	-	-
Retained profits	22	573,302	496,034	156,567	172,844
<b>Total parent entity interest</b>		<b>893,355</b>	<b>844,267</b>	<b>578,418</b>	<b>594,695</b>
Outside equity interests	23	1,288	11,648	-	-
<b>Total equity</b>	24	<b>894,643</b>	<b>855,915</b>	<b>578,418</b>	<b>594,695</b>

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 4 to 50.

## Statements of Cash Flows

for the year ended 30 June 2005

	Note	Consolidated		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Cash flows from operating activities</b>					
Cash receipts in the course of operations (including GST)		6,930,102	5,305,861	-	1,902
Cash payments in the course of operations (including GST)		(6,219,034)	(4,671,982)	(1,889)	(3,119)
Dividends received		2,601	2,820	79,851	107,685
Interest received		12,079	14,556	243	607
Borrowing costs paid		(23,403)	(13,599)	(16,535)	(9,526)
Income taxes paid		(94,637)	(14,949)	(40,979)	(222)
<b>Net cash provided by operating activities</b>	40	<b>607,708</b>	622,707	<b>20,691</b>	97,327
<b>Cash flows from investing activities</b>					
Payments for investments in controlled entities and businesses	40	(4,349)	(6,213)	(3,500)	-
Proceeds from sale of investments in controlled entities	40	10,577	-	-	-
Payments for property, plant and equipment		(652,591)	(367,079)	-	-
Proceeds from sale of other assets		98,274	75,170	31,815	-
Payments for investments in other entities		(21,065)	(47,062)	-	(6,555)
Loans to other entities		-	(53,333)	-	-
Repayment of loans to other entities		-	51,587	-	-
Loans to executives repaid		77	129	77	129
<b>Net cash (used in)/provided by investing activities</b>		<b>(569,077)</b>	(346,801)	<b>28,392</b>	(6,426)
<b>Cash flows from financing activities</b>					
Proceeds from share issues		-	7,053	-	7,053
Proceeds from borrowings		17,000	292,961	-	200,000
Repayment of borrowings		(999)	(109,218)	-	(16,534)
Loans from/(to) related entities		-	-	74,413	(157,344)
Distributions to outside equity interests		(10,373)	(14,716)	-	-
Dividends paid		(128,164)	(122,692)	(128,164)	(122,692)
<b>Net cash (used in)/provided by financing activities</b>		<b>(122,536)</b>	53,388	<b>(53,751)</b>	(89,517)
Net (decrease)/increase in cash held		(83,905)	329,294	(4,668)	1,384
Net cash at the beginning of the financial year		728,433	408,266	80,047	78,695
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the year		(9,318)	(9,127)	(32)	(32)
<b>Net cash at reporting date</b>		<b>635,210</b>	728,433	<b>75,347</b>	80,047
<b>Reconciliation of cash balances</b>					
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 reporting date as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:					
Cash assets	7	635,210	737,733	75,347	80,047
Bank overdraft (included in interest bearing liabilities)		-	(9,300)	-	-
<b>Net cash</b>		<b>635,210</b>	728,433	<b>75,347</b>	80,047

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 4 to 50.

# Notes to the Financial Statements

for the year ended 30 June 2005

## 1 Summary of significant accounting policies

### (a) Basis of preparation

The financial report of Leighton Holdings Limited, being the parent entity ("the Company"), and its controlled entities ("the Consolidated Entity") 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 Act 2001. It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the Consolidated Entity and except where there has been a change in accounting policy, are consistent with those of the previous year.

The Company is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998, and the directors have chosen to round off amounts in the financial report to the nearest thousand dollars, unless otherwise indicated.

The Group's policy on accounting for construction contracts is to recognise contract revenue and expenses on a percentage completion basis. Profits are not recognised during the establishment and initial stages of the contract and are only recognised when the contract result can be reliably estimated. This accounting policy has not changed.

From 1 July 2004, once the contract result can be reliably estimated, which is not less than 20% complete by cost, the profit earned to that point is immediately recognised. Previously, the Group deferred profit until the contract was 20% complete and then released the profit over the remaining 80% of the contract on a pro rata basis. The effect of the above on net profit after tax for the year ended 30 June 2005 is an increase of \$38.5 million.

### (b) Consolidation

The consolidated financial statements comprise the financial statements of Leighton Holdings Limited, being the parent entity and its controlled entities. Results of controlled entities are included in the consolidated statement of financial performance 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.

Outside interests in the equity and outside interests in the results of the entities that are controlled by the Company are shown as separate items in the consolidated financial statements.

### (c) Revenue and profit recognition

(i) Revenues from construction contracting services includes revenues from building, civil, mining and telecommunications contracting services. Revenue and profit is recognised 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. Profits are not recognised on building and civil contracts during the establishment and initial stages and accordingly recognition of profit is deferred during that period. For such contracts the difference between the revenue and costs is carried forward as either a contract receivable or contract payable. Where a contract has progressed beyond the early stages contract revenue and expenses are recognised on a percentage completion basis and expected losses are recognised as soon as they become apparent.

(ii) All costs in respect of tendering for projects are expensed. Costs previously expensed are not subsequently reinstated when a contract award is achieved.

(iii) Other operating revenue is recognised on an accruals basis.

(iv) Revenues and profits from the sale of property developments and land sales are recognised at the date an unconditional contract of sale is signed. Pre-completion sales contracts on property development projects are accounted for using the percentage of completion method.

(v) Interest revenue is recognised as it accrues.

(vi) Dividend income is recognised when received and is accounted for net of any franking credits.

(vii) The gross proceeds from the sale of other assets are recognised at the date an unconditional contract of sale is signed.

### (d) Goods and Services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the statements of financial position.

Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### (e) Borrowing costs

Borrowing costs, including the coupon payments on the Leighton Notes, are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, 7.9% (2004: 7.6%).

Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and certain exchange differences arising from foreign currency borrowings.

## 1 Summary of significant accounting policies

### (f) Income tax

The Consolidated Entity adopts the liability method of tax effect accounting. Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statements of financial position as a deferred tax asset or liability.

The net future income tax benefit relating to timing differences is not carried as an asset unless realisation is assured beyond reasonable doubt, or if relating to tax losses, when realisation is virtually certain.

The Company is the head entity in the tax-consolidated group comprising the Australian wholly-owned subsidiaries as set out in Note 38. The head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intragroup transactions). The tax-consolidated group has entered into a tax funding agreement that requires wholly-owned subsidiaries to make contributions to the head entity for:

- deferred tax balances recognised by the head entity on implementation date, including the impact of any relevant reset tax cost bases; and
- current tax assets and liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidation.

Under the tax funding agreement, the contributions are calculated on a "stand-alone basis" so that the contributions are equivalent to the tax balances generated by external transactions entered into by wholly-owned subsidiaries. The contributions are payable as set out in the agreement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense/revenue.

### (g) Cash

Cash at bank and on hand and funds on deposit are stated at nominal value. 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.

### (h) Receivables

(i) Contract and trade debtors include all net receivables from construction and other contracting services which includes the progressive valuation of work completed on construction contracts 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. Contract and trade debtors are normally settled within 60 days of billing. The collectibility of contract and trade debtors is assessed at reporting date and provision is made for any doubtful debts.

(ii) Other amounts receivable generally arise from transactions other than the provision of construction and other contracting services and include amounts in respect of sales of assets and taxes receivable. Interest may be charged at market rates where the terms of repayment exceed six months. The collectibility of other amounts receivable is assessed at reporting date and provision is made for any doubtful debts.

(iii) Prepayments represent the future economic benefits receivable in respect of economic sacrifices made in the current or prior financial year.

### (i) Inventories

Inventories are carried at the lower of cost and net realisable value. Inventories comprise:

#### (i) Property developments

Cost includes the costs of acquisition, development and holding costs such as rates, taxes and borrowing costs. Holding costs on property developments not under active development are expensed as incurred.

#### (ii) Raw materials and consumables.

Cost is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

### (j) Investments

#### (i) Associates

Investments in entities over which the Consolidated Entity exercises significant influence but not control are accounted for using equity accounting principles and are carried in the Company's financial statements at the lower of cost and recoverable amount.

#### (ii) Joint venture entities

Investments in entities that are subject to joint control are accounted for using equity accounting principles and are carried at the lower of equity accounted amount and recoverable amount.

#### (iii) Investments in other entities

Listed investments are carried at the lower of cost and recoverable amount.

Unlisted - investments in mining entities that are not subject to joint control or significant influence are carried at the lower of cost and recoverable amount.

Unlisted – other investments are stated at fair value.

(iv) Investments in controlled entities are carried at the lower of cost and recoverable amount.

### (k) Leased assets

Leases under which the Consolidated Entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

#### (i) Finance leases

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

## 1 Summary of significant accounting policies

### (k) Leased assets – continued

#### (ii) Operating Leases

Payments made under operating leases are expensed as incurred.

### (l) Property, plant and equipment

(i) Depreciation and amortisation is calculated so as to write off the net book value of property, plant and equipment over their estimated effective useful lives as follows:

freehold buildings: straight line method – up to 40 years;

major plant and equipment: cumulative number of hours worked – up to 10 years;

leased plant and equipment: straight line method – over the terms of the leases, up to 10 years;

waste management assets: straight line method – economic life of the waste operations, up to 20 years;

office and other equipment: diminishing value method – up to 10 years

leasehold buildings and improvements: straight line method – over the terms of the leases, up to 40 years;

(ii) 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 statements of financial position and is depreciated over the expected useful life of those assets.

### (m) Acquisitions of assets

Assets acquired are initially recorded at their cost of acquisition being the fair value of the consideration plus incidental costs directly attributable to the acquisition.

### (n) Recoverable amount of non-current assets

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs. In assessing recoverable amounts of non-current assets, the relevant cash flows have not been discounted to their present value, except where specifically stated.

### (o) Goodwill

Goodwill represents the excess of the purchase consideration for the acquisition of a business or shares in a controlled entity over the fair value of the identifiable net assets acquired. Goodwill is amortised using the straight line method over the period during which the benefits are expected to arise, which at present does not exceed 10 years. The unamortised balance of goodwill is reviewed at least at each reporting date. Where the balance exceeds the value of expected future benefits, the difference is expensed to the statement of financial performance.

### (p) Payables

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 creditors are normally settled within 60 days.

### (q) Interest-bearing liabilities

All loans are measured at the principal amount subject to set-off arrangements. Interest is recognised as an expense as it accrues. Finance lease liability is the net present value of future finance lease rentals and residuals.

### (r) Employee entitlements and provisions

#### (i) Wages, salaries and annual leave

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

#### (ii) Long service leave

The provision 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 reporting date. Liabilities for long service leave which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at reporting 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 been included in the liability.

#### (iii) Superannuation

Defined benefit and defined contribution superannuation plans exist to provide benefits for eligible employees or their dependants. Contributions by the Consolidated Entity are expensed to the statements of financial performance. The Consolidated Entity recognises the liability for a deficit in defined benefit superannuation funds only when it has a present obligation to fund the deficit. Surpluses in the funds are not recognised as assets.

#### (iv) Employee option plans

Ownership based remuneration is provided to employees via the Leighton Executive Share Option Plan. Options are not expensed when granted. When the options are exercised, the amounts received from employees are recognised in the statements of financial position as contributed equity.

#### (v) Retention arrangements

Retention arrangements are in place ranging from three years to retirement for certain key employees which are payable upon completion of the retention period. Amounts are accrued on a pro-rata basis during the retention period. The provisions have been calculated based on current salary rates and include related on-costs.

#### (vi) Annual bonus and deferred incentive arrangements

Annual bonuses and deferred incentives are provided at reporting date and include related on-costs.

## 1 Summary of significant accounting policies

### (s) Contributed equity

Issued and paid up capital is recognised at the consideration received by the Company.

### (t) Foreign currency

#### (i) Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are translated at the rates of exchange ruling on the reporting date. Exchange differences arising from hedging net investments in self-sustaining operations, or relating to amounts payable or receivable in foreign currency forming part of a net investment in a self-sustaining foreign operation, are transferred to the foreign currency translation reserve on consolidation together with any related income tax effect. Exchange differences due to hedging specific anticipated transactions are deferred and included in the measurement of the transaction when the transaction occurs. All other exchange differences arising on settlement or restatement at reporting date are recognised in the statements of financial performance.

#### (ii) Translation of controlled foreign entities

All foreign controlled entities are self-sustaining operations. The financial reports of foreign controlled entities are translated using the Current Rate Method and any exchange differences are taken directly to the foreign currency translation reserve. Exchange gains and losses on transactions which hedge investments in self sustaining foreign controlled entities together with any related income tax effect are recognised in the foreign currency translation reserve on consolidation.

### (u) Derivatives

The Consolidated Entity is from time to time exposed to changes in interest rates and foreign exchange rates from its activities. It is the Consolidated Entity's policy to use derivative financial instruments to hedge these risks where appropriate. Derivative financial instruments are not held for speculative purposes.

#### (i) Interest rate swaps

Gains and losses under interest rate swap contracts are recognised on an accruals basis in the statements of financial performance as an adjustment to borrowing costs during the period.

#### (ii) 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.

### (v) Dividends

Provision is not made for dividends unless the dividend has been declared by the directors on or before the end of the financial year and not distributed at reporting date.

### (w) Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares (options issued) and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### (x) Use and revision of accounting estimates

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

	Note	Consolidated		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>2 Revenues</b>					
Construction contracting services		<b>5,945,408</b>	4,545,989	-	-
Other operating revenue		<b>295,809</b>	266,035	-	-
Sale of development properties		<b>16,554</b>	22,352	-	-
<b>Revenues from operating activities</b>		<b>6,257,771</b>	4,834,376	-	-
Interest					
- Related parties	39	<b>56</b>	80	<b>34,750</b>	28,166
- Other parties		<b>12,097</b>	14,760	<b>203</b>	532
Dividends/distributions					
- Wholly-owned controlled entities		-	-	<b>75,000</b>	88,709
- Partly-owned controlled entities		-	-	<b>13,789</b>	18,012
- Other parties		<b>2,601</b>	1,890	<b>2,601</b>	964
Proceeds from sale of other assets		<b>108,851</b>	75,170	<b>31,815</b>	-
Other income from related parties	39	-	-	<b>21,560</b>	936
<b>Other revenues</b>		<b>123,605</b>	91,900	<b>179,718</b>	137,319
<b>Revenues from ordinary activities</b>	30	<b>6,381,376</b>	4,926,276	<b>179,718</b>	137,319

The Consolidated Entity's share of revenues from joint ventures is excluded from Revenues noted above and from the statements of financial performance in accordance with Accounting Standards. The delivery of major projects by the Consolidated Entity is increasingly in the form of joint ventures. Details of the Consolidated Entity's share of joint ventures' revenues is provided as additional information below as Revenues – Group and joint ventures. Revenue from operating activities – joint ventures represents the Group's share of the operations of the joint venture or associated entity where the operations are primarily construction or property development.

#### Revenues - Group and joint ventures

Revenues from operating activities - Group	<b>6,257,771</b>	4,834,376	-	-
Revenues from operating activities - joint ventures	<b>1,321,650</b>	1,077,548	-	-
Total revenues from operating activities - Group and joint ventures	<b>7,579,421</b>	5,911,924	-	-
Other revenues	<b>123,605</b>	91,900	<b>179,718</b>	137,319
<b>Revenues from ordinary activities - Group and joint ventures</b>	<b>7,703,026</b>	6,003,824	<b>179,718</b>	137,319

## Notes continued

	Note	Consolidated		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>3 Expenses</b>					
Materials		1,564,710	1,158,621	-	-
Subcontractors		1,997,679	1,613,979	-	-
Plant costs and depreciation		833,843	652,103	-	-
Personnel costs		1,417,410	1,096,035	1,709	1,786
Amortisation of goodwill		4,417	4,733	-	-
Operating leases - minimum lease payments		69,337	52,976	-	-
Professional fees		95,591	107,226	1,565	1,043
Foreign exchange losses/(gains)		2,246	(308)	29	943
Book value of assets sold		92,905	44,058	25,894	-
Cost of development properties sold		13,840	20,602	-	-
Provision for diminution in value of investments		7,400	14,410	474	-
Bad debts expense		-	13,590	-	-
Other expenses		97,237	83,352	791	402
Provision for diminution in value of controlled entities		-	-	22,189	-
<b>Expenses from ordinary activities</b>		<b>6,196,615</b>	<b>4,861,377</b>	<b>52,651</b>	<b>4,174</b>

## 4 Profit from ordinary activities before income tax expense

Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:

### Net Gains

Net gain on the sale of:

- Investments in other entities		6,028	22,635	5,921	-
- Property, plant and equipment		9,918	8,578	-	-

Reversal of provision for diminution in value of leasehold improvements

		-	10,000	-	-
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### Expenses

Borrowing costs

- Related parties	39	2,573	3,442	-	460
- Other parties		23,779	14,676	16,491	10,214

Provision for losses - Spencer Street Station project

		12,600	110,000	-	-
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Amortisation – goodwill

		4,417	4,733	-	-
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Depreciation

- Buildings		1,178	1,164	-	-
- Plant and equipment		361,181	281,125	-	-
- Leasehold land and buildings		121	62	-	-
- Leasehold improvements		1,639	1,512	-	-
- Waste management assets		2,745	3,267	-	-

Total depreciation

		366,864	287,130	-	-
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## Notes continued

Note	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>5 Auditors' remuneration</b>				
Assurance services				
i) Audit services – audit and review of financial reports				
Auditors of the Company – KPMG Australia	1,125	1,114	-	-
Auditors of the Company – related overseas firms	743	737	-	-
Other auditors	450	355	-	-
Total remuneration for audit services	2,318	2,206	-	-
ii) Other assurance services				
Auditors of the Company – KPMG Australia				
- Corporate finance	354	-	-	-
- Due diligence services	-	185	-	-
- Controls assurance services	95	162	-	-
- Other services	78	10	-	-
Auditors of the Company – related overseas firms	8	-	-	-
Other auditors	83	93	-	-
Total remuneration for other assurance services	618	450	-	-
iii) Taxation services				
Auditors of the Company – KPMG Australia*	733	933	-	-
Auditors of the Company – related overseas firms	288	171	-	-
Other auditors	237	194	-	-
Total remuneration for taxation services	1,258	1,298	-	-
Total auditors' remuneration	4,194	3,954	-	-

The Consolidated Entity may use KPMG on assignments in addition to their statutory audit duties to leverage their experience and expertise with the Consolidated Entity. These assignments are primarily tax advice and due diligence reporting on acquisitions or where the assignment is awarded on a competitive basis.

\*Taxation services also includes work performed in relation to research and development claims.

## Notes continued

Note	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>6 Income tax expense</b>				
Profit from ordinary activities before income tax	<b>289,057</b>	161,358	<b>110,576</b>	122,471
Prima facie income tax expense at 30% (2004: 30%)	<b>86,717</b>	48,407	<b>33,173</b>	36,741
The following items have affected income tax expense for the period:				
- Entertainment and other non-allowable items	<b>2,276</b>	2,020	<b>84</b>	75
- Depreciation and amortisation not allowable for tax	<b>3,087</b>	2,938	-	-
- Building allowance	<b>(350)</b>	(432)	-	-
- Rebateable and exempt dividends	-	-	<b>(26,638)</b>	(32,016)
- Recoupment of losses previously not recognised	<b>(2,379)</b>	(4,812)	<b>(2,379)</b>	-
- Overseas income tax rate differential	<b>(894)</b>	(5,169)	-	-
- Provision for diminution in value of controlled entities	-	-	<b>6,657</b>	-
- Minority income not subject to tax and other	<b>(362)</b>	(1,816)	<b>598</b>	(219)
Income tax expense related to current and deferred tax transactions of the wholly-owned subsidiaries in the tax-consolidated group	-	-	<b>39,037</b>	2,294
Decrease in income tax expense due to implementation of a tax funding arrangement	-	-	<b>(39,037)</b>	(2,294)
Current period income tax expense	<b>88,095</b>	41,136	<b>11,495</b>	4,581
- Over provision in prior year	<b>(6,483)</b>	(1,840)	<b>(12,806)</b>	(29)
<b>Income tax expense/(benefit) relating to ordinary activities</b>	<b>81,612</b>	39,296	<b>(1,311)</b>	4,552

Future income tax benefits - The future income tax benefit (Note 12) of \$141,613 (2004: \$104,801) includes provision for employee benefits and asset writedowns not currently allowable as an income tax deduction and tax losses carried forward of \$1,509 (2004: \$818). The unrecorded future tax benefit available to some members of the Consolidated Entity at 30 June 2005 in respect of Australian and overseas tax losses, including capital losses, for which there is a possibility of recoupment at the applicable rates of tax was \$10,086 (2004: Nil). The benefit of these tax losses will be utilised only if the relevant entities earn sufficient profit or capital gains in the future, continue to comply with the provisions of the relevant tax legislation relating to the deduction of carried forward tax losses and there are no changes in tax legislation adversely affecting the Consolidated Entity in realising the benefit.

## 7 Cash

Funds on deposit	<b>413,068</b>	510,725	<b>44,039</b>	-
Cash at bank and on hand	<b>222,142</b>	227,008	<b>31,308</b>	80,047
	<b>635,210</b>	737,733	<b>75,347</b>	80,047

## Notes continued

	Note	Consolidated		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>8 Receivables</b>					
Contract debtors		781,183	705,520	-	-
Trade debtors		156,391	158,060	-	-
Other amounts receivable		59,508	58,123	1,444	25
Prepayments		15,586	14,725	-	-
Loans - unsecured		19,688	19,099	-	-
Loans - related parties	39	903	2,308	744	820
Amounts receivable from controlled entities	39	-	-	575,033	623,546
		<b>1,033,259</b>	<b>957,835</b>	<b>577,221</b>	<b>624,391</b>
<b>Progressive value of work completed on contracts in progress at reporting date</b>		<b>12,278,930</b>	<b>10,618,130</b>	<b>-</b>	<b>-</b>
Net contract debtors excluding retentions		608,360	565,832	-	-
Retentions		12,858	20,833	-	-
<b>Net contract debtors</b>		<b>621,218</b>	<b>586,665</b>	<b>-</b>	<b>-</b>
Cash received to date		11,657,712	10,031,465	-	-
<b>Total progressive value</b>		<b>12,278,930</b>	<b>10,618,130</b>	<b>-</b>	<b>-</b>
Amounts due from customers - contract debtors		781,183	705,520	-	-
Amounts due to customers - trade creditors		(159,965)	(118,855)	-	-
<b>Net contract debtors</b>		<b>621,218</b>	<b>586,665</b>	<b>-</b>	<b>-</b>

Receivables expected to be realised more than 12 months after reporting date: Consolidated Entity \$7,414 (2004: \$8,404), Company \$564,239 (2004: \$624,366).

## 9 Inventories

### Property developments

Cost of acquisition		35,661	24,206	-	-
Development expenses capitalised		17,410	1,856	-	-
Rates, taxes, borrowing and other costs capitalised		5,422	4,990	-	-
		<b>58,493</b>	<b>31,052</b>	<b>-</b>	<b>-</b>

### Other inventories

Raw materials and consumables – cost		12,856	11,567	-	-
		<b>71,349</b>	<b>42,619</b>	<b>-</b>	<b>-</b>

Inventories include property developments of \$20,881 (2004: \$25,208), which are expected to be realised more than 12 months after reporting date.

Borrowing costs capitalised to property developments during the financial year \$2,370 (2004: \$1,267).

## 10 Investments accounted for using the equity method

Associates	27	36,314	4,414	-	-
Joint venture entities	28	184,017	134,337	-	-
		<b>220,331</b>	<b>138,751</b>	<b>-</b>	<b>-</b>

Investments accounted for using the equity method includes investments which are expected to be realised more than 12 months after reporting date: Consolidated Entity \$44,913 (2004: \$45,942), Company Nil (2004: Nil).

## Notes continued

	Consolidated		Company		
	Note	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>11 Investments in other entities</b>					
Listed		2,112	28,156	33	26,451
Unlisted - mining entities		4,253	5,488	-	-
- other		39,702	63,883	1,800	1,750
Investments in controlled entities		-	-	875,518	872,018
Provision for diminution - controlled entities		-	-	(98,413)	(76,224)
		<b>46,067</b>	97,527	<b>778,938</b>	823,995

Quoted market value of investments in listed entities at reporting date: Consolidated Entity \$3,794 (2004: \$30,088), Company \$33 (2004: \$28,428).

Investments in unlisted mining entities includes the following investments in coal mining operations:

- Burton Coal Mine, 5% (2004: 5%), carrying value \$4,253 (2004: \$5,488).

Investments in unlisted other entities includes:

- Interest in Asia Pacific Transport Consortium of 4.5% (2004: 14.8%) which operates the Alice Springs to Darwin railway in the Northern Territory, carrying value \$13,442 (2004 \$52,697); the Consolidated Entity also holds an indirect interest in the Asia Pacific Transport Consortium, value \$28,768 (2004: nil) through its 56% investment in JH Rail Holdings Pty Ltd disclosed in note 27.
- Interest in Manila North Tollway Corporation of 16.5% (2004: 16.5%) a company involved in a tollway in the Philippines, carrying value \$25,348 (2004: \$8,146).

Investments in other entities expected to be realised more than 12 months after reporting date: Consolidated Entity \$46,067 (2004: \$86,607), Company \$778,938 (2004: \$823,995).

## 12 Deferred tax assets

Future income tax benefit	6	141,613	104,801	100,122	81,299
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## Notes continued

	Note	Consolidated		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>13 Property, plant and equipment</b>					
Land - cost		<b>20,604</b>	20,659	-	-
Buildings - cost		<b>33,564</b>	33,287	-	-
Accumulated depreciation		<b>(5,959)</b>	(4,781)	-	-
		<b>27,605</b>	28,506	-	-
Leasehold land and buildings - cost		<b>8,760</b>	3,515	-	-
Accumulated depreciation		<b>(951)</b>	(948)	-	-
		<b>7,809</b>	2,567	-	-
Leasehold improvements - cost		<b>23,752</b>	22,211	-	-
Accumulated depreciation		<b>(10,603)</b>	(9,068)	-	-
		<b>13,149</b>	13,143	-	-
Waste management assets - cost		<b>42,000</b>	38,747	-	-
Accumulated depreciation		<b>(18,474)</b>	(15,729)	-	-
		<b>23,526</b>	23,018	-	-
Plant and equipment - cost		<b>1,698,258</b>	1,360,421	-	-
Accumulated depreciation		<b>(934,648)</b>	(808,628)	-	-
		<b>763,610</b>	551,793	-	-
	29	<b>856,303</b>	639,686	-	-

An independent valuation of the Consolidated Entity's freehold and leasehold land and buildings carried out as at 30 June 2004 on the basis of open market values resulted in a valuation of \$67,955. As land and buildings are recorded at cost, the valuation is not required to be brought to account.

Plant and equipment includes construction equipment, motor vehicles and office furniture and equipment.

<b>14 Goodwill</b>					
Cost		<b>62,765</b>	58,626	-	-
Accumulated amortisation		<b>(37,111)</b>	(32,695)	-	-
		<b>25,654</b>	25,931	-	-

<b>15 Payables</b>					
Trade creditors and accruals		<b>1,440,754</b>	1,200,122	<b>3,520</b>	1,464
Other creditors		<b>54,930</b>	60,403	-	-
Amounts payable to related parties	39	<b>61,498</b>	93,219	-	-
Amounts payable to controlled entities	39	-	-	<b>679,812</b>	772,352
		<b>1,557,182</b>	1,353,744	<b>683,332</b>	773,816

Trade creditors expected to be settled more than 12 months after reporting date: Consolidated Entity \$48,691 (2004: \$30,833), Company \$679,812 (2004: \$772,352).

<b>16 Current tax liabilities</b>					
Income tax payable		<b>19,258</b>	45,474	<b>13,399</b>	37,038

## Notes continued

	Note	Consolidated		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>17 Provisions</b>					
Employee entitlements		<b>263,399</b>	256,040	<b>2,867</b>	2,740

Employee entitlements expected to be settled more than 12 months after reporting date: Consolidated Entity \$173,043 (2004: \$183,017), Company \$2,867 (2004: \$2,740).

## 18 Interest bearing liabilities

Property development loans		<b>35,457</b>	16,250	-	-
Leighton Notes		<b>200,000</b>	200,000	<b>200,000</b>	200,000
Bank overdraft		-	9,300	-	-
Lease liabilities	31	-	999	-	-
		<b>235,457</b>	226,549	<b>200,000</b>	200,000

The property development loans are non-recourse and secured against certain assets of the Consolidated Entity.

Interest bearing liabilities expected to be settled more than 12 months after reporting date: Consolidated Entity \$200,000 (2004: \$200,000), Company \$200,000 (2004: \$200,000).

## 19 Deferred tax liabilities

Deferred income tax		<b>59,847</b>	7,161	<b>53,612</b>	1,443
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## 20 Contributed equity

### Issued share capital

272,688,067 ordinary shares fully paid  
(2004: 272,688,067)

<b>421,851</b>	421,851	<b>421,851</b>	421,851
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### Movements

Balance at beginning of financial year

<b>421,851</b>	414,798	<b>421,851</b>	414,798
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No ordinary shares were issued on the exercise of options (2004: 1,207,780)

-	7,053	-	7,053
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Balance at reporting date

<b>421,851</b>	421,851	<b>421,851</b>	421,851
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Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

Note	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>21 Reserves</b>				
<b>Foreign currency translation</b>				
Balance at beginning of financial year	(73,618)	(67,181)	-	-
Exchange differences on net investment in foreign operations and related hedges	(28,180)	(6,437)	-	-
Balance at reporting date	<b>(101,798)</b>	<b>(73,618)</b>	-	-
<b>Asset revaluation</b>				
Balance at beginning of financial year	-	1,138	-	-
Aggregate of amounts transferred to retained profits	-	(1,138)	-	-
Balance at reporting date	-	-	-	-

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a self-sustaining operation. The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets measured at their fair value in accordance with AASB 1041.

<b>22 Retained profits</b>				
Balance at beginning of financial year	<b>496,034</b>	507,557	<b>172,844</b>	177,617
Net profit attributable to members of the parent entity	<b>205,432</b>	110,031	<b>111,887</b>	117,919
Dividends	<b>(128,164)</b>	(122,692)	<b>(128,164)</b>	(122,692)
Aggregate of amounts transferred from the asset revaluation reserve	-	1,138	-	-
Balance at reporting date	<b>573,302</b>	496,034	<b>156,567</b>	172,844

<b>23 Outside equity interests</b>				
Outside equity interests in controlled entities comprises:				
Share capital	<b>46</b>	175	-	-
Reserves	<b>74</b>	445	-	-
Retained profits	<b>1,168</b>	11,028	-	-
	<b>1,288</b>	11,648	-	-

## Notes continued

Note	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>24 Total equity</b>				
Balance at beginning of financial year	<b>855,915</b>	870,644	<b>594,695</b>	592,415
Total changes in equity from non-owner transactions attributable to the members of the parent entity	<b>177,252</b>	103,594	<b>111,887</b>	117,919
Transactions with owners as owners				
- Contributions of equity	-	7,053	-	7,053
- Dividends	<b>(128,164)</b>	(122,692)	<b>(128,164)</b>	(122,692)
Total changes in outside equity interests	<b>(10,360)</b>	(2,684)		-
Balance at reporting date	<b>894,643</b>	855,915	<b>578,418</b>	594,695

	Consolidated	
	Cents per share	\$'000

## 25 Dividends

### 2005 Final dividend

Subsequent to reporting date the Company announced a final dividend in respect of the year ended 30 June 2005 50% franked at a tax rate of 30%. The dividend is payable on 30 September 2005. This dividend has not been provided in the statements of financial position.

**30.0**      81,806

### Dividends recognised in the reporting period

#### To June 2005

2005 interim ordinary dividend 50% franked at a tax rate of 30% paid on 31 March 2005      **20.0**      54,538

2004 final ordinary dividend fully franked at a tax rate of 30% paid on 30 September 2004      **27.0**      73,626

128,164

#### To June 2004

2004 interim ordinary dividend fully franked at a tax rate of 30% paid on 31 March 2004      **18.0**      49,084

2003 final ordinary dividend fully franked at a tax rate of 30% paid on 30 September 2003      **27.0**      73,608

122,692

Company	
2005 \$'000	2004 \$'000

### 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.

**849**      6,612

		<b>Consolidated</b>	
		<b>2005</b>	2004
<b>26</b>	<b>Earnings per share</b>		
	Basic earnings - cents per share	<b>75.3</b>	40.4
	Diluted earnings - cents per share	<b>75.3</b>	40.4
	Net profit attributable to the members of the parent entity used in the calculation of basic and diluted earnings per share (\$'000's)	<b>205,432</b>	110,031
	Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	<b>272,688,067</b>	272,596,781
	Adjusted weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share.	<b>272,688,067</b>	272,596,781

							<b>Consolidated</b>	
			<b>Ownership interest</b>		<b>Carrying amount</b>			
Name	Principal activities	Reporting date	<b>2005 %</b>	2004 %	<b>2005 \$'000</b>	2004 \$'000		
<b>27</b>	<b>Associates</b>							
	Defence Maintenance Management Pty Ltd	maintenance	30 June	<b>50</b>	50	<b>155</b>	136	
	James Fielding Infrastructure Pty Ltd	infrastructure	30 June	<b>50</b>	50	<b>1,750</b>	1,750	
	JH Rail Holdings Pty Ltd	investing	30 June	<b>56</b>	-	<b>28,768</b>	-	
	Newood Holdings Pty Limited	timber processing	30 June	<b>50</b>	50	<b>15</b>	46	
	Sedgman Pty Ltd	design	30 June	<b>50</b>	50	<b>5,040</b>	1,836	
	Vina Leighton Ltd	construction	30 June	<b>50</b>	50	<b>586</b>	646	
						<b>36,314</b>	4,414	

There were no post reporting date events which would materially affect the financial position or performance of any associate and there were no dissimilar accounting policies used by associates.

**27 Associates - continued**

<b>Consolidated</b>	
<b>2005</b>	<b>2004</b>
<b>\$'000</b>	<b>\$'000</b>

**Statement of financial performance**

The Consolidated Entity's share of the associates' results consists of:

Revenues from ordinary activities	45,392	46,077
Expenses from ordinary activities	(41,242)	(45,759)
Profit from ordinary activities before income tax expense	4,150	318
Income tax expense relating to ordinary activities	(958)	(115)
Net profit accounted for using the equity method	<b>3,192</b>	<b>203</b>

**Statement of financial position**

The Consolidated Entity's share of the associates' assets and liabilities consists of:

Current assets	17,798	13,347
Non current assets	35,302	5,455
Total assets	<b>53,100</b>	<b>18,802</b>
Current liabilities	13,252	10,112
Non current liabilities	3,534	4,276
Total liabilities	<b>16,786</b>	<b>14,388</b>
Net assets accounted for using the equity method	<b>36,314</b>	<b>4,414</b>

**Share of post-acquisition retained profits attributable to associates**

Balance at beginning of the financial year	275	1,130
Share of net profit of associates	3,192	203
Distributions from associates	-	(1,058)
Share of associates' retained profits at reporting date	<b>3,467</b>	<b>275</b>

**Movements in carrying amount of associates**

Carrying amount at the beginning of the financial year	4,414	3,524
Contributions to associates	-	1,750
Reclassification from unlisted investments - other	28,768	
Share of associates' net profit	3,192	203
Disposal of interest in associates	-	(5)
Drawings from the associates	(60)	(1,058)
Carrying amount at reporting date	<b>36,314</b>	<b>4,414</b>

## Notes continued

Name	Principal activities	Reporting date	Consolidated	
			Ownership interest	
			2005 %	2004 %
<b>28</b>	<b>Joint venture entities</b>			
233 Castlereagh Street joint venture	property development	30 June	<b>50</b>	50
Abigroup Leighton joint venture	construction	30 June	<b>50</b>	50
ADrail joint venture	construction	30 June	<b>20</b>	20
Bac Devco Pty Limited	property development	30 June	<b>33</b>	33
Bayview Noosa partnership	property development	30 June	<b>50</b>	50
Beenyup Alliance	construction	30 June	<b>47</b>	47
BJB joint venture	maintenance	31 Dec	<b>38</b>	38
Complete joint venture	construction	30 June	<b>50</b>	50
Dam Improvement Services joint venture	construction	30 June	<b>40</b>	40
Emrail Leighton joint venture	construction	30 June	<b>50</b>	35
Folkestone – Leighton joint venture	property development	30 June	<b>50</b>	50
Hail Creek joint venture	construction	30 June	<b>50</b>	50
Holland York joint venture	construction	30 June	<b>50</b>	-
HPAL Freehold Pty Limited	property development	30 June	<b>50</b>	50
Infocus Infrastructure Management Pty Ltd	facilities management	30 June	<b>50</b>	50
JM joint venture	construction	30 June	-	60
John Holland Asia Limited/Namprasert Construction Company Ltd joint venture	process engineering	31 Dec	<b>50</b>	50
John Holland Barclay Mowlem joint venture	construction	31 Dec	<b>50</b>	50
John Holland BRW joint venture	construction	30 June	<b>50</b>	50
John Holland Colin Joss joint venture	construction	30 June	<b>50</b>	-
John Holland Downer EDI joint venture	construction	30 June	<b>60</b>	60
John Holland Downes Graderway joint venture	construction	30 June	<b>50</b>	-
John Holland Fairbrother joint venture	construction	30 June	<b>50</b>	50
John Holland Lahey joint venture	construction	30 June	<b>50</b>	50
John Holland MacMahon joint venture	construction	30 June	<b>50</b>	50
John Holland McConnell Dowell joint venture	construction	30 June	<b>50</b>	50
John Holland Thames Water joint venture	construction	30 June	<b>50</b>	50
Leighton China State joint venture (Tseung Kwan O)	construction	30 June	<b>55</b>	55
Leighton China State joint venture (Wynn Resort)	construction	30 June	<b>50</b>	-
Leighton–China State-Van Oord joint venture	construction	30 June	<b>45</b>	45
Leighton Golding joint venture	construction	30 June	<b>55</b>	55
Leighton Hsin Chong joint venture	construction	30 June	<b>50</b>	50
Leighton Kumagai joint venture	construction	30 June	<b>55</b>	55
Leighton Kumagai joint venture (Route 9-Eagle's Nest Tunnel)	construction	31 Mar	<b>51</b>	51
Leighton Kumagai joint venture (Tai Po)	construction	31 Mar	<b>50</b>	-
Leighton Kumagai joint venture (Wanchai East & North Point Trunk Sewers)	construction	31 Mar	<b>51</b>	51
Leighton-Lama joint venture	construction	30 June	<b>54</b>	54
Leighton SNC Lavlin joint venture	construction	30 June	<b>50</b>	50
Macarthur Chambers joint venture	property development	30 June	<b>50</b>	50
Makamatta joint venture	property development	30 June	<b>50</b>	50
Rail Link joint venture	construction	30 June	<b>65</b>	-
River Links Unincorporated joint venture	construction	30 June	<b>18</b>	18
Roche Thiess Linfox joint venture	mobile plant / earthmoving	30 June	<b>44</b>	44
Siemens Thiess Communications joint venture	telecommunications	30 June	<b>50</b>	50
Silcar Maintenance Services	maintenance	30 June	<b>50</b>	50
Smith Street Trust	property development	30 June	<b>50</b>	-

Name	Principal activities	Reporting date	Consolidated	
			Ownership interest	
			2005 %	2004 %
<b>28 Joint venture entities - continued</b>				
St Ives Gold Project joint venture	construction	30 June	50	50
Taiwan Track Partners joint venture	construction	31 Dec	28	28
Thiess Alstom joint venture	construction	30 June	50	50
Thiess Hochtief joint venture	construction	30 June	50	50
Thiess Sedgman joint venture	construction	30 June	50	-
Universal Portfolio Services Pty Limited	property development	30 June	50	50
Viridian Noosa Pty Ltd	property development	30 June	50	50
Viridian Noosa Trust	property development	30 June	50	50

## Consolidated

2005 \$'000	2004 \$'000
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**Statement of financial performance**

The Consolidated Entity's share of the joint venture entities' results consists of:

Revenues from ordinary activities	1,276,258	1,031,471
Expenses from ordinary activities	(1,148,802)	(917,097)
Profit from ordinary activities before income tax expense	127,456	114,374
Income tax expense relating to ordinary activities	-	-
Net profit accounted for using the equity method*	127,456	114,374

**Statement of financial position**

The Consolidated Entity's share of the joint venture entities' assets and liabilities consists of:

Current assets	536,185	382,762
Non current assets	128,617	113,649
Total assets	664,802	496,411
Current liabilities	441,734	327,102
Non current liabilities	39,051	34,972
Total liabilities	480,785	362,074
Net assets accounted for using the equity method	184,017	134,337

**Share of post-acquisition retained profits attributable to joint venture entities**

Balance at beginning of the financial year	47,141	17,768
Share of net profit of joint venture entities	127,456	114,374
Distributions from joint venture entities	(64,248)	(85,001)
Share of joint venture entities' retained profits at reporting date	110,349	47,141

**Movements in carrying amount of joint venture entities**

Carrying amount at the beginning of the financial year	134,337	82,455
Contributions to the joint venture entities	172,109	105,411
Share of joint venture entities' net profit	127,456	114,374
Drawings from the joint venture entities	(249,885)	(167,903)
Carrying amount at reporting date	184,017	134,337

**Net profit accounted for using the equity method**

Associates (note 27)	3,192	203
Joint venture entities (note 28)	127,456	114,374
Total share of net profits of associates and joint venture entities	130,648	114,577

\* Interest costs, tendering expenses, overheads, corporate expenses and taxation of the Consolidated Entity have not been allocated to joint venture results.

## Notes continued

	Land	Buildings	Leasehold land and buildings	Leasehold improvements	Waste management assets	Plant and equipment	Total property, plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>29 Reconciliation of property, plant and equipment carrying values</b>							
<b>Consolidated 2005</b>							
Carrying amount at the beginning of the financial year	20,659	28,506	2,567	13,143	23,018	551,793	639,686
Additions		277	5,149	1,746	3,253	633,551	643,976
Additions through acquisition of entities and businesses			218			1,981	2,199
Disposals	(55)					(54,632)	(54,687)
Depreciation		(1,178)	(121)	(1,639)	(2,745)	(361,181)	(366,864)
Net foreign currency translation			(4)	(101)		(7,902)	(8,007)
<b>Carrying amount at reporting date</b>	<b>20,604</b>	<b>27,605</b>	<b>7,809</b>	<b>13,149</b>	<b>23,526</b>	<b>763,610</b>	<b>856,303</b>

## 30 Segment Information

### Geographical segments

The Consolidated Entity comprises the following main geographical segments based on the Consolidated Entity's management reporting system:

Australia/Pacific Operations throughout Australia, New Zealand and the Pacific region in all business segments.

South East Asia Operations predominately in Hong Kong, Indonesia, Malaysia and the Philippines. The principal activities undertaken in this region are civil and building, contract mining and telecommunications.

Segment revenues, expenses, assets and liabilities are based on the geographical location of the assets.

### Business segments

The Consolidated Entity provides construction and other contracting services in the following disciplines: civil engineering and building, mining and resources, property development, telecommunications infrastructure and environmental services. These disciplines represent the business segments of the Consolidated Entity. The investment and treasury activities of the Consolidated Entity represent the corporate business segment.

The segment analysis is reported after eliminating the minority interest pre tax profits to reflect the pre tax profits attributable to the members.

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 allocation of the profit/(loss) from ordinary activities and assets into business 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 a business segment are reported as unallocated.

## Notes continued

	Australia/ Pacific \$'000	South East Asia \$'000	Eliminations \$'000	Total \$'000
<b>30 Segment Information - continued</b>				
Primary segment - geographical				
<b>2005</b>				
Revenues from ordinary activities – Group and joint ventures	6,628,112	1,074,914	-	7,703,026
Segment revenue	5,501,583	865,040	-	6,366,623
Other unallocated revenue				14,753
<b>Revenues from ordinary activities</b>				<b>6,381,376</b>
Segment result	148,419	34,329	-	182,748
Share of net profit of equity accounted investments*	98,078	32,570	-	130,648
Borrowing costs	(17,470)	(8,882)	-	(26,352)
<b>Profit/(loss) attributable to members before tax</b>	<b>229,027</b>	<b>58,017</b>	<b>-</b>	<b>287,044</b>
Profit attributable to outside equity interests before tax				2,013
Profit from ordinary activities before income tax expense				289,057
Income tax expense relating to ordinary activities				(81,612)
Profit from ordinary activities after income tax expense				207,445
Depreciation and amortisation	295,793	75,488	-	371,281
Other non-cash expenses	135,283	12,689	-	147,972
Assets	2,798,932	596,166	(365,312)	3,029,786
Equity accounted investments	195,736	24,595	-	220,331
Acquisition of segment assets	522,521	127,190	-	649,711
Liabilities	1,909,338	382,260	(156,455)	2,135,143
<b>2004</b>				
Revenues from ordinary activities – Group and joint ventures	5,017,023	986,801	-	6,003,824
Segment revenue	4,047,052	862,494	-	4,909,546
Other unallocated revenue				16,730
<b>Revenues from ordinary activities</b>				<b>4,926,276</b>
Segment result	(27,231)	76,205	-	48,974
Share of net profit of equity accounted investments*	99,698	14,879	-	114,577
Borrowing costs	(13,739)	(4,379)	-	(18,118)
<b>Profit/(loss) attributable to members before tax</b>	<b>58,728</b>	<b>86,705</b>	<b>-</b>	<b>145,433</b>
Profit attributable to outside equity interests before tax				15,925
Profit from ordinary activities before income tax expense				161,358
Income tax expense relating to ordinary activities				(39,296)
Profit from ordinary activities after income tax expense				122,062
Depreciation and amortisation	220,417	71,446	-	291,863
Other non-cash expenses	100,599	11,661	-	112,260
Assets	2,411,941	569,882	(236,940)	2,744,883
Equity accounted investments	121,143	17,608	-	138,751
Acquisition of segment assets	312,660	58,883	-	371,543
Liabilities	1,691,577	317,439	(120,048)	1,888,968

\* Interest costs, tendering expenses, overheads, corporate expenses and taxation of the Consolidated Entity have not been allocated to associates and joint venture results.

## Notes continued

	Civil and Building	Mining and Resources	Property Development	Telecommunications	Environmental	Corporate	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

### 30 Segment Information - continued

#### Secondary segment – business

##### 2005

Revenues from ordinary activities - Group and joint ventures	4,879,162	1,809,353	301,411	456,479	143,017	-	113,604	7,703,026
Segment revenue	3,734,939	1,809,353	280,220	300,244	143,017	-	98,850	6,366,623
Assets	1,210,533	909,281	244,695	72,652	139,468	453,157	-	3,029,786
Acquisition of segment assets	278,341	350,116	129	917	19,773	435	-	649,711

##### 2004

Revenues from ordinary activities - Group and joint ventures	3,659,539	1,533,874	254,925	310,595	193,618	-	51,273	6,003,824
Segment revenue	2,866,709	1,533,874	109,640	171,162	193,618	-	34,543	4,909,546
Assets	1,061,531	672,733	254,859	77,622	130,754	547,384	-	2,744,883
Acquisition of segment assets	165,705	188,248	46	772	15,031	1,741	-	371,543

Consolidated		Company	
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000

### 31 Lease and rental commitments

#### Operating leases

Future operating lease commitments not provided for and payable:

- Not later than one year	<b>114,798</b>	59,699	-	-
- Later than one year but not later than five years	<b>357,657</b>	143,245	-	-
- Later than five years	<b>77,648</b>	30,933	-	-
	<b>550,103</b>	233,877	-	-

#### Operating leases (by type)

- Plant and equipment	<b>453,429</b>	154,173	-	-
- Property	<b>96,674</b>	79,704	-	-
	<b>550,103</b>	233,877	-	-

#### Finance leases

Finance lease rentals are payable as follows:

- Not later than one year	-	1,126	-	-
- Later than one but not later than five years	-	-	-	-
	-	1,126	-	-
Less: Future lease finance charges	-	(127)	-	-
	-	999	-	-

The Consolidated Entity leases plant and equipment used in contract mining and civil engineering activities under finance and operating leases. The Consolidated Entity leases property for the purposes of office accommodation under operating leases. Operating leases generally provide the Consolidated Entity with a right of renewal at which time all terms are renegotiated. The leases have no provision for contingent rentals. The leasing arrangements impose no restrictions on any financial arrangements of the Consolidated Entity.

## Notes continued

	Note	Consolidated		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>32 Capital commitments</b>					
Plant and equipment					
- payable no later than one year		<b>283,260</b>	207,930	-	-
- payable later than one year but not later than five years		-	21,660	-	-
Investments*					
- payable no later than one year	33	<b>157,400</b>	19,981	-	-
- payable later than one year but not later than five years	33	<b>270,000</b>	169,585	<b>10,000</b>	10,000
Joint venture commitments – plant and equipment					
- payable no later than one year		<b>18,210</b>	9,142	-	-

\* Includes investments in infrastructure projects – M7 Westlink, ConnectEast, Lane Cove Tunnel and Manila North Tollway Corporation.

Associate commitments were not of a material size to the Consolidated Entity's activities to warrant additional disclosure.

## 33 Bank guarantees, insurance bonds and letters of credit

Contingent liability under indemnities given on behalf of controlled entities in respect of:

(i) Bank guarantees	<b>1,404,295</b>	1,045,959	<b>1,404,295</b>	1,045,959
(ii) Insurance, performance and payment bonds	<b>174,535</b>	194,021	<b>174,535</b>	194,021
(iii) Letters of credit	<b>448,811</b>	281,799	<b>448,811</b>	281,799

Included in (i) and (iii) are guarantees and letters of credit provided for the Consolidated Entity's capital commitments totalling \$427,400 (2004: \$189,566). (Note 32)

## 34 Financial Instruments

### (a) Interest rate risk

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

2005	Weighted average rate %	Floating rate \$'000	Fixed interest maturing in:			Non interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000		
Financial assets							
Cash assets	<b>4.69</b>	<b>629,655</b>	-	-	-	<b>5,555</b>	<b>635,210</b>
Receivables	<b>6.65</b>	<b>20,881</b>	-	-	-	<b>1,012,378</b>	<b>1,033,259</b>
Investments in other entities		-	-	-	-	<b>46,067</b>	<b>46,067</b>
		<b>650,536</b>	-	-	-	<b>1,064,000</b>	<b>1,714,536</b>
Financial liabilities							
Interest bearing liabilities	<b>7.88</b>	<b>218,457</b>	<b>17,000</b>	-	-	-	<b>235,457</b>
Non-interest bearing liabilities		-	-	-	-	<b>1,557,182</b>	<b>1,557,182</b>
		<b>218,457</b>	<b>17,000</b>	-	-	<b>1,557,182</b>	<b>1,792,639</b>
Interest rate swap (floating to fixed)#		-	-	-	-	-	-

**34 Financial Instruments - continued****(a) Interest rate risk - continued**

2004	Weighted average rate %	Floating rate \$'000	Fixed interest maturing in:				Non interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000			
<b>Financial assets</b>								
Cash assets	4.42	729,781	-	-	-	7,952	737,733	
Receivables	7.43	26,839	-	1,449	-	929,547	957,835	
Investments in other entities		-	-	-	-	97,527	97,527	
		756,620	-	1,449	-	1,035,026	1,793,095	
<b>Financial liabilities</b>								
Interest bearing liabilities	7.62	225,550	999	-	-	-	226,549	
Non-interest bearing liabilities		-	-	-	-	1,353,744	1,353,744	
		225,550	999	-	-	1,353,744	1,580,293	
Interest rate swap (floating to fixed)#		(16,250)	16,250					

#Notional principal amounts. Interest rate swaps are entered into for the purpose of managing exposure to interest rate fluctuations. No interest rate swaps were in place as at 30 June 2005 (2004: swap in place to convert the variable interest rate of 6.96% on the Consolidated Entity's medium term borrowing to a fixed interest rate of 4.64%).

**(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. As at reporting date these foreign currencies were US dollars, Euros and Japanese Yen, these amounts are not material. The contracts have settlement dates up to August 2008.

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 reporting date unrecognised gains/(losses) on hedges of anticipated foreign currency purchases amounted to a net loss of \$1,926 (2004: net loss of \$146).

**(c) Credit risk**

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

**Recognised financial instruments**

The Consolidated Entity's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statements of financial position. The Consolidated Entity minimises concentrations of credit risk by undertaking transactions with a large number of customers in various countries.

**Unrecognised financial instruments**

Credit risk on unrecognised 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 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 2005 is not material.

**(d) Net fair values of financial assets and liabilities****Recognised financial instruments**

The Consolidated Entity's financial assets and liabilities, excluding listed investments, included in the statements of financial position are carried at amounts that approximate net fair value. The market value of listed investments is disclosed in Note 11.

**Unrecognised financial instruments**

Financial instruments not recognised on the statements of financial position comprise forward foreign exchange contracts. No material losses are anticipated in respect of any of these contracts.

**(e) Leighton Notes**

The Company issued 2,000,000 Convertible Unsecured Subordinated Resettable Notes (Leighton Notes) at \$100 each on 9 December 2003, maturing in October 2103. The notes are convertible to ordinary shares at the option of the Company or the Noteholder in accordance with the terms and conditions as detailed below.

**Conversion by Leighton**

Leighton may convert all (but not some only) Leighton Notes to Ordinary Shares where a Tax Event<sup>1</sup> or Regulatory Event<sup>2</sup> occurs.

## 34 Financial Instruments - continued

### (e) Leighton Notes - continued

#### Conversion by Noteholders

- Subject to Leighton's redemption right, Noteholders may request conversion of some or all of their Leighton Notes on a Reset Date or earlier if a Trigger Event<sup>3</sup> occurs.
- If a Noteholder requests conversion, Leighton retains an overriding right to redeem each Leighton Note the Noteholder wishes to convert for the Redemption Amount plus Outstanding Interest or arrange for a third party to acquire each of those Leighton Notes for Face Value plus Outstanding Interest.

#### Conversion ratio

- the number of Ordinary Shares issued on conversion of each Leighton Note will be calculated by dividing:
  - the Face Value plus Outstanding Interest, by
  - the average of the daily volume weighted average sale prices of Ordinary Shares sold on ASX during the 20 Business Days immediately before the Conversion Date, reduced by the Conversion Discount.

#### 1. Tax Event means:

- (a) if in the opinion of the directors (having obtained an opinion from reputable legal counsel or tax adviser):
  - i) a change in any taxation law, interpretation or ruling issued by any relevant Governmental Agency has occurred (or is announced) and that as a result there is more than an insubstantial risk that the Issuer would be exposed to more than a negligible increase in costs or effective cost of funds having regard to the taxation treatment of interest paid or payable on the Leighton Notes and the timing of any available deductions, in relation to the Leighton Notes or as a result of the Leighton Notes being on issue (having regard to any tax consequences impacting the Issuer or any increased charges or civil liabilities); or
  - ii) the Issuer will or there is more than an insubstantial risk that the Issuer would be denied deductibility of the interest payable on the Leighton Notes; or
- (b) The Issuer is denied deductibility of the interest payable on the Leighton Notes.

2. *Regulatory Event* means in the opinion of the directors (having obtained an opinion from reputable legal counsel) there is more than an insubstantial risk that the Issuer will be exposed to additional costs or the imposition of additional requirements which the directors determine at their sole discretion to be unacceptable, as a result of the occurrence of any of the following on or after the Issue Date:

- (a) the introduction, enactment, amendment, change, repeal, replacement or revocation of any law or regulation affecting securities or any amendment or change to the Listing Rules, or the announcement (including on a prospective basis) of any of the foregoing by a Governmental Agency or ASX; or
- (b) any pronouncement, action or decision of a Governmental Agency or ASX interpreting or applying any such law or regulation or the Listing Rules.

#### 3. Trigger Event means each and any of the following events:

- (a) the Issuer sends a notice to its shareholders convening a meeting to consider a special resolution to wind up the Issuer;
- (b) the appointment of a provisional liquidator to the Issuer;
- (c) the making of an order by a Court for the winding up of the issuer (other than to effect a solvent reconstruction);
- (d) an administrator of the Issuer is appointed under sections 436A, 436B or 436C of the Corporations Act;
- (e) the Issuer executes a deed of company arrangement;
- (f) official quotation of the Ordinary Shares or Leighton Notes is either suspended by ASX for more than 20 consecutive Business Days or ended by ASX;
- (g) the Issuer sends a notice to its shareholders convening a meeting to consider an ordinary resolution to dispose of its main undertaking (as defined in the Listing Rules);
- (h) a Takeover Event occurs; or
- (i) the aggregate Face Value of the Leighton Notes on issue falls below \$50 million after the Issue Date.

#### Redemption by Leighton

- On a Reset Date or occurrence of a Trigger Event, a Tax Event or a Regulatory Event; Leighton may redeem Leighton Notes
- On occurrence of a Scheme Event or in October 2103, Leighton must redeem Leighton Notes
- On redemption, Noteholders will generally receive the Face Value plus Outstanding interest.

Noteholders receive cumulative fixed interest payable semi-annually in arrears. Interest will be paid on 30 November 2005 at the rate of 8.01% pa in respect of the period from 31 May 2005 to 29 November 2005 (both dates included). For the purposes of determining noteholders' entitlements to the payment of interest on the Leighton Notes only those persons who are registered as noteholders at 7.00pm on 22 November 2005 ("Record Date") shall be entitled to receive the payment. The weighted average interest rate for the year was 8.01%.

## 35 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. The value of these guarantees and indemnities is 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.
- (iii) Certain members of the Consolidated Entity have the normal contractor's liability in relation to construction contracts. This liability may include litigation by or against the Consolidated Entity and/or joint venture arrangements in which the Consolidated Entity has an interest. It is not possible to estimate the financial effect of these claims should they be successful. The directors are of the opinion that no provision is required. In the directors' opinion disclosure of any further information about the claims would be prejudicial to the interests of the Consolidated Entity.
- (iv) Controlled entities have entered into joint venture arrangements under which the controlled entity may be jointly and severally liable for the liabilities of the joint venture arrangement.
- (v) Under the terms of the Class Order described in Note 38 the Company has entered into approved deeds of indemnity for the cross-guarantee of liabilities with participating Australian subsidiary companies.
- (vi) Certain executives may receive benefits pursuant to retention arrangements with the Consolidated Entity subject to ongoing conditions being fulfilled.

## 36 Directors and Executive Remuneration

### Directors

The following persons were directors of Leighton Holdings Limited during the financial year:

#### Chairman – non-executive

G J Ashton

#### Executive directors

W M King - Chief Executive Officer

D S Adamsas - Deputy Chief Executive Officer and Chief Financial Officer

#### Non-executive directors

H-P Keitel – Deputy Chairman

M C Albrecht

G J Dixon

A Drescher

R D Humphris

T C Leppert

D A Mortimer

P M Noé

D P Robinson

#### Non-executive alternate directors

H Lütkestratkötter (alternate for P M Noé)

R L Seidler (alternate for H-P Keitel)

## 36 Directors and Executive Remuneration - continued

### Non-executive directors' fees

Fees and payments to non-executive directors reflect the demands which are made on and the responsibilities of the directors. The Remuneration and Nominations Committee of the Board reviews and makes recommendations to the Board with regard to non-executive directors' fees annually. The Committee seeks advice from independent remuneration consultants to ensure non-executive directors' fees recommended are appropriate having regard to the level of fees paid to non-executive directors of other companies of similar size and stature. The fees are determined by the Board after considering the recommendations of the Committee.

Non-executive directors receive fees as remuneration for acting as a director of the Company and in some cases as a director of a subsidiary (M. Albrecht is chairman of Thiess Pty Limited and A. Drescher is a director of Leighton Contractors Pty Limited) and/or as a member of a standing committee of the Board. The Chairman does not receive additional fees for his membership of Board committees. The amount of each non-executive director's fees depends on the extent of the director's responsibilities. Non-executive directors do not receive shares, options or any performance related incentives.

The aggregate annual fees payable to the company's non-executive directors are limited to the maximum annual amount approved by the Company's shareholders. This maximum annual amount is currently \$1,300,000 as determined at the 2001 Annual General Meeting. A resolution will be put to shareholders to approve an increase in the maximum annual amount to \$2,000,000 at the Company's 2005 Annual General Meeting.

The Company does not pay the alternate directors any Directors Fees. Financial arrangements for alternates are a private matter between the non-executive director and the relevant alternate director.

### Retirement allowances for non-executive directors

The Company contributes mandatory superannuation contributions to the benefit of each non-executive director.

On 1 November 1996 the shareholders approved a retirement plan for non-executive directors that provides for retirement benefits calculated as follows:

- less than 3 years service – Nil
- 3 to 5 years service up to an aggregate of the last 3 years fees
- 5 to 10 years service up to an aggregate of the last 5 years fees
- over 10 years service an aggregate of the last 5 years fees

Directors' fees relevant to the determination of director retirement allowances payable to non-executive directors participating in the retirement plan are Board fees, which excludes Board committee fees, subsidiary Board fees and superannuation contributions. The retirement allowance payable under the plan are funded by the Company to the extent that the amount payable to each director out of the Company's superannuation fund and attributable to the amounts paid into the fund by the Company is insufficient to meet the retirement allowance. The Company's liability for non-executive directors' retirement allowance is accrued annually based on the completed service at the reporting date.

On 5 November 2003, the Board resolved to remove retirement allowances for non-executive directors appointed after that date in accordance with ASX Corporate Governance Principle 9.3. All new non-executive directors appointed from this date are paid increased Board fees to compensate them for the removal of the retirement allowance. The non-executive directors appointed since this change and paid under these arrangements are Dr P Noé, T Leppert and R Humphris.

## 36 Directors and Executive Remuneration - continued

## Details of remuneration of non-executive directors

Details of the remuneration of each non-executive director of the Company, including their personally-related entities paid or accrued in the reporting period are set out in the following table.

## Non executive directors

Current Non executive directors		Primary			Post Employment		Total remuneration
		Board fees	Committee fees	Subsidiary Boards	Superannuation contributions	Retirement benefits <sup>5</sup>	
<b>G Ashton</b>	<b>2005</b>	<b>227,057</b>	-	-	<b>22,706</b>	<b>142,984</b>	<b>392,747</b>
	2004	130,282	-	-	13,028	77,327	220,637
<b>H-P Keitel</b>	<b>2005</b>	<b>125,000</b>	-	-	<b>12,500</b>	<b>6,000</b>	<b>143,500</b>
	2004	125,000	-	-	12,500	32,167	169,667
<b>M Albrecht</b>	<b>2005</b>	<b>90,000</b>	-	<b>48,000</b>	<b>14,040</b>	<b>55,240</b>	<b>207,280</b>
	2004	90,000	-	45,000	13,725	38,540	187,265
<b>G Dixon</b>	<b>2005</b>	<b>90,000</b>	-	-	<b>9,000</b>	-	<b>99,000</b>
	2004	90,000	-	-	9,000	55,727	154,727
<b>A Drescher</b>	<b>2005</b>	<b>90,000</b>	-	<b>35,000</b>	<b>12,500</b>	<b>40,314</b>	<b>177,814</b>
	2004	90,000	9,000	35,000	13,400	49,532	196,932
<b>R Humphris<sup>1</sup></b>	<b>2005</b>	<b>90,336</b>	-	-	<b>9,034</b>	-	<b>99,370</b>
<b>T Leppert</b>	<b>2005</b>	<b>110,000</b>	-	-	<b>11,000</b>	-	<b>121,000</b>
	2004	15,370	-	-	1,537	-	16,907
<b>D Mortimer</b>	<b>2005</b>	<b>90,000</b>	<b>12,000</b>	-	<b>10,200</b>	<b>36,057</b>	<b>148,257</b>
	2004	90,000	8,500	-	9,850	46,235	154,585
<b>P Noé</b>	<b>2005</b>	<b>110,000</b>	-	-	<b>11,000</b>	-	<b>121,000</b>
	2004	71,575	-	-	7,158	-	78,733
<b>D Robinson</b>	<b>2005</b>	<b>90,000</b>	<b>18,000</b>	-	<b>10,800</b>	<b>400</b>	<b>119,200</b>
	2004	90,000	13,000	-	10,300	18,700	132,000
Former Non-executive directors							
<b>J Morschel<sup>2</sup></b>	2004	164,423	-	-	16,442	-	180,865
<b>I Johnson<sup>3</sup></b>	2004	90,000	-	36,500	12,650	219,629	358,779
<b>B Peus<sup>4</sup></b>	2004	31,549	-	-	2,250	291,749	325,548
<b>Total</b>	<b>2005</b>	<b>1,112,393</b>	<b>30,000</b>	<b>83,000</b>	<b>122,790</b>	<b>280,995</b>	<b>1,629,168</b>
	2004	1,078,199	30,500	116,500	121,840	829,606	2,176,645

1. Mr R Humphris was appointed a non-executive director on 6 September 2004.
2. Mr J Morschel resigned as Chairman of the Company in March 2004.
3. Mr I Johnson resigned as a director in June 2004.
4. Dr B Peus retired as a director in November 2003.
5. Accrual for retirement allowance during the reporting period or payments made to Mr I Johnson and Mr B Peus on retirement not previously disclosed as remuneration.

## 36 Directors and Executive Remuneration - continued

### Executive Remuneration

The following persons were executive directors of the Company during the reporting period:

W M King	Chief Executive Officer
D S Adamsas	Deputy Chief Executive Officer and Chief Financial Officer

The following persons were the five executives with the greatest authority for the strategic direction and management of the Consolidated Entity ("specified executives") during the financial year:

J Faulkner	Executive General Manager Operations, Leighton Holdings Limited
P McMorro	Managing Director, Leighton Contractors Pty Limited
R S Trundle	Managing Director, Thiess Pty Limited
V A Vella	Managing Director, Leighton Properties Pty Limited
W J Wild	Managing Director, John Holland Group Pty Limited

### Principles used to determine the nature and amount of executive remuneration

The overriding objectives of the Consolidated Entity's executive remuneration framework is to ensure remuneration provided is competitive in the market and that it provides executives with appropriate motivation for high performance. The framework aligns executive remuneration with achievement of strategic objectives and the creation of value for shareholders. The Board's objective is that group executive remuneration policy satisfies the following principles:

- It attracts and retains high calibre executives
- It is competitive and reasonable
- It is acceptable to shareholders
- It aligns executive compensation to responsibility and performance
- It is transparent

In consultation with external remuneration consultants, the Consolidated Entity has structured an executive remuneration framework that is market competitive and complimentary to the remuneration strategy of the organisation. The framework provides a mix of fixed pay and variable pay, which comprises a blend of short and long-term incentives. As executives gain seniority within the Consolidated Entity, the balance of this mix shifts to a higher proportion of "at risk" rewards.

### Executive pay

The executive pay and reward framework has five components which apply to the Executive Directors, the Specified Executives and all other Group Executives unless otherwise specified below:

#### (a) Base pay

Executives are offered a base pay structured as a total employment cost package, which may be delivered as a mix of cash and benefits as agreed between the employer and the executive. External remuneration consultants, market surveys and internal feedback as to market conditions provide analysis and advice to ensure a competitive base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually. An executive's pay may also be reviewed on promotion. There are no guaranteed base pay increases fixed in any senior executives' service contracts.

Executive benefits may include car allowances or motor vehicles, executive home loans when transferring locations, salary sacrifice superannuation and certain expense payment and residual fringe benefits, and if in overseas locations rental of accommodation, home leave travel, medical and hospital insurance assistance, and dependant schooling assistance.

#### (b) Short-term performance incentives

Should the Consolidated Entity and its divisions achieve pre-determined profit targets agreed by the Board on an annual basis then a pool of annual bonus is available for allocation to executives. The annual bonus plan is payable in cash during August/September each year and is approved by the Chief Executive Officer and/or Remuneration and Nominations Committee as appropriate. Using a profit target ensures annual bonuses are only available when value has been created for shareholders. The annual bonus plan is leveraged for performance above the profit targets to provide an incentive for executive out-performance and is provided for in the annual profit result.

Each executive has an annual bonus opportunity depending on the accountabilities of the role and impact on the Consolidated Entity or business unit performance.

## 36 Directors and Executive Remuneration - continued

### (b) Short-term performance incentives - continued

For the year ended 30 June 2005, the KPI's referable to annual bonus plans were based on Consolidated Entity, individual business and personal objectives. The KPI's to be met in achieving specific profit targets are the greater of a specified return on revenue and/or a specified return on funds employed by each business unit. These KPI's are generic across the senior executive team.

Annual bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the Chief Executive Officer and/or the Remuneration and Nominations Committee.

### (c) Medium-term deferred incentives

The Consolidated Entity and its divisions provide for a deferred incentive plan payment that rewards executives for increasing profits over a 3-year period. The increment in profit is measured on an annual basis which results in an incentive pool being available for allocation to senior executives. Any profit reduction in a year will reduce the previously allocated pool of incentive for distribution. The structure of the plan ensures deferred incentives are only payable to executives when value has been created for shareholders. The Chief Executive Officer and/or the Remuneration and Nominations Committee approves the allocation of the deferred incentives to executives.

The deferred incentive as part of the retention strategy of the Consolidated Entity is only payable three years after the award. Executives who resign from the Consolidated Entity prior to the date the incentive is payable forfeit any unpaid incentive. The deferred incentive plan is leveraged to encourage the Company and its divisions to increase their profit results on a year on year basis. The unpaid amount of deferred bonus is increased each six months by reference to the 180-day bank bill rate.

The Chief Executive Officer's deferred bonus is calculated by reference to the amount by which actual profit has exceeded a return on shareholder's funds threshold. The annual amount determined is accrued and interest is calculated each six months by reference to the 180-day bank bill rate. The balance is payable on the conclusion of Mr. King's contract.

### (d) Long-term incentives

Information on the Leighton Executive Share Option Plan is set out in Note 37.

### (e) Retention/retirement benefits

Retirement benefits are delivered under various superannuation plans for Leighton group companies. The plans provide for specified contribution amounts for employees in accordance with government regulations and company policies. In addition the Leighton Superannuation Plan provides for defined benefits based on years of service and final average salary. The Defined Benefit section was closed to new employees on 1 July 1994 and at 30 June 2005 only 35 members are in this category.

Executives are provided with Life Insurance and in some cases Total and Permanent Disability Insurance and Salary Continuance Insurance through the various superannuation plans. Where Salary Continuance Insurance is not provided through the superannuation plan, the employer may provide such cover directly to the executive.

Certain key executives are provided with additional retention/retirement benefits in accordance with their employment contracts. Such benefits are provided when the employee is considered an outstanding performer and it is also considered that the Group and its shareholders would benefit from providing additional incentives for the employee to remain with the Group. The retention benefits are normally payable to executives after the completion of 5 years eligible service or on retirement.

### Details of remuneration of executive directors and executives

Details of the remuneration of each executive director of the Company and each of the five specified executives, including their personally-related entities, paid or accrued in the reporting period are set out in the following tables.

## 36 Directors and Executive Remuneration - continued

## Executive directors of the Company

		Primary				Post Employment		Other	Equity	Total
		Cash salary	Annual bonus	Deferred payments <sup>2</sup>	Non monetary benefits <sup>3</sup>	Superannuation contributions	Retirement benefits <sup>4</sup>	Other benefits <sup>5</sup>	Value of options	Total remuneration
<b>W King<sup>1</sup></b>	<b>2005</b>	<b>1,783,148</b>	<b>3,016,156</b>	<b>3,224,794</b>	<b>820,407</b>	<b>37,539</b>	<b>1,758,129</b>	<b>2,068,865</b>	<b>108,000</b>	<b>12,817,038</b>
	2004	1,497,248	-	1,820,038	667,467	313,115	1,433,828	2,230,841	300,000	8,262,537
<b>D Adamsas<sup>1</sup></b>	<b>2005</b>	<b>1,126,319</b>	<b>1,974,422</b>	<b>574,692</b>	<b>598,024</b>	<b>11,592</b>	<b>1,003,669<sup>1</sup></b>	<b>27,819</b>	<b>72,000</b>	<b>5,361,537</b>
	2004	1,047,731	-	656,077	550,647	11,002	560,183	-	200,000	3,025,640
<b>Total</b>	<b>2005</b>	<b>2,909,467</b>	<b>4,963,578</b>	<b>3,799,486</b>	<b>1,418,431</b>	<b>49,131</b>	<b>2,761,798</b>	<b>2,096,684</b>	<b>180,000</b>	<b>18,178,574</b>
	2004	2,544,979	-	2,476,115	1,218,114	324,117	1,994,011	2,230,841	500,000	11,288,117

1. During the period W King also received payment of deferred bonuses accrued in the period from 1989 to 10 February 2000 and D Adamsas received a deferred bonus awarded in 2001 both of which were not previously required to be disclosed as remuneration either under law or the relevant accounting standards. Payments also included interest accrued on these entitlements until the date of payment. The accrual of retirement benefits for D Adamsas for 2004 was also understated by \$268,380.

	W. King	D. Adamsas
Deferred bonuses paid which have not been previously disclosed	16,020,752	750,000
Interest on deferred bonuses paid which has not previously been disclosed *	6,974,843	121,285
Understatement of 2004 retirement benefits	-	268,380
Total remuneration for 2005 from table	12,817,038	5,361,537
Total remuneration for 2005 plus deferred bonuses and accrued interest paid and understated retirement benefits	35,812,633	6,501,202

\* Interest was calculated on a semi-annual basis from date of award to date of payment by reference to the 180-day Bank Bill rate.

2. Deferred bonus accrued during the reporting period (2004 D Adamsas includes \$656,077 awarded in 2000 paid in the reporting period).
3. Includes change in value of leave benefits, benefits in kind and fringe benefits tax.
4. The amounts shown for retirement benefits is the accrual in the reporting period for retirement benefits due under the executive's service contract assuming the executive remains an employee for the whole period and earns his full retirement benefit entitlement. The accrual is based upon the executive's current Base Salary.
5. Increase on unpaid deferred bonus entitlements calculated by reference to the 180-day Bank Bill rate.

## 36 Directors and Executive Remuneration - continued

## Specified executives of the Consolidated Entity

Current Specified executives	Primary				Post Employment		Other	Equity	Total
	Cash salary	Annual bonus	Deferred payments <sup>1</sup>	Non monetary benefits <sup>2</sup>	Superannuation contributions	Retirement benefits <sup>3</sup>	Other benefits <sup>4</sup>	Value of options	Total remuneration
<b>J Faulkner 2005</b>	<b>944,142</b>	<b>700,000</b>	<b>498,213</b>	<b>(88,613)</b>	<b>88,054</b>	<b>355,540</b>	<b>7,161</b>	<b>54,000</b>	<b>2,558,497</b>
2004	865,350	175,000	-	8,609	80,535	320,190	-	150,000	1,599,684
<b>P McMorrow 2005</b>	<b>963,350</b>	<b>182,000</b>	<b>75,000</b>	<b>26,622</b>	<b>88,950</b>	<b>202,832</b>	<b>-</b>	<b>27,000</b>	<b>1,565,754</b>
2004 <sup>5</sup>	176,698	-	-	414	14,538	32,200	-	75,000	298,850
<b>R Trundle 2005</b>	<b>833,624</b>	<b>1,125,000</b>	<b>683,369</b>	<b>75,551</b>	<b>144,112</b>	<b>489,909</b>	<b>16,000</b>	<b>36,000</b>	<b>3,403,565</b>
2004	679,249	536,000	1,037,392	122,328	115,413	194,091	-	100,000	2,784,473
<b>V Vella 2005</b>	<b>614,517</b>	<b>825,000</b>	<b>-</b>	<b>302,648</b>	<b>153,212</b>	<b>303,903</b>	<b>-</b>	<b>18,000</b>	<b>2,217,280</b>
2004	571,748	525,000	200,000	217,578	119,481	102,570	-	50,000	1,786,377
<b>W Wild 2005</b>	<b>970,828</b>	<b>965,000</b>	<b>742,209</b>	<b>73,899</b>	<b>11,585</b>	<b>413,191</b>	<b>21,123</b>	<b>36,000</b>	<b>3,233,835</b>
2004	897,796	310,000	1,063,938	43,799	17,683	304,164	-	100,000	2,737,380
Former Specified executive									
<b>R Merkenhof 2004<sup>6</sup></b>	<b>560,529</b>	<b>-</b>	<b>516,250</b>	<b>217,459</b>	<b>117,266</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>1,511,504</b>
<b>Total 2005</b>	<b>4,326,461</b>	<b>3,797,000</b>	<b>1,998,791</b>	<b>390,107</b>	<b>485,913</b>	<b>1,765,375</b>	<b>44,284</b>	<b>171,000</b>	<b>12,978,931</b>
2004	3,751,370	1,546,000	2,817,580	610,187	464,916	953,215	-	575,000	10,718,268

- Deferred bonus accrued in the reporting period. Deferred bonus awarded in 2001 and paid in the reporting period J. Faulkner \$89,213, R. Trundle \$183,225 (2004 period R. Trundle \$292,892). Retention payment accrued in the reporting period W. Wild \$125,000 (2004 W. Wild \$125,000). Retention payment made in the reporting period 2005 nil (2004 R. Trundle \$619,500, W. Wild \$714,000).
- Includes change in value of leave benefits, an executive home loan benefit due to relocation (W. Wild), benefits in kind and fringe benefits tax.
- The amounts shown for retirement benefits is the accrual in the reporting period for retirement benefits due under the executive's service contract assuming the executive remains an employee for the whole period and earns his full retirement benefit entitlement.
- Increase on unpaid deferred bonus entitlements calculated by reference to the 180-day Bank Bill rate.
- P. McMorrow was appointed Managing Director of Leighton Contractors Pty Limited on 5 May 2004. Remuneration disclosed for 2 months only.
- R. Merkenhof resigned from his position as Managing Director of Leighton Contractors Pty Limited on 5 May 2004. Remuneration disclosed for 10 months only.

**Service agreements**

Remuneration and other terms of employment for the Chief Executive Officer, Deputy CEO & CFO and the specified executives are formalised in service agreements.

Each of these agreements provide for various conditions including:

- an annual remuneration package and benefits including motor vehicle and superannuation which is reviewed at least on an annual basis with reviews currently effective on 1st January
- provision for participation in the annual bonus plan and deferred bonus plans which are related to the performance of their individual area of responsibility or the Consolidated Entity and are subject to maximum caps
- the basis of termination or retirement and the benefits and conditions as a consequence
- participation when eligible in the Leighton Employee Staff Option Plan
- agreed provisions in relation to annual leave and long service leave, confidential information, intellectual property

## 36 Directors and Executive Remuneration - continued

### Service agreements – continued

- a restrictive covenant preventing the executives from engaging in specified activities after their employment with the Consolidated Entity ceases
- a defined Base Salary which excludes annual bonus, deferred bonus, non monetary benefits, superannuation contributions and allowances.

The liability for retirement, retention and/or service benefits under each of these agreements is accrued annually based on the completed service at the reporting date and the executive's current Base Salary. The amount accrued during the reporting period is disclosed as remuneration under each executive's post employment benefits.

Other features of the service agreements with the executive directors and specified executives are:

#### W M King, Chief Executive Officer

Date of Commencement	13 May 1968	37 years total service
Commencement of Service Agreements	23 December 1980	24 years contract service
Termination Date of Current Agreement	1 December 2005 *	6 months notice

\* W King has indicated his intention to continue his employment until 1 December 2008 and is finalising the contractual arrangements with the Company.

- Payment on the Termination Date (other than if terminated for gross misconduct) of a retirement benefit of up to 8 times final Base Salary.
- A payment on the Termination Date (other than if terminated for gross misconduct) of a retention benefit accrued of up to 21% per annum of Base Salary from February 2000 plus interest on the accrued balance.

#### D S Adamsas, Deputy Chief Executive Officer and Chief Financial Officer

Date of Commencement	15 February 1971	34 years total service
Commencement of Service Agreements	4 June 1981	24 years contract service
Termination Date of Current Agreement	Ongoing agreement	3 months notice

- Payment on termination of employment (other than if terminated for gross misconduct) of a retirement benefit of up to 6.86 times final Base Salary.
- A payment on termination of employment (other than if terminated for gross misconduct) of a retention benefit accrued at 20% per annum of Base Salary from October 1997 plus interest on the accrued balance.

#### J Faulkner, Executive General Manager Operations

Date of Commencement	11 January 1988	17 years total service
Commencement of Service Agreements	1 March 1991	14 years contract service
Termination Date of Current Agreement	1 January 2006	6 months notice

- A payment on termination of employment (other than if terminated for gross misconduct) of a retention benefit accrued at 20% per annum of Base Salary from January 2001.

#### P McMorrow, Managing Director - Leighton Contractors Pty Limited

Date of Commencement	2 April 1990	15 years total service
Commencement of Service Agreements	2 April 2002	3 years contract service
Termination Date of Current Agreement	1 April 2007	6 months notice

- Payment on the Termination Date (other than if terminated for gross misconduct) of a retention benefit of 1 times final Base Salary plus \$350,000. If terminated by the employer before the Termination Date (other than if terminated for gross misconduct) an additional amount of 1 times final Base Salary plus \$350,000 prorated over the period April 2002 to April 2007.

## 36 Directors and Executive Remuneration – continued

### Service agreements – continued

#### R S Trundle, Managing Director – Thiess Pty Limited

Date of Commencement	31 March 1980	25 years total service
Commencement of Service Agreements	1 July 1998	7 years contract service
Termination Date of Current Agreement	1 July 2008	6 months notice

- Payment on the Termination Date or on early termination of employment by the employer of a retention benefit of 1 times final Base Salary and a service benefit of 1 times final Base Salary (other than if terminated for gross misconduct).

#### V A Vella, Managing Director – Leighton Properties Pty Limited

Date of Commencement	7 January 1974	31 years total service
Commencement of Service Agreements	28 October 1982	22 years contract service
Termination Date of Current Agreement	1 September 2007	6 months notice

- Payment on the Termination Date (other than if terminated for gross misconduct) of a retirement benefit of up to 4 times final Base Salary.

#### W J Wild, Managing Director – John Holland Group Pty Limited

Date of Commencement	24 July 1978	27 years total service
Commencement of Service Agreements	1 July 1998	7 years contract service
Termination Date of Current Agreement	30 September 2008	6 months notice

- Payment on the Termination Date or on early termination by the employer of a retention benefit of 1 times final Base Salary and a service benefit of 1 times final Base Salary (other than if terminated for gross misconduct).
- Payment of a deferred retention bonus of \$125,000 in each of the 2006 and 2007 financial years.

### Loans to directors and executives

Details of loans made to directors of the Company and the five specified executives of the Consolidated Entity, including their personally related entities, are set out below.

Specified executives of the Consolidated Entity	Balance at the start of the year \$	Interest paid/payable for the year \$	Interest not charged \$	Balance at the end of the year \$	Number in group at the end of the year
W J Wild	820,750	39,840	15,829	743,750	1

No loans were provided to any directors or specified executives during the reporting period.

The loan outstanding for W J Wild was provided as part of his relocation to Melbourne in 2000 as Managing Director of John Holland Group Pty Ltd. The loan is secured by 1st mortgage over the property acquired by W J Wild in Melbourne. The loan is for a maximum period of 10 years with repayments based on 50% of W J Wild's annual bonuses or on termination of employment. Interest is payable monthly on this loan for the first 5 years at the Commonwealth Bank standard home loan rate less 2% and after five years at the Commonwealth Bank standard home loan rate. The Company pays Fringe Benefits Tax on the 2% discount to the Commonwealth Bank standard home loan rate not paid by W J Wild and this amount and the fringe benefits tax payable on it is disclosed as a non-monetary benefit to W J Wild.

The amounts shown for interest not charged in the tables above represent the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's-length basis.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to directors or specified directors.

### Equity Instruments

All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the Leighton Executive Share Option Plan.

## 36 Directors and Executive Remuneration - continued

### Options and rights over equity instruments granted as remuneration

During the reporting period no options over ordinary shares were granted. All options issued expire on the earlier of their expiry date or termination of the individual's employment except in the case of retirement. Not more than 50% of the options may be exercised before the third anniversary of the date of grant. 100% of options must be exercised before the fifth anniversary of the date of grant. All of the 2002 options have passed their third anniversary date.

In addition to a continuing employment service condition, the ability to exercise options is conditional on the Consolidated Entity achieving a performance hurdle. The performance hurdle requires that the increase in the Consolidated Entity's shareholder returns (i.e. growth in share price plus dividends reinvested) during the period of two years ending 28 days before the proposed exercise of the option equals or exceeds the percentage increase in either the ASX 100 Industrials Accumulation Index or the ASX Industrials Accumulation Index during the same two year period. As at 30 June 2005 the performance hurdle for the 2002 options had not been achieved and the options were not able to be exercised.

Further details, including grant dates and exercise dates regarding options granted to executives under the Leighton Executive Share Option plan are in Note 37.

### Exercise of options granted as remuneration

During the reporting period, no shares were issued on the exercise of options previously granted as remuneration:

There are no amounts unpaid on shares issued as a result of the exercise of options.

### Option holdings

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each specified director and specified executive, including their personally-related entities, is as follows:

	Held at 1 July 2004	Granted as remuneration	Exercised	Held at 30 June 2005	Vested at 30 June 2005 <sup>1</sup>	Vested and exercisable at 30 June 2005 <sup>2</sup>
<b>Specified directors</b>						
D Adamsas	400,000	Nil	Nil	400,000	400,000	Nil
W King	600,000	Nil	Nil	600,000	600,000	Nil
<b>Subtotal specified directors</b>	<b>1,000,000</b>	<b>Nil</b>	<b>Nil</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>Nil</b>
<b>Specified executives</b>						
R Trundle	200,000	Nil	Nil	200,000	200,000	Nil
W Wild	200,000	Nil	Nil	200,000	200,000	Nil
V Vella	100,000	Nil	Nil	100,000	100,000	Nil
R Merkenhof	200,000	Nil	Nil	200,000	200,000	Nil
P McMorrow	150,000	Nil	Nil	150,000	150,000	Nil
J Faulkner	300,000	Nil	Nil	300,000	300,000	Nil
<b>Subtotal specified executives</b>	<b>1,150,000</b>	<b>Nil</b>	<b>Nil</b>	<b>1,150,000</b>	<b>1,150,000</b>	<b>Nil</b>
<b>Total specified directors and specified executives</b>	<b>2,150,000</b>	<b>Nil</b>	<b>Nil</b>	<b>2,150,000</b>	<b>2,150,000</b>	<b>Nil</b>

- 50% of the options held vested during the year on the third anniversary of the date of grant. As at 30 June 2005 100% of the options issued were vested.
- Vested options were not able to be exercised as at 30 June 2005 as the performance hurdle had not been achieved.

## 36 Directors and Executive Remuneration - continued

### Valuation of options for remuneration

The assessed fair value at grant date of options granted to executive directors and specified executives is allocated over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

### Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares of the Company held, directly, indirectly or beneficially, by each specified director and specified executive, including their personally-related entities is as follows:

	Held at 1 July 2004	Purchases	Received on exercise of options	Sales	Held at 30 June 2005
Specified directors					
G Ashton	2,500	3,000	-	-	5,500
H-P Keitel	* 1,560	-	-	-	* 1,560
M Albrecht	260,000	-	-	25,000	235,000
G Dixon	2,000	-	-	-	2,000
A Drescher	11,960	-	-	-	11,960
R Humphris (appointed September 2004)	-	6,500	-	-	6,500
T Leppert	* 1,000	-	-	-	* 1,000
D Mortimer	23,500	2,500	-	-	26,000
P Noé	* 2,305	-	-	-	* 2,305
D Robinson	1,250	-	-	-	1,250
W King	6,860	-	-	-	6,860
D Adamsas	123,060	-	-	-	123,060
<b>Subtotal specified directors</b>	<b>435,995</b>	<b>12,000</b>	<b>-</b>	<b>25,000</b>	<b>422,995</b>
Specified executives					
R Trundle	20,183	-	-	-	20,183
W Wild	183	-	-	-	183
V Vella	183	-	-	-	183
P McMorrow	1,000	-	-	-	1,000
J Faulkner	10,560	-	-	-	10,560
<b>Subtotal specified executives</b>	<b>32,109</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,109</b>
<b>Total specified directors and specified executives</b>	<b>468,104</b>	<b>12,000</b>	<b>-</b>	<b>25,000</b>	<b>455,104</b>

\* held beneficially

## 37 Employee entitlements

### 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 may 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 Plan (managed under the Plum Financial Services Master Trust), the Leighton Asia Superannuation Fund and the PT Leighton Contractors Indonesia Superannuation Fund are the only plans providing defined benefits to employee members.

Based on actuarial 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 actuarial valuations of the defined benefits sections of the Leighton Superannuation Fund as at 30 June 2005 and the Leighton Asia Superannuation Fund as at 30 June 2004.

Fund	Accrued benefits \$'000	Market value of assets \$'000	Surplus / (Deficit) \$'000	Vested benefits \$'000
Leighton Superannuation Fund	29,251	31,351	2,100	29,623
Leighton Asia Superannuation Fund	2,999	3,010	11	2,355
<b>Total</b>	<b>32,250</b>	<b>34,361</b>	<b>2,111</b>	<b>31,978</b>

Accrued benefits have been determined based on the amounts calculated in the last actuarial assessments, 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 Employees Share Plan

Shareholder approval was obtained at the Annual General Meeting on 5 November 1998 to establish the Leighton Employees Share Plan ("LESP"). 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. No shares were issued under LESP during the current year (2004: nil).

### Leighton Executive Share Option Plan

Shareholder approval was obtained at the Annual General Meeting on 5 November 1998 to establish the Leighton Executive Share Option Plan ("LESOP"). The rules of LESOP allows the Company to offer selected executives options over unissued ordinary shares in the Company. The following options have been granted by the Company under LESOP:

- (i) 5,980,000 options were granted on 27 March 2002 to 276 employees at an exercise price of \$10.96 per option, with an expiry date of 27 March 2007. During the year 335,000 (2004: 35,000) options lapsed, leaving a balance of 5,520,000 (2004: 5,855,000) options unexercised at reporting date. 90,000 options were granted on 12 April 2002 to 1 employee at an exercise price of \$10.44 per option with an expiry date of 12 April 2007. None of these options have lapsed.
- (ii) 6,965,000 options granted on 5 August 1999 to 274 employees at an exercise price of \$5.84 per option and with an expiry date of 5 August 2004. During the year no (2004: 1,207,780) options were exercised and 22,500 (2004: nil) options lapsed. The balance of unexercised 1999 options is nil (2004: 22,500).

The market value of the Leighton Holdings Limited shares which are applicable to these options at 30 June 2005 was \$11.50.

All offers under both the LESP and LESOP plans are at the discretion of the Company and are subject to pre-conditions of issue and achieving certain performance hurdles prior to exercise of options which are contained in the Plan rules.

		Interest held	Place of Incorporation
<b>38</b>	<b>Leighton Holdings Limited and controlled entities at reporting date</b>		
† Leighton Holdings Limited	(4)		Vic
AAECventure Pty Ltd	(4)	100%	NSW
† Adelaide Terrace Investments Pty Ltd	(4)	100%	SA
Ausindo Holdings Pte Ltd		100%	Singapore
BOS Australia Pty Ltd	(4)	100%	WA
Broad Construction Services (NSW) Pty Ltd		74%	WA
Broad Construction Services (NT) Pty Ltd		74%	WA
Broad Construction Services Pty Ltd		74%	WA
Broad Construction Services (QLD) Pty Ltd		74%	Qld
Broad Construction Services (SA) Pty Ltd		74%	SA
Broad Construction Services (VIC) Pty Ltd		74%	WA
Broad Construction Services (WA) Pty Ltd		74%	WA
Ewenissa Pty Ltd	(4)	100%	ACT
Giddens Investment Ltd		100%	Hong Kong
Green Construction Company		100%	USA
GridComm Pty Ltd		95%	Vic
Hunter Valley Earthmoving Co Pty Ltd	(4)	100%	NSW
International Railroad Systems (Electronics) Pty Ltd		95%	SA
Jarraah Wood Pty Ltd		74%	WA
John Holland AD Holdings Pty Ltd		95%	Vic
John Holland AD Investments Pty Ltd		95%	Vic
John Holland AD Operations Pty Ltd		95%	Vic
John Holland Development & Investment Pty Ltd		95%	Vic
John Holland Engineering Pty Ltd		95%	Vic
John Holland Group Pty Ltd		95%	Vic
John Holland Investment Pty Ltd		95%	Vic
John Holland Mining Pty Ltd (formerly John Holland Investment No 1 Pty Ltd)		95%	Vic
John Holland Pty Ltd		95%	Vic
John Holland Rail Pty Ltd (formerly International Railroad Systems Pty Ltd)		95%	WA
John Holland Services Pty Ltd		95%	Vic
John Holland Services No 1 Pty Ltd		95%	Vic
Lai Lap Foundation Engineering Ltd		100%	Hong Kong
† Leighton Admin Services Pty Ltd	(4)	100%	NSW
Leighton Asia (Hong Kong) Holdings (No 2) Limited		100%	Hong Kong
Leighton Asia (Northern) Ltd		100%	Hong Kong
Leighton Asia (Southern) Ltd		100%	Cayman Islands
Leighton Asia Southern Pte Ltd		100%	Singapore
Leighton Contractors (Asia) Ltd		100%	Hong Kong
Leighton Contractors Asia (Vietnam) Limited		100%	Vietnam
Leighton Contractors (China) Ltd		100%	Hong Kong
Leighton Contractors (India) Private Ltd		100%	India
Leighton Contractors (Indo-China) Ltd		100%	Hong Kong
Leighton Contractors Lanka (Private) Ltd		100%	Sri Lanka
Leighton Contractors (Laos) Co Ltd		100%	Laos
Leighton Contractors (Malaysia) Sdn Bhd		100%	Malaysia
Leighton Contractors (Mauritius) Ltd		100%	Mauritius
Leighton Contractors (Philippines) Inc	(1)	40%	Philippines
† Leighton Contractors Pty Ltd	(4)	100%	NSW
Leighton Contractors (Singapore) Pte Ltd		100%	Singapore
† Leighton Finance Ltd	(4)	100%	NSW
Leighton Foundation Engineering Ltd		100%	Hong Kong
* Leighton Funds Management Pty Ltd	(4)	100%	Qld
Leighton Geotech Ltd	(1)	49%	Thailand
Leighton Investment Inc		100%	USA
Leighton Investments Malaysia (L) Ltd		100%	Malaysia
Leighton Investments Singapore Pte Ltd		100%	Singapore
* Leighton Motorway Investments Pty Ltd	(4)	100%	NSW
Leighton Motorway Investments No. 2 Pty Ltd	(4)	100%	Vic
Leighton NA Inc		100%	USA

		Interest held	Place of Incorporation
<b>38</b>	<b>Leighton Holdings Limited and controlled entities at reporting date – continued</b>		
	Leighton Office Trust	(4) 100%	N/A
	Leighton Office Trust No 2	(4) 100%	N/A
	Leighton Portfolio Services Pty Ltd	(4) 100%	ACT
	Leighton Projects Consulting (Shanghai) Limited	(2) 100%	China
†	Leighton Properties (Brisbane) Pty Ltd	(4) 100%	Qld
*	Leighton Properties Pty Ltd	(4) 100%	Qld
*	Leighton Properties (Vic) Pty Ltd	(4) 100%	Vic
†	Leighton Property Development Pty Ltd	(4) 100%	NSW
†	Leighton Property Funds Management Limited	(4) 100%	NSW
*	Leighton Property Management Pty Ltd	(4) 100%	NSW
	Leighton Services Australia Pty Ltd	(4) 100%	NSW
	Leighton Staff Shares Pty Ltd	(3), (4) 100%	Vic
	Leighton Superannuation Pty Ltd	(3), (4) 100%	NSW
*	Lewis Scott Enterprises Pty Ltd	(4) 100%	NSW
	LMI Westlink Partner Holding No 1 Pty Ltd	(4) 100%	Vic
	LMI Westlink Partner Holding No 2 Pty Ltd	(4) 100%	Vic
	LMI Westlink Partner Holding No 3 Pty Ltd	(4) 100%	Vic
	LMI Westlink Partner Holding No 4 Pty Ltd	(4) 100%	Vic
	LMI Westlink Partner No 1 Pty Ltd	(4) 100%	NSW
	LMI Westlink Partner No 2 Pty Ltd	(4) 100%	Vic
	LMI Westlink Partner No 3 Pty Ltd	(4) 100%	Vic
	LMI Westlink Partner No 4 Pty Ltd	(4) 100%	Vic
	LMI WSO Holding No 1 Pty Ltd	(4) 100%	Vic
	LMI WSO Holding No 2 Pty Ltd	(4) 100%	Vic
	LMI WSO Holding No 3 Pty Ltd	(4) 100%	Vic
	LMI WSO Holding No 4 Pty Ltd	(4) 100%	Vic
	LSE Antenna Services Pty Ltd	(4) 100%	Qld
†	LSE Technology (Australia) Pty Ltd	(4) 100%	NSW
†	LSE Technology Pty Ltd	(4) 100%	NSW
	Lucon Pty Ltd	95%	Vic
	Lyndhurst Business Park Sub Trust No. 1	(4) 100%	N/A
	Lyndhurst Business Park Sub Trust No. 2	(4) 100%	N/A
	Lyndhurst Business Park Sub Trust No. 3	(4) 100%	N/A
	Lyndhurst Business Park Trust No. 1	(4) 100%	N/A
	Lyndhurst Business Park Trust No. 2	(4) 100%	N/A
	Lyndhurst Business Park Trust No. 3	(4) 100%	N/A
	Mayfield Engineering Pty Ltd	(2), (4) 100%	NSW
	MCA Joint Venture Subic Inc	(1) 54%	Philippines
	Metro Developments Australia Pty Ltd	74%	WA
	Metronode Pty Ltd	(4) 100%	Vic
	Moorabbin Trust	(4) 100%	N/A
	Nestdeen Pty Ltd	(4) 100%	Qld
	Nextgen Networks Pty Ltd	100%	ACT
	Northland Maintenance Inc (in liquidation)	100%	USA
	Onopthic Pty Ltd	(4) 100%	NSW
	Opal Insurance (Singapore) Pte Ltd	(2) 100%	Singapore
	Plant & Equipment Leasing Pty Ltd	(2), (4) 100%	NSW
	Portside Fabrication Pty Ltd	(2) 74%	Vic
	PT Leighton Contractors Indonesia	95%	Indonesia
	PT Thiess Contractors Indonesia	100%	Indonesia
	Quantum Explosives Pty Ltd	(4) 100%	Qld
	Quintelgic Pty Ltd	(4) 100%	NSW
†	Ridgewood Development Pty Ltd	(4) 100%	Qld
	Silverton Group Pty Ltd	(2) 59%	WA
	SMgP Construction Services Pty Ltd	(4) 100%	NSW
	Swan Water Services Pty Ltd	(4) 100%	NSW
†	Technical Resources Pty Ltd	(4) 100%	NSW
	Telecommunication Infrastructure Pty Ltd	95%	Vic
	Tensacciai Pty Ltd	95%	WA

		Interest held	Place of Incorporation
<b>38</b>	<b>Leighton Holdings Limited and controlled entities at reporting date – continued</b>		
	Thai Leighton Ltd	(1) 49%	Thailand
	Thiess Contractors (Malaysia) Sdn Bhd	100%	Malaysia
	Thiess Contractors (PNG) Ltd	100%	Papua New Guinea
	Thiess Golding Joint Venture	67%	N/A
	Thiess H.D. Pty Ltd (formerly Thiess Property Services Pty Ltd)	(4) 100%	Qld
	Thiess Infracore (Bayside) Pty Ltd	(4) 100%	Vic
	Thiess Infracore (Swanston) Pty Ltd	(4) 100%	Vic
	Thiess Investments Pty Ltd	(4) 100%	Qld
	Thiess John Holland joint venture (Eastlink)	(2) 100%	N/A
	Thiess John Holland joint venture (Lane Cove Tunnel)	100%	N/A
	Thiess Mauritius Pty Ltd	100%	Mauritius
	Thiess NC	100%	New Caledonia
	Thiess NZ Ltd	100%	New Zealand
	Thiess Peru SA	100%	Peru
	Thiess Pty Ltd	(4) 100%	Qld
	Thiess Q Pty Ltd	(4) 100%	Qld
	Thiess S.A. Pty Ltd	(4) 100%	Vic
	Thiess Services Pty Ltd	(4) 100%	Qld
	Thiess Southland Pty Ltd	(4) 100%	NSW
	Thiess Superannuation Nominees No 2 Pty Ltd	(4) 100%	Qld
	Thiess Superannuation Nominees Pty Ltd	(4) 100%	Qld
	† Vision Hold Pty Ltd	(4) 100%	NSW
	† Visionstream Australia Pty Ltd	(4) 100%	NSW
	† Visionstream Pty Ltd	(4) 100%	Qld
	† Visionstream Services Pty Ltd	(4) 100%	NSW
	† Vytel Admin Pty Ltd	(4) 100%	NSW
	Vytel Investments Pty Ltd	(4) 100%	NSW
	† Vytel Pty Ltd	(4) 100%	NSW
	WebCon Pty Ltd	(4) 100%	NSW
	Yandina Ethanol Pty Ltd	95%	Vic
	† Yifta Pty Ltd	(4) 100%	ACT
	Zanofile Trust	(4) 100%	N/A

(1) Entities controlled under shareholder agreements

(2) Incorporated/established in 2005 financial year

(3) Trustee company

(4) Entities included in tax consolidated group

† 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 2005, as they are small proprietary companies.

#### Entities liquidated

The following controlled entities were liquidated during the 2005 financial year: A.C.N. 093 124 675 Pty Ltd, E\_Tube Pty Ltd, Fastrax Victoria Pty Ltd, Pacific Water Pty Ltd, Speedrail Group Pty Ltd, Thiess Contractors International Pty Ltd

Entities or businesses disposed	Proportion Disposed	Date Disposed
Jackimort Pty Ltd	100%	27/05/05
JH Rail Holdings Pty Ltd	29%	29/07/04
JH Rail Investments Pty Ltd	29%	29/07/04
JH Rail Operations Pty Ltd	29%	29/07/04
Entities or businesses acquired	Proportion Acquired	Date Acquired
Mayfield Engineering Pty Ltd	100%	01/01/05
Portside Fabrication Pty Ltd	100%	01/01/05

## 38 Leighton Holdings Limited and controlled entities at reporting date – continued

**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 Act 2001 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 Act 2001. 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.

A consolidated statement of financial performance and consolidated statement of financial position, 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 2005 is set out below:

	2005 \$'000	2004 \$'000
<b>Statement of financial performance</b>		
Profit/(Loss) from ordinary activities before income tax expense	157,962	(39,291)
Income tax (expense)/benefit relating to ordinary activities	(5,958)	30,890
Profit/(Loss) from ordinary activities after income tax expense	152,004	(8,401)
Retained profits at the beginning of the financial year	99,822	230,915
Dividends provided for or paid	(128,164)	(122,692)
Retained profits at the end of the reporting period	<u>123,662</u>	<u>99,822</u>
<b>Statement of financial position</b>		
<b>Assets</b>		
Cash assets	136,087	182,801
Receivables	247,769	217,915
Inventories	61,831	23,905
Investments accounted for using the equity method	144,816	114,925
Investments in other entities	1,070,764	1,103,080
Deferred tax assets	13,618	69,288
Property, plant and equipment	204,658	153,221
<b>Total assets</b>	<u>1,879,543</u>	<u>1,865,135</u>
<b>Liabilities</b>		
Payables	620,448	459,834
Current tax liabilities	(16,384)	(5,582)
Provisions	110,924	130,005
Interest bearing liabilities	619,235	759,398
<b>Total liabilities</b>	<u>1,334,223</u>	<u>1,343,655</u>
<b>Net assets</b>	<u>545,320</u>	<u>521,480</u>
<b>Equity</b>		
Contributed equity	421,851	421,851
Reserves	(193)	(193)
Retained profits	123,662	99,822
<b>Total equity</b>	<u>545,320</u>	<u>521,480</u>

## 39 Related party and Company information

**Transactions with related parties**

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 reporting date from:**

	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Wholly-owned controlled entities	-	-	563,495	623,546
Partly-owned controlled entities	-	-	11,538	-
Associates	159	1,488	-	-
Directors of the Company or controlled entities	744	820	744	820

**Aggregate amounts payable at reporting date to:**

Wholly-owned controlled entities	-	-	679,812	772,352
Associates	460	507	-	-
Joint venture entities	61,038	92,712	-	-

**Interest****Interest received / receivable from related parties:**

Directors of the Company or controlled entities	40	43	40	43
Associates	16	37	-	-
Wholly-owned controlled entities	-	-	34,710	28,123

**Interest paid / payable to related parties:**

Directors of the Company or controlled entities	2,295	2,672	-	-
Wholly-owned controlled entities	-	-	-	460
Joint venture entities	278	770	-	-

**Other revenues**

Fees charged to partly-owned controlled entities	-	-	19,597	936
Fees charged to wholly-owned controlled entities	-	-	1,963	-

**Number of employees**

Number of employees at reporting date	21,270	15,768	10	9
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**Directors**

The directors who held office as directors of Leighton Holdings Limited during the year ended 30 June 2005 were: Geoffrey John Ashton AM, Wallace MacArthur King AO, Dieter Siegfried Adamsas, Martin Carl Albrecht AC, Geoffrey James Dixon, Achim Drescher, Hans-Peter Keitel, Robert Leslie Seidler (alternate for Hans-Peter Keitel), Thomas Chris Leppert, David Allen Mortimer, Peter Michael Noé, Herbert Hermann Lütkestratkötter (alternate for Peter Michael Noé), David Paul Robinson and Robert Douglas Humphris.

**Director's transactions**

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

DP Robinson is a principal in the firm of chartered accountants, Harveys, which receives fees from Hochtief Australia Limited for services provided to that company, which is a related party.

The terms and conditions of transactions with directors and their director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

R Seidler is a partner in the law firm Blake Dawson Waldron which provided legal services to the Company in relation to remuneration and employment conditions totalling \$77,445 (2004: \$29,565). Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

During the year Hochtief Australia Limited acquired no shares (2004: 8,479,173 shares) giving a shareholding at reporting date of 144,718,067 (2004: 144,718,067) shares. HP Keitel and DP Robinson were directors of Hochtief Australia Limited during the year.

Interest is provided on deferred incentives which may be payable to Executive Directors in future years upon completion of certain conditions of employment. Interest is provided at a rate between 5.47% and 6.17% (2004: 4.62% and 6.19%). During the financial year \$2,294,542 (2004: \$2,672,006) was provided in respect of Executive Directors of Leighton Holdings Limited.

(The amounts for director's transactions have not been rounded to the nearest thousand.)

## 39 Related party and Company information – continued

### Company information

Leighton Holdings Limited is domiciled in Australia and is a company listed on the Australian Stock Exchange. The Company was incorporated in Victoria, Australia. The address of the registered office is 472 Pacific Highway, St Leonards, NSW, Australia. The Consolidated Entity's operations and principal activities were construction and other contracting services in the following disciplines: civil engineering and building, mining and resources, property development, telecommunications infrastructure and environmental services in Australia, Hong Kong and selected parts of South East Asia.

### Ultimate parent entity

The ultimate Australian parent entity is Hochtief Australia Limited and the ultimate parent entity is Hochtief AG, incorporated in Germany.

Consolidated		Company	
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000

## 40 Cash flow information

### Reconciliation of profit from ordinary activities after income tax expense to net cash provided by operating activities

Profit from ordinary activities after income tax expense	207,445	122,062	111,887	117,919
Add (less) non-cash items:				
Depreciation	366,864	287,130	-	-
Amortisation of goodwill	4,417	4,733	-	-
Provision for diminution in value of investments in other entities	7,400	14,410	22,663	-
Bad debts expense	-	13,590	-	-
Amounts set aside to provisions	146,831	112,260	360	100
Provision for losses – Spencer Street Station project	12,600	110,000	-	-
Foreign currency losses/(gains)	1,612	(276)	32	975
(Gain)/loss on sales of assets	(15,946)	(31,213)	(5,921)	-
Intercompany transactions	-	-	(67,807)	(28,126)
Net changes in assets/liabilities:				
(Increase)/decrease in receivables and joint ventures	(151,086)	(173,356)	(57)	1,000
(Increase)/decrease in inventories	(28,587)	6,677	-	-
(Decrease)/increase in payables	212,494	218,393	2,056	1,129
(Decrease)/increase in provisions	(143,311)	(90,594)	(233)	-
Income tax payable	(13,025)	28,891	(42,289)	4,330
<b>Net cash provided by operating activities</b>	<b>607,708</b>	<b>622,707</b>	<b>20,691</b>	<b>97,327</b>

	Consolidated	
	2005 \$'000	2004 \$'000
<b>40 Cash flow information - continued</b>		
<b>Fair value of assets of controlled entities and businesses acquired</b>		
Cash consideration	4,461	8,065
Cash acquired	(112)	(1,852)
	<b>4,349</b>	<b>6,213</b>
Receivables	11,239	34,181
Inventories	232	-
Property, plant and equipment	2,199	8,433
Payables	(7,507)	(38,241)
Provisions	(5,953)	-
Net assets acquired	<b>210</b>	<b>4,373</b>
Goodwill on acquisition	<b>4,139</b>	<b>1,840</b>
<b>Fair value of assets of controlled entities and businesses disposed</b>		
Consideration received	<b>10,577</b>	-
Receivables	2,730	-
Investments in other entities	7,847	-
Net assets disposed	<b>10,577</b>	-
<b>Details of credit facilities</b>		

The Consolidated Entity has a total of \$2.7 billion (2004: \$2.1 billion) loan and guarantee facilities of which \$651 million (2004: \$725 million) were undrawn as at 30 June 2005. These facilities have maturity dates up to June 2008. The facilities are provided under negative pledge agreements with financial institutions.

## 41 Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years other than the final dividend declared after the reporting date (Note 25).

## 42 Impact of first time adoption of Australian equivalents to International Financial Reporting Standards

### Australian equivalents to International Financial Reporting Standards (AIFRS)

The Consolidated Entity has prepared the 30 June 2005 annual financial statements in compliance with existing Australian accounting standards and generally accepted accounting principles (AGAAP). From 1 July 2005, the Consolidated Entity will prepare its financial statements in accordance with AIFRS that come into effect on that date. The financial statements for the half year ending 31 December 2005 and year ending 30 June 2006 will therefore reflect the adoption of AIFRS and, as the Consolidated Entity will be complying with these new standards for the first time, the Consolidated Entity will be required to restate its comparative financial statements to amounts reflecting the application of AIFRS to those comparative periods.

### Transition management

The Consolidated Entity's AIFRS Project Team has managed the transition to AIFRS, taking all necessary steps to ensure financial reporting and accounting policy changes, training of staff, system and internal control changes have been effected where necessary and communicated to stakeholders. The Project Team has prepared a detailed plan for managing and implementing the transition. The project is currently on schedule and the implementation phase is substantially complete.

The rules for the first time adoption to AIFRS are set out in AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet at transition date, being 1 July 2004. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings. The standard allows a number of voluntary exemptions to this general principle to assist in the transition to reporting under AIFRS. The Consolidated Entity intends to elect the following exemptions contained within AASB 1 on transition to AIFRS:

Standard	Standard name	Election intended to be applied
AASB 3	<i>Business Combinations</i>	Prospective application elected
AASB 121	<i>The Effects of Changes in Foreign Exchange Rates</i>	Cumulative translation differences reset to zero on transition
AASB 2	<i>Share Based Payments</i>	Share based payment transactions vested before 1 January 2005 not to be reflected in the AIFRS financial statements
AASB 132	<i>Financial Instruments: Disclosure &amp; Presentation</i>	Comparative information not restated in December 2005 & June 2006 financial statements
AASB 139	<i>Financial Instruments: Recognition &amp; Measurement</i>	Comparative information not restated in December 2005 & June 2006 financial statements
UIG 1	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	Changes in restoration liabilities and related assets which occurred before 1 July 2004 have not been accounted for retrospectively

### Key accounting policy changes and expected financial impacts

Set out below are the major areas where accounting policies are expected to change on adoption of AIFRS and management's best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005. The figures disclosed are best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report.

The actual effects of transition to AIFRS may differ from the estimates disclosed due to: ongoing work being undertaken by the AIFRS Project Team; potential amendments to AIFRSs and Interpretations thereof being issued by the AASB and IFRIC; and emerging accepted practice in the interpretation and application of AIFRS and UIG interpretations. Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Consolidated Entity's financial position, results of operations and cash flows in accordance with AIFRS. The following disclosures should therefore not be regarded as a complete list of changes in accounting policies that result from the transition to AIFRS, as only material changes have been disclosed. The note below reflects management's current view on the impact of the transition to AIFRS on the Consolidated Entity's financial position and reported results, based on its relevant industry understanding and interpretation of the applicable standards.

The Consolidated Entity has elected to apply the exemption from restatement of comparatives for AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. Transitional adjustments will be made at 1 July 2005 and therefore no quantification of these changes has been included in the reconciliations set out on the following page.

		Consolidated		Company	
		30 June 2005	1 July 2004	30 June 2005	1 July 2004
		\$'000	\$'000	\$'000	\$'000

## 42 Impact of first time adoption of Australian equivalents to International Financial Reporting Standards - continued

### (a) Reconciliation of total equity under AGAAP to that under AIFRS

<b>Total equity under AGAAP</b>		894,643	855,915	578,418	594,695
<i>Adjustments to retained earnings</i>					
Foreign currency translation reserve reset to zero	A	(73,618)	(73,618)	-	-
Development properties profit reversed	B	(767)	(6,673)	-	-
Increase in deferred tax asset	B	230	2,002	-	-
Increase in deferred tax liability	C	(4,028)	(5,236)	-	-
Write-back of goodwill amortisation	D	4,417	-	-	-
<i>Adjustments to other reserves (net of tax)</i>					
Foreign currency translation reserve reset to zero	A	73,618	73,618	-	-
<b>Total equity under AIFRS</b>		<b>894,495</b>	<b>846,008</b>	<b>578,418</b>	<b>594,695</b>

### Consolidated Company

30 June 2005	30 June 2005
\$'000	\$'000

### (b) Reconciliation of net profit under AGAAP to that under AIFRS

<b>Net profit under AGAAP</b>		205,432	111,887
Development properties profit recognised	B	5,906	-
Adjustment to income tax expense	C	(564)	-
Write-back of goodwill amortisation	D	4,417	-
Adjustments to Net Profit under AIFRS		9,759	-
<b>Net profit under AIFRS</b>		<b>215,191</b>	<b>111,887</b>

- A The Consolidated Entity intends to elect the exemption allowed by AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards to reset cumulative foreign currency translation differences to zero on transition.
- B Under AASB 118 Revenue, revenue and profit recognition on pre-sale residential projects would be deferred until settlement date rather than the percentage completion method currently adopted under UIG 53 Pre-Completion Contracts for the Sale of Residential Development Properties. The adjustment required on transition to AIFRS is a reversal of development profit of \$6,673 and recognition of a deferred tax asset of \$2,002. The AIFRS adjustment to net profit for the year ended 30 June 2005 is a recognition of profit of \$5,906 and a decrease in the deferred tax asset of \$1,772. The equivalent AIFRS adjustment to net profit for the year ended 30 June 2004 would have been a reversal of profit of \$6,673.

## 42 Impact of first time adoption of Australian equivalents to International Financial Reporting Standards - continued

- C Under AASB 112 *Income Taxes*, the Consolidated Entity will be required to use the balance sheet method of tax effect accounting, rather than the liability method applied currently under Australian GAAP. Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset will be recognised only to the extent it is probable that future taxable profits will be available against which the asset can be utilised. The adjustments to deferred tax liability and income tax expense relate to the expected impact of the change in basis and the tax effect of the above AIFRS adjustments.
- D Under AASB 3 *Business Combinations*, goodwill is not permitted to be amortised but instead is subject to impairment testing on an annual basis or when triggers occur which may indicate a potential impairment. Currently, the Consolidated Entity amortises goodwill using a straight line method over the period during which the benefits are expected to arise, which at present does not exceed ten years.

### (c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

### (d) Discussion of other impacts of AIFRS

In addition to the above items that impact the June 2005 results, there are a number of other accounting policy changes that did not result in an adjustment to retained earnings on transition or at the current reporting date but may impact future years.

#### Impairment of Assets

Under AASB 136 *Impairment of Assets*, the recoverable amount of an asset is determined as the higher of its net selling price and value in use. The Group's current accounting policy is to determine the recoverable amount of an asset on the basis of undiscounted cash flows. The Group's assets including goodwill were tested for impairment on transition and will be tested at each subsequent reporting date as part of the cash generating unit to which they belong.

#### Employee Benefits

Under AASB 119 *Employee Benefits*, the Consolidated Entity will be required to recognise the net surplus or deficit in the defined benefit funds as an asset or liability. This will result in a change in the Consolidated Entity's current accounting policy, which does not recognise the net assets/liabilities of the defined benefit fund. Any subsequent adjustments will be recognised directly in retained earnings.

#### Share Based Payments

Under AASB 2 *Share Based Payments*, the Consolidated Entity will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the income statement. This standard is not limited to options and also extends to other forms of equity-based remuneration. It applies to all share-based payments issued after 7 November 2002, which have not vested as at 1 January 2005. This will result in a change in the Consolidated Entity's current accounting policy, under which no expense is recognised for equity-based remuneration. Since 7 November 2002 there has been no equity-based remuneration issued to employees.

#### Leases

AASB 117 *Leases* does not include any quantitative guidelines on determining lease classification unlike AASB 1008. Leases which were classified as operating under AGAAP may be classified as finance leases under AIFRS and recognised in the balance sheet. A review of the leases held by the Consolidated Entity indicates that leases with a value of \$21,842 would be reclassified as finance leases on transition to AIFRS. This reclassification does not have a material impact on the equity of the Consolidated Entity.

#### Property, Plant and Equipment

Under AGAAP the gross proceeds on disposal of property, plant and equipment is recognised as revenue. Under AASB 116 *Property, Plant and Equipment*, a net gain is recognised as revenue and a net loss is recognised as an expense.

#### Earnings per share

AASB 133 *Earnings per Share* requires basic and diluted earnings per share to be calculated using the profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity. The basic and diluted earnings per share for discontinued operations is calculated and disclosed separately. The earnings per share for the financial year ended 30 June 2005 calculated on the AIFRS adjusted results are expected to be:

Basic EPS from continuing operations:	78.9 cents per share
Diluted EPS from continuing operations:	78.9 cents per share

## 42 Impact of first time adoption of Australian equivalents to International Financial Reporting Standards - continued

### **Tax consolidation**

Under UIG 1052 *Tax Consolidation Accounting*, wholly-owned subsidiaries which are part of a tax-consolidated group must recognise deferred tax balances in their own financial statements. Under Australian GAAP, all current and deferred tax balances were recognised by Leighton Holdings Limited as the head entity in the tax consolidated group. This will not impact the Consolidated Entity, only the Company.

### **Financial Instruments**

The Consolidated Entity has elected to apply the exemption from restatement of comparatives for AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. Transitional adjustments will be made at 1 July 2005.

#### ***Classification of Financial Instruments***

Under AASB 132, the current classification of financial instruments issued by entities in the Consolidated Entity will not change.

Under AASB 139, financial assets held by the Consolidated Entity will be required to be classified as either held for trading, held to maturity, available for sale or loans and receivables and depending upon the classification, measured at fair value or amortised cost. This will result in a change in the Consolidated Entity's current accounting policy, as investments in equity securities which are currently held at the lower of cost and recoverable amount, will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity.

#### ***Derivative Financial Instruments***

Under AASB 139, in order to apply hedge accounting, the hedging instrument must be deemed a qualifying hedge. Changes in the fair value of hedges which do not qualify for hedge accounting are recognised in the income statement. In order to achieve a qualifying hedge, the Consolidated Entity is required to meet the following criteria: identify the type of hedge - fair value or cash flow; identify the hedged item or transaction; identify the nature of the risk being hedged; identify the hedging instrument; demonstrate that the hedge has and will continue to be highly effective; and document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

Hedges are classified as cash flow, fair value or hedge of a net investment in a foreign operation.

Cash flow hedges and hedges of net investments in foreign operations are measured at fair value with changes in fair value recorded in equity to the extent that the hedge is deemed effective and until the hedged transaction occurs. Any ineffective portion is recorded in the income statement immediately.

Fair value hedges are measured at fair value with changes in fair value recorded in the income statement.

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## Statutory Statements

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### Directors' Declaration

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

- (a) The financial statements and notes, set out on pages 1 to 50 are in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the financial position of the Company and Consolidated Entity as at 30 June 2005 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 2001; 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 38 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.
3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2005.

Dated at Sydney this 5th day of September 2005.

Signed in accordance with a resolution of directors:



G J Ashton AM  
Chairman



W M King AO  
Chief Executive Officer

### Independent audit report to the members of Leighton Holdings Limited



#### Scope

##### *The financial report and directors' responsibility*

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes 1 to 42 to the financial statements, and the directors' declaration for both Leighton Holdings Limited (the "Company") and Leighton Holdings Limited and its controlled entities (the "Consolidated Entity"), for the year ended 30 June 2005. The Consolidated Entity comprises both the company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

##### *Audit approach*

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

#### **Audit opinion**

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

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
  - (ii) complying with the Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

KPMG

S J Marshall  
*Partner*

Sydney  
5 September 2005