



FINANCIAL REPORT
LEIGHTON HOLDINGS LIMITED ABN 57 004 482 982

06

LEIGHTON

Leighton Holdings Limited

ABN 57 004 482 982
ACN 004 482 982

Financial Report 2006

| CONTENTS | PAGE |
|--|-------------|
| INCOME STATEMENTS | 1 |
| STATEMENTS OF RECOGNISED INCOME AND EXPENSE | 2 |
| BALANCE SHEETS | 3 |
| STATEMENTS OF CASH FLOWS | 4 |
| NOTES TO THE FINANCIAL STATEMENTS | 5 |
| DIRECTORS' DECLARATION | 69 |
| INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LEIGHTON HOLDINGS LIMITED | 70 |

Income Statements

for the year ended 30 June 2006

| | Note | Consolidated | | Company | |
|--|-------|--------------------|----------------|-----------------|----------------|
| | | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| Revenue | 2 | 8,519,705 | 6,267,173 | 264,582 | 147,903 |
| Expenses | 3 | (8,203,191) | (6,077,995) | (8,172) | (20,836) |
| Finance costs | 4 | (25,557) | (26,352) | (16,881) | (16,491) |
| Share of profits of associates and joint venture entities* | 22,23 | 80,196 | 136,554 | - | - |
| Profit before tax | | 371,153 | 299,380 | 239,529 | 110,576 |
| Income tax (expense)/benefit | 6 | (93,764) | (82,176) | 11,765 | 1,311 |
| Profit for the year | | 277,389 | 217,204 | 251,294 | 111,887 |
| Attributable to: | | | | | |
| Members of the parent entity | | 276,069 | 215,191 | 251,294 | 111,887 |
| Minority interest | | 1,320 | 2,013 | - | - |
| Profit for the year | | 277,389 | 217,204 | 251,294 | 111,887 |
| Basic earnings per share | 21 | 100.2 ¢ | 78.9 ¢ | | |
| Diluted earnings per share | 21 | 100.0 ¢ | 78.9 ¢ | | |
| Dividends per share - Interim | 20 | 25.0 ¢ | 20.0 ¢ | | |
| - Final | 20 | 41.0 ¢ | 30.0 ¢ | | |

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

The income statements are to be read in conjunction with the notes to the financial statements.

Statements of Recognised Income and Expense

for the year ended 30 June 2006

| | Note | Consolidated | | Company | |
|---|------|----------------|-----------------|----------------|----------------|
| | | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| Foreign exchange translation differences (net of tax) | 19 | 8,031 | (28,180) | - | - |
| Effective portion of changes in fair value of cash flow hedges (net of tax) | 19 | 205 | - | - | - |
| Change in fair value of available-for-sale assets (net of tax) | 19 | 8,994 | - | - | - |
| Change in value of associate's equity | 19 | 10,658 | - | - | - |
| Net income/(expense) recognised directly in equity | | 27,888 | (28,180) | - | - |
| Profit for the year | | 277,389 | 217,204 | 251,294 | 111,887 |
| Total recognised income and expense for the year | | 305,277 | 189,024 | 251,294 | 111,887 |
| Attributable to: | | | | | |
| Members of the parent entity | | 303,957 | 187,011 | 251,294 | 111,887 |
| Minority interest | | 1,320 | 2,013 | - | - |
| Total recognised income and expense for the year | | 305,277 | 189,024 | 251,294 | 111,887 |

The statements of recognised income and expense are to be read in conjunction with the notes to the financial statements.

Balance Sheets

as at 30 June 2006

| | Note | Consolidated | | Company | |
|--|------|------------------|------------------|----------------|------------------|
| | | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| Assets | | | | | |
| Cash and cash equivalents | 7 | 809,850 | 635,210 | 70,769 | 75,347 |
| Trade and other receivables | 8 | 1,508,420 | 1,033,259 | 99,573 | 577,221 |
| Current tax assets | | 31,028 | 9,686 | 16,364 | - |
| Inventories | 9 | 117,975 | 71,349 | - | - |
| Investments accounted for using the equity method | 10 | 175,869 | 219,564 | - | - |
| Other investments | 11 | 151,685 | 46,067 | 768,061 | 778,938 |
| Deferred tax assets | 12 | 70,624 | 77,969 | 911 | 860 |
| Property, plant and equipment | 13 | 882,939 | 882,518 | - | - |
| Goodwill | 14 | 54,898 | 30,070 | - | - |
| Total assets | | 3,803,288 | 3,005,692 | 955,678 | 1,432,366 |
| Liabilities | | | | | |
| Trade and other payables | 15 | 1,951,010 | 1,557,182 | 10,800 | 631,289 |
| Current tax liabilities | 16 | 36,476 | 28,944 | - | 13,399 |
| Provisions | 17 | 320,934 | 267,801 | 3,036 | 2,867 |
| Interest-bearing liabilities | 18 | 42,950 | 57,270 | - | - |
| Leighton Finance International Notes | | 148,649 | - | - | - |
| Leighton Notes | | 200,000 | 200,000 | 200,000 | 200,000 |
| Total liabilities | | 2,700,019 | 2,111,197 | 213,836 | 847,555 |
| Net assets | | 1,103,269 | 894,495 | 741,842 | 584,811 |
| Equity | | | | | |
| Share capital | 19 | 479,744 | 421,851 | 479,744 | 421,851 |
| Reserves | 19 | (292) | (28,180) | - | - |
| Retained earnings | 19 | 623,449 | 499,536 | 262,098 | 162,960 |
| Total equity attributable to equity holders of the parent | | 1,102,901 | 893,207 | 741,842 | 584,811 |
| Minority interest | | 368 | 1,288 | - | - |
| Total equity | | 1,103,269 | 894,495 | 741,842 | 584,811 |

The balance sheets are to be read in conjunction with the notes to the financial statements.

Statements of Cash Flows

for the year ended 30 June 2006

| | Note | Consolidated | | Company | |
|---|------|------------------|------------------|------------------|-----------------|
| | | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| Cash flows from operating activities | | | | | |
| Cash receipts in the course of operations (including GST) | | 8,598,151 | 6,919,077 | - | - |
| Cash payments in the course of operations (including GST) | | (7,679,206) | (6,208,009) | (8,853) | (1,889) |
| Dividends received | | - | 2,601 | 243,881 | 79,851 |
| Interest received | | 16,694 | 12,079 | 2,280 | 243 |
| Finance costs paid | | (25,646) | (23,403) | (16,881) | (16,535) |
| Income taxes paid | | (92,835) | (94,637) | (18,049) | (40,979) |
| Net cash from operating activities | 25 | 817,158 | 607,708 | 202,378 | 20,691 |
| Cash flows from investing activities | | | | | |
| Payments for plant and equipment | | (569,239) | (480,273) | - | - |
| Payments for plant and equipment – major component parts | | (164,507) | (157,493) | - | - |
| Payments for other property, plant and equipment | | (11,295) | (14,825) | - | - |
| Proceeds from sale of property, plant and equipment | | 415,441 | 64,605 | - | - |
| Payments for investments in controlled entities and businesses | 26 | (261,165) | (4,349) | (8,029) | (3,500) |
| Proceeds from sale of investments in controlled entities and businesses | | - | 10,577 | - | - |
| Payments for other investments | | (116,347) | (21,065) | (2,645) | - |
| Proceeds from sale of other investments | | 5,296 | 33,669 | 33 | 31,815 |
| Loans to executives repaid | | 744 | 77 | 744 | 77 |
| Net cash from investing activities | | (701,072) | (569,077) | (9,897) | 28,392 |
| Cash flows from financing activities | | | | | |
| Proceeds from share issues | | 57,893 | - | 57,893 | - |
| Repayment of borrowings | | - | (999) | - | - |
| Proceeds from borrowings | | 151,707 | 17,000 | - | - |
| Loans to related entities repaid | | - | - | 495,325 | 112,046 |
| Loans from related entities repaid | | - | - | (599,318) | (37,633) |
| Distributions to minority interest | | (2,240) | (10,373) | - | - |
| Dividends paid | | (152,156) | (128,164) | (152,156) | (128,164) |
| Net cash from financing activities | | 55,204 | (122,536) | (198,256) | (53,751) |
| Net increase/(decrease) in cash held | | 171,290 | (83,905) | (5,775) | (4,668) |
| Net cash at the beginning of the year | | 635,210 | 728,433 | 75,347 | 80,047 |
| Effects of exchange rate fluctuations on cash held | | 3,350 | (9,318) | 1,197 | (32) |
| Net cash at reporting date | | 809,850 | 635,210 | 70,769 | 75,347 |

The statements of cash flows are to be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

for the year ended 30 June 2006

1 Summary of significant accounting policies

Leighton Holdings Limited (the "Company") is a company domiciled in Australia. The financial report of the Company for the year ended 30 June 2006 comprises the Company and its controlled entities (the "Consolidated Entity") and the Consolidated Entity's interest in associates and jointly controlled entities.

The financial report was authorised for issue by the Directors on 4 September 2006.

(a) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS"). The financial report also complies with IFRS and interpretations adopted by the International Accounting Standards Board.

This is the Company's and Consolidated Entity's first AIFRS financial report prepared in accordance with AIFRS and AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. An explanation of how the transition to AIFRS has affected the reported equity, profit and cash flows of the Consolidated Entity and the Company is provided in note 35.

(b) Basis of preparation

The financial report is presented in Australian dollars and has been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale assets that have been measured at fair value at reporting date.

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

The Consolidated Entity has elected to early adopt the following Australian Accounting Standards and amendments:

- AASB 119 *Employee Benefits* (December 2004);
- AASB 2004-3 *Amendments to Australian Accounting Standards* (December 2004) amending AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 101 *Presentation of Financial Statements* and AASB 124 *Related Party Disclosures*;
- AASB 2005-1 *Amendments to Australian Accounting Standards* (May 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*;
- AASB 2005-3 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 119 *Employee Benefits* (December 2004);
- AASB 2005-4 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*; and
- AASB 2005-5 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* and AASB 139 *Financial Instruments: Recognition and Measurement*.

The following Australian Accounting Standards, amendments and interpretations were available for early adoption but have not been applied by the Consolidated Entity in these financial statements:

- AASB 7 *Financial Instruments: Disclosures* (August 2005) replacing the presentation requirements of financial instruments in AASB 132 *Financial Instruments: Disclosure and Presentation*, applicable for annual reporting periods beginning on or after 1 January 2007;
- AASB 2005-6 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 3 *Business Combinations*, applicable for annual reporting periods beginning on or after 1 January 2006;
- AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) amending AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts*, AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*, applicable for annual reporting periods beginning on or after 1 January 2006;
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) making consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7, applicable for annual reporting periods beginning on or after 1 January 2007;

1 Summary of significant accounting policies - continued

(b) Basis of preparation - continued

- AASB 2006-1 *Amendments to Australian Accounting Standards* (January 2006) amending AASB 121 *The Effects of Changes in Foreign Exchange Rates* (July 2004), applicable for annual reporting periods ending on or after 31 December 2006;
- UIG 4 *Determining whether an Arrangement contains a Lease*, applicable for annual reporting periods beginning on or after 1 January 2006;
- UIG 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*, applicable for annual reporting periods beginning on or after 1 January 2006;
- UIG 6 *Liabilities arising from participating in a Specific Market – Waste Electrical & Electronic Equipment*, applicable for annual reporting periods beginning on or after 1 December 2005;
- UIG 7 *Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies*, applicable for annual reporting periods beginning on or after 1 March 2006;
- UIG 8 *Scope of IFRS 2*, applicable for annual reporting periods beginning on or after 1 May 2006; and
- UIG 9 *Reassessment of Embedded Derivatives*, applicable for annual reporting periods beginning on or after 1 June 2006.

The Consolidated Entity plans to adopt these standards, amendments and interpretations when they are applicable. AASB 2005-6, AASB 2005-9, AASB 2006-1 and UIGs 4 through 9 will be adopted for the June 2007 financial year. AASB 7 and AASB 2005-10 will be adopted for the June 2008 financial year. The initial application of these standards, amendments and interpretations is not expected to have an impact on the financial results of the Consolidated Entity or the Company as they are either not relevant or they relate to disclosure requirements only.

Except for the change in accounting policy disclosed in note 1(y), the accounting policies set out below have been applied consistently to all periods presented in the financial report and in preparing an opening AIFRS balance sheet at 1 July 2004. The impact of the transition to AIFRS is explained in note 35. Where relevant, the accounting policy applied to the comparative period has also been disclosed.

(c) Accounting estimates and judgements

The preparation of the financial report requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses. 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.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are as follows:

Key sources of estimation uncertainty

- Assessment of projects on a percentage of completion basis, in particular with regard to accounting for variations, the timing of profit recognition and the amount of profit recognised;
- Estimation of the economic life of property, plant and equipment;
- Measurement of restoration provisions;
- Testing of assets for impairment;
- Determining the fair value of unlisted available-for-sale assets;
- Determining the fair value of business combinations.

Note 14 contains information about the assumptions relating to goodwill impairment and their risk factors. Note 30 contains detailed analysis of the foreign exchange exposure of the Consolidated Entity and risks in relation to foreign exchange movements.

Critical accounting judgements in applying the Consolidated Entity's accounting policies

- Determining whether the significant risks and rewards of ownership have transferred in a sale or lease transaction.

(d) Basis of 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 income statement 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. Minority interests in the equity and in the results of the entities that are controlled by the Company are shown as separate items in the consolidated financial statements.

1 Summary of significant accounting policies - continued

(e) Revenue and profit recognition

(i) Revenue from construction contracting services includes revenue from building and civil contracting services. Revenue and profit are 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 contracting services during the establishment and initial stages and accordingly recognition of profit is deferred during that period. The difference between the revenue and costs is carried forward as either a contract receivable or contract payable. Once the contract result can be reliably estimated, which is not less than 20% complete by cost, the profit earned to that point is recognised immediately. Fees are recognised on certain contracts when awarded. Expected losses are recognised in full as soon as they become apparent.

(ii) Revenue and profit from mining contracts are 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. The difference between the revenue and costs is carried forward as either a contract receivable or contract payable. Expected losses are recognised in full as soon as they become apparent. Expenditure incurred to remove overburden or waste material during the production phase of a mining operation is deferred to the extent it gives rise to future economic benefits and charged to operating costs on a units of production basis using the estimated average stripping ratio for the area being mined. Changes in estimates of average stripping ratios are accounted for prospectively.

(iii) Property development revenue includes sales of development properties, rental and fee income. Revenue and profits from the sale of property developments and land sales are recognised when the significant risks and rewards of ownership have been transferred. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or costs to be incurred cannot be measured reliably or there is continuing management involvement. Rental income is recognised on a straight line basis over the term of the lease. Other property development revenue is recognised on an accruals basis.

(iv) All costs in respect of tendering for projects are expensed as incurred. Costs previously expensed are not subsequently reinstated when a contract is awarded.

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

(vi) Interest revenue is recognised as it accrues (using the effective interest method, which is the rate that discounts estimated future cash receipt through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(vii) Dividend income is recognised when the dividend is declared, net of any franking credits.

(viii) The net gain or loss from the sale of other assets is recognised when the significant risks and rewards of ownership have been transferred.

(f) Finance costs

Finance costs, including interest on the Leighton Notes and Leighton Finance International 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 finance costs to be capitalised to qualifying assets is the weighted average interest rate applicable to the entity's outstanding borrowings during the period. Finance 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.

(g) Income tax

Income tax expense on the profit or loss for the period comprises current tax expense and deferred tax expense. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The Consolidated Entity adopts the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

1 Summary of significant accounting policies - continued**(g) Income tax - continued**

The Company is the head entity in the tax-consolidated group comprising the Australian wholly-owned subsidiaries. The head entity recognises all of the current tax assets and liabilities and deferred tax assets in respect of tax losses of the tax-consolidated group (after elimination of intra-group transactions). Deferred tax assets and liabilities in respect of temporary differences are recognised in the subsidiaries' financial statements. The tax-consolidated group has entered into a tax funding agreement that requires wholly-owned subsidiaries to make contributions to the head entity for current tax assets and liabilities occurring after the implementation of tax consolidation. Under the tax funding agreement, the contributions are calculated using the "group allocation" approach so that the contributions are equivalent to the current tax balances generated by 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 current income tax.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash at bank and call deposits. For the purposes of the statement of cash flows, net cash includes cash on hand, at bank and short term deposits at call, net of bank overdrafts.

(i) Trade and other receivables

(i) Contract and trade debtors include all net receivables from construction and other contracting services which include 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 recoverability of contract and trade debtors is assessed at reporting date and provision is made for any doubtful debts. Interest may be charged at market rates based on individual debtor arrangements.

(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 based on individual debtor arrangements. The recoverability 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.

(j) 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 finance 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.

(k) Investments**(i) Controlled entities**

Investments in controlled entities are carried at cost less any impairment in value in the Company's financial statements.

(ii) Associates

Investments in entities over which the Consolidated Entity has the ability to exercise significant influence but not control are accounted for using equity accounting principles and are carried at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of associates, less any impairment in value. The consolidated income statement reflects the Consolidated Entity's share of the results of operation of associates. Where there has been a change recognised directly in the associates' equity, the Consolidated Entity recognises its share of any changes and discloses this, when applicable, in the consolidated statement of recognised income and expense. In the Company's financial statements, investments in associates are carried at their cost of acquisition less any impairment in value.

(iii) Joint venture entities

Investments in entities that are subject to joint control are accounted for using equity accounting principles and are carried at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the joint venture, less any impairment in value. The consolidated income statement reflects the Consolidated Entity's share of the results of operation of the joint venture entities. Where there has been a change recognised directly in the joint ventures' equity, the Consolidated Entity recognises its share of any changes and discloses this, when applicable, in the consolidated statement of recognised income and expense. In the Company's financial statements, investments in joint venture entities are carried at their cost of acquisition less any impairment in value.

1 Summary of significant accounting policies - continued

(k) Investments - continued

(iv) Available-for-sale assets

Available-for-sale assets are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the asset. After initial recognition, available-for-sale assets are measured at fair value. Changes in fair value are recognised as a separate component of equity in the fair value reserve. When the asset is sold, collected or otherwise disposed, or if the asset is determined to be impaired, the cumulative gain or loss previously reported in equity is included in the income statement.

The Consolidated Entity has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The Consolidated Entity has applied previous AGAAP to the comparative information on available-for-sale assets. Under previous GAAP, listed investments and unlisted mining investments are carried at the lower of cost and recoverable amount.

(l) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

(i) Depreciation and amortisation

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 for the current and comparative reporting periods as follows:

- freehold buildings: straight line method – up to 40 years;
- major plant and equipment: cumulative number of hours worked – up to 10 years;
- major plant and equipment – component parts: 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) Subsequent costs

Subsequent costs are included in the carrying amount of property, plant and equipment only when it is probable that the future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iii) 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.

(a) Finance leases

A lease asset and a lease liability equal to the lower of the fair value of the leased property and the present value of the minimum lease payments is recorded at the inception of the lease. The finance lease liability is the net present value of future finance lease rentals and residuals. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals, which are potential incremental lease payments not fixed in amount as they relate to future changes, are expensed as incurred.

(b) Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease.

(m) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Consolidated Entity's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Goodwill is allocated to related cash-generating units and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Negative goodwill arising on an acquisition is recognised directly in the income statement.

(n) 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.

(o) Impairment

The carrying amounts of property, plant and equipment, investments accounted for using the equity method and investments in controlled entities in Company's financial statements are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated annually regardless of whether any indications of impairment exist.

1 Summary of significant accounting policies - continued

(o) Impairment - continued

An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the income statement unless the asset has been previously revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Impairment losses in respect of goodwill and available-for-sale equity securities are not reversed through the income statement. Reversals of other impairment losses are recognised in the income statement unless the asset has been previously revalued, in which case the reversal is recognised in the income statement only to the extent that it reverses an impairment loss that was previously recognised in the income statement. Any additional increase in the carrying amount of the asset is treated as a revaluation increase.

(p) Trade and other 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 payables are normally settled within 60 days.

(q) Employee benefits

(i) Wages, salaries, 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. Provisions have been calculated based on expected wage and salary rates and include related on-costs. Amounts 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.

(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 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 income statement as incurred. Actuarial gains and losses may arise in relation to defined benefit superannuation plans. To the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of fund assets, that portion of the actuarial gain or loss is recognised in the income statement over the expected average remaining working lives of the active employees participating in the fund. Otherwise, the actuarial gain or loss is not recognised.

(iv) Share-based payment transactions

Ownership based remuneration is provided to employees via the Leighton Executive Share Option Plan. The Consolidated Entity has applied the requirements of AASB 1 in respect of equity-settled awards and has applied AASB 2 *Share-Based Payments* only to equity instruments granted after 7 November 2002. No expense has been recognised in respect of share options granted before 7 November 2002. These shares are recognised when the options are exercised and the proceeds received are allocated to share capital. No options have been granted by the Consolidated Entity since 7 November 2002.

Under the Leighton Employees Share Plan, the Company is permitted 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. These share offers are recognised as an expense at the time the shares are granted.

(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. The provisions are accrued on a pro-rata basis during the retention period and have been calculated based on current salary rates, including related on-costs. Amounts 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.

1 Summary of significant accounting policies - continued

(q) Employee benefits - continued

(vi) Annual bonus and deferred incentive arrangements

Annual bonuses and deferred incentives are provided at reporting date and include related on-costs. The Consolidated Entity recognises a provision where there is a contractual or constructive obligation. Amounts 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.

(r) Restoration provisions

Provisions for restoration represent restoration obligations in respect of landfills. The provisions are the best estimate of the present value of the expenditure required to settle the restoration obligation at reporting date, based on current legal requirements and technology. The amount of the provision for future restoration costs is capitalised as a waste management asset and depreciated in accordance with the policy set out in note 1(l). The unwinding of the discounting on the provision is recognised as a finance cost.

(s) Interest-bearing liabilities

All loans and borrowings are initially at fair value, being the amount received less attributable transaction costs. After initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(t) Share capital

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

(u) Foreign currency translation

(i) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is Leighton Holdings Limited's functional and presentation currency.

(ii) Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of controlled foreign entities

Assets and liabilities of controlled foreign entities are translated into the presentation currency at the rates of exchange at reporting date and the income statement is translated at the rates approximating foreign exchange rates ruling at the dates of the transactions. The resulting exchange differences are taken directly to a separate component of equity. Exchange gains and losses on transactions which form part of the net investments in foreign controlled entities together with any related income tax effect are recognised in a separate component of equity on consolidation. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign entity is recognised in the income statement as part of the gain or loss on sale.

(v) Derivative financial instruments

Derivative financial instruments are stated at fair value, with changes in fair value recognised in the income statement. However, where derivative financial instruments qualify for hedge accounting, recognition of changes in fair value depends on the nature of the item being hedged.

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. Derivatives are not held for speculative purposes. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

(i) Hedging

For the purposes of hedge accounting, hedges are classified as either:

- fair value hedges, when they hedge exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges, where they hedge exposure to changes in cash flows or a forecasted transaction; or
- hedges of net investments in foreign operations, where they hedge exposure to exchange differences arising from the translation of a net investment in a foreign operation.

1 Summary of significant accounting policies - continued

(v) Derivative financial instruments - continued

(i) Hedging - continued

In order to apply hedge accounting, the hedging instrument must be deemed a qualifying hedge. In order to achieve a qualifying hedge, the Consolidated Entity is required to meet the following criteria:

- identify the type of hedge;
- 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.

Qualifying cash flow hedges and hedges of net investments in foreign operations are measured at fair value with changes in fair value recorded in equity in the hedging reserve or the foreign currency translation reserve respectively, 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. Qualifying fair value hedges are measured at fair value with changes in fair value recorded in the income statement.

Changes in the fair value of hedges which do not qualify for hedge accounting are recognised in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

The Consolidated Entity has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The Consolidated Entity has applied previous AGAAP to the comparative information on derivative financial instruments. Under previous AGAAP, gains and losses under interest rate swaps were recognised on an accruals basis as an adjustment to finance costs and exchange differences on specific hedge transactions were deferred and included in the measurement of the purchase or sale.

(w) Dividends

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

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing profit attributable to members of the parent entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

(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 and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(y) Changes in accounting policies

In the current financial year the Consolidated Entity adopted AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139. The transitional provisions of AASB 1 will not have any effect in future reporting periods.

The adoption of AASB 139 has resulted in the Consolidated Entity recognising available-for-sale assets and all derivative financial instruments as assets or liabilities at fair value. This change has been accounted for by adjusting the opening balance of retained earnings, the hedging reserve and the fair value reserve at 1 July 2005. These adjustments did not have a material effect on opening retained earnings at 1 July 2005.

Notes continued

| | Note | Consolidated | | Company | |
|--|------|------------------|----------------|----------------|----------------|
| | | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| 2 Revenue | | | | | |
| Construction contracting services | | 4,971,034 | 3,720,443 | - | - |
| Mining contracting services | | 2,601,326 | 1,782,350 | - | - |
| Property development revenue | | 365,372 | 274,865 | - | - |
| Other services revenue | | 564,845 | 474,761 | - | - |
| Revenue from external customers | | 8,502,577 | 6,252,419 | - | - |
| Interest | | | | | |
| - Related parties | 32 | 63 | 56 | 16,143 | 34,750 |
| - Other parties | | 17,065 | 12,097 | 822 | 203 |
| Dividends/distributions | | | | | |
| - Wholly-owned controlled entities | 32 | - | - | 203,305 | 75,000 |
| - Partly-owned controlled entities | 32 | - | - | 40,576 | 13,789 |
| - Other parties | | - | 2,601 | - | 2,601 |
| Other revenue from related parties | 32 | - | - | 3,736 | 21,560 |
| Other revenue | | 17,128 | 14,754 | 264,582 | 147,903 |
| Total revenue | | 8,519,705 | 6,267,173 | 264,582 | 147,903 |

The Consolidated Entity's share of revenue from joint ventures is excluded from Revenue noted above and from the income statement in accordance with Accounting Standards. The delivery of a number of projects by the Consolidated Entity is in the form of joint ventures. Details of the Consolidated Entity's share of joint ventures' revenue are provided as additional information below as Revenue – Group and joint ventures. Revenue – 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.

Revenue - Group and joint ventures

| | | |
|---|-------------------|-----------|
| Revenue - Group | 8,502,577 | 6,252,419 |
| Revenue - joint ventures | 1,513,889 | 1,340,171 |
| Total revenue - Group and joint ventures | 10,016,466 | 7,592,590 |
| Other revenue | 17,128 | 14,754 |
| Revenue - Group and joint ventures | 10,033,594 | 7,607,344 |

Notes continued

| | Note | Consolidated | | Company | |
|--|-------|------------------|------------------|----------------|----------------|
| | | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| 3 Expenses | | | | | |
| Materials | | 2,042,929 | 1,559,358 | - | - |
| Subcontractors | | 2,530,623 | 1,997,679 | - | - |
| Plant costs | | 791,883 | 466,979 | - | - |
| Depreciation of property, plant and equipment | 4 | 454,051 | 366,864 | - | - |
| Personnel costs | | 1,842,741 | 1,417,410 | 2,287 | 1,629 |
| Operating lease payments – plant and equipment | | 144,370 | 59,444 | - | - |
| Operating lease payments – other | | 12,633 | 9,893 | - | - |
| Professional fees | | 139,733 | 95,591 | 1,429 | 1,565 |
| Foreign exchange losses | | 2,719 | 2,246 | 1,674 | 29 |
| Net gain on the sale of other investments | | (4,243) | (6,028) | - | (5,921) |
| Net gain on the sale of property, plant and equipment | | (17,342) | (9,918) | - | - |
| Cost of development properties sold | | 5,700 | 13,840 | - | - |
| Impairment of investment in Asia Pacific Transport Consortium (ADrail) | 10,11 | 47,507 | 7,400 | - | - |
| Impairment of other investments | | 625 | - | - | 474 |
| Impairment of goodwill | 14 | 1,241 | - | - | - |
| Impairment of investments in controlled entities | | - | - | - | 22,189 |
| Other expenses | | 208,021 | 97,237 | 2,782 | 871 |
| Total expenses | | 8,203,191 | 6,077,995 | 8,172 | 20,836 |

4 Profit before tax

Profit before tax includes the following expenses:

| | | | | | |
|---------------------|----|--------|--------|--------|--------|
| Finance costs | | | | | |
| - Related parties | 32 | 947 | 2,573 | - | - |
| - Other parties | | 24,610 | 23,779 | 16,881 | 16,491 |
| Total finance costs | | 25,557 | 26,352 | 16,881 | 16,491 |

Depreciation of property, plant and equipment

| | | | | | |
|---|--|---------|---------|---|---|
| - Buildings | | 1,207 | 1,178 | - | - |
| - Plant and equipment | | 271,057 | 183,931 | - | - |
| - Plant and equipment – major component parts | | 176,729 | 177,250 | - | - |
| - Leasehold land and buildings | | 820 | 121 | - | - |
| - Leasehold improvements | | 1,984 | 1,639 | - | - |
| - Waste management assets | | 2,254 | 2,745 | - | - |
| Total depreciation | | 454,051 | 366,864 | - | - |

Notes continued

| | Consolidated | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| 5 Auditors' remuneration | | | | |
| Assurance services | | | | |
| i) Audit services – audit and review of financial reports | | | | |
| Auditors of the Company – KPMG Australia | 1,476 | 1,125 | - | - |
| Auditors of the Company – related overseas firms | 722 | 743 | - | - |
| Other auditors | 439 | 450 | - | - |
| Total remuneration for audit services | 2,637 | 2,318 | - | - |
| ii) Other assurance services | | | | |
| Auditors of the Company – KPMG Australia | | | | |
| - Corporate finance | 163 | 354 | - | - |
| - Due diligence services | 87 | - | - | - |
| - Controls assurance services | 4 | 95 | - | - |
| - Other services | 198 | 78 | - | - |
| Auditors of the Company – related overseas firms | 90 | 8 | - | - |
| Other auditors | 249 | 83 | - | - |
| Total remuneration for other assurance services | 791 | 618 | - | - |
| iii) Taxation services* | | | | |
| Auditors of the Company – KPMG Australia | 1,322 | 733 | - | - |
| Auditors of the Company – related overseas firms | 254 | 288 | - | - |
| Other auditors | 397 | 237 | - | - |
| Total remuneration for taxation services | 1,973 | 1,258 | - | - |
| Total auditors' remuneration | 5,401 | 4,194 | - | - |

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

| | Consolidated | | Company | |
|--|----------------|----------------|-----------------|----------------|
| | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| 6 Income tax expense | | | | |
| Income tax expense recognised in the income statements | | | | |
| Current tax expense/(benefit) | 85,972 | 55,701 | (11,039) | (62,443) |
| Deferred tax expense/(benefit) | 7,345 | 19,671 | (51) | 73,938 |
| Adjustments for prior years | 447 | 6,804 | (675) | (12,806) |
| Total income tax expense/(benefit) in income statement | 93,764 | 82,176 | (11,765) | (1,311) |
| Deferred tax recognised directly in equity | | | | |
| Revaluation of cash flow hedges | 22 | - | - | - |
| Revaluation of available-for-sale assets | 1,925 | - | - | - |
| | 1,947 | - | - | - |
| Reconciliation between tax expense and profit before tax | | | | |
| Profit before tax | 371,153 | 299,380 | 239,529 | 110,576 |
| Prima facie income tax expense at 30% (2005: 30%) | 111,346 | 89,814 | 71,859 | 33,173 |
| The following items have affected income tax expense for the year: | | | | |
| - Entertainment and other non-allowable items | 3,255 | 2,276 | 76 | 84 |
| - Depreciation and amortisation not allowable for tax | 1,447 | 1,762 | - | - |
| - Building allowance | (219) | (350) | - | - |
| - Franked and exempt dividends | - | - | (73,164) | (26,638) |
| - Recoupment of losses previously not recognised | (302) | (2,379) | - | (2,379) |
| - Overseas income tax differential | 6,932 | 2,789 | - | - |
| - Impairment of investments in controlled entities | - | - | - | 6,657 |
| - Movement in provision for withholding tax on retained earnings of non-resident controlled entities | 3,651 | (1,208) | - | - |
| - Research and development credit | (27,142) | (16,970) | (10,489) | - |
| - Equity-accounted income not subject to tax and other | (5,651) | (362) | 628 | 598 |
| Current year income tax expense | 93,317 | 75,372 | (11,090) | 11,495 |
| Under/(over) provision in prior year | 447 | 6,804 | (675) | (12,806) |
| Income tax expense/(benefit) | 93,764 | 82,176 | (11,765) | (1,311) |

Notes continued

| | Note | Consolidated | | Company | |
|---|------|-------------------|----------------|----------------|----------------|
| | | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| 7 Cash and cash equivalents | | | | | |
| Funds on deposit | | 622,641 | 413,068 | - | 44,039 |
| Cash at bank and on hand | | 187,209 | 222,142 | 70,769 | 31,308 |
| | | 809,850 | 635,210 | 70,769 | 75,347 |
| 8 Trade and other receivables | | | | | |
| Contract debtors | | 1,180,525 | 781,183 | - | - |
| Trade debtors | | 226,012 | 156,391 | - | - |
| Other amounts receivable | | 62,820 | 59,508 | 1,798 | 1,444 |
| Prepayments | | 13,679 | 15,586 | - | - |
| Derivative financial assets | 30 | 356 | - | - | - |
| Loans - unsecured | | 24,083 | 19,688 | - | - |
| Loans - related parties | 32 | 945 | 903 | - | 744 |
| Amounts receivable from controlled entities | 32 | - | - | 97,775 | 575,033 |
| | | 1,508,420 | 1,033,259 | 99,573 | 577,221 |
| Progressive value of work completed on contracts in progress at reporting date | | 15,983,994 | 12,278,930 | - | - |
| Net contract debtors excluding retentions | | 1,064,744 | 608,360 | - | - |
| Retentions | | 11,085 | 12,858 | - | - |
| Net contract debtors | | 1,075,829 | 621,218 | - | - |
| Cash received to date | | 14,908,165 | 11,657,712 | - | - |
| Total progressive value | | 15,983,994 | 12,278,930 | - | - |
| Amounts due from customers - contract debtors | | 1,180,525 | 781,183 | - | - |
| Amounts due to customers - trade creditors | | (104,696) | (159,965) | - | - |
| Net contract debtors | | 1,075,829 | 621,218 | - | - |

Receivables expected to be realised more than 12 months after reporting date: Consolidated Entity \$26,803 (2005: \$7,414), Company \$97,775 (2005: \$564,239).

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*. The comparative amounts of derivative financial assets disclosed above have therefore not been restated to fair value.

Notes continued

| | Note | Consolidated | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| 9 Inventories | | | | | |
| Property developments | | | | | |
| Cost of acquisition | | 42,603 | 35,661 | - | - |
| Development expenses capitalised | | 17,451 | 17,410 | - | - |
| Rates, taxes, finance and other costs capitalised | | 9,209 | 5,422 | - | - |
| | | 69,263 | 58,493 | - | - |
| Other inventories | | | | | |
| Raw materials and consumables at cost | | 48,712 | 12,856 | - | - |
| | | 117,975 | 71,349 | - | - |

Inventories include property developments of \$47,580 (2005: \$20,881), which are expected to be realised more than 12 months after reporting date. Finance costs capitalised to property developments during the year \$3,191 (2005: \$2,370). Property developments of \$27,599 (2005: \$19,170) have been pledged as security for interest-bearing liabilities.

10 Investments accounted for using the equity method

| | | | | | |
|------------------------|----|----------------|---------|---|---|
| Associates | 22 | 30,444 | 36,314 | - | - |
| Joint venture entities | 23 | 145,425 | 183,250 | - | - |
| | | 175,869 | 219,564 | - | - |

An associate of the Consolidated Entity, JH Rail Holdings Pty Limited, holds a 7.4% investment in the Asia Pacific Transport Consortium which operates the Alice Springs to Darwin railway in the Northern Territory. The fair value of the Consolidated Entity's investment in JH Rail Holdings Pty Limited at reporting date was nil, based on a value in use valuation model. As a result of this valuation, an impairment loss of \$28,768 was recognised in relation to the Consolidated Entity's investment in JH Rail Holdings Pty Limited.

The Consolidated Entity also holds a direct investment of 4.5% in the Asia Pacific Transport Consortium, which is included in other investments in note 11. The total impairment loss recognised by the Consolidated Entity with respect to the Asia Pacific Transport Consortium was \$47,507.

The Consolidated Entity's investment in JH Rail Holdings Pty Limited is reported as part of the Australia/Pacific primary segment in the segment analysis in note 27.

Notes continued

| | Consolidated | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| 11 Other investments | | | | |
| Equity securities available-for-sale | | | | |
| - Listed | 5,583 | 2,112 | - | 33 |
| - Unlisted | 97,102 | 43,955 | 2,694 | 50 |
| Unlisted debt securities available-for-sale | 49,000 | - | - | - |
| Investments in controlled entities – at cost | - | - | 763,617 | 777,105 |
| Investments in associates – at cost | - | - | 1,750 | 1,750 |
| | 151,685 | 46,067 | 768,061 | 778,938 |

The Consolidated Entity holds a direct investment of 4.5% in the Asia Pacific Transport Consortium which operates the Alice Springs to Darwin railway in the Northern Territory. This investment is included in unlisted equity securities above. The Consolidated Entity also holds an indirect investment of 7.4% in the Asia Pacific Transport Consortium through an associate, JH Rail Holdings Pty Limited. During the year, an impairment loss of \$18,739 was recognised in relation to the Consolidated Entity's direct investment in the Asia Pacific Transport Consortium. The total impairment loss recognised by the Consolidated Entity with respect to the Asia Pacific Transport Consortium was \$47,507. Further information is disclosed in note 10.

The Consolidated Entity's direct investment in the Asia Pacific Transport Consortium is reported as part of the Australia/Pacific primary segment in the segment analysis in note 27.

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*. The comparative amounts of available-for-sale securities disclosed above have therefore not been restated to fair value.

12 Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributed to the following:

| | | | | |
|--|---------------|---------------|------------|------------|
| - Contract debtors | 20,846 | 13,499 | - | - |
| - Property developments | (6,140) | (4,109) | - | - |
| - Other inventories | (7,322) | (460) | - | - |
| - Property, plant and equipment | 69,544 | 33,697 | - | - |
| - Trade creditors and accruals | 8,462 | 6,457 | - | - |
| - Employee benefits | 86,090 | 72,961 | 911 | 860 |
| - Contract profit differential | (93,931) | (46,148) | - | - |
| - Withholding tax on retained earnings of non-resident controlled entities | (9,746) | (4,043) | - | - |
| - Other | 2,821 | 6,115 | - | - |
| | 70,624 | 77,969 | 911 | 860 |

Unrecognised deferred tax assets

| | | | | |
|---|--------|--------|-------|-------|
| Deferred tax assets which have not been recognised in respect of tax losses | 10,252 | 10,086 | 7,334 | 8,290 |
|---|--------|--------|-------|-------|

Tax losses not recognised of \$10,252 (2005: \$10,086) include overseas losses and capital losses where there is possibility of recoupment. \$8,488 of these unrecognised losses have no expiry date, the balance having a three to five year expiry date. Deferred tax assets have not been recognised in respect of these tax losses because it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits therefrom. The benefit of tax losses not recognised 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.

Notes continued

| | Note | Consolidated | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| 13 Property, plant and equipment | | | | | |
| Land - cost | | 20,177 | 20,604 | - | - |
| Buildings - cost | | 35,020 | 33,564 | - | - |
| Accumulated depreciation | | (6,978) | (5,959) | - | - |
| | | 28,042 | 27,605 | - | - |
| Leasehold land and buildings - cost | | 8,094 | 8,760 | - | - |
| Accumulated depreciation | | (1,738) | (951) | - | - |
| | | 6,356 | 7,809 | - | - |
| Leasehold improvements - cost | | 33,371 | 23,752 | - | - |
| Accumulated depreciation | | (12,621) | (10,603) | - | - |
| | | 20,750 | 13,149 | - | - |
| Waste management assets - cost | | 43,083 | 46,402 | - | - |
| Accumulated depreciation | | (20,729) | (18,474) | - | - |
| | | 22,354 | 27,928 | - | - |
| Plant and equipment - cost | | 1,858,953 | 1,720,071 | - | - |
| Accumulated depreciation | | (1,073,693) | (934,648) | - | - |
| | | 785,260 | 785,423 | - | - |
| | 24 | 882,939 | 882,518 | - | - |

Notes continued

| | Note | Consolidated | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| 14 Goodwill | | | | | |
| Cost | | | | | |
| Balance at beginning of financial year | | 30,070 | 25,931 | - | - |
| Acquisitions through business combinations | 26 | 23,784 | 4,139 | - | - |
| Adjustments to the fair value of business combinations in previous reporting periods | | 2,285 | - | - | - |
| Balance at reporting date | | 56,139 | 30,070 | - | - |
| Impairment losses | | | | | |
| Balance at beginning of financial year | | - | - | - | - |
| Impairment charge | | (1,241) | - | - | - |
| Balance at reporting date | | (1,241) | - | - | - |
| Carrying amount | | 54,898 | 30,070 | - | - |
| Impairment tests for cash-generating units containing goodwill | | | | | |
| The following units have significant carrying amounts of goodwill: | | | | | |
| - Leighton Asia Group | | 14,836 | 14,836 | - | - |
| - John Holland Group | | 11,267 | 8,982 | - | - |
| - Leighton Contractors Group | | 28,795 | 6,252 | - | - |
| | | 54,898 | 30,070 | - | - |

The recoverable amount of all cash-generating units is based on value in use calculations, using 5-year cash flow projections based on actual operating results and the Leighton Holdings Group business plan. A pre-tax discount rate of 11.5% (2005: 11.8%) has been used in discounting the projected cash flows. The carrying amount of each cash-generating unit equals its recoverable amount.

The key assumptions and the approach to determining the recoverable amount of all cash-generating units in the current and previous year are:

| Assumption | How determined |
|--|--|
| Market/segment growth | Economic forecasts, taking into account the Consolidated Entity's participation in each market |
| Commodity price stability | Analysis of price forecasts, adjusted for actual experience |
| Inflation/CPI rates and foreign currency rates | World economic forecasts |

Notes continued

| | Note | Consolidated | | Company | |
|--|------|------------------|------------------|----------------|----------------|
| | | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| 15 Trade and other payables | | | | | |
| Trade creditors and accruals | | 1,811,274 | 1,440,754 | 1,498 | 3,520 |
| Other creditors | | 59,407 | 54,930 | - | - |
| Derivative financial liabilities | 30 | 129 | - | - | - |
| Amounts payable to related parties | 32 | 80,200 | 61,498 | - | - |
| Amounts payable to controlled entities | 32 | - | - | 9,302 | 627,769 |
| | | 1,951,010 | 1,557,182 | 10,800 | 631,289 |

Trade creditors expected to be settled more than 12 months after reporting date: Consolidated Entity \$127,433 (2005: \$53,093), Company \$9,302 (2005: \$627,769).

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*. The comparative amounts of derivative financial liabilities disclosed above have therefore not been restated to fair value.

16 Current tax liabilities

| | | | | | |
|----------------------|--|---------------|--------|---|--------|
| Income tax provision | | 36,476 | 28,944 | - | 13,399 |
|----------------------|--|---------------|--------|---|--------|

Income tax payable represents the amounts payable in respect of current and prior periods. The Company's income tax payable includes amounts payable on behalf of controlled entities that are part of the tax-consolidated group.

17 Provisions

Employee benefits

| | | | | | |
|--|--|----------------|----------------|--------------|--------------|
| Balance at beginning of financial year | | 263,399 | 256,040 | 2,867 | 2,740 |
| Provisions made during the year | | 209,685 | 146,831 | 420 | 360 |
| Acquisitions through business combinations | | 17,674 | 5,953 | - | - |
| Provisions used during the year | | (179,296) | (143,311) | (251) | (233) |
| Effect of movements in foreign exchange | | 637 | (2,114) | - | - |
| Balance at reporting date | | 312,099 | 263,399 | 3,036 | 2,867 |

Site restoration

| | | | | | |
|--|--|----------------|----------------|--------------|--------------|
| Balance at beginning of financial year | | 4,402 | 4,402 | - | - |
| Provisions made during the year | | 1,715 | - | - | - |
| Acquisitions through business combinations | | 2,805 | - | - | - |
| Provisions used during the year | | (87) | - | - | - |
| Balance at reporting date | | 8,835 | 4,402 | - | - |
| | | 320,934 | 267,801 | 3,036 | 2,867 |

Provisions expected to be settled more than 12 months after reporting date: Consolidated Entity \$154,039 (2005: \$177,445), Company \$3,036 (2005: \$2,867). The provision for employee benefits relates to wages and salaries, annual leave, long service leave, retirement benefits and deferred bonuses. The provision for site restoration represents restoration obligations in respect of landfills, based on the Consolidated Entity's best estimate of the present value of the expenditure required to settle the restoration obligation.

Notes continued

| | Note | Consolidated | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| 18 Interest-bearing liabilities | | | | | |
| Property development loans | | 42,950 | 35,457 | - | - |
| Finance lease liabilities | | - | 21,813 | - | - |
| | | 42,950 | 57,270 | - | - |

Interest-bearing liabilities expected to be settled more than 12 months after reporting date: Consolidated Entity \$3,058 (2005: nil), Company nil (2005: nil). The property development loans are non-recourse and secured against certain assets of the Consolidated Entity.

19 Equity

Share capital

| | | | | | |
|--|--|----------------|---------|----------------|---------|
| Balance at beginning of financial year | | 421,851 | 421,851 | 421,851 | 421,851 |
| Contributions of equity | | 57,893 | - | 57,893 | - |
| Balance at reporting date | | 479,744 | 421,851 | 479,744 | 421,851 |

| | | Company | |
|--|----|--------------------|--------------------|
| | | 2006 | 2005 |
| Issued and fully paid share capital | | | |
| Balance at beginning of financial year | | 272,688,067 | 272,688,067 |
| Share options exercised | 31 | 5,286,500 | - |
| Balance at reporting date | | 277,974,567 | 272,688,067 |

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. Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

Notes continued

| | Consolidated | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| 19 Equity - continued | | | | |
| Foreign currency translation reserve | | | | |
| Balance at beginning of financial year | (28,180) | - | - | - |
| Total recognised income and expense | 8,031 | (28,180) | - | - |
| Balance at reporting date | (20,149) | (28,180) | - | - |

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the Consolidated Entity, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Hedging reserve

| | | | | |
|--|-----|---|---|---|
| Balance at beginning of financial year | - | - | - | - |
| Total recognised income and expense | 205 | - | - | - |
| Balance at reporting date | 205 | - | - | - |

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Fair value reserve

| | | | | |
|--|-------|---|---|---|
| Balance at beginning of financial year | - | - | - | - |
| Total recognised income and expense | 8,994 | - | - | - |
| Balance at reporting date | 8,994 | - | - | - |

The fair value reserve includes the cumulative net change in the fair value of available-for-sale assets until the asset is realised.

Investment reserve

| | | | | |
|--|--------|---|---|---|
| Balance at beginning of financial year | - | - | - | - |
| Total recognised income and expense | 10,658 | - | - | - |
| Balance at reporting date | 10,658 | - | - | - |

The investment reserve is used to record post-acquisition increases in the reserves of associates.

| | | | | |
|---|--------------|-----------------|----------|----------|
| Total reserves at reporting date | (292) | (28,180) | - | - |
|---|--------------|-----------------|----------|----------|

Retained earnings

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Balance at beginning of financial year | 499,536 | 412,509 | 162,960 | 179,237 |
| Total recognised income and expense | 276,069 | 215,191 | 251,294 | 111,887 |
| Dividends to shareholders | (152,156) | (128,164) | (152,156) | (128,164) |
| Balance at reporting date | 623,449 | 499,536 | 262,098 | 162,960 |

Notes continued

| | Consolidated | |
|--|--------------------|-------------|
| | 2006 | 2005 |
| 21 Earnings per share | | |
| Basic earnings per share | 100.2 ¢ | 78.9 ¢ |
| Diluted earnings per share | 100.0 ¢ | 78.9 ¢ |
| Profit attributable to members of the parent entity used in the calculation of basic and diluted earnings per share (\$000's) | 276,069 | 215,191 |
| Weighted average number of shares used as the denominator | | |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 275,635,079 | 272,688,067 |
| Weighted average effect of share options on issue | 101,794 | - |
| Weighted average effect of share options converted to ordinary shares | 498,773 | - |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | 276,235,646 | 272,688,067 |

| | Principal activity | Country | Consolidated | |
|----------------------|--------------------|---------|--------------------|-----------|
| | | | Ownership interest | |
| | | | 2006 % | 2005 % |
| 22 Associates | | | | |

In the financial statements of the Company, investments in associates are carried at their cost of acquisition less any impairment in value and included with other investments (refer to note 11). The Consolidated Entity accounts for investments in associates using the equity method. The Consolidated Entity has the following investments in associates:

| | | | | |
|--|-----------------------|-----------|----|----|
| Brisbane Motorway Services Pty Ltd | facilities management | Australia | 50 | - |
| Defence Maintenance Management Pty Limited | maintenance | Australia | 50 | 50 |
| James Fielding Infrastructure Pty Limited | infrastructure | Australia | 50 | 50 |
| JH Rail Holdings Pty Limited | investment | Australia | 59 | 59 |
| Newood Holdings Pty Limited | timber processing | Australia | 50 | 50 |
| Ngarda Civil and Mining Pty Limited | mining | Australia | 50 | - |
| Praeco Holdings Limited | property development | Australia | 50 | - |
| Promet Engineers Pty Limited | design | Australia | 50 | - |
| Sedgman Pty Limited | design | Australia | 38 | 50 |
| Silcar Pty Limited | telecommunications | Australia | 50 | - |
| Vina Leighton Limited | construction | Vietnam | 50 | 50 |
| Westlink Services Pty Limited | facilities management | Australia | 50 | - |

Where the Consolidated Entity has an ownership interest in an associate of greater than 50% but does not have the power to govern the associate's financial and operating policies, the associate is not consolidated.

Notes continued

Consolidated

| 2006 \$'000 | 2005 \$'000 |
|----------------|----------------|
|----------------|----------------|

22 Associates - continued

The Consolidated Entity's share of associates' results, assets and liabilities is as follows:

| | | |
|--|-----------|----------|
| Revenue | 241,436 | 45,392 |
| Expenses | (221,535) | (41,242) |
| Profit before tax | 19,901 | 4,150 |
| Income tax expense | (5,970) | (958) |
| Profit for the year | 13,931 | 3,192 |
| Assets | 168,431 | 53,100 |
| Liabilities | (109,219) | (16,786) |
| Consolidated Entity's share of associates' net assets | 59,212 | 36,314 |
| Impairment of investment in JH Rail Holdings Pty Limited | (28,768) | - |
| Associates accounted for using the equity method | 30,444 | 36,314 |

Consolidated

| Ownership interest | |
|--------------------|-----------|
| 2006 % | 2005 % |

| Principal activity | Country |
|--------------------|---------|
|--------------------|---------|

23 Joint venture entities

The Consolidated Entity accounts for investments in joint venture entities using the equity method. The Consolidated Entity has the following investments in joint venture entities:

| | | | | |
|---|-----------------------|-----------|----|----|
| 233 Castlereagh Street joint venture | property development | Australia | 50 | 50 |
| Abigroup Leighton joint venture | construction | Australia | 50 | 50 |
| ADrail joint venture | construction | Australia | 20 | 20 |
| Bac Devco Pty Limited | property development | Australia | 33 | 33 |
| Bayview Noosa partnership | property development | Australia | 50 | 50 |
| Beenyup Alliance | construction | Australia | 47 | 47 |
| † BJB joint venture | maintenance | Australia | 38 | 38 |
| Cockatoo Iron Ore joint venture | mining | Australia | 50 | - |
| Complete joint venture | construction | Australia | 50 | 50 |
| Cotter Googong Bulk Transfer joint venture | construction | Australia | 50 | - |
| Dam Improvement Services joint venture | construction | Australia | 40 | 40 |
| † Emrail Leighton joint venture | construction | Malaysia | 50 | 50 |
| Folkestone/Leighton JV Pty Limited | property development | Australia | 50 | 50 |
| Freeway Business Park Trust | property development | Australia | 50 | - |
| Hail Creek joint venture | construction | Australia | - | 50 |
| Holland York joint venture | construction | Australia | 50 | 50 |
| HPAL Freehold Pty Limited | property development | Australia | 50 | 50 |
| Infocus Infrastructure Management Pty Limited | facilities management | Australia | 50 | 50 |
| † John Holland Asia Limited/Namprasert Construction Company Limited joint venture | process engineering | Thailand | 50 | 50 |
| † John Holland Barclay Mowlem joint venture | construction | Australia | 50 | 50 |

Notes continued

| | Principal activity | Country | Consolidated | |
|---|-----------------------------|-------------|--------------------|-----------|
| | | | Ownership interest | |
| | | | 2006 % | 2005 % |
| 23 Joint venture entities - continued | | | | |
| John Holland BRW joint venture | construction | Australia | 50 | 50 |
| John Holland Colin Joss joint venture | construction | Australia | 50 | 50 |
| John Holland Downer EDI joint venture | construction | Australia | 60 | 60 |
| John Holland Downes Graderway joint venture | construction | Australia | 50 | 50 |
| John Holland Fairbrother joint venture | construction | Australia | 50 | 50 |
| John Holland Lahey joint venture | construction | Australia | 50 | 50 |
| John Holland MacMahon joint venture (Roe and Tonkin Highways) | construction | Australia | 50 | 50 |
| John Holland MacMahon joint venture (Ross River Dam) | construction | Australia | 50 | - |
| John Holland McConnell Dowell joint venture | construction | Australia | 50 | 50 |
| John Holland MVM joint venture | construction | Australia | 50 | - |
| JM joint venture | construction | Australia | 80 | - |
| John Holland Thames Water joint venture | construction | Australia | 50 | 50 |
| John Holland Veolia Water Australia joint venture | construction | Australia | 50 | - |
| Leighton China State joint venture (Tseung Kwan O) | construction | Hong Kong | - | 55 |
| Leighton China State joint venture (Wynn Resort) | construction | Macau | 50 | 50 |
| Leighton Contractors & Baulderstone Hornibrook Bilfinger Berger joint venture | construction | Australia | 50 | - |
| Leighton Golding joint venture | construction | Australia | 55 | 55 |
| Leighton Hsin Chong joint venture | construction | Hong Kong | 50 | 50 |
| Leighton-Kier joint venture | construction | UAE | 50 | - |
| Leighton Kumagai joint venture | construction | Australia | 55 | 55 |
| * Leighton Kumagai joint venture (Route 9-Eagle's Nest Tunnel) | construction | Hong Kong | 51 | 51 |
| * Leighton Kumagai joint venture (Tai Po) | construction | Hong Kong | - | 50 |
| * Leighton Kumagai joint venture (Wanchai East & North Point Trunk Sewers) | construction | Hong Kong | 51 | 51 |
| Leighton SNC Lavlin joint venture | construction | Australia | - | 50 |
| Leighton China State-Van Oord joint venture | construction | Hong Kong | 45 | 45 |
| Leighton-Lama joint venture | construction | Malaysia | 54 | 54 |
| Link 200 joint venture | construction | Hong Kong | 48 | - |
| Link 200 Station joint venture | construction | Hong Kong | 60 | - |
| Link 200 Tunnel joint venture | construction | Hong Kong | 60 | - |
| Macarthur Chambers joint venture | property development | Australia | 50 | 50 |
| Makamatta joint venture | property development | Australia | - | 50 |
| Northern Gateway Alliance | construction | New Zealand | 50 | - |
| Rail Link joint venture | construction | Australia | 65 | 65 |
| River Links Unincorporated joint venture | construction | Australia | 18 | 18 |
| Roche Thies Linfox joint venture | mobile plant/earthmoving | Australia | 44 | 44 |
| Siemens Thies Communications joint venture | telecommunications | Australia | - | 50 |
| Silcar Maintenance Services | maintenance | Australia | - | 50 |

Notes continued

| | Principal activity | Country | Consolidated | |
|--|----------------------|-----------|--------------------|-----------|
| | | | Ownership interest | |
| | | | 2006 % | 2005 % |
| 23 Joint venture entities - continued | | | | |
| Smith Street Trust | property development | Australia | 50 | 50 |
| St Ives Gold Project joint venture | construction | Australia | 50 | 50 |
| † Taiwan Track Partners joint venture | construction | Taiwan | 28 | 28 |
| Thiess Alstom joint venture | construction | Australia | 50 | 50 |
| Thiess Hochtief joint venture | construction | Australia | 50 | 50 |
| Thiess Sedgman joint venture | construction | Australia | 50 | 50 |
| Thiess United Group joint venture | construction | Australia | 50 | - |
| Universal Portfolio Services Pty Limited | property development | Australia | 50 | 50 |
| Viridian Noosa Pty Limited | property development | Australia | 50 | 50 |
| Viridian Noosa Trust | property development | Australia | 50 | 50 |

All joint venture entities have a reporting date of 30 June, with the following exceptions:

† Entities have a 31 December reporting date

* Entities have a 31 March reporting date

These entities have different reporting dates to the Consolidated Entity as they are aligned with the joint venture partners' reporting date and/or the reporting date is prescribed by local statutory requirements.

Where the Consolidated Entity has an ownership interest in a joint venture entity of greater than 50% but does not have the power to govern the joint venture's financial and operating policies, the joint venture is not consolidated.

| | Consolidated | |
|---|--------------------|----------------|
| | 2006 \$'000 | 2005 \$'000 |
| The Consolidated Entity's share of joint venture entities' results, assets and liabilities is as follows: | | |
| Revenue | 1,272,453 | 1,294,779 |
| Expenses | (1,206,188) | (1,161,417) |
| Profit before tax | 66,265 | 133,362 |
| Income tax expense | - | - |
| Profit for the year | 66,265 | 133,362 |
| Current assets | 505,177 | 535,418 |
| Non current assets | 155,827 | 128,617 |
| Total assets | 661,004 | 664,035 |
| Current liabilities | 478,735 | 441,734 |
| Non current liabilities | 36,844 | 39,051 |
| Total liabilities | 515,579 | 480,785 |
| Consolidated Entity's share of joint ventures' net assets | 145,425 | 183,250 |

Notes continued

24 Reconciliation of property, plant and equipment carrying values

| | Land \$'000 | Buildings \$'000 | Leasehold land and buildings \$'000 | Leasehold improvements \$'000 | Waste management assets \$'000 | Plant and equipment \$'000 | Total property, plant and equipment \$'000 |
|--|----------------|---------------------|---|-------------------------------------|--------------------------------------|-------------------------------|--|
| 2006 Consolidated | | | | | | | |
| Carrying amount at the beginning of the year | 20,604 | 27,605 | 7,809 | 13,149 | 27,928 | 785,423 | 882,518 |
| Additions | 650 | 994 | - | 9,571 | 172 | 736,790 | 748,177 |
| Additions through acquisition of controlled entities and businesses | 50 | 650 | - | - | - | 122,520 | 123,220 |
| Disposals | (1,127) | - | (793) | (39) | (3,492) | (414,460) | (419,911) |
| Depreciation | - | (1,207) | (820) | (1,984) | (2,254) | (447,786) | (454,051) |
| Effects of exchange rate fluctuations | - | - | 160 | 53 | - | 2,773 | 2,986 |
| Carrying amount at reporting date | 20,177 | 28,042 | 6,356 | 20,750 | 22,354 | 785,260 | 882,939 |

Notes continued

| | Consolidated | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| 25 Reconciliation of profit for the year to net cash from operating activities | | | | |
| Profit for the year | 277,389 | 217,204 | 251,294 | 111,887 |
| <i>Add/(less) non-cash items:</i> | | | | |
| Depreciation of property, plant and equipment | 454,051 | 366,864 | - | - |
| Amounts set aside to provisions | 212,147 | 146,831 | 420 | 360 |
| Impairment of investments | 48,132 | 7,400 | - | 22,663 |
| Impairment of goodwill | 1,241 | - | - | - |
| Foreign exchange losses | 1,858 | 1,612 | 1,172 | 32 |
| Gains on sale of assets | (21,585) | (15,946) | - | (5,921) |
| Non-cash intercompany transactions | - | - | (18,067) | (67,807) |
| <i>Net changes in assets/liabilities:</i> | | | | |
| Increase in receivables | (345,970) | (98,980) | (354) | (57) |
| Decrease/(increase) in joint ventures and associates | 28,566 | (58,012) | - | - |
| Increase in inventories | (33,846) | (28,587) | - | - |
| Increase/(decrease) in payables | 373,628 | 225,094 | (2,022) | 2,056 |
| Decrease in provisions | (179,383) | (143,311) | (251) | (233) |
| Current and deferred income tax movement | 930 | (12,461) | (29,814) | (42,289) |
| Net cash from operating activities | 817,158 | 607,708 | 202,378 | 20,691 |

26 Acquisitions of controlled entities and businesses

On 1 February 2006, the Consolidated Entity acquired the mining assets and certain liabilities of Henry Walker Eltin Group Limited (Administrator Appointed) and all the shares in HWE Cockatoo Pty Limited ("HWE") for \$261.2 million cash, including acquisition costs. In the five months to 30 June 2006, HWE contributed net profit after tax of \$4.7 million to the consolidated net profit for the year. As the Consolidated Entity did not acquire the entire HWE business, and due to the fact that HWE was in administration at the time of the acquisition, it is not practicable to determine the Consolidated Entity's revenue and profit had the acquisition occurred on 1 July 2005.

The acquisition had the following effect on the Consolidated Entity's assets and liabilities:

| | Carrying amounts before acquisition | Fair value adjustments | Recognised values |
|---|--|---------------------------|----------------------|
| | \$'000 | \$'000 | \$'000 |
| Cash and cash equivalents | 48 | - | 48 |
| Trade and other receivables | 114,188 | 1,049 | 115,237 |
| Inventories | 12,803 | - | 12,803 |
| Deferred tax assets | 325 | 7,489 | 7,814 |
| Property, plant and equipment | 127,349 | (4,129) | 123,220 |
| Trade and other payables | (1,052) | (162) | (1,214) |
| Provisions | (17,707) | (2,772) | (20,479) |
| Net identifiable assets and liabilities | 235,954 | 1,475 | 237,429 |
| Goodwill on acquisition | | | 23,784 |
| Consideration paid, including acquisition costs of \$13.1 million | | | 261,213 |
| Cash acquired | | | (48) |
| Net cash outflow | | | 261,165 |

Goodwill has arisen on acquisition as a premium was paid above the acquired net assets for the benefit of the synergies to be obtained by combining the Consolidated Entity's mining capabilities with that of HWE and acquiring a skilled workforce.

27 Segment information

Geographical segments

The Consolidated Entity comprises the following significant geographical segments based on its management reporting system:

| | |
|-------------------|--|
| Australia/Pacific | Operations throughout Australia, New Zealand and the Pacific region in all business segments. |
| Asia | Operations predominately in Hong Kong, Indonesia, Malaysia, India and the Philippines. The principal activities undertaken in this region are engineering and infrastructure, mining and resources and operations and maintenance. |

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: engineering and infrastructure, mining and resources, building and property and operations and maintenance. These disciplines represent the business segments of the Consolidated Entity.

Details of total revenue including the Group's share of joint ventures' revenue are provided as additional information.

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 for the year and assets and liabilities into business and geographic segments has been ascertained by reference to direct identification of assets and revenue/cost centres. Other expenses, assets and liabilities which cannot be allocated to a business segment are reported as unallocated.

Notes continued

| | Australia/ Pacific \$'000 | Asia \$'000 | Eliminations \$'000 | Total \$'000 |
|---|---------------------------------|----------------|------------------------|------------------|
| 27 Segment information - continued | | | | |
| Primary segment - geographical | | | | |
| 2006 | | | | |
| Revenue – Group and joint ventures | 8,349,445 | 1,684,149 | - | 10,033,594 |
| Segment revenue | 7,164,718 | 1,337,859 | - | 8,502,577 |
| Interest revenue | | | | 17,128 |
| Revenue | | | | 8,519,705 |
| Segment result | 225,258 | 74,128 | - | 299,386 |
| Share of profit of associates and joint venture entities* | 47,253 | 32,943 | - | 80,196 |
| Interest revenue | | | | 17,128 |
| Finance costs | | | | (25,557) |
| Profit before tax | | | | 371,153 |
| Income tax expense | | | | (93,764) |
| Profit for the year | | | | 277,389 |
| Depreciation of property, plant and equipment | 376,074 | 77,977 | - | 454,051 |
| Impairment losses | 49,373 | - | - | 49,373 |
| Other non-cash expenses | 203,195 | 10,810 | - | 214,005 |
| Segment assets | 3,209,564 | 724,702 | (408,499) | 3,525,767 |
| Investments accounted for using the equity method | 139,618 | 36,251 | - | 175,869 |
| Current tax assets | | | | 31,028 |
| Deferred tax assets | | | | 70,624 |
| Total assets | | | | 3,803,288 |
| Acquisition of segment assets | 696,943 | 81,864 | - | 778,807 |
| Segment liabilities | 1,949,190 | 516,702 | (193,948) | 2,271,944 |
| Interest-bearing liabilities and Notes | | | | 391,599 |
| Current tax liabilities | | | | 36,476 |
| Total liabilities | | | | 2,700,019 |

* 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

| | Australia/ Pacific \$'000 | Asia \$'000 | Eliminations \$'000 | Total \$'000 |
|---|---------------------------------|----------------|------------------------|------------------|
| 27 Segment information - continued | | | | |
| Primary segment - geographical | | | | |
| 2005 | | | | |
| Revenue – Group and joint ventures | 6,539,058 | 1,068,286 | - | 7,607,344 |
| Segment revenue | 5,394,008 | 858,411 | - | 6,252,419 |
| Interest and dividend revenue | | | | 14,754 |
| Revenue | | | | 6,267,173 |
| Segment result | 143,226 | 31,198 | - | 174,424 |
| Share of profit of associates and joint venture entities* | 103,984 | 32,570 | - | 136,554 |
| Interest and dividend revenue | | | | 14,754 |
| Finance costs | | | | (26,352) |
| Profit before tax | | | | 299,380 |
| Income tax expense | | | | (82,176) |
| Profit for the year | | | | 217,204 |
| Depreciation of property, plant and equipment | 291,376 | 75,488 | - | 366,864 |
| Impairment losses | 7,400 | - | - | 7,400 |
| Other non-cash expenses | 135,754 | 12,689 | - | 148,443 |
| Segment assets | 2,477,836 | 585,949 | (365,312) | 2,698,473 |
| Investments accounted for using the equity method | 194,969 | 24,595 | - | 219,564 |
| Current tax assets | | | | 9,686 |
| Deferred tax assets | | | | 77,969 |
| Total assets | | | | 3,005,692 |
| Acquisition of segment assets | 526,923 | 149,003 | - | 675,926 |
| Segment liabilities | 1,548,922 | 432,516 | (156,455) | 1,824,983 |
| Interest-bearing liabilities and Notes | | | | 257,270 |
| Current tax liabilities | | | | 28,944 |
| Total liabilities | | | | 2,111,197 |

* 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

27 Segment information - continued**Secondary segment - business**

| | Engineering & Infrastructure \$'000 | Mining & Resources \$'000 | Building & Property \$'000 | Operations & Maintenance \$'000 | Unallocated \$'000 | Total \$'000 |
|------------------------------------|---|---------------------------------|----------------------------------|---------------------------------------|-----------------------|-----------------|
| 2006 | | | | | | |
| Revenue – Group and joint ventures | 4,191,023 | 2,600,865 | 1,826,345 | 1,398,233 | 17,128 | 10,033,594 |
| Segment revenue | 2,866,594 | 2,507,395 | 1,823,825 | 1,304,763 | - | 8,502,577 |
| Segment assets | 1,155,510 | 1,117,693 | 506,226 | 252,454 | 493,884 | 3,525,767 |
| Acquisition of segment assets | 304,300 | 350,747 | 68,800 | 52,114 | 2,846 | 778,807 |
| 2005 | | | | | | |
| Revenue – Group and joint ventures | 2,761,258 | 1,895,143 | 2,007,136 | 929,053 | 14,754 | 7,607,344 |
| Segment revenue | 1,617,035 | 1,817,026 | 1,967,423 | 850,935 | - | 6,252,419 |
| Segment assets | 754,448 | 936,961 | 396,017 | 249,899 | 361,148 | 2,698,473 |
| Acquisition of segment assets | 99,670 | 475,434 | 18,856 | 81,532 | 434 | 675,926 |

| | Consolidated | | Company | |
|---|------------------|----------------|----------------|----------------|
| | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| 28 Commitments | | | | |
| Operating leases | | | | |
| The Consolidated Entity leases plant and equipment used in contract mining and civil engineering activities and property for the purposes of office accommodation under operating leases. Operating leases generally provide the Consolidated Entity with a right of renewal. Under certain property operating leases, contingent rentals may be payable for periodic rent reviews. The Consolidated Entity's leasing arrangements impose no restrictions on any of its financial arrangements. | | | | |
| Expenditure commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities, payable: | | | | |
| - within one year | 243,559 | 114,798 | - | - |
| - later than one year but not later than five years | 782,610 | 357,657 | - | - |
| - later than five years | 116,007 | 77,648 | - | - |
| | 1,142,176 | 550,103 | - | - |
| Representing: | | | | |
| Cancellable operating leases – plant and equipment | 853,425 | 416,999 | - | - |
| Cancellable operating leases – property | 2,767 | 2,161 | - | - |
| Non-cancellable operating leases | 285,984 | 130,943 | - | - |
| | 1,142,176 | 550,103 | - | - |
| Non-cancellable operating leases | | | | |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | | | |
| Plant and equipment | | | | |
| - within one year | 48,739 | 14,708 | - | - |
| - later than one year but not later than five years | 111,722 | 16,905 | - | - |
| - later than five years | 4,534 | 4,817 | - | - |
| | 164,995 | 36,430 | - | - |
| Property | | | | |
| - within one year | 28,052 | 21,677 | - | - |
| - later than one year but not later than five years | 71,652 | 55,559 | - | - |
| - later than five years | 21,285 | 17,277 | - | - |
| | 120,989 | 94,513 | - | - |
| | 285,984 | 130,943 | - | - |

Notes continued

| | Consolidated | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| 28 Commitments - continued | | | | |
| Capital commitments | | | | |
| Capital expenditure contracted for at reporting date but not recognised as liabilities is as follows: | | | | |
| Property, plant and equipment | | | | |
| Payable: | | | | |
| - within one year | 378,076 | 283,260 | - | - |
| - later than one year but not later than five years | - | - | - | - |
| - later than five years | - | - | - | - |
| | 378,076 | 283,260 | - | - |
| Other investments | | | | |
| Payable: | | | | |
| - within one year | 3,045 | 157,400 | 1,103 | - |
| - later than one year but not later than five years | 266,203 | 270,000 | 6,203 | 10,000 |
| - later than five years | - | - | - | - |
| | 269,248 | 427,400 | 7,306 | 10,000 |
| Joint venture commitments – property, plant and equipment | | | | |
| Payable: | | | | |
| - within one year | 1,411 | 18,210 | - | - |
| - later than one year but not later than five years | - | - | - | - |
| - later than five years | - | - | - | - |
| | 1,411 | 18,210 | - | - |

| | Consolidated | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |

29 Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Bank guarantees, insurance bonds and letters of credit

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

| | | | | |
|--|-----------|-----------|-----------|-----------|
| - Bank guarantees | 1,539,485 | 1,404,295 | 1,539,485 | 1,404,295 |
| - Insurance, performance and payment bonds | 145,060 | 174,535 | 145,060 | 174,535 |
| - Letters of credit | 282,674 | 448,811 | 282,674 | 448,811 |

Letters of credit include those provided for the Consolidated Entity's capital commitments totalling \$260,000 (2005: 427,400), refer to note 28. The Consolidated Entity has a total of \$3 billion (2005: \$2.7 billion) loan and guarantee facilities of which \$811 million (2005: \$651 million) were undrawn as at 30 June 2006.

Other contingencies

- (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 33 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.

30 Financial instruments

The activities of the Consolidated Entity and the Company expose them to credit risk, price risk, interest rate risk and foreign exchange risk.

Credit risk

Consolidated Entity

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. The Consolidated Entity minimises concentrations of credit risk by undertaking transactions with a large number of customers in various countries. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Consolidated Entity has a credit risk in relation to a customer in the Asia segment, which represents 10% (2005: 6%) of the Consolidated Entity's contract and trade debtors at reporting date. The Consolidated Entity's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

The Consolidated Entity has also entered into bank guarantees, insurance bonds and letters of credit (refer note 29).

30 Financial instruments - continued

Credit risk - continued

Company

The Company has credit risk in relation to amounts due from controlled entities. The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Cash transactions are limited to high credit quality financial institutions. The Company has also entered into bank guarantees, insurance bonds and letters of credit on behalf of controlled entities (refer note 29).

Price risk

Consolidated Entity

The Consolidated Entity is exposed to equity and debt securities price risk, which arises from investments held by the Consolidated Entity and classified as available-for-sale.

Company

The Company is not exposed to significant price risk.

Interest rate risk

Consolidated Entity

The Consolidated Entity's interest rate risk arises from interest-bearing liabilities (property development loans), Leighton Notes and Leighton Finance International Notes.

Interest payable on Leighton Notes is 8.01% pa to 30 November 2008, subject to the credit rating of Leighton Notes remaining above Standard & Poors BBB-. Interest payable on Leighton Finance International Notes is fixed at 7.875% pa. Interest payable on property development loans of \$22,892 is floating and \$20,058 is fixed at rates between 7.01% and 8.00%.

Company

The Company's interest rate risk arises from Leighton Notes.

Interest payable on Leighton Notes is 8.01% pa to 30 November 2008, subject to the credit rating of Leighton Notes remaining above Standard & Poors BBB-.

Exposures to interest rate risk and the effective weighted average interest rates for classes of financial assets and financial liabilities are set out below:

| Weighted average rate % | Floating rate \$'000 | Fixed rate, 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 | | |

2006 Consolidated Entity

Financial assets

| | | | | | | | |
|-----------------------------|-------|----------------|---|---|---------------|------------------|------------------|
| Cash and cash equivalents | 5.26 | 804,318 | - | - | - | 5,532 | 809,850 |
| Trade and other receivables | 6.99 | 24,515 | - | - | - | 1,483,905 | 1,508,420 |
| Other investments | 11.93 | - | - | - | 49,000 | 102,685 | 151,685 |
| | | 828,833 | - | - | 49,000 | 1,592,122 | 2,469,955 |

Financial liabilities

| | | | | | | | |
|--------------------------------------|------|----------------|---------------|----------------|---|------------------|------------------|
| Trade and other payables | | - | - | - | - | 1,951,010 | 1,951,010 |
| Interest-bearing liabilities | 7.34 | 22,892 | 20,058 | - | - | - | 42,950 |
| Leighton Finance International Notes | 7.88 | - | - | 148,649 | - | - | 148,649 |
| Leighton Notes | 8.01 | 200,000 | - | - | - | - | 200,000 |
| | | 222,892 | 20,058 | 148,649 | - | 1,951,010 | 2,342,609 |

30 Financial instruments - continued

| | Weighted average rate % | Floating rate \$'000 | Fixed rate, 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 | | |
| 2005 Consolidated Entity | | | | | | | |
| <i>Financial assets</i> | | | | | | | |
| Cash and cash equivalents | 4.69 | 629,655 | - | - | - | 5,555 | 635,210 |
| Trade and other receivables | 6.65 | 20,881 | - | - | - | 1,012,378 | 1,033,259 |
| Other investments | | - | - | - | - | 46,067 | 46,067 |
| | | 650,536 | - | - | - | 1,064,000 | 1,714,536 |
| <i>Financial liabilities</i> | | | | | | | |
| Trade and other payables | | - | - | - | - | 1,557,182 | 1,557,182 |
| Interest-bearing liabilities | 6.35 | 40,270 | 17,000 | - | - | - | 57,270 |
| Leighton Notes | 8.01 | 200,000 | - | - | - | - | 200,000 |
| | | 240,270 | 17,000 | - | - | 1,557,182 | 1,814,452 |
| 2006 Company | | | | | | | |
| <i>Financial assets</i> | | | | | | | |
| Cash and cash equivalents | 5.75 | 70,769 | - | - | - | - | 70,769 |
| Trade and other receivables | 6.48 | 90,340 | - | - | - | 9,233 | 99,573 |
| Other investments | | - | - | - | - | 768,061 | 768,061 |
| | | 161,109 | - | - | - | 777,294 | 938,403 |
| <i>Financial liabilities</i> | | | | | | | |
| Trade and other payables | | - | - | - | - | 10,800 | 10,800 |
| Leighton Notes | 8.01 | 200,000 | - | - | - | - | 200,000 |
| | | 200,000 | - | - | - | 10,800 | 210,800 |
| 2005 Company | | | | | | | |
| <i>Financial assets</i> | | | | | | | |
| Cash and cash equivalents | 3.99 | 75,347 | - | - | - | - | 75,347 |
| Trade and other receivables | 6.17 | 564,239 | - | - | - | 12,982 | 577,221 |
| Other investments | | - | - | - | - | 778,938 | 778,938 |
| | | 639,586 | - | - | - | 791,920 | 1,431,506 |
| <i>Financial liabilities</i> | | | | | | | |
| Trade and other payables | | - | - | - | - | 631,289 | 631,289 |
| Leighton Notes | 8.01 | 200,000 | - | - | - | - | 200,000 |
| | | 200,000 | - | - | - | 631,289 | 831,289 |

30 Financial instruments - continued

Foreign currency risk

Consolidated Entity

The Consolidated Entity is exposed to foreign currency risk on project receipts and expenditure and plant and equipment purchase commitments denominated in foreign currencies. The currency giving rise to this risk is primarily US Dollars. Where foreign currency risk is considered to be significant, members of the Consolidated Entity enter into forward exchange contracts to hedge their foreign currency risk. These hedges are classified as cash flow hedges and stated at fair value. The net fair value of forward exchange contracts at reporting date was a net gain of \$205 (2005: net loss of \$1,926) which was recognised as derivative financial asset of \$356 (2005: nil) and a derivative financial liability of \$129 (2005: nil), with a tax effect of \$22 (2005: nil). These contracts have settlement dates up to August 2008.

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*. The comparative amounts disclosed above for derivative financial assets and liabilities have therefore not been restated to fair value.

Company

The Company is exposed to foreign currency risk on amounts receivable and payable to controlled entities denominated in foreign currencies. The currency giving rise to this risk is primarily US Dollars. The Company does not use forward exchange contracts to hedge this risk.

Fair values of financial instruments

Consolidated Entity

The carrying amounts of financial assets and liabilities in the Consolidated Entity's balance sheet approximate fair values.

Company

The carrying amounts of financial assets and liabilities in the Company's balance sheet approximate fair values.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect fair value. All other receivables/payables are discounted to determine fair value.

Other investments – securities

Fair value is based on quoted market prices for listed securities and internal valuations for unlisted securities.

Interest-bearing liabilities, Leighton Notes, Leighton Finance International Notes

Fair value is calculated based on discounted expected future principal and interest cash flows.

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 Event¹ or Regulatory Event² occurs.

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 Event³ 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.

30 Financial instruments - continued

Leighton Notes - continued

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 2006 at the rate of 8.01% pa in respect of the period from 31 May 2006 to 29 November 2006 (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 2006 ("Record Date") shall be entitled to receive the payment. The weighted average interest rate for Leighton Notes for the year was 8.01%.

30 Financial instruments - continued

Leighton Finance International Notes

On 16 May 2006, Leighton Finance International Limited (the "Issuer"), a wholly-owned subsidiary of the Company, issued US\$110 million of 5-Year Fixed-Rate Guaranteed Notes ("Leighton Finance International Notes").

Leighton Finance International Notes bear interest from 16 May 2006 at the rate of 7.875% pa, payable semi-annually in arrears on 16 May and 16 November each year, commencing on 16 November 2006. Payments of interest will be made in US Dollars without deduction for or on account of taxes imposed or levied by Australia or Indonesia.

Leighton Finance International Notes will mature on 16 May 2011 unless previously redeemed or purchased and cancelled and are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in Australia or Indonesia.

Leighton Finance International Notes are listed and quoted on the Official List of the Singapore Exchange Securities Trading Limited (SGX-ST) and are traded on the SGX-ST in minimum board lot size of S\$200,000 (or the equivalent in foreign currencies).

Leighton Finance International Notes are in registered form in the denomination of US\$100,000 and may be held and transferred in the principal amount of US\$100,000 and integral multiples of US\$1,000 in excess thereof.

Leighton Finance International Notes have been rated BB by Standard and Poor's rating Group, a division of McGraw-Hill Companies Inc. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

PT Thiess Contractors Indonesia and PT Leighton Contractors Indonesia, both wholly-owned subsidiaries of the Company, jointly and severally guarantee the obligations of Leighton Finance International Limited and Noteholders have no recourse to other Group companies.

For the purpose of determining Noteholders entitlements to the payment of interest on 16 November 2006, only those persons who are registered as Noteholders at the opening of business on 1 November 2006 ("Record Date") shall be entitled to receive the payment.

| | Consolidated | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| 31 Employee benefits | | | | |
| Defined contribution superannuation funds | | | | |
| During the year, the Consolidated Entity recognised \$90,748 of defined contribution expenses. The Company recognised \$224 of defined contribution expenses. | | | | |
| Defined benefit superannuation funds | | | | |
| The Consolidated Entity makes contributions to the Leighton Superannuation Plan and the AMEC Superannuation Fund. These funds provide defined benefits to employee members upon retirement. The Company makes no contributions to defined benefit plans. The Consolidated Entity and the Company have used the AASB 1.20A exemption and disclosed amounts required under AASB 119.120A(p) for each annual reporting period prospectively from the date of transition to AIFRS. | | | | |
| Defined benefit obligations | | | | |
| Present value of wholly unfunded obligations | - | - | - | - |
| Present value of funded obligations | (33,151) | (37,120) | - | - |
| Fair value of fund assets – funded | 38,283 | 37,658 | - | - |
| Present value of net obligations | 5,132 | 538 | - | - |
| Less unrecognised actuarial gains | (3,742) | - | - | - |
| Recognised asset for defined benefit obligations | 1,390 | 538 | - | - |
| Movements in the net asset/(liability) for defined benefit obligations recognised in the balance sheet | | | | |
| Net asset/(liability) for defined benefit obligations at 1 July | 538 | (598) | - | - |
| Contributions received | 1,679 | 3,026 | - | - |
| Expense recognised in the income statement | (827) | (1,890) | - | - |
| Net asset for defined benefit obligations at 30 June | 1,390 | 538 | - | - |
| Changes in the present value of the defined benefit obligation | | | | |
| Opening defined benefit obligation | (37,120) | (54,260) | - | - |
| Service cost | (2,000) | (3,326) | - | - |
| Interest cost | (1,399) | (1,737) | - | - |
| Contributions by plan participants | (305) | (429) | - | - |
| Actuarial gains | 1,843 | - | - | - |
| Benefits paid | 5,830 | 22,632 | - | - |
| Closing defined benefit obligation | (33,151) | (37,120) | - | - |
| Changes in the fair value of fund assets | | | | |
| Opening fair value of fund assets | 37,658 | 53,662 | - | - |
| Expected return | 2,572 | 3,173 | - | - |
| Contributions by employer | 1,377 | 2,602 | - | - |
| Contributions by plan participants | 305 | 429 | - | - |
| Actuarial gains | 1,899 | - | - | - |
| Benefits paid | (5,528) | (22,208) | - | - |
| Closing fair value of fund assets | 38,283 | 37,658 | - | - |

Notes continued

| | Consolidated | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| 31 Employee benefits - continued | | | | |
| Experience adjustments on fund liabilities - gains | - | 272 | - | - |
| Experience adjustments on fund assets - gains | - | 1,899 | - | - |
| The major categories of fund assets as a percentage of total fund assets are as follows: | | | | |
| Equity securities | 44.8% | 55.1% | - | - |
| Debt securities | 37.7% | 26.5% | - | - |
| Property securities | 17.4% | 9.6% | - | - |
| Other securities | - | 8.9% | - | - |
| Expenses recognised in the income statement as personnel costs | | | | |
| Current service costs | 2,000 | 3,326 | - | - |
| Interest on obligation | 1,399 | 1,737 | - | - |
| Expected return on fund assets | (2,572) | (3,173) | - | - |
| | 827 | 1,890 | - | - |
| Actual return on fund assets | 4,472 | 4,017 | - | - |

The Consolidated Entity expects to contribute \$2,165 (2005: \$1,679) to its defined benefit superannuation funds in the 2007 financial year.

Principal actuarial assumptions at reporting date:

| | | | | |
|---|------|------|---|---|
| Discount rate (net of tax) | 5.0% | 4.4% | - | - |
| Expected return on fund assets (net of tax) | 7.5% | 7.2% | - | - |
| Future salary increases | 4.0% | 4.0% | - | - |

The overall long-term rate of return on assets is 7.5%, net of tax. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Notes continued

| | Consolidated | |
|--|---------------------------------|-----------------------------|
| | Leighton Superannuation Fund | AMEC Superannuation Fund |
| | \$'000 | |
| 31 Employee benefits - continued | | |
| Surplus/(deficit) for each defined benefit superannuation fund on a funding basis | | |
| 2006 | | |
| Fund assets * | 41,207 | 9,443 |
| Accrued benefit * | 41,982 | 9,202 |
| Fund excess/(deficit) | (775) | 241 |
| Contribution recommendations (% of members' salaries) # | 22.0% | 12.6%-22.7% |
| 2005 | | |
| Fund assets * | 41,207 | 9,443 |
| Accrued benefit * | 41,982 | 9,202 |
| Fund excess/(deficit) | (775) | 241 |
| Contribution recommendations (% of members' salaries) # | 22.0% | 12.6%-22.7% |

The Consolidated Entity has a legal liability to make up a deficit in both the funds and a legal right to benefit from any surplus in the Leighton Superannuation Fund.

The principal economic assumptions used in making these recommendations include:

| | | |
|---|------|------|
| 2006 | | |
| Discount rate (net of tax) * | 5.5% | 9.0% |
| Expected return on fund assets (net of tax) * | 5.5% | 9.0% |
| Future salary increases * | 4.0% | 7.0% |
| 2005 | | |
| Discount rate (net of tax) * | 5.5% | 9.0% |
| Expected return on fund assets (net of tax) * | 5.5% | 9.0% |
| Future salary increases * | 4.0% | 7.0% |

* Fund assets and accrued benefits have been calculated at 26 June 2003 for the Leighton Superannuation Fund and 1 January 2003 for the AMEC Superannuation Fund, being the dates of the last full actuarial investigations. Accrued benefits are benefits which the funds are presently obliged to pay at some future date, as a result of membership of the funds and in accordance with AAS 25 *Financial Reporting by Superannuation Plans*. Accordingly the excess/(deficit) does not always equal the defined benefit obligation.

Contribution recommendations are based on a funding methodology that will result in adequate funding for the expected liabilities of the plans until the next full actuarial valuations are carried out.

31 Employee benefits – continued

Share based payments

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. During the year, the Company purchased 251,340 shares on-market and offered these shares to employees (2005: nil). An expense of \$4,255,000 was recognised during the year for the cost of these shares (2005: nil). No shares were issued under LESP during the year (2005: 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 allow the Company to offer selected executives options over unissued ordinary shares in the Company. 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 options on issue during the period 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.

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. At the beginning of the year, 5,520,000 options were unexercised (2005: 5,855,000). During the period 5,196,500 options were exercised (2005: nil) and no options lapsed (2005: 335,000), leaving a balance of 323,500 options unexercised at reporting date (2005: 5,520,000), all of which were exercisable (2005: nil).

(ii) 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. At the beginning of the year, 90,000 options were unexercised (2005: 90,000). During the period 90,000 options were exercised (2005: nil), leaving no options unexercised at reporting date (2005: 90,000).

The average Leighton Holdings Limited share price during the year was \$16.01. The share price at 30 June 2006 was \$17.35.

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.

32 Related party disclosures

Key management personnel

The following were key management personnel of the Consolidated Entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Non-executive Directors

| | | |
|------------|-------------------------|--------------------------------|
| G Ashton | (Chairman) | |
| H-P Keitel | (Deputy Chairman) | (alternate R Seidler) |
| M Albrecht | | |
| A Drescher | | |
| R Humphris | | |
| T Leppert | | |
| D Mortimer | | |
| P Noé | | (alternate H Lütkestratkötter) |
| D Robinson | | |
| G Dixon | (retired 31 May 2006) | |
| P Gregg | (appointed 4 July 2006) | |

Executive Directors

| | |
|-----------|--|
| W King | (Chief Executive Officer) |
| D Adamsas | (Deputy Chief Executive Officer and Chief Financial Officer) |

Specified Executives

| | | | |
|------------|--|----------------------------------|-------------------------------|
| J Dujmovic | Managing Director | Leighton Asia (Northern) Limited | (appointed 1 August 2005) |
| J Faulkner | Executive General Manager, Operations* | Leighton Holdings Limited | |
| P McMorrow | Managing Director | Leighton Contractors Pty Limited | |
| D Savage | Managing Director | Leighton Asia (Southern) Limited | (disclosure from 1 July 2005) |
| D Stewart | Managing Director | John Holland Group Pty Limited | (appointed 1 January 2006) |
| R Trundle | Managing Director | Thiess Pty Limited | |
| V Vella | Managing Director | Leighton Properties Pty Limited | |
| W Wild | Managing Director | John Holland Group Pty Limited | (until 31 December 2005) |
| W Wild | Chief Operating Officer | Leighton Holdings Limited | (appointed 1 January 2006) |

* overall responsibility for Asian operations during the 2005 financial year

| | Consolidated | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| Key management personnel compensation included in personnel costs | | | | |
| Short-term employee benefits | 22,823 | 19,030 | 1,505 | 1,225 |
| Post-employment benefits | 2,004 | 939 | 782 | 404 |
| Long-term benefits | 12,708 | 12,466 | - | - |
| Termination benefits | - | - | - | - |
| Share-based payments | 6 | 351 | - | - |
| | 37,541 | 32,786 | 2,287 | 1,629 |

32 Related party disclosures - continued

Key management personnel - continued

NON-EXECUTIVE DIRECTOR REMUNERATION

Remuneration Policy

Fees and payments to the Company's Non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Remuneration and Nominations Committee 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 their recommendations 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).

The responsibilities and activities of the committees of the Board have increased substantially in recent years. In recognition of the additional responsibilities and time commitment of committee chairmen and members, and in accordance with advice received from independent remuneration consultants, additional fees were introduced for committee membership during the 2006 financial year.

Members of standing committees of the Board (other than the Chairman, G Ashton) received the following fees during the year ended 30 June 2006:

| Committee | Chairman | Member |
|------------------------------|----------|--------|
| Audit | 25,000 | 15,000 |
| Remuneration and Nominations | n.a. * | 12,000 |
| Ethics and Compliance | 18,000 | 12,000 |

* G Ashton is Chairman and does not receive an additional fee.

Members of Special Tender Review Committees and other adhoc committees established by the Board from time to time may claim fees for attendance at meetings at the rate of \$3,500 per day.

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 \$2,000,000 as approved by shareholders at the 2005 Annual General Meeting.

The Company does not pay the Alternate Directors Directors' fees. Financial arrangements for Alternate Directors are a private matter between the Non-executive Director and the relevant Alternate Director.

Retirement Allowances and Superannuation

The Company contributes mandatory superannuation contributions for 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 exclude Board committee fees. The retirement allowances 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 completed service at the end of each financial year.

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 P Noé, T Leppert, R Humphris and P Gregg.

32 Related party disclosures - continued

Key management personnel - continued

Details of the remuneration of each Non-executive Director of the Company paid or accrued in respect of the year ended 30 June 2006 are set out in the following table.

| Non-executive Directors | Year | Short Term Employee Benefits | | | Post Employment | Long - Term | | Termination Benefits | Share Based Payments ³ | Total |
|----------------------------|-------------|------------------------------|------------------|-----------------------|---------------------------------|--------------------|----------------------|----------------------|-----------------------------------|----------------|
| | | Salary | Annual Incentive | Non Monetary Benefits | Super / Retirement ² | Deferred Incentive | Contract / Retention | | | |
| G Ashton | 2006 | 269,250 | - | - | 235,031 | - | - | - | - | 504,281 |
| | 2005 | 227,057 | - | - | 165,690 | - | - | - | - | 392,747 |
| H-P Keitel | 2006 | 135,000 | - | - | 35,000 | - | - | - | - | 170,000 |
| | 2005 | 125,000 | - | - | 18,500 | - | - | - | - | 143,500 |
| M Albrecht | 2006 | 166,000 | - | - | 71,045 | - | - | - | - | 237,045 |
| | 2005 | 138,000 | - | - | 69,280 | - | - | - | - | 207,280 |
| A Drescher | 2006 | 162,500 | - | - | 70,053 | - | - | - | - | 232,553 |
| | 2005 | 125,000 | - | - | 52,814 | - | - | - | - | 177,814 |
| R Humphris | 2006 | 154,500 | - | - | 13,700 | - | - | - | - | 168,200 |
| (from 6 Sept 2004) | 2005 | 90,336 | - | - | 9,034 | - | - | - | - | 99,370 |
| T Leppert | 2006 | 125,000 | - | - | 12,500 | - | - | - | - | 137,500 |
| | 2005 | 110,000 | - | - | 11,000 | - | - | - | - | 121,000 |
| D Mortimer | 2006 | 137,026 | - | - | 64,359 | - | - | - | - | 201,385 |
| | 2005 | 102,000 | - | - | 46,257 | - | - | - | - | 148,257 |
| P Noé | 2006 | 137,000 | - | - | 13,700 | - | - | - | - | 150,700 |
| | 2005 | 110,000 | - | - | 11,000 | - | - | - | - | 121,000 |
| D Robinson | 2006 | 128,750 | - | - | 26,000 | - | - | - | - | 154,750 |
| | 2005 | 108,000 | - | - | 11,200 | - | - | - | - | 119,200 |
| G Dixon¹ | 2006 | 89,833 | - | - | 240,538 | - | - | - | - | 330,371 |
| (retired 31 May 2006) | 2005 | 90,000 | - | - | 9,000 | - | - | - | - | 99,000 |

1. Mr G Dixon resigned as a Director on 31 May 2006.

2. Includes accrual for retirement allowance during the reporting period, retirement benefit due to G Dixon (\$196,742) and other benefit for G Dixon (\$43,796).

3. Non-executive Directors receive no annual or share based incentives.

32 Related party disclosures - continued

Key management personnel – continued

GROUP EXECUTIVE REMUNERATION

Remuneration Policy and Framework

The overriding objectives of the Group's senior executive remuneration framework is to ensure remuneration provided to the Company's Executive Directors and to other senior executives of the Company and the Group 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 the remuneration policy for senior executives 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 of the executive and the Group
- It is transparent

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complimentary to the remuneration strategy of the Group.

The framework is comprised of five components providing a mix of fixed remuneration and variable ("at risk") remuneration:

- Total Fixed Remuneration;
- Short-term performance incentives (at risk);
- Medium-term deferred incentives (at risk);
- Long-term incentives (at risk); and
- Retention/retirement benefits.

As executives gain seniority within the Group, the balance of fixed and variable remuneration shifts to a higher proportion of "at risk" rewards.

Fixed Remuneration

Total Fixed Remuneration

Executives are offered a base total fixed remuneration ("TFR") 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 TFR is set to reflect the market for a comparable role. TFR for senior executives is reviewed annually. An executive's TFR may also be reviewed on promotion. There are no guaranteed TFR increases fixed in any senior executives' service contract.

Executive benefits which may be provided as part of TFR include company motor vehicles, car allowances or novated car leases, superannuation contributions, fringe benefits and other salary sacrificed benefits agreed from time to time. Additional benefits may be provided to executives to assist in the relocation of their home for work purposes and, if in overseas locations, rental of accommodation, home leave travel, medical and hospital insurance assistance and dependant schooling assistance.

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 has a defined benefit section which provides for 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 2006 only 33 members were 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.

32 Related party disclosures - continued

Key management personnel – continued

Variable Remuneration

Short-term performance incentives

Should the Group and its divisions achieve pre-determined profit targets agreed by the Board on an annual basis, a pool of annual incentive is available for allocation to executives. The annual incentive 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 incentives can only be paid when value has been created for shareholders. The annual incentive plan is leveraged for performance above the profit targets to provide an incentive for executive outperformance. Annual incentive plan obligations are provided for in the annual profit result.

Each Executive has an annual incentive opportunity depending on the accountabilities of the role and their impact on the Group or business unit performance.

For the year ended 30 June 2006, the KPI's (key performance indicators) referable to annual incentive plans were based on Group, 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 incentive payments may be adjusted up or down in line with under or over achievement against the target performance levels. Such adjustments are made at the discretion of the Chief Executive Officer and/or the Remuneration and Nominations Committee.

Medium-term deferred incentives

The Group and its divisions provide for a deferred incentive plan payment that rewards executives for increasing profits over a 3-year period. An incentive pool amount is calculated following an annual increase in profit by the Group or the relevant division. The incentive pool is available for allocation to relevant senior executives. Up to 50% of the deferred incentive awarded may be reduced prior to payment should the profit of the Group or the relevant division reduce in any of the three financial years following the award. 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, as appropriate, approves the allocation of the deferred incentives to executives.

As part of the retention strategy of the Group the deferred incentive is payable three years after award. Executives who resign from the Group prior to the date the incentive is payable forfeit any unpaid incentive unless retiring after 55 years of age, in which case a minimum of 50% of the award is payable. 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 incentive awards made prior to the year ended 30 June 2006 are increased each six months by reference to the 180-day bank bill rate. The deferred incentives awarded for the year ended 30 June 2006 are disclosed on an undiscounted basis.

Prior to the commencement of his new employment contract on 1 December 2005, W. King was entitled to deferred incentives under a discrete plan. These deferred incentives were calculated by reference to the amount by which actual group profit exceeded a return on shareholders' funds threshold.

All unpaid deferred incentives due to Mr King for the period to 30 June 2005 were paid in December 2005. The deferred incentive calculated for the five month period to 30 November 2005 is included in remuneration disclosures for Mr King on page 54.

Under his current employment contract Mr King has no entitlement to deferred incentives.

Long-term incentives

The Group's long term incentive plan provides executives with a long term financial incentive to ensure the Company has an increasing share price and sustained growth in value for shareholders.

Long term incentives have been provided to executives under the Leighton Executive Share Option Plan. This Plan was approved by shareholders at the Annual General Meeting held on 5 November 1998.

Vesting of options under this Plan is subject to conditions. All options expire on the earlier of their expiry date or termination of the individual's employment except in the case of retirement or death. In addition to a continuing employment service condition, the ability to exercise options is conditional on the Group achieving a performance hurdle. The performance hurdle requires that the increase in the Group'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 All Industrials Accumulation Index or the ASX 100 Industrials Accumulation Index during the same two year period.

This performance hurdle was selected to ensure executive remuneration is aligned with share price growth in a manner that takes into account performance relative to the market.

Options were last issued to group executives under the Leighton Executive Share Option Plan on 27 March 2002. All performance hurdles were achieved during the year.

Resolutions will be put to shareholders at the 2006 Annual General Meeting to approve two new long term incentive plans; the Leighton Senior Executive Option Plan and the Leighton Management Share Plan. Details of these proposed plans are contained in the Notice of Meeting for the 2006 Annual General Meeting.

32 Related party disclosures - continued

Key management personnel – continued

Long-term incentives - continued

Under his employment contract which commenced on 1 December 2005 W King has a discrete cash long term incentive (“LTI”) plan. Under his plan the LTI entitlement is calculated by reference to the Total Shareholder Return (TSR) of the Company over a two or three year period. The LTI has two elements:

- Absolute Return – the TSR must exceed a minimum return before any element of this incentive is payable. This element of the LTI is capped at 75% of TFR.
- Comparative Return – the TSR must be at least the average of the ASX 100 before any element of this incentive is payable. This element is capped at 75% of TFR.

Under its Securities Trading Policy, the Company prohibits its senior executives from hedging their interests in shares in the Company.

Relationship of Remuneration to Performance of the Group

The Group’s performance over the financial year and the previous 4 years is set out below.

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|-------|------|--------|--------|------|
| Net profit after tax (\$mil) | 276 | 215 | 110 | 140 | 169 |
| Dividends paid during the financial year (cents) | 55 | 47 | 45 | 43 | 42 |
| Dividends (\$mil) | 152 | 128 | 123 | 116 | 114 |
| Earnings per share (cents) | 100.2 | 78.9 | 40.4 | 51.7 | 63.1 |
| Change in share price (\$) | 5.85 | 2.37 | (0.47) | (0.38) | 1.90 |
| Total shareholder return (\$) | 6.40 | 2.84 | (0.02) | 0.05 | 2.32 |

The Group’s short term incentive structure is linked directly to profitability in the financial year. The medium-term deferred incentive structure is linked directly to profitability over a 3 year period. Profitability drives both return to shareholders through dividends and share price thereby aligning the “at risk” rewards of senior management to those of shareholders.

The benefit of long-term incentives provided through options (and cash for the Chief Executive Officer) can only be obtained by senior management where total shareholder returns over the long term exceed relevant market indices. Such incentives provide senior management with additional motivation to improve the overall return to shareholders and aligns reward with the level of value created for shareholders.

32 Related party disclosures – continued

Key management personnel - continued

Executive Directors of the Company

Details of the remuneration of each Executive Director of the Company and each Executive key management person of the Company and the Group (key management personnel) paid or accrued in respect of the year ended 30 June 2006 is set out in the following tables.

| Executive Directors | Year | Short Term Employee Benefits | | | Post Employment | Long - Term | | Termination Benefits | Share Based Payments ⁶ | Total | Percentage variable remuneration |
|-----------------------|------|------------------------------|------------------|------------------------------------|---------------------------------|---------------------------------|-----------------------------------|----------------------|-----------------------------------|------------|----------------------------------|
| | | Salary | Annual Incentive | Non Monetary Benefits ² | Super / Retirement ³ | Deferred Incentive ⁴ | Contract / Retention ⁵ | | | | |
| W M King ¹ | 2006 | 2,276,136 | 2,741,109 | 1,214,515 | 712,144 | 4,041,071 | 178,037 | - | - | 11,163,012 | 60.8% |
| | 2005 | 1,783,148 | 3,016,156 | 820,407 | 37,539 | 5,293,659 | 1,758,129 | - | 108,000 | 12,817,038 | 64.8% |
| D S Adamsas | 2006 | 1,317,530 | 1,900,000 | 492,275 | 12,144 | 1,675,969 | 2,091,312 | - | - | 7,489,230 | 47.7% |
| | 2005 | 1,126,319 | 1,947,422 | 598,024 | 11,592 | 602,511 | 1,003,669 | - | 72,000 | 5,361,537 | 47.6% |

1. During the period W King entered into a new employment contract with the Company. As a result, contractual benefits previously accrued under his terminating contract, of \$23,154,031, were paid to Mr King. Of the amount paid, \$5,876,861 had previously been disclosed as remuneration in the accounts of the Company and \$724,218 is disclosed as remuneration in the table above as income accrued during the period.
2. Includes value of fringe benefits and fringe benefits tax.
3. Includes accrual of \$700,000 for W King restraint payment due following expiry of current service agreement (refer Service Agreement details).
4. Includes deferred incentives awarded for the year ended 30 June 2006 and increase in value accrued during the period on prior year unpaid deferred incentives.
5. The amounts shown for contract / retention benefits is the accrual in the period for benefits due under the executive's service contract assuming the executive remains an employee for the whole period and earns his full benefit entitlement.
6. The percentage of the value of each Executive Director's remuneration for the period which consists of options is nil.

32 Related party disclosures - continued

Key management personnel - continued

Specified Executives

The following Specified Executives were classified as key management personnel for the purposes of AASB 124.

| Other Key Management Personnel | Year | Short Term Employee Benefits | | | Post Employment | Long - Term | | Termination Benefits | Share Based Payments ⁶ | Total | Percentage variable remuneration |
|--------------------------------|------|------------------------------|------------------|------------------------------------|--------------------|---------------------------------|-----------------------------------|----------------------|-----------------------------------|-----------|----------------------------------|
| | | Salary | Annual Incentive | Non Monetary Benefits ³ | Super / Retirement | Deferred Incentive ⁴ | Contract / Retention ⁵ | | | | |
| J Dujmovic ¹ | 2006 | 584,295 | 208,696 | 26,087 | 36,897 | - | - | - | 1,000 | 856,975 | 24.4% |
| J Faulkner | 2005 | 855,529 | 700,000 | - | 88,054 | 505,374 | 355,540 | - | 54,000 | 2,558,497 | 47.1% |
| P McMorrow | 2006 | 1,080,167 | 400,000 | 39,676 | 65,387 | 276,250 | 205,532 | - | 1,000 | 2,068,012 | 32.7% |
| | 2005 | 963,350 | 182,000 | 26,622 | 88,950 | 75,000 | 202,832 | - | 27,000 | 1,565,754 | 16.4% |
| D Savage | 2006 | 794,924 | 477,941 | 36,710 | 66,922 | 256,165 | 182,310 | - | 1,000 | 1,815,972 | 40.4% |
| D Stewart ² | 2006 | 501,889 | 400,000 | 77,297 | 6,070 | 185,483 | 160,000 | - | - | 1,330,739 | 44.0% |
| R Trundle | 2006 | 1,036,407 | 1,320,000 | 5,918 | 160,008 | 799,032 | 429,324 | - | 1,000 | 3,751,689 | 56.5% |
| | 2005 | 833,624 | 1,125,000 | 75,551 | 144,112 | 699,369 | 489,909 | - | 36,000 | 3,403,565 | 53.6% |
| V Vella | 2006 | 754,759 | 1,100,000 | 198,205 | 150,300 | 313,373 | 803,414 | - | 1,000 | 3,321,051 | 42.6% |
| | 2005 | 614,517 | 825,000 | 302,648 | 153,212 | - | 303,903 | - | 18,000 | 2,217,280 | 37.2% |
| W Wild | 2006 | 1,141,253 | 1,100,000 | 92,261 | 12,186 | 544,128 | 566,800 | - | 1,000 | 3,457,628 | 47.6% |
| | 2005 | 970,828 | 965,000 | 73,899 | 11,585 | 763,332 | 413,191 | - | 36,000 | 3,233,835 | 53.4% |

1. J Dujmovic was key management personnel from 1 August 2005. Remuneration disclosed is for 11 months only.

2. D Stewart was key management personnel from 1 January 2006. Remuneration disclosed is for 6 months only.

3. Includes value of fringe benefits and fringe benefits tax.

4. Includes deferred incentives awarded for the year ended 30 June 2006 and increase in value accrued during the period on prior year unpaid deferred incentives.

5. The amounts shown for contract / retention benefits is the accrual in the period for benefits due under the executive's service contract assuming the executive remains an employee for the whole period and earns his full benefit entitlement.

6. The percentage of the value of each Specified Executive's remuneration for the period which consists of options is nil.

32 Related party disclosures - continued

Key management personnel - continued

Option Holdings

For each of the Executive Directors and Specified Executives the movement in holdings of options in the Company during the year are summarised below:

| | Options held at 30 June 2004 ¹ | Options held at 30 June 2005 ¹ | Options Granted as Remuneration | | Options Exercised ² | | Options Lapsed | | Options held at 30 June 2006 |
|-------------------------|---|---|------------------------------------|----|--------------------------------|-----------|-------------------|----|------------------------------------|
| | No. | No. | No. | \$ | No. | \$ | No. | \$ | No. |
| W M King | 600,000 | 600,000 | - | - | 600,000 | 3,389,000 | - | - | - |
| D S Adamsas | 400,000 | 400,000 | - | - | 400,000 | 1,376,000 | - | - | - |
| J Dujmovic | 20,000 | 20,000 | - | - | 20,000 | 67,000 | - | - | - |
| J Faulkner ³ | 300,000 | 300,000 | | | | | | | |
| P McMorrow | 150,000 | 150,000 | - | - | 150,000 | 560,050 | - | - | - |
| D Savage | 70,000 | 70,000 | - | - | 70,000 | 234,500 | - | - | - |
| D Stewart | 50,000 | 50,000 | - | - | 50,000 | 167,500 | - | - | - |
| R S Trundle | 200,000 | 200,000 | - | - | 200,000 | 898,000 | - | - | - |
| V A Vella | 100,000 | 100,000 | - | - | 100,000 | 335,000 | - | - | - |
| W J Wild | 200,000 | 200,000 | - | - | 200,000 | 704,000 | - | - | - |

1. No options were granted, exercised or lapsed during the year ended 30 June 2005.

2. The value of options exercised during the period is calculated as the closing share price of the Company on the ASX on the date the options were exercised, after deducting the price paid to exercise the options.

3. J Faulkner was not a Specified Executive in 2006.

32 Related party disclosures - continued

Key management personnel - continued

Service agreements

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

The terms of these agreements include:

- an annual TFR package which is reviewed at least on an annual basis with reviews currently effective on 1st January
- provision for participation in the annual incentive plan and deferred incentive plans which are related to the performance of their individual area of responsibility or the Group 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 long term incentive plans
- agreed provisions in relation to annual leave and long service leave, confidential information, intellectual property
- a restrictive covenant preventing the executives from engaging in specified activities after their employment with the Group ceases.

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 TFR. The amount accrued during the 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 - 38 years total service |
| Commencement of Service Agreements: | - 23 December 1980 - 25 years contract service |
| Termination Date of Current Agreement: | - 30 November 2008 with an option to extend to 30 November 2009 |
| Notice: | - 6 months by the Employee or 12 months by the Employer |
- Payment on the Termination Date of a fixed retirement benefit of \$12.6 million (amount accrued under previous employment contract to 30 November 2005).
 - Capped annual incentive amounts based upon achieving specified profit targets.
 - Capped cash long term incentive amounts calculated by reference to TSR over a 2 or 3 year period.
 - Capped total defined remuneration for each financial year (indexed to Average Weekly Ordinary Time Earnings).
 - In consideration for agreeing to a 2 year restraint period following termination, Mr King will receive \$3.6 million over the restraint period.

D S Adamsas

Deputy Chief Executive Officer and Chief Financial Officer

- | | |
|--|---|
| Date of Commencement: | - 15 February 1971 - 35 years total service |
| Commencement of Service Agreements: | - 4 June 1981 - 25 years contract service |
| Termination Date of Current Agreement: | - Ongoing agreement |
| Notice: | - 3 months |
- Payment on termination of employment (other than if terminated for gross misconduct) of a retirement benefit of up to 5.15 times final TFR.
 - A payment on termination of employment (other than if terminated for gross misconduct) of a retention benefit of 15% per annum of TFR accrued each year from October 1997 plus interest on the accrued balance.

32 Related party disclosures - continued

Key management personnel - continued

Service agreements - continued

P McMorrow

Managing Director – Leighton Contractors Pty Limited

| | |
|--|---|
| Date of Commencement: | - 2 April 1990 – 16 years total service |
| Commencement of Service Agreements: | - 2 April 2002 – 4 years contract service |
| Termination Date of Current Agreement: | - 1 April 2007 |
| Notice: | - 6 months |

- Payment on the Termination Date (other than if terminated for gross misconduct) of a retention benefit of 80% of final TFR plus \$350,000. If terminated by the employer before the Termination Date (other than if terminated for gross misconduct) an additional amount of 80% of final TFR plus \$350,000 prorated over the period April 2002 to April 2007.

D Stewart

Managing Director – John Holland Group Pty Limited

| | |
|--|---|
| Date of Commencement: | - 13 December 1986 - 19 years total service |
| Commencement of Service Agreements: | - 1 July 2003 - 3 years contract service |
| Termination Date of Current Agreement: | - 30 September 2013 |
| Notice: | - 6 months |

- Payment over the period from 2009 to the Termination Date of a retention benefit of 80% of final TFR and payment on the Termination Date of a service benefit of 80% of final TFR (other than if terminated for gross misconduct).

R S Trundle

Managing Director – Thiess Pty Limited

| | |
|--|--|
| Date of Commencement: | - 31 March 1980 - 26 years total service |
| Commencement of Service Agreements: | - 1 July 1998 - 8 years contract service |
| Termination Date of Current Agreement: | - 1 July 2008 |
| Notice: | - 6 months |

- Payment on the Termination Date or on early termination of employment by the employer of a retention benefit of 80% of final TFR and a service benefit of 80% of final TFR (other than if terminated for gross misconduct).

V A Vella

Managing Director – Leighton Properties Pty Limited

| | |
|--|---|
| Date of Commencement: | - 7 January 1974 - 32 years total service |
| Commencement of Service Agreements: | - 28 October 1982 - 23 years contract service |
| Termination Date of Current Agreement: | - 1 September 2007 |
| Notice: | - 6 months |

- Payment on the Termination Date (other than if terminated for gross misconduct) of a retirement benefit of up to 3.2 times final TFR.

W J Wild

Chief Operating Officer – Leighton Holdings Limited

| | |
|--|--|
| Date of Commencement: | - 24 July 1978 - 28 years total service |
| Commencement of Service Agreements: | - 1 July 1998 - 8 years contract service |
| Termination Date of Current Agreement: | - 30 September 2008 |
| Notice: | - 6 months notice |

- Payment on the Termination Date or on early termination by the employer of a retention benefit of 83% of final TFR and a service benefit of 83% of final TFR (other than if terminated for gross misconduct).
- Payment of a deferred retention bonus of \$125,000 in the 2007 financial year.

32 Related party disclosures - continued**Key management personnel - continued****Loans to key management personnel**

Details of loans made to key management personnel, including their personally related entities, are set out below.

| | Balance at the start of the year \$ | Interest paid/payable for the year \$ | Interest not charged \$ | Loan repayment \$ | Balance at the end of the year \$ |
|---------------|--|--|-------------------------------|----------------------|--|
| 2006 - W Wild | 743,750 | 15,456 | 5,812 | 743,750 | - |
| 2005 - W Wild | 820,750 | 39,840 | 15,829 | - | 743,750 |

The loan to 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 was secured by 1st mortgage over the property acquired by W J Wild in Melbourne. The loan was 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 was 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 paid 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 amount shown for interest not charged in the table above represents 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 this loan.

Equity holdings and transactions

The movement during the year in the number of ordinary shares of the Company held, directly, indirectly or beneficially, by each Director or Specified Executive, including their personally-related entities is as follows:

| 2006 | Held at 1 July 2005 | Purchases | Received on exercise of options | Sales | Gift shares | Held at 30 June 2006 |
|--------------|---------------------------|------------|--|------------------|-------------|----------------------------|
| G Ashton | 5,500 | - | - | - | - | 5,500 |
| H-P Keitel | * 1,560 | - | - | - | - | * 1,560 |
| M Albrecht | 235,000 | - | - | 25,000 | - | 210,000 |
| A Drescher | 11,960 | - | - | - | - | 11,960 |
| R Humphris | 6,500 | - | - | - | - | 6,500 |
| T Leppert | * 1,000 | - | - | - | - | * 1,000 |
| D Mortimer | 26,000 | - | - | - | - | 26,000 |
| P Noé | * 2,305 | - | - | - | - | * 2,305 |
| D Robinson | 1,250 | - | - | - | - | 1,250 |
| G Dixon | 2,000 | - | - | - | - | 2,000 |
| W King | 6,860 | - | 600,000 | 400,000 | - | 206,860 |
| D Adamsas | 123,060 | - | 400,000 | 200,000 | - | 323,060 |
| J Dujmovic | - | - | 20,000 | 20,000 | 59 | 59 |
| P McMorrow | 1,000 | - | 150,000 | 150,000 | 59 | 1,059 |
| D Savage | - | - | 70,000 | 70,000 | 59 | 59 |
| D Stewart | 183 | - | 50,000 | - | 59 | 50,242 |
| R Trundle | 20,183 | - | 200,000 | 200,000 | 59 | 20,242 |
| V Vella | 183 | 200 | 100,000 | 100,183 | 59 | 259 |
| W Wild | 183 | - | 200,000 | 200,000 | 59 | 242 |
| Total | 444,727 | 200 | 1,790,000 | 1,365,183 | 413 | 870,157 |

* held beneficially

32 Related party disclosures – continued**Equity holdings and transactions – continued**

The movement during the prior year in the number of ordinary shares of the Company held, directly, indirectly or beneficially, by each Director or Specified Executive, including their personally-related entities is as follows:

| 2005 | Held at 1 July 2004 | Purchases | Received on exercise of options | Sales | Gift shares | Held at 30 June 2005 |
|--------------|---------------------------|---------------|--|---------------|-------------|----------------------------|
| G Ashton | 2,500 | 3,000 | - | - | - | 5,500 |
| H-P Keitel | * 1,560 | - | - | - | - | * 1,560 |
| M Albrecht | 260,000 | - | - | 25,000 | - | 235,000 |
| A Drescher | 11,960 | - | - | - | - | 11,960 |
| R Humphris | - | 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 |
| G Dixon | 2,000 | - | - | - | - | 2,000 |
| W King | 6,860 | - | - | - | - | 6,860 |
| D Adamsas | 123,060 | - | - | - | - | 123,060 |
| J Faulkner | 10,560 | - | - | - | - | 10,560 |
| P McMorrow | 1,000 | - | - | - | - | 1,000 |
| R Trundle | 20,183 | - | - | - | - | 20,183 |
| V Vella | 183 | - | - | - | - | 183 |
| W Wild | 183 | - | - | - | - | 183 |
| Total | 468,104 | 12,000 | - | 25,000 | - | 455,104 |

* held beneficially

| Consolidated | | Company | |
|----------------|----------------|----------------|----------------|
| 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |

Transactions with other related parties

Transactions with other 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.

Aggregate amounts receivable from related parties at reporting date

| | | | | |
|--|------------|-----|---------------|---------|
| Wholly-owned controlled entities | - | - | 97,775 | 563,495 |
| Partly-owned controlled entities | - | - | - | 11,538 |
| Associates | 945 | 159 | - | - |
| Directors of the Company and controlled entities | - | 744 | - | 744 |

Aggregate amounts payable to related parties at reporting date

| | | | | |
|----------------------------------|---------------|--------|--------------|---------|
| Wholly-owned controlled entities | - | - | 9,302 | 627,769 |
| Associates | 14,059 | 460 | - | - |
| Joint venture entities | 66,141 | 61,038 | - | - |

Notes continued

| | Consolidated | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2006 \$'000 | 2005 \$'000 | 2006 \$'000 | 2005 \$'000 |
| 32 Related party disclosures - continued | | | | |
| Transactions with other related parties - continued | | | | |
| Interest received / receivable from related parties | | | | |
| Wholly-owned controlled entities | - | - | 16,128 | 34,710 |
| Associates | 48 | 16 | - | - |
| Directors of the Company and controlled entities | 15 | 40 | 15 | 40 |
| Interest paid / payable to related parties | | | | |
| Wholly-owned controlled entities | - | - | - | - |
| Directors of the Company and controlled entities | 722 | 2,295 | - | - |
| Joint venture entities | 225 | 278 | - | - |
| Other revenues | | | | |
| Fees charged to wholly-owned controlled entities | - | - | 3,376 | 1,963 |
| Fees charged to partly-owned controlled entities | - | - | - | 19,597 |
| Dividends from wholly-owned controlled entities | - | - | 203,305 | 75,000 |
| Dividends from partly-owned controlled entities | - | - | 40,576 | 13,789 |
| Number of employees | | | | |
| Number of employees at reporting date | 25,405 | 21,270 | 9 | 10 |

Directors' transactions

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.

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.

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 and in relation to Mr Seidler's membership of Board committees. Fees totalling \$24,000 (2005: \$77,445) were billed based on normal market rates for such services and, in relation to membership of committees, an amount equivalent to fees paid to other committee members was charged. Fees were due and payable under normal payment terms.

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: engineering and infrastructure, mining and resources, building and property and operations and maintenance, in Australia and Asia.

Ultimate parent entity

The ultimate Australian parent entity is Hochtief Australia Limited and the ultimate parent entity is Hochtief AG, incorporated in Germany. Leighton Holdings Limited Directors H Keitel and D Robinson were also Directors of Hochtief Australia Limited during the year.

During the year Hochtief Australia Limited acquired 1,530,478 shares in the Company (2005: no shares) giving a shareholding at reporting date of 146,248,545 (2005: 144,718,067) shares.

33 Leighton Holdings Limited and controlled entities

| | | Interest held | Place of incorporation |
|--|----------|---------------|------------------------|
| † Leighton Holdings Limited | (4) | | Vic |
| † 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 | | 99% | Vic |
| Gulf Leighton LLC | (1), (2) | 49% | UAE |
| Hunter Valley Earthmoving Co Pty Ltd | (4) | 100% | NSW |
| HWE Cockatoo Pty Ltd | (4) | 100% | NT |
| HWE Mining Pty Ltd | (2), (4) | 100% | Vic |
| HWE Newman Assets Pty Ltd | (2), (4) | 100% | Vic |
| HWE Newman Mining Pty Ltd | (2), (4) | 100% | Vic |
| HWE Newman Services Pty Ltd | (2), (4) | 100% | Vic |
| Infoplex Pty Ltd (formerly WebCon Pty Ltd) | (4) | 100% | NSW |
| Jarrah Wood Pty Ltd | | 74% | WA |
| John Holland AD Holdings Pty Ltd | | 99% | Vic |
| John Holland AD Investments Pty Ltd | | 99% | Vic |
| John Holland AD Operations Pty Ltd | | 99% | Vic |
| John Holland Development & Investment Pty Ltd | | 99% | Vic |
| John Holland Engineering Pty Ltd | | 99% | Vic |
| John Holland Group Pty Ltd | | 99% | Vic |
| John Holland Investment Pty Ltd | | 99% | Vic |
| John Holland Mining Pty Ltd | | 99% | Vic |
| John Holland Pty Ltd | | 99% | Vic |
| John Holland Rail Pty Ltd | | 99% | WA |
| John Holland Services Pty Ltd | | 99% | Vic |
| John Holland Services No. 1 Pty Ltd | | 99% | Vic |
| Lai Lap Foundation Engineering Ltd | | 100% | Hong Kong |
| LAS Corporate Sdn Bhd | (2) | 100% | Malaysia |
| † 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 Contracting (Qatar) WLL | (1), (2) | 49% | Qatar |
| Leighton Contractors (Asia) Ltd | | 100% | Hong Kong |
| Leighton Contractors Asia (Vietnam) Limited | | 100% | Vietnam |

33 Leighton Holdings Limited and controlled entities - continued

| | | Interest held | Place of incorporation |
|---|----------|---------------|------------------------|
| 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 Finance International Ltd | (2), (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 Industrial Services Pty Ltd | (2), (4) | 100% | Vic |
| Leighton Investment Inc | | 100% | USA |
| Leighton Investments Malaysia (L) Ltd | | 100% | Malaysia |
| Leighton Investments Mauritius Ltd | (2) | 100% | Mauritius |
| Leighton Investments Mauritius Ltd No. 2 | (2) | 100% | Mauritius |
| 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 |
| 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 | | 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 No. 1 Pty Ltd | (4) | 100% | NSW |
| LMI Westlink Partner No. 2 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 |
| London Circuit No. 1 Trust | (2), (4) | 100% | N/A |
| LSE Antenna Services Pty Ltd | (4) | 100% | Qld |

33 Leighton Holdings Limited and controlled entities - continued

| | | Interest held | Place of incorporation |
|--|---------------|---------------|------------------------|
| † LSE Technology (Australia) Pty Ltd | (4) | 100% | NSW |
| † LSE Technology Pty Ltd | (4) | 100% | NSW |
| Lucon Pty Ltd | | 99% | 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 |
| Makamatta Pty Ltd | (2), (3), (4) | 100% | NSW |
| † Mayfield Engineering Pty Ltd | (4) | 100% | NSW |
| # MCA Joint Venture Subic Inc | | 56% | 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 |
| Nexus Point Solutions Pty Ltd (formerly AAECventure Pty Ltd) | (4) | 100% | NSW |
| Northland Maintenance Inc (in liquidation) | | 100% | USA |
| Onopthic Pty Ltd | (4) | 100% | NSW |
| Opal Insurance (Singapore) Pte Ltd | | 100% | Singapore |
| Plant & Equipment Leasing Pty Ltd | (4) | 100% | NSW |
| Portside Fabrication Pty Ltd | | 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 | | 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 | | 99% | Vic |
| Tensacciai Pty Ltd | | 99% | WA |
| 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 Infraco (Bayside) Pty Ltd | (4) | 100% | Vic |
| Thiess Infraco (Swanston) Pty Ltd | (4) | 100% | Vic |
| Thiess Investments Pty Ltd | (4) | 100% | Qld |
| Thiess John Holland joint venture (Eastlink) | | 100% | N/A |
| Thiess John Holland joint venture (Lane Cove Tunnel) | | 100% | N/A |
| Thiess Mauritius Pty Ltd | | 100% | Mauritius |
| Thiess Minecs India Pvt Ltd | (2) | 90% | India |
| Thiess NC | | 100% | New Caledonia |

33 Leighton Holdings Limited and controlled entities - continued

| | | Interest held | Place of incorporation |
|--|-----|---------------|------------------------|
| Thiess NZ Ltd | | 100% | New Zealand |
| 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 |
| Yandina Ethanol Pty Ltd | | 99% | Vic |
| † Yifta Pty Ltd | (4) | 100% | ACT |
| Zanofile Trust | (4) | 100% | N/A |

(1) Entities controlled under shareholder agreements

(2) Incorporated/established in 2006 financial year

(3) Trustee company

(4) Entities included in tax-consolidated group

Entity has a 31 December balance date

† 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 2006, as they are small proprietary companies.

| Entities or businesses acquired during the year | Proportion acquired | Date acquired |
|---|---------------------|-----------------|
| John Holland Group Pty Ltd and controlled entities | 4% | 1 July 2005 |
| Mining assets and certain liabilities of Henry Walker Eltin Group Ltd (Administrator Appointed) | N/A | 1 February 2006 |
| HWE Cockatoo Pty Ltd | 100% | 1 February 2006 |

| Entities or businesses disposed of during the year | Proportion disposed | Date disposed |
|--|---------------------|------------------|
| LMI Westlink Partner Holding No. 3 Pty Ltd | 100% | 16 December 2005 |
| LMI Westlink Partner Holding No. 4 Pty Ltd | 100% | 16 December 2005 |
| LMI Westlink Partner No. 3 Pty Ltd | 100% | 16 December 2005 |
| LMI Westlink Partner No. 4 Pty Ltd | 100% | 16 December 2005 |
| LMI WSO Holding No. 3 Pty Ltd | 100% | 16 December 2005 |
| LMI WSO Holding No. 4 Pty Ltd | 100% | 16 December 2005 |

Entities liquidated during the year

Thiess H.D. Pty Ltd

Thiess Peru SA

33 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 income statement and balance sheet, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2006 is set out below:

| | 2006 | 2005 |
|---|------------------|-----------|
| | \$'000 | \$'000 |
| Income statement | | |
| Profit before tax | 256,471 | 163,868 |
| Income tax (expense)/benefit | 25,931 | (7,730) |
| Profit for the year | 282,402 | 156,138 |
| Retained earnings at the beginning of the year | 129,325 | 101,351 |
| Dividends provided for or paid | (152,156) | (128,164) |
| Retained earnings at reporting date | 259,571 | 129,325 |
| Balance sheet | | |
| Assets | | |
| Cash and cash equivalents | 134,534 | 136,087 |
| Trade and other receivables | 763,084 | 663,791 |
| Current tax assets | 50,026 | 16,384 |
| Inventories | 134,146 | 61,831 |
| Investments accounted for using the equity method | 54,504 | 144,049 |
| Other investments | 571,832 | 654,742 |
| Deferred tax assets | 19,770 | 20,241 |
| Property, plant and equipment | 151,394 | 204,658 |
| Total assets | 1,879,290 | 1,901,783 |
| Liabilities | | |
| Trade and other payables | 787,130 | 1,000,546 |
| Provisions | 112,903 | 110,924 |
| Interest-bearing liabilities | 39,892 | 39,137 |
| Leighton Notes | 200,000 | 200,000 |
| Total liabilities | 1,139,925 | 1,350,607 |
| Net assets | 739,365 | 551,176 |
| Equity | | |
| Share capital | 479,744 | 421,851 |
| Reserves | 50 | - |
| Retained earnings | 259,571 | 129,325 |
| Total equity | 739,365 | 551,176 |

34 Events subsequent to balance 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 20).

35 Explanation of transition to AIFRS

These are the Consolidated Entity's first annual financial statements prepared in accordance with AIFRS. The accounting policies in note 1 have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005 and in the preparation of an opening AIFRS balance sheet at 1 July 2004 (the Consolidated Entity's date of transition).

In preparing its opening AIFRS balance sheet, the Consolidated Entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRS has affected the Consolidated Entity's equity, profit and cash flows is set out in the following tables and accompanying notes.

| | Note | Consolidated | | Company | |
|--|------|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | | As at 30 June 2005 \$'000 | As at 1 July 2004 \$'000 | As at 30 June 2005 \$'000 | As at 1 July 2004 \$'000 |
| Reconciliation of equity | | | | | |
| Total equity under previous GAAP | | 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 | 6,393 | 6,393 |
| Decrease in deferred tax asset | 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 | - | - |
| Total equity under AIFRS | | 894,495 | 846,008 | 584,811 | 601,088 |
| Reconciliation of profit | | | | | |
| Profit under previous GAAP | | | | 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 | - |
| Profit under AIFRS | | | | 215,191 | 111,887 |

35 Explanation of transition to AIFRS - continued

Notes to the reconciliations of equity and profit

- A The Consolidated Entity has elected the exemption allowed by AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to reset cumulative translation differences to zero on transition.
- B Consolidated Entity: Under AASB 118 *Revenue*, revenue and profit recognition on pre-sale residential projects is deferred until settlement date rather than the percentage completion method adopted under UIG 53 *Pre-Completion Contracts for the Sale of Residential Development Properties*. The adjustment required on transition to AIFRS was a reversal of development profit of \$6,673 and recognition of a deferred tax asset of \$2,002. The AIFRS adjustment to profit for the year ended 30 June 2005 was a recognition of profit of \$5,906 and a decrease in the deferred tax asset of \$1,772. The equivalent AIFRS adjustment to profit for the year ended 30 June 2004 would have been a reversal of profit of \$6,673. Company: Adjustments relate to changes to tax funding arrangements required to comply with UIG 1052 *Tax Consolidation Accounting*.
- C Under AASB 112 *Income Taxes*, the Consolidated Entity is required to use the balance sheet method of tax effect accounting, rather than the liability method applied under previous 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 assets and income tax expense relate to the 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. Under previous GAAP, the Consolidated Entity amortised goodwill using a straight line method over the period during which the benefits were expected to arise, which did not exceed ten years.

Other adjustments on transition to AIFRS

The Consolidated Entity made the following adjustments on transition to AIFRS, which did not have a material effect on equity or profit:

- reclassification of leases which were treated as operating leases under previous GAAP, recognising property, plant and equipment and a finance lease liability of \$21,842 respectively;
- recognition of property, plant and equipment and a restoration provision of \$4,402 respectively for restoration obligations in relation to landfills; and
- netting of deferred tax assets and liabilities relating to income taxes levied by the same taxation authority, as required by AASB 112 *Income Taxes*.

The Company made the following adjustment on transition to AIFRS, which did not have a material effect on equity or profit:

- derecognition of the deferred tax balances of wholly-owned subsidiaries which are part of the tax-consolidated group, as required under UIG 1052 *Tax Consolidation Accounting*.

Explanation of material adjustments to the cash flow statement

There were no material adjustments to the cash flow statement as a result of transition to AIFRS.

Statutory Statements

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 68 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 2006 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 Australian 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 controlled entities identified in note 33 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 controlled entities 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 2006.

Dated at Sydney this 4th day of September 2006.

Signed in accordance with a resolution of the Directors:



G J Ashton AM
Chairman



W M King AO
Chief Executive Officer

Statutory Statements

Independent audit report to the members of Leighton Holdings Limited

Scope

The financial report and Directors' responsibility

The financial report comprises the income statements, statements of recognised income and expense, balance sheets, statements of cash flows, accompanying notes 1 to 35 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 2006. 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. The Directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian equivalents to International Financial Reporting Standards*.

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 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

KPMG



KPMG

S J Marshall
Partner

Sydney, 4 September 2006