



CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Leighton on track with \$12.5bn of work in hand & solid first quarter

A Presentation to the 43rd Annual General Meeting of Leighton Holdings Limited held on 11 November 2004 by the Chairman Mr Geoff Ashton AM.

Introduction

On behalf of the Board it is disappointing to report that the Company recorded a profit for the year well below expectations. The result was impacted by significant project provisions within Leighton Contractors. These overshadowed a very strong underlying operating performance by the rest of the Group. The Board regrets the impact that these provisions have had on shareholders - particularly in terms of the

fluctuations in the Company's share price following the profit-downgrade.

Financial Highlights

However we have much to be proud of. All operating companies within the Group, with the exception of Leighton Contractors, performed strongly, and the Group was awarded a significant amount of new work:

- Total operating revenue, including joint ventures, increased by 7% to a record level of \$6.0bn.
- New contracts, extensions and variations secured by the Group during the year totalled \$9.6bn - up by 41% on last year.

- The Group's success in securing some large-scale projects, such as:
 - the \$1.1bn Lane Cove Tunnel joint venture in Sydney,
 - \$1.7bn worth of extensions to mining contracts in Indonesia,
 - some large construction projects in Hong Kong and Macau,
 - and the Perth-Mandurah railway in Western Australia.
- Work in hand at 30 June was boosted to an all time record of \$13.0bn - up 35% on the previous year. ▸

CHAIRMAN'S ADDRESS TO SHAREHOLDERS CONTINUED



Our first quarter results are in line with expectations and the Board is confident that the Group will achieve an after tax profit of around \$180m in 2004/05. Geoff Ashton AM Chairman

- Operating profit after tax of \$110m decreased by 21%. The result was adversely impacted by the provisions on the Spencer Street Station and Sydney Hilton projects. In addition, our investment in the Southland Colliery was written off following a fire and the subsequent closure of the mine.

The Group's balance sheet remained strong with shareholders' funds at \$844m holding steady and the net cash position increasing to \$511m. During the year, the Group further strengthened its financial capacity through the successful issue of \$200m of Leighton Notes. The issue closed oversubscribed, with excess demand from institutional and retail investors.

Australia/Pacific Operations

Total revenue generated from our Australia/Pacific operations was up by 10% on the prior year to \$5.0bn, while the pre-tax profit result of \$59m was severely impacted by the provisions taken in Leighton Contractors.

The disappointing performance on the two building projects in Leighton Contractors has marred the otherwise strong performance of the Group's Australia/Pacific operations and overshadowed the great achievements made by the Group's other operating subsidiaries in the region during 2003/04.

Thiess recorded another very strong contribution. For the third year in succession it increased its forward workload. Thiess' contract mining and resources-related infrastructure projects in Australia performed strongly with work being undertaken in coal mines across New South Wales, Queensland and Victoria. A highlight of the year was the award of the contract to design, build, fund and operate Sydney's \$1.1bn Lane Cove Tunnel to a consortium, which included both Thiess and John Holland.

Thiess performed well on the Epping-Chatswood Rail Link in Sydney and Regional Fast Rail projects in Victoria. It was also awarded a number of new mining contracts in New South Wales and Queensland.

John Holland recorded another strong year as well, providing a substantially increased contribution to the Group's results. With operating revenue up 32% and work in hand up 76%, John Holland has grown fourfold over the past four years. After successfully bedding down the acquisition of Transfield Construction activities last year, John Holland has strengthened its presence in the market and is now one of Australia's largest and most diversified contractors. Rail work provided a substantial contribution with the successful completion of the Alice Springs-Darwin railway line, some five months ahead of schedule, and with good progress on the Regional Fast Rail Projects in Victoria.

While Leighton Contractors' overall result was far from satisfactory, the company's contract mining and infrastructure construction activities did perform well. Leighton Contractors made good progress on the \$1.5bn joint venture contract to design, construct, operate and maintain the 40km Westlink M7 Motorway in Sydney. The company was also awarded two of the major packages to design and construct the Perth-Mandurah rail line in Western Australia.

Leighton Properties achieved all of its performance targets last year and delivered a record result. While the property market in Australia remains leveraged to the economy and global events, Leighton Properties has continued to build its development portfolio by securing a number of new opportunities. It is currently progressing property developments totalling around \$1.75bn.

Asian Operations

The Group's Asian operations reported an increased pre-tax profit contribution of \$87m, which was generated from revenue of \$987m, a similar level to last year. Contract mining in Indonesia and construction activities in Malaysia and Hong Kong were the major contributors.

Work levels in Asia almost doubled to \$3.1bn at year-end boosted by the award of \$1.7bn of new contract mining work to Thiess in Indonesia.

Leighton Asia (Northern) also performed strongly winning over \$500m of new work. This included joint venture contracts for the construction of the Eagles Nest road tunnel project in Hong Kong and a new hotel and casino complex in nearby Macau.

In Malaysia, Leighton Asia (Southern) was awarded a joint venture contract for the double tracking of the existing rail line between Rawang and Ipoh north of Kuala Lumpur. Work on the design and construction of the 26 kilometre highway from Kuala Lumpur to Putrajaya was suspended during the year while the concessionaire finalised a financing package for the project. The finalisation of the financial package should be completed during the first half of the current financial year and work should then recommence.

The restructure of Leighton Asia into two business entities which commenced two years ago with the formation of Leighton Asia (Northern) based in Hong Kong and Leighton Asia (Southern) based in Kuala Lumpur has progressed satisfactorily to date and will facilitate expansion of the Group's activities throughout the region.

Dividend

Directors maintained the final dividend in line with the prior period at 27 cents per share. This dividend was 100% franked and was paid to shareholders on 30 September 2004. When added to the interim dividend of 18 cents per share paid in March 2004, which was also 100% franked, the total dividend for the year rose by 2% to 45 cents per share. Whilst the dividend payout ratio was high at 112%, it reflects the Board's confidence in the Group's underlying performance in 2003/04 and the outlook for the next few years.

Leighton's objective is to provide superior total shareholder returns. While the Group's total shareholder returns have exceeded the returns achieved by the All Ordinary Accumulation Index by almost 300% over the past ten years, the Board recognises that the Group's performance in this regard has flattened out over the past two years. The Board is firmly focused on working with management to return to a growth trend in total shareholder returns over the next few years.

Governance and the Board

Key amongst the Group's core values is a belief in robust corporate governance - ethical behaviour - effective communication to stakeholders - respect for the environment and work practices that keep people safe, as well as enthusiastic about their work.

The Leighton Board has a strong track record for leadership in corporate governance. This year, for the second time, we have published the Statement of Corporate Governance Practices in a booklet form. A copy of the booklet was forwarded to shareholders with the Concise Annual Report. It outlines Leighton's current practice in relation to the ten core principles identified by the ASX Corporate Governance Council as underlying good corporate governance.

The Board recognises that the development of corporate governance is an evolving process. It requires the Board to continually evaluate its performance to ensure that its practices are adapted to meet the ever-changing circumstances that confront the Group.

This year, the Board has placed particular emphasis on risk management controls. Since the issues in Leighton Contractors emerged, the Board has been working to ensure that the Group's risk management and control framework represents best practice and is adequate to safeguard shareholders' interests.

In May, the Board initiated, and has continued to monitor, an extensive review of project risk management policies and procedures within the Group. The review, which was undertaken by management and an external consultant, has confirmed that the Group's existing policies and procedures are of a high standard. Nevertheless, the Board and management are committed to a process of continuous improvement. In this regard we have adopted recommendations from the review, to further strengthen the existing risk management framework.

The Board undertakes a number of processes to monitor risk management including site visits and presentations from operating company senior management. During the year, a number of directors have visited projects across the Group for briefings with management on sites including both the Spencer Street Station and Sydney Hilton projects.

To further emphasise the Board's commitment to health and safety, the Ethics Committee was reconstituted during the year to form a new Ethics and Compliance Committee. The new Committee's responsibilities have been expanded to include occupational health and safety, the environment, and general compliance.

Shareholders will have noticed that this year's Annual Report contains a great deal more disclosure on the Group's policies, procedures and performance on safety, the environment and the community. The report also contains a greater ▸

Financial Summary

Key Performance Features for the 3 Months Ending 30 September 2004

	30 September 04 Unaudited	30 September 03 Unaudited
Financial performance information		
	\$'000	\$'000
Revenue - group	1,425,804	1,107,492
- joint ventures	320,010	197,474
Total Revenue	1,745,814	1,304,966
Operating profit from ordinary activities before income tax		
Income tax expense	(16,672)	(16,749)
Profit from ordinary activities after tax	39,722	38,112
Net profit attributed to outside equity interests	(1,484)	(1,720)
Net profit attributed to members	38,238	36,392
Financial position information		
Total assets	2,623,448	2,050,661
Total liabilities	1,802,951	1,222,012
Net assets	820,497	828,649
Net tangible assets	795,711	801,558
Net tangible assets per ordinary share	\$2.92	\$2.94
Earnings per share	14.0c	13.3c
Number of employees	17,967	14,915

PROJECT HIGHLIGHT

\$2.5bn Mitcham Frankston Motorway Contract Awarded to Thiess John Holland Joint Venture

A joint venture between Thiess and John Holland Group has been selected by the Victorian Government, as part of the ConnectEast consortium, to design and construct Melbourne's newest motorway between Mitcham and Frankston.

Over the next four years, Thiess and John Holland will construct a 39 kilometre motorway and 6 kilometres of untolled bypasses connecting Melbourne's eastern and southern suburbs - starting at the end of the existing Eastern Freeway and connecting with the Frankston Freeway on the Mornington Peninsula.

The project is Australia's largest urban road development and will involve the construction of a predominantly three-lane capacity motorway, with 17 interchanges, more than 78 bridges and 1.5 kilometre of twin three-lane tunnel under Mullum Mullum Creek. Over 35 kilometres of continuous bicycle and pedestrian paths, and extensive urban design and landscaping will also be incorporated in the project.



Concept Illustration Only

As part of these works, Thiess and John Holland will also construct the Ringwood and Dandenong Southern Bypasses. Fully integrated into the Mitcham-Frankston Project, these non-tolled bypasses will enhance traffic flows and deliver the infrastructure necessary to accommodate growth in the region.

The joint venture will directly and indirectly employ over 6,500 people.

Working with the local communities and authorities on environmental, traffic management and construction progress is crucial to the success of the project, and a dedicated community relations team will be employed and on call 24 hours a day to manage and resolve issues that may arise during the project's life.

Thiess and John Holland have committed combined equity of \$260 million to the Mitcham-Frankston Project. □

CHAIRMAN'S ADDRESS TO SHAREHOLDERS CONTINUED

level of disclosure on Directors and Executives remuneration, in advance of the new remuneration disclosure provisions included in CLERP 9, which do not become effective until the 2004/05 financial year.

Remuneration of the CEO

With this year's increased disclosure, it is difficult to make direct comparisons with remuneration figures published in last year's Annual Report. The 2004 report indicates total remuneration of \$8.3m. In fact, Mr King's come-to-work pay plus bonuses reduced from \$6.1m in 2003 to \$4.3m in 2004, proportionally more than the decrease in the Company's profit result.

The enhanced disclosure now includes retirement benefits, which have been accrued but not paid to Mr King during the period, and the purely academic accounting value of his options. It also includes accrued interest - paid at a commercial rate - on unpaid deferred bonuses, which Mr King has earned over his tenure, but not yet received. This interest accrual is, in my view, a related party transaction and not a true item of remuneration.

Mr King has overseen a period of tremendous growth, both in terms of the company's performance - on any number of measures - and in terms of returns to shareholders. Mr King was appointed Chief Executive of the Group in 1987, having joined the Company in 1968 as a project engineer. He is now one of Australia's longest serving and most successful CEO's.

In 1987, the Leighton Group reported a profit of \$6.6m from revenue of \$1.3bn. The Company's share price was 90¢ and it was capitalised at around \$100m. During his tenure, Mr King has not been provided with any significant equity in the Company.

The Australian newspaper recently published the results of its Shareholder Scorecard survey, which analysed the performance of 764 Australian listed companies. It is pleasing to note that, over a 10 year period to 30 June 2004, Leighton achieved a Shareholder Rate of Return of 23.6% per annum, ranking the Company in the top 20% of all companies surveyed.

Despite the reduction in profit this year, the Group still earned an average Return on Shareholders Funds of 14% - placing the Group 40th out of the Top 100 Australian companies.

The Board considers that Mr King's remuneration level is appropriate and reflects the Leighton Group's performance.

Conclusion

While the Group has navigated a very difficult year it remains in a very solid position.

With a strong balance sheet, an excellent market outlook and a record order book, the Group is well placed to return to a more satisfactory level of profitability in the coming year.

Leighton Group companies provide an extensive range of project development and contracting services spread across their diverse business units, in Australia and Asia.

The Group is renowned for its industry leading approach to business, its unique and diverse capabilities and the strength of its experienced senior management team. We are proud of the more than 17,900 skilled, experienced and committed employees that make up the Leighton Group. One of the great strengths of this Company is not the figures in the balance sheet. It is the great depth of skilled business, technical and project management talent across the Group's operating companies. The careful development of this talent pool has allowed us over recent years, to promote from within the organisation to our senior management ranks. It is from this source that we are developing our future leaders for the ongoing performance of the Group.

Operating revenue recorded during the first three months of the current financial year was \$1.7bn, which generated an operating profit after tax (unaudited) of \$38.2m. These first quarter results, for the 2004/05 fiscal period, are in line with expectations. Work in hand at 30 September stood at \$12.5bn, a decrease of 4% for the quarter.

The outlook for Leighton is very positive. Since 30 September, Thiess has been awarded a \$300m coal mining contract for Wesfarmers at Curragh North. Thiess and John Holland, as members of the ConnectEast consortium, were also successful in achieving preferred tenderer status to design and construct the \$2.5bn Mitcham-Frankston Freeway in Melbourne in a 50:50 joint venture. We expect to increase revenue in the coming year and the Board is confident that the Group will achieve an after tax profit of around \$180m in 2004/05.

On behalf of the Board, I would like to thank you our shareholders for your continued support. I also express the Board's appreciation to members of the Leighton Group's management team and all employees for their hard work during the year. I would also like to thank my fellow Non-executive Directors for their invaluable counsel and contribution during the year. □

**Approved
Items of Business**

The following items of business, as set out in the Notice of Meeting dated 30 September 2004, were approved by shareholders at the Annual General Meeting:

- Adoption of the Financial and other Reports; and
- Election of:
 - H-P Keitel;
 - DP Robinson;
 - PM Noé;
 - TC Leppert; and
 - RD Humphris OAM as Directors. □

PROJECT HIGHLIGHT**Leighton Asia (Southern) awarded \$81m MSJ Coal Mine Contract in Indonesia**

Under the contract Leighton Asia (Southern) is responsible for the open cut mining of coal at the MSJ coal mine for a three year period until August 2007.

The mine is part of project client TANITOCOAL's expansion plans and is located approximately one and a half hours drive from Samarinda, East Kalimantan on the northern side of the Mahakam River. PT Tanito Harum is one of Indonesia's first private coal mining companies. The company has been operating for more than 20 years and is currently producing over three million tonnes of coal per annum from its other mines in East Kalimantan.

The scope of work includes the removal of overburden, the loading and transportation of coal from the mine site to the port, and maintenance of the mine's haul road. Leighton is also responsible for constructing an 8.5 kilometre haul road from the mine site to the port area under a separate contract.

The coal haul road was completed in July and then mine development and pre-stripping commenced. Production mining commenced in September 2004. □

CHIEF EXECUTIVE'S PRESENTATION



Delivering on our potential

We have a tremendous level of momentum across the Group and there are many opportunities still emerging, giving us a great deal of potential. I believe that the issue of Spencer Street Station and the Sydney Hilton are largely behind us and we are now poised to spring back to more normal levels of profitability. *Wal King AO Chief Executive*

A presentation to the 43rd Annual General Meeting of Leighton Holdings Limited by the Chief Executive Officer, Mr Wal King AO

Introduction

Over the last decade, the Leighton Group has enjoyed a great run. We've grown enormously, delivering strong returns to shareholders for well over a decade. We've also added value for our clients, created rewarding careers for our employees and satisfied - I hope - our other stakeholders.

Unfortunately though, this year's result was far from satisfactory, marred by two building projects in Leighton Contractors. And for that we are deeply disappointed and regret the impact on shareholders. However, I believe that the issues are largely behind us and we are now poised to spring back to more normal levels of profitability. Today, I'd like to talk about how we are going to deliver on the Group's inherent potential.

The Group's inherent potential relies on three things:

- a sound strategy,
- a favourable set of market conditions, and
- the ability to execute or deliver.

Let me first talk about our strategy.

Strategy

At the heart of our strategy, and our success, are three fundamental elements:

- diversity,
- financial strength, and
- people.

Since the announcements, earlier this year, of the issues on Spencer Street Station and Sydney Hilton, a number of people have queried our strategy and asked whether we will be making changes. Well the answer to that is an emphatic no. You don't change strategy because of some execution and procurement issues.

We are committed to our strategy. We believe that it represents the right way to achieve our performance objectives, which we have been able to do over recent years. So let me describe the first fundamental part of our strategy.

Diversity, which is built around teams of people, committed to winning.

- Firstly, diversity by brands - Thiess, John Holland, Leighton Contractors, Leighton Asia (Northern & Southern), and Leighton Properties. The academics and MBAs say to me we should make Thiess a specialist miner and John Holland a specialist builder. I respond by saying that we'd lose market share - and we are not prepared to give that up..... 1 plus 1 plus 1 doesn't always equal three, despite what the text books say.

- Secondly, diversity by markets - be they engineering and infrastructure, mining and resources, building and property, or operations and maintenance. We look to apply our contracting skills wherever we can and we have established a very broad footprint across these markets.
- Thirdly, diversity by geography - across Australia, Asia and the near Pacific. We have a long established presence in these markets. We know them and we will look to extend them in Asia and our near neighbours like New Zealand.
- And finally diversity by delivery systems. We provide services to clients through delivery systems ranging from hard dollar tenders to negotiated contracts to working in alliances to PPP schemes. Each has different risks and returns and having a mix is important to our financial success.

This diversity allows us to balance the ups and downs that happen across markets, or companies, from time to time. It provides balance across the Group and gives a strategic critical mass.

The second element of our strategy is financial strength. The strength to invest in the best mining or tunnelling equipment. The strength to take equity stakes in projects - like the WestLink M7 or Lane Cove Tunnel, thereby secure a better contracting margin and a development profit. The strength to provide bonds and guarantees, and the strength to provide working capital to projects. All of this requires a significant financial capacity, one that is a source of competitive advantage. ▸

CHIEF EXECUTIVE'S PRESENTATION CONTINUED

Leighton Holdings' Board members inspect the Spencer Street Station Redevelopment, Vic Leighton Contractors



But to make this work requires discipline, focus and an entrepreneurial spirit. Writing a strategy is easy; making a strategy work is another matter.

And that is where our people come in - the third element of our strategy. We employ some 18,000 people - and at any time the equivalent of 20,000 subcontractors - across Australia and Asia. They make the strategy work.

Competitors sometimes try and replicate our strategy. Or they try and buy the same equipment that we have. But ultimately they don't achieve what we do, because they don't have the people that we have. People with the same commitment and motivation.

We are very proud of our people. We believe that given the opportunity, people will rise to the occasion and deliver. We empower and encourage them to perform, and yes, we reward them well. And despite some disappointments this year, we will continue to invest in - and believe in - our people.

So ultimately what makes the Leighton Group special is the strategic combination of diversity, financial strength and people. These three elements are inextricably linked. They are the cornerstones on which our business is built.

Australian market outlook

Turning to the outlook in Australia, which we see as very positive. In my 36 years with the Leighton Group, I have never seen as many opportunities for our business as there are currently in Australia. The Australian construction market is in the midst of a strong upswing. One that should be 'stronger for longer'.

The engineering and infrastructure market is being boosted by a number of large transport related infrastructure projects. In Sydney, we are seeing an unprecedented transport infrastructure boom, with four major road and rail projects underway at the same time. The three largest, which Leighton Group companies are constructing, are worth more than \$3.5bn in total.

In Melbourne, the ConnectEast consortium, which includes Thiess and John Holland, was recently announced as the preferred tenderer for the \$2.5bn Mitcham-Frankston Freeway, Australia's largest ever transport infrastructure project. This 40km road through Melbourne's eastern suburbs will take four years to build and will be the largest single project ever undertaken by the Group. Congratulations to everyone involved on the bid team.

A whole range of other road and rail projects will commence over the next few years, boosted by the Federal Government's AusLink land transport plan. We expect to see major infrastructure projects in Sydney commence like the M4 East Motorway connection and the F3 Freeway connection. And in Queensland, we should see the duplication of the Gateway Bridge and the Brisbane North South Bypass Tunnel proceed.

At the same time as the infrastructure market is booming, we are experiencing extraordinary growth in demand for Australian resources, particularly from China.

Strong global demand is expected to support Australian exports of coal. Thiess' strong position in the contract mining market, and a number of large long-term contracts should provide a solid base of contributions for the

foreseeable future. To do that we utilise one of the largest fleets of earthmoving equipment in the world. Caterpillar tells me that we are now one of their largest customers.

A number of major mineral and energy projects are currently under construction or consideration around the country. The Group is well placed to participate in the development of these projects.

The outlook for the non-residential property market remains positive, given the strength of the domestic economy. The Group has over \$2bn worth of work in hand in building and property, with a mix of office, defence, industrial, retail and hospital work.

Just down the road, Leighton Contractors are building the KENS development for Leighton Properties, which will be the new global headquarters for Westpac. This will be the second biggest office tower in Sydney when complete.

Leighton Properties' \$1.7bn development pipeline should continue to provide construction opportunities for Group companies. I would like to acknowledge the fine performance of the Leighton Properties team this year.

Some \$3bn worth of Public-Private-Partnerships (PPP's) are being progressed by the Federal and State Governments in the areas of defence, health, education and correctional facilities at the moment. This figure includes around \$2bn worth of construction and another \$1bn worth of long-term maintenance work.

The Group will continue to pursue these opportunities, albeit cautiously following our recent experience in Melbourne. We must ensure that risk is appropriately allocated between the private and public sectors.

A real focus for the Group is the growing operations and maintenance market. We have in excess of \$1.5bn worth of work in this market, maintaining roads and railways, collecting tolls, operating landfills and waste transfer stations, and rehabilitating telecommunications cables. This work is usually longer term in nature and provides a steady contribution to the Group.

Asian market outlook

Now turning to the outlook in Asia. The region's economies are experiencing solid growth and this seems set to continue into 2005, due to the strength of China and the US.

Indonesia, as a major supplier of resources, is well placed to benefit from continued growth in the region. Thiess Indonesia has a very substantial presence in that country through its large, life-of-mine coal contracts.

We expect that these mines will continue to provide a good contribution for a number of years. We will however, continue to closely monitor the operating environment in Indonesia, given our exposure to that country.

CHIEF EXECUTIVE'S PRESENTATION CONTINUED

Hong Kong appears to be recovering and the government continues to roll out substantial levels of road and rail infrastructure spending. Leighton Asia (Northern) has a record level of work in hand in Hong Kong, which substantially underwrites the business for the next few years. In nearby Macau, there are likely to be further casino-related building opportunities, following on from the award of the construction of the new Wynn's casino.

Leighton Asia (Northern) is focusing on selected construction projects in Thailand and some mining projects in Laos. Vietnam is experiencing strong economic growth and offers some good prospects in power generation and gas-related projects, as well as rail work. The Philippines continues to be a patchy market for us but the new mining contract at Rapu Rapu will provide ongoing work there.

In Malaysia, Leighton Asia (Southern) is pursuing a number of power station, telecommunications, transport infrastructure and building prospects. Malaysia has been somewhat subdued while the new government has settled in, however we expect to see more opportunities emerging in the near future. We are also more confident that the Kuala Lumpur - Putrajaya Highway will proceed, which will significantly boost activity levels in that market.

Leighton Asia (Southern) has a smaller presence than Thiess in Indonesia, but has developed a good resources and civil engineering business. Prospects for them appear quite bright in this market. In other emerging markets, Leighton Asia (Southern) has some profitable civil and marine projects in Sri Lanka. It is also developing a strategy for penetrating the large, growing but complex, Indian market. On the back of their Indonesian mining operations, Thiess are also evaluating some contract mining prospects in India.

Ability to deliver

At the start of this presentation I said that our inherent potential relied on three things: a sound strategy; a favourable set of market conditions; and the ability to execute or deliver.

We have a sound strategy, which has delivered for us over the years. We also have an abundance of opportunities, across our core markets. What we have to do now is to deliver on the Group's latent potential.

We did receive a wake up call earlier this year. The events of Spencer Street Station, Sydney Hilton and the Southland Colliery have reinforced

the fact that our business is a risk business. Effectively identifying and managing that risk is fundamental to the success of our business. Managing by pricing the risk correctly, by laying the risk off to someone else, by contracting out the risk, or by walking away from it.

I can assure you that across the Group we have, and will continue to maintain, a disciplined approach to bidding work. We have also strengthened - as the Chairman said in his presentation - risk management controls across the Group. This strengthening included changes to management, at both Leighton Holdings and at Leighton Contractors, and the allocation of extra resources to risk management.

Spencer Street Station, in particular, has been a sobering experience for the management of this company. And while there are no absolute guarantees on that project - or any other project - we have learned from it and we will improve as a result.

Conclusion

So to bring all of this to conclusion. As you can see, I am very positive about the outlook for the Group. Winning work is not the issue for us; there are more than enough opportunities. It is about remaining disciplined in project selection and focused on execution.

We have the strategy in place. We have the diversity, we have the financial strength and, I believe, we have the people. We also have a good level of momentum across the businesses.

Work in hand will peak at around \$15bn with the award of the Mitcham-Frankston Freeway, but should ease back to \$12.5 to \$13.0bn by June 2005. This momentum, and the opportunities still to emerge, gives us a great deal of potential going forward.

I expect the Group to spring back this year to more normal levels of profitability. And I look forward to reporting to you next year on how the Group is delivering on its potential. □

PROJECT HIGHLIGHT



Melbourne Water awards John Holland major tunnelling services contract

John Holland's specialist tunnelling division has commenced pre-construction planning for wastewater infrastructure in Melbourne's northern suburbs under its six year services contract for Melbourne Water. The total value of the project is potentially \$130m.

Some six kilometres of small diameter sewer tunnels and several major shafts and associated structures are planned for the Northern Diversion and Moonee Ponds Interception sewers. These tunnels will supplement the existing

network of sewers on the northern and western sides of greater Melbourne, ultimately feeding the Western Treatment Plant.

In most cases the use of full face tunnel boring machines is being contemplated as the main method of excavation.

The award of this long-term service contract builds on the success of the recently completed Palmer St Main Drain which successfully used a combination of slurry tunnel boring machine technology and pipe jacking below the Melbourne inner city suburb of Richmond. □

PEOPLE NEWS

**Mr Robert Humphris OAM
Appointed Director**

Mr Robert Humphris OAM, was appointed a Director of the Company in September 2004.

Mr Humphris brings extensive experience in the Australian and international coal industry to the role. He was Managing Director of Costain Australia from 1990 to 1993 until it was acquired by Peabody Holdings, the world's largest coal producer. He was then Managing Director of Peabody Resources until 2000 and is currently Chairman of Eroc Holdings, previously Peabody's specialist underground contracting division. Mr Humphris is also Chairman of Ampcontrol, a supplier of mining industry equipment. □



PROJECT HIGHLIGHT

**Leighton Contractors'
Subsidiary Awarded \$91m
Emergency Services Contract**

Leighton Contractors' subsidiary, LSE Technology, has been awarded contracts to design and construct the new emergency alerting system (EAS) for the State of Victoria, and then operate it for a period of seven years. The EAS will replace a range of fragmented, ageing and unreliable alerting systems which, at best, only cover 50 percent of the State.

LSE divisional manager John Lush said the system would provide a highly reliable means of delivering short text messages to volunteers and staff of the Country Fire Authority, Rural Ambulance Victoria and the Victoria State Emergency Service.

"We have selected a very well-proven technology that can reach places which are out of the range of mobile phones," he said.

According to project manager Glenn Campbell "local communities, for the first time, will enjoy the benefits of a fully integrated service that allows volunteers and key staff to be contacted at any time - wherever they are and whatever they are doing." □

PROJECT HIGHLIGHT

**Thiess Oil and Gas Workload
Continues to Grow**

With energy commodities on the rise in 2004 due to higher demand globally, oil and gas engineering, procurement and construction has become a growth business for Thiess.

To capitalise on emerging opportunities in this sector, Thiess is undertaking partnerships to provide total project solutions for the industry.

PT Thiess Contractors Indonesia in a consortium with Hyundai Engineering and Construction are one such partnership, having recently been awarded a US \$137m contract for engineering, procurement and construction of the Suban Phase 2 Gas Project in South Sumatra, Indonesia. The project will more than double the plant's capacity. Thiess' responsibilities for this contract include infrastructure engineering, bulk materials procurement and fabrication, and all site construction work.

Another of Thiess' current oil and gas projects is the Darwin LNG Tank project for Bechtel. For this \$107m project, Thiess and LNG Tank specialist TKK are responsible for the design and construction of a 188,000m³

LNG storage tank - one of the largest in the world. Some 47m high and approximately 100m in diameter, the LNG tank comprises an outer concrete wall and nickel alloy steel inner tank. Thiess is responsible for site construction, design of secondary concrete containment tank, and design management.

The LNG processing plant will receive gas via an undersea pipeline from the Bayu Udan gas field in the Timor Sea, where it will remove impurities and liquefy the gas by refrigeration. The liquid is then pumped to the storage tank at a temperature of -165°C prior to shipment to customers in Japan. The project is due for completion in January 2006.

Thiess is also currently project managing exploration and development activities in the Surat Basin for the Queensland Gas Company (QGC). Specifically, Thiess is evaluating potential for coal bed methane in the area. To date, 15 exploration sites and six core wells have been drilled, with production tests focusing on six key sites. Following completion of field exploration and evaluation activities, Thiess will work with QGC to complete full cost estimates and feasibility studies. □

SPONSORSHIP

Major Partnerships Continue

This year Leighton Holdings has renewed a number of successful partnerships with some of Australia's leading environmental, arts and community organisations.

The Leighton Salinity Assault, a partnership with Landcare Australia, which assists rural communities to combat the degrading effects of dry-land salinity, has been renewed for another

three years. Leighton has also signed on for another two years with the Sydney Symphony, continuing our successful relationship as the Presenting Partners of the Symphony's world class mentoring orchestra, the Sydney Sinfonia. Our long-term partnership with the National Trust of Australia (NSW), now in its tenth year, has also been renewed, together with leading community health organisations, the Northcott Society and NISAD. □