

Leighton Holdings Limited

ACN 004 482 982 ABN 57 004 482 982

# Financial Report

# /2004



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**Statements of Financial Performance**  
for the year ended 30 June 2004

|   | Note      | Consolidated   |                | Company        |                |
|---|-----------|----------------|----------------|----------------|----------------|
|   |           | 2004<br>\$'000 | 2003<br>\$'000 | 2004<br>\$'000 | 2003<br>\$'000 |
| Revenues from ordinary activities   | 2         | 4,926,276      | 5,022,909      | 137,319        | 226,382        |
| Expenses from ordinary activities   | 3         | (4,861,377)    | (4,845,551)    | (4,174)        | (69,144)       |
| Borrowing costs   | 4         | (18,118)       | (9,284)        | (10,674)       | (2,014)        |
| Share of net profits of associates and joint venture entities*  |           | 114,577        | 54,466         | -              | -              |
| <b>Profit from ordinary activities before income tax expense</b>  |           | <b>161,358</b> | <b>222,540</b> | <b>122,471</b> | <b>155,224</b> |
| Income tax expense relating to ordinary activities  | 6         | (39,296)       | (71,565)       | (4,552)        | (4,219)        |
| Profit from ordinary activities after income tax expense  |           | 122,062        | 150,975        | 117,919        | 151,005        |
| Net profit attributable to outside equity interests   |           | (12,031)       | (10,961)       | -              | -              |
| <b>Net profit attributable to members of the parent entity</b>  | <b>22</b> | <b>110,031</b> | <b>140,014</b> | <b>117,919</b> | <b>151,005</b> |
| Other changes in equity attributable to members of the parent entity  |           |                |                |                |                |
| Net exchange difference on translation of financial statements of self-sustaining foreign operations          | 21        | (6,437)        | (42,133)       | -              | -              |
| Increase in asset revaluation reserve   | 21        | -              | 1,138          | -              | -              |
| Decrease in retained profits on initial adoption of revised Accounting Standard AASB 1028 – Employee Benefits | 22        | -              | (829)          | -              | -              |
| Total other changes in equity attributable to members of the parent entity                                    |           | (6,437)        | (41,824)       | -              | -              |
| <b>Total changes in equity from non-owner transactions attributable to members of the parent entity</b>       | <b>24</b> | <b>103,594</b> | <b>98,190</b>  | <b>117,919</b> | <b>151,005</b> |
| Basic earnings per share - cents  | 26        | 40.4           | 51.7           |                |                |
| Diluted earnings per share - cents  | 26        | 40.4           | 51.6           |                |                |
| Dividends per share - cents - Interim   | 25        | 18.0           | 17.0           |                |                |
| - Final   | 25        | 27.0           | 27.0           |                |                |

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

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 4 to 47.

**Statements of Financial Position**  
as at 30 June 2004

|   | Note | Consolidated     |                  | Company          |                  |
|---|------|------------------|------------------|------------------|------------------|
|   |      | 2004<br>\$'000   | 2003<br>\$'000   | 2004<br>\$'000   | 2003<br>\$'000   |
| <b>Assets</b>                                     |      |                  |                  |                  |                  |
| Cash assets                                       | 7    | 737,733          | 408,266          | 80,047           | 78,695           |
| Receivables                                       | 8    | 957,835          | 852,562          | 624,391          | 504,516          |
| Inventories                                       | 9    | 42,619           | 49,385           | -                | -                |
| Investments accounted for using the equity method | 10   | 138,751          | 85,979           | -                | -                |
| Investments in other entities                     | 11   | 97,527           | 63,484           | 823,995          | 853,598          |
| Deferred tax assets                               | 12   | 104,801          | 99,290           | 81,299           | 227              |
| Property, plant and equipment                     | 13   | 639,686          | 574,736          | -                | -                |
| Goodwill  | 14   | 25,931           | 28,824           | -                | -                |
| <b>Total assets</b>                               |      | <b>2,744,883</b> | <b>2,162,526</b> | <b>1,609,732</b> | <b>1,437,036</b> |
| <b>Liabilities</b>                                |      |                  |                  |                  |                  |
| Payables  | 15   | 1,353,744        | 997,198          | 773,816          | 819,842          |
| Current tax liabilities                           | 16   | 45,474           | 5,208            | 37,038           | 4,391            |
| Provisions  | 17   | 256,040          | 236,827          | 2,740            | 2,640            |
| Interest bearing liabilities                      | 18   | 226,549          | 37,131           | 200,000          | 17,748           |
| Deferred tax liabilities                          | 19   | 7,161            | 15,518           | 1,443            | -                |
| <b>Total liabilities</b>                          |      | <b>1,888,968</b> | <b>1,291,882</b> | <b>1,015,037</b> | <b>844,621</b>   |
| <b>Net assets</b>                                 |      | <b>855,915</b>   | <b>870,644</b>   | <b>594,695</b>   | <b>592,415</b>   |
| <b>Equity</b>                                     |      |                  |                  |                  |                  |
| Contributed equity                                | 20   | 421,851          | 414,798          | 421,851          | 414,798          |
| Reserves  | 21   | (73,618)         | (66,043)         | -                | -                |
| Retained profits                                  | 22   | 496,034          | 507,557          | 172,844          | 177,617          |
| <b>Total parent entity interest</b>               |      | <b>844,267</b>   | <b>856,312</b>   | <b>594,695</b>   | <b>592,415</b>   |
| Outside equity interests                          | 23   | 11,648           | 14,332           | -                | -                |
| <b>Total equity</b>                               | 24   | <b>855,915</b>   | <b>870,644</b>   | <b>594,695</b>   | <b>592,415</b>   |

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 4 to 47.

**Statements of Cash Flows**  
for the year ended 30 June 2004

|   | Consolidated |                  | Company        |                 |                |
|---|--------------|------------------|----------------|-----------------|----------------|
|   | Note         | 2004<br>\$'000   | 2003<br>\$'000 | 2004<br>\$'000  | 2003<br>\$'000 |
| <b>Cash flows from operating activities</b>   |              |                  |                |                 |                |
| Cash receipts in the course of operations   |              | 5,305,861        | 4,982,574      | 1,902           | 17,082         |
| Cash payments in the course of operations   |              | (4,671,982)      | (4,618,680)    | (3,119)         | (16,878)       |
| Dividends received  |              | 2,820            | 4,011          | 107,685         | 205,315        |
| Interest received   |              | 14,556           | 9,972          | 607             | 106            |
| Borrowing costs paid  |              | (13,599)         | (7,988)        | (9,526)         | (2,270)        |
| Income taxes paid   |              | (14,949)         | (88,037)       | (222)           | (6,321)        |
| <b>Net cash provided by operating activities</b>  | 40           | <b>622,707</b>   | 281,852        | <b>97,327</b>   | 197,034        |
| <b>Cash flows from investing activities</b>   |              |                  |                |                 |                |
| Payments for investments in controlled entities and businesses  |              | (6,213)          | (38,149)       | -               | (133,715)      |
| Proceeds from sale of investments in controlled entities  |              | -                | 23,439         | -               | 3,501          |
| Payments for property, plant and equipment  |              | (367,079)        | (306,897)      | -               | -              |
| Proceeds from sale of assets  |              | 75,170           | 84,254         | -               | -              |
| Payments for investments in other entities  |              | (47,062)         | (54,611)       | (6,555)         | (4,810)        |
| Loans to other entities   |              | (53,333)         | -              | -               | -              |
| Repayment of loans to other entities  |              | 51,587           | -              | -               | -              |
| Loans to executives repaid  |              | 129              | 220            | 129             | 220            |
| <b>Net cash used in investing activities</b>  |              | <b>(346,801)</b> | (291,744)      | <b>(6,426)</b>  | (134,804)      |
| <b>Cash flows from financing activities</b>   |              |                  |                |                 |                |
| Proceeds from share issues  |              | 7,053            | 15,407         | 7,053           | 15,407         |
| Proceeds from borrowings  |              | 292,961          | 236,160        | 200,000         | -              |
| Repayment of borrowings   |              | (109,218)        | (263,375)      | (16,534)        | (17,410)       |
| Loans from/(to) related entities  |              | -                | (16,250)       | (157,344)       | 76,182         |
| Distributions to outside equity interests   |              | (14,716)         | (1,916)        | -               | -              |
| Dividends paid  |              | (122,692)        | (116,443)      | (122,692)       | (116,443)      |
| <b>Net cash provided by / (used in) financing activities</b>  |              | <b>53,388</b>    | (146,417)      | <b>(89,517)</b> | (42,264)       |
| Net increase/(decrease) in cash held  |              | 329,294          | (156,309)      | 1,384           | 19,966         |
| Net cash at the beginning of the financial year   |              | 408,266          | 588,363        | 78,695          | 60,046         |
| Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the year  |              | (9,127)          | (23,788)       | (32)            | (1,317)        |
| <b>Net cash at reporting date</b>   |              | <b>728,433</b>   | 408,266        | <b>80,047</b>   | 78,695         |
| <b>Reconciliation of cash balances</b>  |              |                  |                |                 |                |
| For the purposes of the statements of cash flows, cash includes cash on hand, at bank and short term deposits at call, net of outstanding overdrafts. Cash as at reporting date as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows: |              |                  |                |                 |                |
| Cash assets   |              | 737,733          | 408,266        | 80,047          | 78,695         |
| Bank overdraft (included in interest bearing liabilities)   |              | (9,300)          | -              | -               | -              |
| <b>Net cash</b>   |              | <b>728,433</b>   | 408,266        | <b>80,047</b>   | 78,695         |

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 4 to 47.

## 1 Summary of significant accounting policies

### (a) Basis of preparation

The financial report of Leighton Holdings Limited, being the parent entity ("the Company"), and its controlled entities ("the Consolidated Entity") is a general purpose financial report, which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

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

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

### (b) Consolidation

The consolidated financial statements comprise the financial statements of Leighton Holdings Limited, being the parent entity and its controlled entities. Results of controlled entities are included in the consolidated statement of financial performance from the date control is obtained and excluded from the date the entity is no longer controlled. Transactions and balances between entities within the Consolidated Entity have been eliminated in full.

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

### (c) Revenue and profit recognition

(i) Construction revenues includes revenues from building, civil, mining and telecommunications contracting services. Revenue and profit is recognised on the basis of the value of work completed. Stage of completion is measured by reference to costs incurred to date as a percentage of estimated total costs for each contract. Profits are not recognised on contracts during the establishment and initial stages and accordingly recognition of profit is deferred during that period. For such contracts the difference between the revenue and costs is carried forward as either a contract receivable or contract payable. Where a contract has progressed beyond the early stages contract revenue and expenses are recognised on a percentage completion basis and expected losses are recognised as soon as they become apparent.

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

(iii) Revenue from other contracting services is recognised on an accruals basis.

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

(v) Other property development revenue is recognised on an accruals basis and includes management fee entitlement for services rendered and rental income.

(vi) Interest revenue is recognised as it accrues.

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

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

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

### (d) Goods and Services tax

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

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

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

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

### (e) Borrowing costs

Borrowing costs, including the coupon payments on the Leighton Notes, are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, 7.6% (2003: 5.5%).

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

### (f) Income tax

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

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

## 1 Summary of significant accounting policies

### (f) Income tax - continued

The Company is the head entity in the tax-consolidated group comprising the Australian wholly owned subsidiaries as set out in Note 38. The implementation date for the tax-consolidation group is 1 July 2002. The head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intragroup transactions). The tax-consolidated group has entered into a tax funding agreement that requires wholly-owned subsidiaries to make contributions to the head entity for:

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

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

### (g) Cash

Cash at bank and on hand and funds on deposit are stated at nominal value. For the purposes of the statements of cash flows, cash includes cash on hand, at bank and short term deposits at call, net of outstanding overdrafts.

### (h) Receivables

(i) Contract and trade debtors include all net receivables from construction and other contracting services which includes the progressive valuation of work completed on construction contracts less cash received. The valuation of work completed is made after bringing to account a proportion of the estimated contract profits available and after recognising all known losses. Contract and trade debtors are normally settled within 60 days of billing. The collectibility of contract and trade debtors is assessed at reporting date and provision is made for any doubtful debts.

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

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

### (i) Inventories

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

(i) Property developments

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

(ii) Raw materials and consumables.

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

### (j) Investments

(i) Associates

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

(ii) Joint venture entities

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

(iii) Investments in other entities

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

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

Unlisted – other investments are stated at fair value.

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

### (k) Leased assets

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

(i) Finance leases

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed.

Contingent rentals are expensed as incurred.

(ii) Operating Leases

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

## 1 Summary of significant accounting policies

### (l) Property, plant and equipment

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

freehold buildings: straight line method – up to 40 years

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

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

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

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

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

(ii) Where fixed assets are acquired by means of finance leases, the present value of the lease rentals and residuals is included as an asset in the statements of financial position and is depreciated over the expected useful life of those assets.

### (m) Acquisitions of assets

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

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

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

### (o) Goodwill

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

### (p) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Consolidated Entity. Trade creditors are normally settled within 60 days.

### (q) Interest-bearing liabilities

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

### (r) Employee entitlements and provisions

(i) Wages, salaries, annual leave

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

(ii) Long service leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the Consolidated Entity resulting from employees' services provided up to the reporting date. Liabilities for long service leave which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at reporting date, which most closely match the terms of maturity of the related liabilities. In determining the liability for these employee entitlements, consideration has been given to estimated future increases in wage and salary rates, and the Consolidated Entity's experience with staff departures. Related on-costs have been included in the liability.

(iii) Superannuation

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

(iv) Employee option plans

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

(v) Retention arrangements

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

(vi) Annual bonus and deferred incentive arrangements

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

## 1 Summary of significant accounting policies

### (s) Contributed equity

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

### (t) Foreign currency

#### (i) Transactions

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

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

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

### (u) Derivatives

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

#### (i) Interest rate swaps

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

#### (ii) Forward foreign exchange contracts

Exchange differences on specific hedge transactions arising up to the date of purchase or sale, together with any costs or gains arising at the time of entering the hedge, are deferred and included in the measurement of the purchase or sale.

### (v) Dividends

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

### (w) Earnings per share

#### (i) Basic earnings per share

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

#### (ii) Diluted earnings per share

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

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

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

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

|  | Note | Consolidated     |                | Company        |                |
|--|------|------------------|----------------|----------------|----------------|
|  |      | 2004<br>\$'000   | 2003<br>\$'000 | 2004<br>\$'000 | 2003<br>\$'000 |
| <b>2 Revenues</b>                        |      |                  |                |                |                |
| Construction contracting services        |      | <b>4,457,698</b> | 4,578,317      | -              | -              |
| Other contracting services               |      | <b>247,472</b>   | 181,571        | -              | -              |
| Other operating revenue                  |      | <b>18,563</b>    | 5,123          | -              | -              |
| Sale of property developments            |      | <b>22,352</b>    | 18,935         | -              | -              |
| Other property development revenue       |      | <b>88,291</b>    | 64,594         | -              | -              |
| Revenues from operating activities       |      | <b>4,834,376</b> | 4,848,540      | -              | -              |
| Interest                                 |      |                  |                |                |                |
| - Related parties                        | 39   | <b>80</b>        | 471            | <b>28,166</b>  | 19,332         |
| - Other parties                          |      | <b>14,760</b>    | 9,194          | <b>532</b>     | 25             |
| Dividends/distributions                  |      |                  |                |                |                |
| - Wholly owned controlled entities       |      | -                | -              | <b>106,721</b> | 203,155        |
| - Other parties                          |      | <b>1,890</b>     | 4,011          | <b>964</b>     | 2,159          |
| Proceeds from sale of other assets       |      | <b>75,170</b>    | 160,693        | -              | -              |
| Other income from related parties        | 39   | -                | -              | <b>936</b>     | 1,711          |
| <b>Other revenues</b>                    |      | <b>91,900</b>    | 174,369        | <b>137,319</b> | 226,382        |
| <b>Revenues from ordinary activities</b> | 30   | <b>4,926,276</b> | 5,022,909      | <b>137,319</b> | 226,382        |

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

#### Revenues - Group and joint ventures

|   |                  |           |                |         |
|---|------------------|-----------|----------------|---------|
| Revenues from operating activities - Group                          | <b>4,834,376</b> | 4,848,540 | -              | -       |
| Revenues from operating activities - joint ventures                 | <b>1,077,548</b> | 597,327   | -              | -       |
| Total revenues from operating activities - Group and joint ventures | <b>5,911,924</b> | 5,445,867 | -              | -       |
| Other revenues  | <b>91,900</b>    | 174,369   | <b>137,319</b> | 226,382 |
| <b>Revenues from ordinary activities - Group and joint ventures</b> | <b>6,003,824</b> | 5,620,236 | <b>137,319</b> | 226,382 |

|  | Note | Consolidated     |                  | Company        |                |
|--|------|------------------|------------------|----------------|----------------|
|  |      | 2004<br>\$'000   | 2003<br>\$'000   | 2004<br>\$'000 | 2003<br>\$'000 |
| <b>3 Expenses</b>  |      |                  |                  |                |                |
| Materials  |      | 1,158,621        | 1,034,699        | -              | -              |
| Subcontractors   |      | 1,613,979        | 1,659,780        | -              | -              |
| Plant costs and depreciation                             |      | 652,103          | 766,392          | -              | -              |
| Personnel costs  |      | 1,096,035        | 927,452          | 1,786          | 1,491          |
| Amortisation of goodwill                                 |      | 4,733            | 8,280            | -              | -              |
| Operating leases - minimum lease payments                |      | 52,976           | 58,498           | -              | -              |
| Professional fees  |      | 107,226          | 90,297           | 1,043          | 1,539          |
| Foreign exchange (gains) / losses                        |      | (308)            | 2,004            | 943            | (9,710)        |
| Book value of assets sold                                |      | 44,058           | 133,832          | -              | -              |
| Cost of development properties sold                      |      | 20,602           | 17,219           | -              | -              |
| Write-down of investments                                |      | 14,410           | -                | -              | -              |
| Bad debts expense  |      | 13,590           | -                | -              | -              |
| Nextgen Networks project written off                     |      | -                | 58,000           | -              | -              |
| Other expenses   |      | 83,352           | 89,098           | 402            | 2,356          |
| Provision for diminution in value of controlled entities |      | -                | -                | -              | 73,468         |
| <b>Expenses from ordinary activities</b>                 |      | <b>4,861,377</b> | <b>4,845,551</b> | <b>4,174</b>   | <b>69,144</b>  |

#### 4 Profit from ordinary activities before income tax expense

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

##### Net Gains

Net gain on the sale of:

|   |  |        |        |   |   |
|---|--|--------|--------|---|---|
| - Investments – shares in Portman Limited |  | 16,703 | -      | - | - |
| - Investments – other                     |  | 5,932  | 9,445  | - | - |
| - Property, plant and equipment           |  | 8,578  | 17,416 | - | - |

Reversal of provision for diminution in value of leasehold improvements

|  |        |   |   |   |
|--|--------|---|---|---|
|  | 10,000 | - | - | - |
|--|--------|---|---|---|

##### Expenses

Borrowing costs

|                   |    |        |       |        |       |
|-------------------|----|--------|-------|--------|-------|
| - Related parties | 39 | 3,442  | 2,905 | 460    | -     |
| - Other parties   |    | 14,676 | 6,379 | 10,214 | 2,014 |

Provision for diminution in value of leasehold improvements

|  |   |        |   |   |
|--|---|--------|---|---|
|  | - | 10,000 | - | - |
|--|---|--------|---|---|

Loss on Spencer Street Station project

|  |         |   |   |   |
|--|---------|---|---|---|
|  | 110,000 | - | - | - |
|--|---------|---|---|---|

Amortisation – goodwill

|  |       |       |   |   |
|--|-------|-------|---|---|
|  | 4,733 | 8,280 | - | - |
|--|-------|-------|---|---|

Depreciation

|                                |  |         |         |   |   |
|--------------------------------|--|---------|---------|---|---|
| - Buildings                    |  | 1,164   | 1,864   | - | - |
| - Plant and equipment          |  | 281,125 | 294,631 | - | - |
| - Leasehold land and buildings |  | 62      | 130     | - | - |
| - Leasehold improvements       |  | 1,512   | 2,469   | - | - |
| - Waste management assets      |  | 3,267   | 2,480   | - | - |
| Total depreciation             |  | 287,130 | 301,574 | - | - |

|   | Consolidated |                | Company        |                |                |
|---|--------------|----------------|----------------|----------------|----------------|
|   | Note         | 2004<br>\$'000 | 2003<br>\$'000 | 2004<br>\$'000 | 2003<br>\$'000 |
| <b>5 Auditors' remuneration</b>                           |              |                |                |                |                |
| Assurance services  |              |                |                |                |                |
| i) Audit services – audit and review of financial reports |              |                |                |                |                |
| Auditors of the Company – KPMG Australia                  |              | 1,114          | 897            | -              | -              |
| Auditors of the Company – related overseas firms          |              | 737            | 659            | -              | -              |
| Other auditors  |              | 355            | 472            | -              | -              |
| Total remuneration for audit services                     |              | 2,206          | 2,028          | -              | -              |
| ii) Other assurance services                              |              |                |                |                |                |
| Auditors of the Company – KPMG Australia                  |              |                |                |                |                |
| - IFRS accounting services                                |              | 10             | -              | -              | -              |
| - Corporate finance                                       |              | -              | 167            | -              | -              |
| - Due diligence services                                  |              | 185            | 134            | -              | -              |
| - Controls assurance services                             |              | 162            | 307            | -              | -              |
| - Other services  |              | -              | 117            | -              | -              |
| Auditors of the Company – related overseas firms          |              | -              | 128            | -              | -              |
| Other auditors  |              | 93             | 567            | -              | -              |
| Total remuneration for other assurance services           |              | 450            | 1,420          | -              | -              |
| iii) Taxation services                                    |              |                |                |                |                |
| Auditors of the Company – KPMG Australia*                 |              | 933            | 667            | -              | -              |
| Auditors of the Company – related overseas firms          |              | 171            | 73             | -              | -              |
| Other auditors  |              | 194            | 139            | -              | -              |
| Total remuneration for taxation services                  |              | 1,298          | 879            | -              | -              |
| Total auditors' remuneration                              |              | 3,954          | 4,327          | -              | -              |

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.

|  | Consolidated |                | Company        |                 |                |
|--|--------------|----------------|----------------|-----------------|----------------|
|  | Note         | 2004<br>\$'000 | 2003<br>\$'000 | 2004<br>\$'000  | 2003<br>\$'000 |
| <b>6 Income tax expense</b>  |              |                |                |                 |                |
| Profit from ordinary activities before income tax  |              | <b>161,358</b> | 222,540        | <b>122,471</b>  | 155,224        |
| Prima facie income tax expense at 30% (2003: 30%)  |              | <b>48,407</b>  | 66,762         | <b>36,741</b>   | 46,567         |
| The following items have affected income tax expense for the period:   |              |                |                |                 |                |
| - Entertainment and other non-allowable items  |              | <b>2,020</b>   | 2,004          | <b>75</b>       | 75             |
| - Depreciation and amortisation not allowable for tax  |              | <b>2,938</b>   | 3,670          | -               | -              |
| - Building allowance   |              | <b>(432)</b>   | (523)          | -               | -              |
| - Rebateable and exempt dividends  |              | -              | -              | <b>(32,016)</b> | (60,946)       |
| - Recoupment of losses previously not recognised   |              | <b>(4,812)</b> | (368)          | -               | (368)          |
| - Overseas income tax rate differential  |              | <b>(5,169)</b> | 4,051          | -               | -              |
| - Provision for diminution in value of controlled entities   |              | -              | -              | -               | 22,041         |
| - Minority income not subject to tax and other   |              | <b>(1,816)</b> | (207)          | <b>(219)</b>    | (290)          |
| Income tax expense related to current and deferred tax transactions of the wholly-owned subsidiaries in the tax-consolidated group |              | -              | -              | <b>2,294</b>    | -              |
| Decrease in income tax expense due to implementation of a tax funding arrangement  |              | -              | -              | <b>(2,294)</b>  | -              |
| Current period income tax expense  |              | <b>41,136</b>  | 75,389         | <b>4,581</b>    | 7,079          |
| - Over provision in prior year   |              | <b>(1,840)</b> | (3,824)        | <b>(29)</b>     | (2,860)        |
| <b>Income tax expense relating to ordinary activities</b>  |              | <b>39,296</b>  | 71,565         | <b>4,552</b>    | 4,219          |

Future income tax benefits - The future income tax benefit (note 12) of \$104,801 (2003: \$99,290) includes provision for employee benefits and asset writedowns not currently allowable as an income tax deduction and tax losses carried forward of \$818 (2003: \$1,846). The unrecorded future tax benefit available to some members of the Consolidated Entity at 30 June 2004 in respect of Australian and overseas tax losses, including capital losses, for which there is a possibility of recoupment at the applicable rates of tax was Nil (2003: \$2,235). The benefit of these tax losses will be utilised only if the relevant entities earn sufficient profit or capital gains in the future, continue to comply with the provisions of the relevant tax legislation relating to the deduction of carried forward tax losses and there are no changes in tax legislation adversely affecting the Consolidated Entity in realising the benefit.

|                          |  |                |         |               |        |
|--------------------------|--|----------------|---------|---------------|--------|
| <b>7 Cash</b>            |  |                |         |               |        |
| Funds on deposit         |  | <b>510,725</b> | 263,268 | -             | 303    |
| Cash at bank and on hand |  | <b>227,008</b> | 144,998 | <b>80,047</b> | 78,392 |
|                          |  | <b>737,733</b> | 408,266 | <b>80,047</b> | 78,695 |

|   | Note | Consolidated      |                   | Company        |                |
|---|------|-------------------|-------------------|----------------|----------------|
|   |      | 2004<br>\$'000    | 2003<br>\$'000    | 2004<br>\$'000 | 2003<br>\$'000 |
| <b>8 Receivables</b>  |      |                   |                   |                |                |
| Contract debtors  |      | 705,520           | 560,439           | -              | -              |
| Trade debtors   |      | 158,060           | 161,629           | -              | -              |
| Other amounts receivable  |      | 58,123            | 84,031            | 25             | 1,025          |
| Prepayments   |      | 14,725            | 8,660             | -              | -              |
| Loans - unsecured   |      | 19,099            | 36,853            | -              | -              |
| Loans - related parties   | 39   | 2,308             | 950               | 820            | 950            |
| Amounts receivable from controlled entities   | 39   | -                 | -                 | 623,546        | 502,541        |
|   |      | <b>957,835</b>    | <b>852,562</b>    | <b>624,391</b> | <b>504,516</b> |
| <b>Progressive value of work completed on contracts in progress at reporting date</b> |      | <b>10,618,130</b> | <b>11,753,901</b> | -              | -              |
| Net contract debtors excluding retentions   |      | 565,832           | 459,644           | -              | -              |
| Retentions  |      | 20,833            | 33,831            | -              | -              |
| <b>Net contract debtors</b>   |      | <b>586,665</b>    | <b>493,475</b>    | -              | -              |
| Cash received to date   |      | 10,031,465        | 11,260,426        | -              | -              |
| <b>Total progressive value</b>  |      | <b>10,618,130</b> | <b>11,753,901</b> | -              | -              |
| Amounts due from customers - contract debtors   |      | 705,520           | 560,439           | -              | -              |
| Amounts due to customers - trade creditors  |      | (118,855)         | (66,964)          | -              | -              |
| <b>Net contract debtors</b>   |      | <b>586,665</b>    | <b>493,475</b>    | -              | -              |

Receivables expected to be realised more than 12 months after reporting date: Consolidated Entity \$8,404 (2003: \$20,603), Company \$624,366 (2003: \$503,491).

|   |  |               |               |   |   |
|---|--|---------------|---------------|---|---|
| <b>9 Inventories</b>                                |  |               |               |   |   |
| <b>Property developments</b>                        |  |               |               |   |   |
| Cost of acquisition                                 |  | 24,206        | 19,114        | - | - |
| Development expenses capitalised                    |  | 1,856         | 16,168        | - | - |
| Rates, taxes, borrowing and other costs capitalised |  | 4,990         | 3,244         | - | - |
|   |  | <b>31,052</b> | <b>38,526</b> | - | - |
| <b>Other inventories</b>                            |  |               |               |   |   |
| Raw materials and consumables – cost                |  | 11,567        | 10,859        | - | - |
|   |  | <b>42,619</b> | <b>49,385</b> | - | - |

Inventories include property developments of \$25,208 (2003: \$27,989), which are expected to be realised more than 12 months after reporting date.

Borrowing costs capitalised to property developments during the financial year: \$1,267 (2003: \$497).

|   |    |                |               |   |   |
|---|----|----------------|---------------|---|---|
| <b>10 Investments accounted for using the equity method</b> |    |                |               |   |   |
| Associates  | 27 | 4,414          | 3,524         | - | - |
| Joint venture entities                                      | 28 | 134,337        | 82,455        | - | - |
|   |    | <b>138,751</b> | <b>85,979</b> | - | - |

Investments accounted for using the equity method includes investments which are expected to be realised more than 12 months after reporting date: Consolidated entity \$45,942 (2003: \$18,320), Company Nil (2003: Nil).

|  | Consolidated |                | Company        |                |                |
|--|--------------|----------------|----------------|----------------|----------------|
|  | Note         | 2004<br>\$'000 | 2003<br>\$'000 | 2004<br>\$'000 | 2003<br>\$'000 |
| <b>11 Investments in other entities</b>        |              |                |                |                |                |
| Listed   |              | 28,156         | 41,366         | 26,451         | 21,646         |
| Unlisted - mining entities                     |              | 5,488          | 20,480         | -              | -              |
| - other  |              | 63,883         | 1,638          | 1,750          | -              |
| Investments in controlled entities             |              | -              | -              | 869,262        | 905,420        |
| Provision for diminution - controlled entities |              | -              | -              | (73,468)       | (73,468)       |
|  |              | <b>97,527</b>  | 63,484         | <b>823,995</b> | 853,598        |

Quoted market value of investments in listed entities at reporting date: Consolidated Entity \$30,088 (2003: \$50,112), Company \$28,428 (2003: \$21,890).

Investments in listed entities includes:

- Interest in James Fielding Group of 7.2% (2003: 7.4%) which is involved in property development, carrying value \$25,894(2003: \$20,639);
- Interest in Portman Mining Ltd Nil (2003: 13%), a company involved in mining operations was sold during the year, carrying value Nil (2003: \$16,992).

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

- Southland Colliery 10% (2003: 10%), carrying value \$Nil (2003: \$14,410);
- Burton Coal Mine, 5% (2003: 5%), carrying value \$5,488 (2003: \$6,070).

Investments in unlisted other entities includes:

- Interest in Asia Pacific Transport Consortium of 14.8% (2003: 14.8%) which operates the Alice Springs to Darwin railway in the Northern Territory, carrying value \$52,697 (2003 \$19,464, included in Receivables - loans unsecured) subsequent to reporting date the Consolidated Entity sold 21% of its investment at book value;
- Interest in Manila North Tollway Corporation of 16.5% (2003: 16.5%) a company involved in a tollway in the Philippines, carrying value \$8,146 (2003: Nil).

Investments in other entities expected to be realised more than 12 months after reporting date: Consolidated Entity \$86,607 (2003: \$63,484), Company \$823,995 (2003: \$853,598).

## 12 Deferred tax assets

|                           |   |         |        |        |     |
|---------------------------|---|---------|--------|--------|-----|
| Future income tax benefit | 6 | 104,801 | 99,290 | 81,299 | 227 |
|---------------------------|---|---------|--------|--------|-----|

|   | Note | Consolidated   |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2004<br>\$'000 | 2003<br>\$'000 | 2004<br>\$'000 | 2003<br>\$'000 |
| <b>13 Property, plant and equipment</b> |      |                |                |                |                |
| Land - cost                             |      | 20,659         | 21,875         | -              | -              |
| Buildings - cost                        |      | 33,287         | 33,501         | -              | -              |
| Accumulated depreciation                |      | (4,781)        | (3,765)        | -              | -              |
|   |      | 28,506         | 29,736         | -              | -              |
| Leasehold land and buildings - cost     |      | 3,515          | 2,706          | -              | -              |
| Accumulated depreciation                |      | (948)          | (886)          | -              | -              |
|   |      | 2,567          | 1,820          | -              | -              |
| Leasehold improvements - cost           |      | 22,211         | 22,615         | -              | -              |
| Accumulated depreciation                |      | (9,068)        | (8,276)        | -              | -              |
| Provision for diminution in value       |      | -              | (10,000)       | -              | -              |
|   |      | 13,143         | 4,339          | -              | -              |
| Waste management assets - cost          |      | 38,747         | 36,240         | -              | -              |
| Accumulated depreciation                |      | (15,729)       | (12,462)       | -              | -              |
|   |      | 23,018         | 23,778         | -              | -              |
| Plant and equipment - cost              |      | 1,360,421      | 1,234,290      | -              | -              |
| Accumulated depreciation                |      | (808,628)      | (741,102)      | -              | -              |
|   |      | 551,793        | 493,188        | -              | -              |
|   | 29   | 639,686        | 574,736        | -              | -              |

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

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

## 14 Goodwill

|                          |  |          |          |   |   |
|--------------------------|--|----------|----------|---|---|
| Cost                     |  | 58,626   | 56,786   | - | - |
| Accumulated amortisation |  | (32,695) | (27,962) | - | - |
|                          |  | 25,931   | 28,824   | - | - |

## 15 Payables

|  |    |           |         |         |         |
|--|----|-----------|---------|---------|---------|
| Trade creditors and accruals           |    | 1,200,122 | 886,133 | 1,464   | 335     |
| Other creditors                        |    | 60,403    | 31,827  | -       | -       |
| Amounts payable to related parties     | 39 | 93,219    | 79,238  | -       | -       |
| Amounts payable to controlled entities | 39 | -         | -       | 772,352 | 819,507 |
|  |    | 1,353,744 | 997,198 | 773,816 | 819,842 |

Trade creditors expected to be settled more than 12 months after reporting date: Consolidated Entity \$30,833 (2003: \$Nil), Company \$772,352 (2003: \$819,507).

## 16 Current tax liabilities

|                    |  |        |       |        |       |
|--------------------|--|--------|-------|--------|-------|
| Income tax payable |  | 45,474 | 5,208 | 37,038 | 4,391 |
|--------------------|--|--------|-------|--------|-------|

| Note                  | Consolidated   |                | Company        |                |
|-----------------------|----------------|----------------|----------------|----------------|
|                       | 2004<br>\$'000 | 2003<br>\$'000 | 2004<br>\$'000 | 2003<br>\$'000 |
| <b>17 Provisions</b>  |                |                |                |                |
| Employee entitlements | <b>256,040</b> | 236,827        | <b>2,740</b>   | 2,640          |

Employee entitlements expected to be settled more than 12 months after reporting date: Consolidated Entity \$183,017 (2003: \$172,552), Company \$2,740 (2003: \$2,640).

Employee entitlements includes deferred incentives (bonuses) \$39,867 (2003: \$39,229), Company \$Nil (2003: \$Nil) and retention and/or retirement arrangements payable to employees and/or Directors: \$35,875 (2003: \$31,018), Company \$2,740 (2003: \$2,640).

The amount of deferred incentive bonus accrued to 11 February 2000 for W.M. King which is payable to him unconditionally on retirement from the Consolidated Entity is \$15,765 (note 36).

## 18 Interest bearing liabilities

|                           |                |        |                |        |
|---------------------------|----------------|--------|----------------|--------|
| Bank overdraft            | <b>9,300</b>   | -      | -              | -      |
| Leighton Notes            | <b>200,000</b> | -      | <b>200,000</b> | -      |
| Unsecured loans           | -              | 17,748 | -              | 17,748 |
| Property development loan | <b>16,250</b>  | 16,250 | -              | -      |
| Lease liabilities         | 31 <b>999</b>  | 3,133  | -              | -      |
|                           | <b>226,549</b> | 37,131 | <b>200,000</b> | 17,748 |

The property development loan is non-recourse and secured against the investment in and certain assets owned by the 233 Castlereagh Street joint venture.

Lease liabilities expected to be settled more than 12 months after reporting date: Consolidated Entity \$Nil (2003: \$1,041), Company \$Nil (2003: \$Nil).

## 19 Deferred tax liabilities

|                     |              |        |              |   |
|---------------------|--------------|--------|--------------|---|
| Deferred income tax | <b>7,161</b> | 15,518 | <b>1,443</b> | - |
|---------------------|--------------|--------|--------------|---|

## 20 Contributed equity

### Issued share capital

272,688,067 ordinary shares fully paid  
(2003: 271,480,287)

|                |         |                |         |
|----------------|---------|----------------|---------|
| <b>421,851</b> | 414,798 | <b>421,851</b> | 414,798 |
|----------------|---------|----------------|---------|

### Movements

|   |                |         |                |         |
|---|----------------|---------|----------------|---------|
| Balance at beginning of financial year  | <b>414,798</b> | 399,391 | <b>414,798</b> | 399,391 |
| 1,207,780 (2003: 2,638,170) ordinary shares issued on the exercise of options | <b>7,053</b>   | 15,407  | <b>7,053</b>   | 15,407  |
| Balance at reporting date   | <b>421,851</b> | 414,798 | <b>421,851</b> | 414,798 |

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.

|   | Consolidated |                 | Company         |                |                |
|---|--------------|-----------------|-----------------|----------------|----------------|
|   | Note         | 2004<br>\$'000  | 2003<br>\$'000  | 2004<br>\$'000 | 2003<br>\$'000 |
| <b>21 Reserves</b>  |              |                 |                 |                |                |
| Foreign currency translation  |              | (73,618)        | (67,181)        | -              | -              |
| Asset revaluation   |              | -               | 1,138           | -              | -              |
| Balance at reporting date   |              | <b>(73,618)</b> | <b>(66,043)</b> | -              | -              |
| <b>Foreign currency translation</b>   |              |                 |                 |                |                |
| Balance at beginning of financial year  |              | (67,181)        | (25,048)        | -              | -              |
| Exchange differences on net investment in foreign operations and related hedges |              | (6,437)         | (42,133)        | -              | -              |
| Balance at reporting date   |              | <b>(73,618)</b> | <b>(67,181)</b> | -              | -              |
| <b>Asset revaluation</b>  |              |                 |                 |                |                |
| Balance at beginning of financial year  |              | 1,138           | -               | -              | -              |
| Aggregate of amounts transferred to retained earnings                           |              | (1,138)         | -               | -              | -              |
| Revaluation of shares in unlisted entities - other                              |              | -               | 1,138           | -              | -              |
| Balance at reporting date   |              | -               | 1,138           | -              | -              |

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a self-sustaining operation.

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets measured at their fair value in accordance with AASB 1041.

|   |  |                |                |                |                |
|---|--|----------------|----------------|----------------|----------------|
| <b>22 Retained profits</b>  |  |                |                |                |                |
| Balance at beginning of financial year                              |  | 507,557        | 414,916        | 177,617        | 73,156         |
| Net profit attributable to members of the parent entity             |  | 110,031        | 140,014        | 117,919        | 151,005        |
| Dividends   |  | (122,692)      | (116,443)      | (122,692)      | (116,443)      |
| Aggregate of amounts transferred from the asset revaluation reserve |  | 1,138          | -              | -              | -              |
| Prior year net effect of changes in accounting policies             |  |                |                |                |                |
| - AASB 1044 - Provisions  |  | -              | 69,899         | -              | 69,899         |
| - AASB 1028 - Employee Benefits                                     |  | -              | (829)          | -              | -              |
| Balance at reporting date   |  | <b>496,034</b> | <b>507,557</b> | <b>172,844</b> | <b>177,617</b> |

|  |  |               |               |   |   |
|--|--|---------------|---------------|---|---|
| <b>23 Outside equity interests</b>                         |  |               |               |   |   |
| Outside equity interests in controlled entities comprises: |  |               |               |   |   |
| Share capital  |  | 175           | 342           | - | - |
| Reserves   |  | 445           | 445           | - | - |
| Retained profits   |  | 11,028        | 13,545        | - | - |
|  |  | <b>11,648</b> | <b>14,332</b> | - | - |

|   | Note | Consolidated     |                | Company          |                |
|---|------|------------------|----------------|------------------|----------------|
|   |      | 2004<br>\$'000   | 2003<br>\$'000 | 2004<br>\$'000   | 2003<br>\$'000 |
| <b>24 Total equity</b>  |      |                  |                |                  |                |
| Balance at beginning of financial year  |      | <b>870,644</b>   | 794,546        | <b>592,415</b>   | 472,547        |
| Total changes in equity from non-owner transactions attributable to the members of the parent entity                              |      | <b>103,594</b>   | 98,190         | <b>117,919</b>   | 151,005        |
| Transactions with owners as owners  |      |                  |                |                  |                |
| - Contributions of equity   |      | <b>7,053</b>     | 15,407         | <b>7,053</b>     | 15,407         |
| - Dividends   |      | <b>(122,692)</b> | (116,443)      | <b>(122,692)</b> | (116,443)      |
| - Prior year adjustment in accordance with revised accounting standard AASB 1044 - Provisions, in respect of 2002 final dividend. |      | -                | 69,899         | -                | 69,899         |
| Total changes in outside equity interests   |      | <b>(2,684)</b>   | 9,045          | -                | -              |
| Balance at reporting date   |      | <b>855,915</b>   | 870,644        | <b>594,695</b>   | 592,415        |

|  | Consolidated    |                |
|--|-----------------|----------------|
|  | Cents per share | \$'000         |
| <b>25 Dividends</b>  |                 |                |
| <b>2004 Final dividend</b>   |                 |                |
| Subsequent to reporting date the Company announced a final dividend in respect of the year ended 30 June 2004 fully franked at a tax rate of 30%. The dividend is payable on 30 September 2004. This dividend has not been provided in the statements of financial position. | <b>27.0</b>     | <u>73,626</u>  |
| <b>Dividends recognised in the reporting period</b>  |                 |                |
| <b>To June 2004</b>  |                 |                |
| 2004 interim ordinary dividend fully franked at a tax rate of 30% declared during the period and paid on 31 March 2004   | <b>18.0</b>     | 49,084         |
| 2003 final ordinary dividend fully franked at a tax rate of 30% paid on 30 September 2003  | <b>27.0</b>     | 73,608         |
|  |                 | <u>122,692</u> |
| <b>To June 2003</b>  |                 |                |
| 2003 interim ordinary dividend fully franked at a tax rate of 30% declared during the period and paid on 31 March 2003   | <b>17.0</b>     | 46,137         |
| 2002 final ordinary dividend 70% franked at a tax rate of 30% paid on 30 September 2002  | <b>26.0</b>     | 70,306         |
|  |                 | <u>116,443</u> |

|   | Company        |                |
|---|----------------|----------------|
|   | 2004<br>\$'000 | 2003<br>\$'000 |
| <b>25 Dividends - continued</b>   |                |                |
| <b>Dividend franking account</b>  |                |                |
| Balance of the franking account adjusted for franking credits, which arise from the payment of income tax provided for in the financial statements, and after deducting franking credits to be used in payment of the above dividend. | 6,612          | 19,957         |

**Tax Consolidation legislation**

On 1 July 2002, Leighton Holdings Limited and its wholly-owned subsidiaries adopted the Tax Consolidation legislation which requires a tax-consolidated group to keep a single franking account. The amount of franking credits available to shareholders of the parent entity (being the head entity in the tax-consolidated group) disclosed at 30 June 2004 has been measured under the new legislation as those available from the tax-consolidated group.

|   | Consolidated |             |
|---|--------------|-------------|
|   | 2004         | 2003        |
| <b>26 Earnings per share</b>  |              |             |
| Basic earnings - cents per share  | 40.4         | 51.7        |
| Diluted earnings - cents per share  | 40.4         | 51.6        |
| Net profit attributable to the members of the parent entity used in the calculation of basic and diluted earnings per share (\$000's) | 110,031      | 140,014     |
| Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share                               | 272,596,781  | 270,613,236 |
| Effect of dilutive securities - share options   | -            | 989,945     |
| Adjusted weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share.                   | 272,596,781  | 271,603,181 |

Since the end of the financial year no options (2003: 955,417) have been exercised to acquire ordinary shares under the Leighton Executive Share Option Plan. Except as disclosed above there have been no other conversions to, calls of or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of the financial report.

| Name                                   | Principal activities | Reporting date | Ownership interest |      | Consolidated    |                |
|--|----------------------|----------------|--------------------|------|-----------------|----------------|
|  |                      |                | 2004               | 2003 | Carrying amount |                |
|  |                      |                | %                  | %    | 2004<br>\$'000  | 2003<br>\$'000 |
| <b>27 Associates</b>                   |                      |                |                    |      |                 |                |
| Defence Maintenance Management Pty Ltd | maintenance          | 30 June        | 50                 | 50   | 136             | -              |
| Infrastructure Technologies Limited    | construction         | 30 June        | -                  | 45   | -               | 5              |
| James Fielding Infrastructure Pty Ltd  | infrastructure       | 30 June        | 50                 | -    | 1,750           | -              |
| Newood Holdings Pty Limited            | timber processing    | 30 June        | 50                 | 50   | 46              | 50             |
| Sedgman Pty Ltd                        | design               | 30 June        | 50                 | 50   | 1,836           | 2,674          |
| Universal Portfolio Services Pty Ltd   | property development | 30 June        | 50                 | 100  | -               | -              |
| Vina Leighton Ltd                      | construction         | 30 June        | 50                 | 50   | 646             | 795            |
|  |                      |                |                    |      | <b>4,414</b>    | <b>3,524</b>   |

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

| <b>Consolidated</b> |               |
|---------------------|---------------|
| <b>2004</b>         | <b>2003</b>   |
| <b>\$'000</b>       | <b>\$'000</b> |

## 27 Associates - continued

### Statement of financial performance

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

|   |            |              |
|---|------------|--------------|
| Revenues from ordinary activities                         | 46,077     | 63,030       |
| Expenses from ordinary activities                         | (45,759)   | (61,814)     |
| Profit from ordinary activities before income tax expense | 318        | 1,216        |
| Income tax expense  | (115)      | -            |
| Net profit accounted for using the equity method          | <b>203</b> | <b>1,216</b> |

### Statement of financial position

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

|  |               |               |
|--|---------------|---------------|
| Current assets                                   | 13,347        | 14,199        |
| Non current assets                               | 5,455         | 1,220         |
| Total assets                                     | <b>18,802</b> | <b>15,419</b> |
| Current liabilities                              | 10,112        | 11,414        |
| Non current liabilities                          | 4,276         | 481           |
| Total liabilities                                | <b>14,388</b> | <b>11,895</b> |
| Net assets accounted for using the equity method | <b>4,414</b>  | <b>3,524</b>  |

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

|   |            |              |
|---|------------|--------------|
| Balance at beginning of the financial year              | 1,130      | 90           |
| Share of net profit of associates                       | 203        | 1,216        |
| Distributions from associates                           | (1,058)    | (176)        |
| Share of associates' retained profits at reporting date | <b>275</b> | <b>1,130</b> |

### Movements in carrying amount of associates

|  |              |              |
|--|--------------|--------------|
| Carrying amount at the beginning of the financial year | 3,524        | 2,434        |
| Contributions to the associates                        | 1,750        | 50           |
| Share of associates' net profit                        | 203          | 1,216        |
| Disposal of interest in associates                     | (5)          | -            |
| Drawings from the associates                           | (1,058)      | (176)        |
| Carrying amount at reporting date                      | <b>4,414</b> | <b>3,524</b> |

| Name  | Principal activities       | Reporting date | Consolidated       |           |
|---|----------------------------|----------------|--------------------|-----------|
|   |                            |                | Ownership interest |           |
|   |                            |                | 2004<br>%          | 2003<br>% |
| <b>28 Joint venture entities</b>  |                            |                |                    |           |
| 233 Castlereagh Street joint venture  | property development       | 30 June        | 50                 | 50        |
| Abigroup – Leighton joint venture   | construction               | 30 June        | 50                 | 50        |
| ADrail joint venture  | construction               | 30 June        | 20                 | 20        |
| Bac Devco Pty Limited   | property development       | 30 June        | 33                 | -         |
| Bayview Noosa partnership   | property development       | 30 June        | 50                 | 50        |
| Beenyup Alliance  | construction               | 30 June        | 47                 | 47        |
| BJB joint venture   | construction               | 31 Dec         | 38                 | 38        |
| Complete joint venture  | construction               | 30 June        | 50                 | -         |
| Dam Improvement Services  | construction               | 30 June        | 40                 | -         |
| Emrail Leighton joint venture   | construction               | 30 June        | 35                 | -         |
| Folkestone – Leighton joint venture   | property development       | 30 June        | 50                 | 50        |
| Hail Creek joint venture  | construction               | 30 June        | 50                 | 50        |
| HPAL Freehold Pty Limited   | property development       | 30 June        | 50                 | -         |
| Infocus Infrastructure Management Pty Ltd                                   | facilities management      | 30 June        | 50                 | 50        |
| JM joint venture  | construction               | 30 June        | 60                 | 60        |
| John Holland Asia Limited/Namprasert Construction Company Ltd joint venture | construction               | 31 Dec         | 50                 | 50        |
| John Holland Barclay Mowlem joint venture                                   | construction               | 31 Dec         | 50                 | 50        |
| John Holland BRW joint venture  | construction               | 30 June        | 50                 | 50        |
| John Holland Downer EDI joint venture                                       | construction               | 30 June        | 60                 | 60        |
| John Holland Fairbrother joint venture                                      | construction               | 30 June        | 50                 | -         |
| John Holland Lahey joint venture  | construction               | 30 June        | 50                 | 50        |
| John Holland MacMahon joint venture   | construction               | 30 June        | 50                 | 50        |
| John Holland McConnell Dowell joint venture                                 | construction               | 30 June        | 50                 | 50        |
| John Holland Thames Water joint venture                                     | construction               | 30 June        | 50                 | -         |
| Leighton China State joint venture  | construction               | 30 June        | 55                 | -         |
| Leighton–China State-Van Oord joint venture                                 | construction               | 30 June        | 45                 | 45        |
| Leighton Hsin Chong joint venture   | construction               | 30 June        | 50                 | -         |
| Leighton–Kumagai joint venture (Wanchai East & North Point Trunk Sewers)    | construction               | 31 Mar         | 51                 | 51        |
| Leighton-Kumagai joint venture (Route 9-Eagle's Nest Tunnel)                | construction               | 31 Mar         | 51                 | -         |
| Leighton-Lama joint venture   | construction               | 30 June        | 54                 | 54        |
| LSL joint venture   | construction               | 30 June        | 50                 | -         |
| Macarthur Chambers joint venture  | property development       | 30 June        | 50                 | 50        |
| Makamatta joint venture   | property development       | 30 June        | 50                 | 50        |
| River Links Unincorporated joint venture                                    | construction               | 30 June        | 18                 | -         |
| Roche Thiess Linfox joint venture   | mobile plant / earthmoving | 30 June        | 44                 | 44        |
| Silcar Maintenance Services   | maintenance                | 30 June        | 50                 | 50        |
| Siemens Thiess Communications joint venture                                 | telecommunications         | 30 June        | 50                 | 50        |
| St Ives Gold Project joint venture  | construction               | 30 June        | 50                 | -         |
| Taiwan Track Partners joint venture   | construction               | 30 June        | 28                 | 28        |
| Thiess Alstom joint venture   | construction               | 30 June        | 50                 | 50        |
| Thiess Hochtief joint venture   | construction               | 30 June        | 50                 | 50        |
| Viridian Noosa Pty Ltd  | property development       | 30 June        | 50                 | 50        |
| Viridian Noosa Trust  | property development       | 30 June        | 50                 | 50        |

## 28 Joint venture entities - continued

### Consolidated

| 2004   | 2003   |
|--------|--------|
| \$'000 | \$'000 |

#### Statement of financial performance

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

|   |           |           |
|---|-----------|-----------|
| Revenues from ordinary activities                         | 1,031,471 | 534,297   |
| Expenses from ordinary activities                         | (917,097) | (481,047) |
| Profit from ordinary activities before income tax expense | 114,374   | 53,250    |
| Income tax expense  | -         | -         |
| Net profit accounted for using the equity method*         | 114,374   | 53,250    |

#### Statement of financial position

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

|  |         |         |
|--|---------|---------|
| Current assets                                   | 382,762 | 206,904 |
| Non current assets                               | 113,649 | 91,543  |
| Total assets                                     | 496,411 | 298,447 |
| Current liabilities                              | 327,102 | 180,522 |
| Non current liabilities                          | 34,972  | 35,470  |
| Total liabilities                                | 362,074 | 215,992 |
| Net assets accounted for using the equity method | 134,337 | 82,455  |

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

|   |          |          |
|---|----------|----------|
| Balance at beginning of the financial year                          | 17,768   | 11,641   |
| Share of net profit of joint venture entities                       | 114,374  | 53,250   |
| Distributions from joint venture entities                           | (85,001) | (47,123) |
| Share of joint venture entities' retained profits at reporting date | 47,141   | 17,768   |

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

|  |           |           |
|--|-----------|-----------|
| Carrying amount at the beginning of the financial year | 82,455    | 46,783    |
| Contributions to the joint venture entities            | 105,411   | 155,972   |
| Share of joint venture entities' net profit            | 114,374   | 53,250    |
| Drawings from the joint venture entities               | (167,903) | (173,550) |
| Carrying amount at reporting date                      | 134,337   | 82,455    |

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

|   | Land          | Buildings     | Leasehold<br>land and<br>buildings | Leasehold<br>improvements | Waste<br>management<br>assets | Plant and<br>equipment | Total<br>property,<br>plant and<br>equipment |
|---|---------------|---------------|------------------------------------|---------------------------|-------------------------------|------------------------|--|
|   | \$'000        | \$'000        | \$'000                             | \$'000                    | \$'000                        | \$'000                 | \$'000                                       |
| <b>29 Reconciliation of property, plant and equipment carrying values</b> |               |               |                                    |                           |                               |                        |  |
| <b>Consolidated</b>   |               |               |                                    |                           |                               |                        |  |
| Carrying amount at the beginning of the financial year                    | 21,875        | 29,736        | 1,820                              | 4,339                     | 23,778                        | 493,188                | 574,736                                      |
| Additions   | 169           |               | 813                                | 395                       | 2,507                         | 359,226                | 363,110                                      |
| Additions through acquisition of entities and businesses                  | -             | -             | -                                  | -                         | -                             | 8,433                  | 8,433  |
| Disposals   | (1,385)       | (66)          | -                                  | (13)                      | -                             | (22,732)               | (24,196)                                     |
| Depreciation  | -             | (1,164)       | (62)                               | (1,512)                   | (3,267)                       | (281,125)              | (287,130)                                    |
| Reverse provision for diminution  | -             | -             | -                                  | 10,000                    | -                             | -                      | 10,000                                       |
| Net foreign currency translation  | -             | -             | (4)                                | (66)                      | -                             | (5,197)                | (5,267)                                      |
| <b>Carrying amount at reporting date</b>                                  | <b>20,659</b> | <b>28,506</b> | <b>2,567</b>                       | <b>13,143</b>             | <b>23,018</b>                 | <b>551,793</b>         | <b>639,686</b>                               |

## 30 Segment Information

### Geographical segments

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

|                   |  |
|-------------------|--|
| Australia/Pacific | Operations throughout Australia, New Zealand and the Pacific region in all business segments.  |
| South East Asia   | Operations predominately in Hong Kong, Indonesia, Malaysia and the Philippines. The principal activities undertaken in this region are civil and building, contract mining and telecommunications. |

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

### Business segments

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

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

All transactions with related parties are made on normal commercial terms and conditions and the aggregate of related party transactions are not material in the overall operations of the Consolidated Entity.

The allocation of the profit/(loss) from ordinary activities and assets into business and geographic segments has been ascertained by reference to direct identification of assets and revenue/cost centres. Other expenses and assets which cannot be allocated to a business segment are reported as unallocated.

|  | Australia/<br>Pacific<br>\$'000 | South East<br>Asia<br>\$'000 | Americas<br>\$'000 | Eliminations<br>\$'000 | Total<br>\$'000  |
|--|---------------------------------|------------------------------|--------------------|------------------------|------------------|
| <b>30 Segment Information - continued</b>                    |                                 |                              |                    |                        |                  |
| Primary segment - geographical                               |                                 |                              |                    |                        |                  |
| <b>2004</b>  |                                 |                              |                    |                        |                  |
| Revenues from ordinary activities – Group and joint ventures | 5,017,023                       | 986,801                      | -                  | -                      | 6,003,824        |
| Segment revenue  | 4,047,052                       | 862,494                      | -                  | -                      | 4,909,546        |
| Other unallocated revenue                                    |                                 |                              |                    |                        | 16,730           |
| <b>Revenue from ordinary activities</b>                      |                                 |                              |                    |                        | <b>4,926,276</b> |
| Segment result   | (27,231)                        | 76,205                       | -                  | -                      | 48,974           |
| Share of net profit of equity accounted investments*         | 99,698                          | 14,879                       | -                  | -                      | 114,577          |
| Borrowing costs  | (13,739)                        | (4,379)                      | -                  | -                      | (18,118)         |
| <b>Profit/(loss) attributable to members before tax</b>      | <b>58,728</b>                   | <b>86,705</b>                | <b>-</b>           | <b>-</b>               | <b>145,433</b>   |
| Profit attributable to outside equity interests before tax   |                                 |                              |                    |                        | 15,925           |
| Profit from ordinary activities before income tax expense    |                                 |                              |                    |                        | 161,358          |
| Income tax expense relating to ordinary activities           |                                 |                              |                    |                        | (39,296)         |
| Profit from ordinary activities after income tax expense     |                                 |                              |                    |                        | 122,062          |
| Depreciation and amortisation                                | 220,417                         | 71,446                       | -                  | -                      | 291,863          |
| Other non-cash expenses                                      | 100,599                         | 11,661                       | -                  | -                      | 112,260          |
| Assets   | 2,411,941                       | 569,882                      | -                  | (236,940)              | 2,744,883        |
| Equity accounted investments                                 | 121,143                         | 17,608                       | -                  | -                      | 138,751          |
| Acquisition of segment assets                                | 312,660                         | 58,883                       | -                  | -                      | 371,543          |
| Liabilities  | 1,691,577                       | 317,439                      | -                  | (120,048)              | 1,888,968        |
| <b>2003</b>  |                                 |                              |                    |                        |                  |
| Revenues from ordinary activities – Group and joint ventures | 4,577,591                       | 996,335                      | 46,310             | -                      | 5,620,236        |
| Segment revenue  | 3,995,180                       | 967,748                      | 46,305             | -                      | 5,009,233        |
| Other unallocated revenue                                    |                                 |                              |                    |                        | 13,676           |
| <b>Revenue from ordinary activities</b>                      |                                 |                              |                    |                        | <b>5,022,909</b> |
| Segment result   | 103,339                         | 77,975                       | (16,699)           | -                      | 164,615          |
| Share of net profit of equity accounted investments*         | 50,499                          | 3,967                        | -                  | -                      | 54,466           |
| Borrowing costs  | (8,602)                         | (682)                        | -                  | -                      | (9,284)          |
| <b>Profit/(loss) attributable to members before tax</b>      | <b>145,236</b>                  | <b>81,260</b>                | <b>(16,699)</b>    | <b>-</b>               | <b>209,797</b>   |
| Profit attributable to outside equity interests before tax   |                                 |                              |                    |                        | 12,743           |
| Profit from ordinary activities before income tax expense    |                                 |                              |                    |                        | 222,540          |
| Income tax expense relating to ordinary activities           |                                 |                              |                    |                        | (71,565)         |
| Profit from ordinary activities after income tax expense     |                                 |                              |                    |                        | 150,975          |
| Depreciation and amortisation                                | 221,913                         | 84,874                       | 3,067              | -                      | 309,854          |
| Other non-cash expenses                                      | 125,474                         | 12,311                       | 735                | -                      | 138,520          |
| Assets   | 1,859,224                       | 535,192                      | 176                | (232,066)              | 2,162,526        |
| Equity accounted investments                                 | 82,422                          | 3,557                        | -                  | -                      | 85,979           |
| Acquisition of segment assets                                | 270,948                         | 77,150                       | 732                | -                      | 348,830          |
| Liabilities  | 1,050,427                       | 325,724                      | 25,494             | (109,763)              | 1,291,882        |

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

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

### 30 Segment Information - continued

#### Secondary segment – business

##### 2004

Revenues from ordinary activities

- Group and joint ventures

|  |           |           |         |         |         |   |        |           |
|--|-----------|-----------|---------|---------|---------|---|--------|-----------|
|  | 3,659,539 | 1,533,874 | 254,925 | 310,595 | 193,618 | - | 51,273 | 6,003,824 |
|--|-----------|-----------|---------|---------|---------|---|--------|-----------|

|                 |           |           |         |         |         |   |        |           |
|-----------------|-----------|-----------|---------|---------|---------|---|--------|-----------|
| Segment revenue | 2,866,709 | 1,533,874 | 109,640 | 171,162 | 193,618 | - | 34,543 | 4,909,546 |
|-----------------|-----------|-----------|---------|---------|---------|---|--------|-----------|

|        |           |         |         |        |         |         |   |           |
|--------|-----------|---------|---------|--------|---------|---------|---|-----------|
| Assets | 1,061,531 | 672,733 | 254,859 | 77,622 | 130,754 | 547,384 | - | 2,744,883 |
|--------|-----------|---------|---------|--------|---------|---------|---|-----------|

|                               |         |         |    |     |        |       |   |         |
|-------------------------------|---------|---------|----|-----|--------|-------|---|---------|
| Acquisition of segment assets | 165,705 | 188,248 | 46 | 772 | 15,031 | 1,741 | - | 371,543 |
|-------------------------------|---------|---------|----|-----|--------|-------|---|---------|

##### 2003

Revenues from ordinary activities

- Group and joint ventures

|  |           |           |         |         |         |   |         |           |
|--|-----------|-----------|---------|---------|---------|---|---------|-----------|
|  | 2,841,273 | 1,949,351 | 135,798 | 418,584 | 138,065 | - | 137,165 | 5,620,236 |
|--|-----------|-----------|---------|---------|---------|---|---------|-----------|

|                 |           |           |        |         |         |   |         |           |
|-----------------|-----------|-----------|--------|---------|---------|---|---------|-----------|
| Segment revenue | 2,422,703 | 1,949,351 | 83,829 | 291,796 | 138,065 | - | 123,489 | 5,009,233 |
|-----------------|-----------|-----------|--------|---------|---------|---|---------|-----------|

|        |         |         |         |        |         |         |   |           |
|--------|---------|---------|---------|--------|---------|---------|---|-----------|
| Assets | 865,953 | 532,101 | 198,632 | 75,607 | 113,086 | 377,147 | - | 2,162,526 |
|--------|---------|---------|---------|--------|---------|---------|---|-----------|

|                               |         |         |    |       |        |     |   |         |
|-------------------------------|---------|---------|----|-------|--------|-----|---|---------|
| Acquisition of segment assets | 161,144 | 165,001 | 86 | 6,746 | 14,883 | 970 | - | 348,830 |
|-------------------------------|---------|---------|----|-------|--------|-----|---|---------|

#### Consolidated

#### Company

| 2004   | 2003   | 2004   | 2003   |
|--------|--------|--------|--------|
| \$'000 | \$'000 | \$'000 | \$'000 |

### 31 Lease and rental commitments

#### Operating leases

Lease commitments not capitalised

- Not later than one year

|        |        |   |   |
|--------|--------|---|---|
| 59,699 | 54,138 | - | - |
|--------|--------|---|---|

- Later than one year but not later than five years

|         |         |   |   |
|---------|---------|---|---|
| 143,245 | 119,986 | - | - |
|---------|---------|---|---|

- Later than five years

|        |        |   |   |
|--------|--------|---|---|
| 30,933 | 28,214 | - | - |
|--------|--------|---|---|

|                |                |   |   |
|----------------|----------------|---|---|
| <b>233,877</b> | <b>202,338</b> | - | - |
|----------------|----------------|---|---|

#### Operating leases (by type)

- Plant and equipment

|         |         |   |   |
|---------|---------|---|---|
| 154,173 | 119,767 | - | - |
|---------|---------|---|---|

- Property

|        |        |   |   |
|--------|--------|---|---|
| 79,705 | 82,571 | - | - |
|--------|--------|---|---|

|                |                |   |   |
|----------------|----------------|---|---|
| <b>233,878</b> | <b>202,338</b> | - | - |
|----------------|----------------|---|---|

#### Finance leases

Finance lease rentals are payable as follows

- Not later than one year

|       |       |   |   |
|-------|-------|---|---|
| 1,126 | 2,596 | - | - |
|-------|-------|---|---|

- Later than one but not later than five years

|   |       |   |   |
|---|-------|---|---|
| - | 1,292 | - | - |
|---|-------|---|---|

|              |              |   |   |
|--------------|--------------|---|---|
| <b>1,126</b> | <b>3,888</b> | - | - |
|--------------|--------------|---|---|

Less: Future lease finance charges

|       |       |   |   |
|-------|-------|---|---|
| (127) | (755) | - | - |
|-------|-------|---|---|

|            |              |   |   |
|------------|--------------|---|---|
| <b>999</b> | <b>3,133</b> | - | - |
|------------|--------------|---|---|

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

|   | Note | Consolidated   |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2004<br>\$'000 | 2003<br>\$'000 | 2004<br>\$'000 | 2003<br>\$'000 |
| <b>32 Capital commitments</b>                               |      |                |                |                |                |
| Plant and equipment   |      |                |                |                |                |
| - payable no later than one year                            |      | 207,930        | 59,803         | -              | -              |
| - payable later than one year but not later than five years |      | 21,660         | -              | -              | -              |
| Investments*  |      |                |                |                |                |
| - payable no later than one year                            | 33   | 19,981         | 53,193         | -              | -              |
| - payable later than one year but not later than five years | 33   | 169,585        | 98,000         | 10,000         | -              |
| Joint venture commitments – plant and equipment             |      |                |                |                |                |
| - payable no later than one year                            |      | 9,142          | 20,921         | -              | -              |

\*Includes investments in infrastructure projects – M7 Westlink, Lane Cove Tunnel and North Luzon Expressway (Philippines). Associate commitments were not of a material size to the Consolidated Entity's activities to warrant additional disclosure.

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

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

|   |           |         |           |         |
|---|-----------|---------|-----------|---------|
| (i) Bank guarantees                           | 1,045,959 | 867,865 | 1,045,959 | 867,865 |
| (ii) Insurance, performance and payment bonds | 194,021   | 158,818 | 194,021   | 158,818 |
| (iii) Letters of credit                       | 281,799   | 159,413 | 281,799   | 159,413 |

Included in (i) and (iii) are guarantees and letters of credit provided for the Consolidated Entity's capital commitments totalling \$189,566 (2003: \$151,193). (note 32)

### 34 Financial Instruments

#### (a) Interest rate risk

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

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

## 34 Financial Instruments - continued

### (a) Interest rate risk - continued

| 2003                                    | Weighted average rate % | Floating rate \$'000 | Fixed interest maturing in: |                               |                          | Non interest bearing \$'000 | Total \$'000 |
|---|-------------------------|----------------------|-----------------------------|-------------------------------|--------------------------|-----------------------------|--------------|
|   |                         |                      | 1 year or less \$'000       | Over 1 year to 5 years \$'000 | More than 5 years \$'000 |                             |              |
| Financial assets                        |                         |                      |                             |                               |                          |                             |              |
| Cash assets                             | 3.72                    | 393,459              | -                           | -                             | -                        | 14,807                      | 408,266      |
| Receivables                             | 5.00                    | 950                  | -                           | 305                           | -                        | 851,307                     | 852,562      |
| Investments in other entities           |                         | -                    | -                           | -                             | -                        | 63,484                      | 63,484       |
|   |                         | 394,409              | -                           | 305                           | -                        | 929,598                     | 1,324,312    |
| Financial liabilities                   |                         |                      |                             |                               |                          |                             |              |
| Interest bearing liabilities            | 5.54                    | -                    | 36,090                      | 1,041                         | -                        | -                           | 37,131       |
| Non-interest bearing liabilities        |                         | -                    | -                           | -                             | -                        | 997,198                     | 997,198      |
|   |                         | -                    | 36,090                      | 1,041                         | -                        | 997,198                     | 1,034,329    |
| Interest rate swap (fixed to floating)# |                         | 17,748               | (17,748)                    |                               |                          |                             |              |

#Notional principal amounts. Interest rate swaps are entered into for the purpose of managing exposure to interest rate fluctuations. A swap was in place to convert the variable rate interest of 6.96% of the Consolidated Entity's medium term borrowing to a fixed interest rate, which was 4.64% as at 30 June 2004 (2003: fixed rate of 7.21% to a variable interest rate of 4.73%).

### (b) Foreign exchange risk

To manage foreign exchange exposure, members of the Consolidated Entity enter into forward exchange contracts to hedge specific project receipts or expenditure and plant and equipment purchase commitments denominated in foreign currencies. As at reporting date these foreign currencies were US dollars, Euros and Hong Kong Dollars, these amounts are not material. These contracts will all be settled within an 18-month period.

As these contracts are hedging anticipated purchases, any unrealised gains and losses on the contracts, together with the costs of the transactions will be recognised in the financial statements at the time the underlying transaction occurs. At reporting date unrecognised gains/(losses) on hedges of anticipated foreign currency purchases amounted to a net loss of \$146 (2003: net loss of \$149).

### (c) Credit risk

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

#### Recognised financial instruments

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

#### Unrecognised financial instruments

Credit risk on unrecognised derivative contracts is minimised, as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. The maximum credit risk exposure on foreign exchange contracts is the full amount of the foreign currency the Consolidated Entity will be required to pay when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Consolidated Entity. The credit risk on interest rate swaps is limited to the next amount to be received from counterparties on contracts that are favourable to the Consolidated Entity. The accrued amount due to the Consolidated Entity at 30 June 2004 are not material.

### (d) Net fair values of financial assets and liabilities

#### Recognised financial instruments

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

#### Unrecognised financial instruments

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

### (e) Leighton Notes

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

#### Conversion by Leighton

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

## 34 Financial Instruments - continued

### (e) Leighton Notes - continued

#### Conversion by Noteholders

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

#### Conversion ratio

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

#### 1. Tax Event means:

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

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

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

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

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

#### Redemption by Leighton

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

Noteholders receive cumulative fixed interest payable semi-annually in arrears. Interest will be paid on 30 November 2004 at the rate of 8.01% pa in respect of the period from 31 May 2004 to 29 November 2004 (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 2004 ("Record Date") shall be entitled to receive the payment. The weighted average interest rate for the year was 8.01%.

## 35 Contingent liabilities

- (i) The Company is called upon to give in the ordinary course of business guarantees and indemnities in respect of the performance by controlled entities, associates and related parties of their contractual and financial obligations. The value of these guarantees and indemnities is indeterminable in amount.
- (ii) There exists in some members of the Consolidated Entity the normal design liability in relation to completed design and construction projects.
- (iii) Certain members of the Consolidated Entity have the normal contractor's liability in relation to construction contracts. This liability may include litigation by or against the Consolidated Entity and/or joint venture arrangements in which the Consolidated Entity has an interest. It is not possible to estimate the financial effect of these claims should they be successful. The directors are of the opinion that no provision is required. In the directors' opinion disclosure of any further information about the claims would be prejudicial to the interests of the Consolidated Entity.
- (iv) Controlled entities have entered into joint venture arrangements under which the controlled entity may be jointly and severally liable for the liabilities of the joint venture arrangement.
- (v) Under the terms of the Class Order described in note 38 the Company has entered into approved deeds of indemnity for the cross-guarantee of liabilities with participating Australian subsidiary companies.
- (vi) Certain executives may receive benefits pursuant to retention arrangements with the Consolidated Entity subject to ongoing conditions being fulfilled. The amount of the retention arrangement will be disclosed as remuneration in the year of payment.

## 36 Directors and Executive Remuneration

### Directors

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

#### Chairman – non-executive

|              |                         |
|--------------|-------------------------|
| G J Ashton   | appointed 25 March 2004 |
| J P Morschel | resigned 24 March 2004  |

#### Executive directors

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

#### Non-executive directors

|                              |                           |
|------------------------------|---------------------------|
| H-P Keitel – Deputy Chairman |                           |
| M C Albrecht                 |                           |
| G J Dixon                    |                           |
| A Drescher                   |                           |
| T C Leppert                  | appointed 10 May 2004     |
| D A Mortimer                 |                           |
| P M Noé                      | appointed 6 November 2003 |
| D P Robinson                 |                           |

|             |                         |
|-------------|-------------------------|
| I R Johnson | resigned 25 June 2004   |
| B Peus      | retired 6 November 2003 |

#### Non-executive alternate directors

|  |                            |
|--|----------------------------|
| H Lütkestratkötter (alternate for P M Noé) | appointed 25 March 2004    |
| R L Seidler (alternate for H-P Keitel)     | appointed 28 November 2003 |

## 36 Directors and Executive Remuneration - continued

### Non-executive directors' fees

Fees and payments to non-executive directors reflect the demands which are made on and the responsibilities of the directors. The Board reviews non-executive directors' fees annually. The Board also seeks advice from independent remuneration consultants to ensure non-executive directors' fees are appropriate and in line with the market. The fees are determined by the executive directors based on comparative roles in the external markets and the non-executive directors are not present during discussions relating to the determination of their fees. Non-executive directors do not receive shares, options or any performance related incentives.

The Chairman's Board fees are inclusive of standing Board committee fees. Other members of the Audit Committee receive additional fixed annual fees. Members of other standing Board committees do not receive an additional fee. A daily fee may be payable to non-executive directors for participation on ad hoc Board committees. M Albrecht, I Johnson and A Drescher are also directors of Thiess, John Holland and Leighton Contractors respectively, which pay separate directors fees for their membership on these boards. Non-executive directors' fees including standing Board committee fees and subsidiary Board fees are determined within an aggregate annual fee pool limit, which is periodically recommended for approval by shareholders. The shareholder approved maximum currently stands at \$1,300,000.

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

### Retirement allowances for non-executive directors

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

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

Directors' fees relevant to the determination of director retirement allowances payable to non-executive directors participating in the retirement plan are Board fees, which excludes Board committee fees, subsidiary Board fees and superannuation contributions. The retirement allowance received by participating retiring non-executive directors is the total benefit paid on retirement and includes any superannuation benefits. The Company's liability for non-executive directors' retirement allowance is accrued annually based on the completed service at the reporting date and is disclosed in their post employment benefits.

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. The non-executive directors appointed since this change and paid under these arrangements are Dr P Noé and T Leppert.

## 36 Directors and Executive Remuneration - continued

### Details of remuneration of non-executive directors

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

#### Non executive directors

| Non executive directors | Primary          |                |                   | Post Employment              |                     | Total remuneration |
|-------------------------|------------------|----------------|-------------------|------------------------------|---------------------|--------------------|
|                         | Board fees       | Committee fees | Subsidiary Boards | Superannuation contributions | Retirement benefits |                    |
| G Ashton                | 130,282          | -              | -                 | 13,028                       | 77,327              | 220,637            |
| J Morschel <sup>1</sup> | 164,423          | -              | -                 | 16,442                       | -                   | 180,865            |
| H-P Keitel              | 125,000          | -              | -                 | 12,500                       | 32,167              | 169,667            |
| M Albrecht              | 90,000           | -              | 45,000            | 13,725                       | 38,540              | 187,265            |
| G Dixon                 | 90,000           | -              | -                 | 9,000                        | 55,727              | 154,727            |
| A Drescher              | 90,000           | 9,000          | 35,000            | 13,400                       | 49,532              | 196,932            |
| I Johnson <sup>2</sup>  | 90,000           | -              | 36,500            | 12,650                       | 219,629             | 358,779            |
| T Leppert <sup>3</sup>  | 15,370           | -              | -                 | 1,537                        | -                   | 16,907             |
| D Mortimer              | 90,000           | 8,500          | -                 | 9,850                        | 46,235              | 154,585            |
| P Noé <sup>4</sup>      | 71,575           | -              | -                 | 7,158                        | -                   | 78,733             |
| B Peus <sup>5</sup>     | 31,549           | -              | -                 | 2,250                        | 291,749             | 325,548            |
| D Robinson              | 90,000           | 13,000         | -                 | 10,300                       | 18,700              | 132,000            |
| <b>Total</b>            | <b>1,078,199</b> | <b>30,500</b>  | <b>116,500</b>    | <b>121,840</b>               | <b>829,606</b>      | <b>2,176,645</b>   |

1. Mr J Morschel resigned as Chairman of the Company on 24 March 2004. Mr G Ashton was appointed Chairman on 25 March 2004. He had previously been a non-executive director of the Company since 1996.
2. Mr I Johnson resigned as a director in June 2004.
3. Mr T Leppert was appointed a non-executive director on 10 May 2004. Mr Leppert is President of Turner Corporation Inc. in the USA, a wholly owned subsidiary of Hochtief AG.
4. Dr P Noé was appointed a non-executive director on 6 November 2003. Dr Noé is a member of the Executive Board of Hochtief AG (the major shareholder of the Company). Dr Noé is a non-executive director.
5. Dr B Peus retired as a director in November 2003.

#### Executive Remuneration

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

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

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

|               |  |
|---------------|--|
| J Faulkner    | Executive General Manager Operations, Leighton Holdings Limited      |
| P McMorrow    | Managing Director (5/5/04-30/6/04), Leighton Contractors Pty Limited |
| R J Merkenhof | Managing Director (1/7/03-5/5/04), Leighton Contractors Pty Limited  |
| R S Trundle   | Managing Director, Thiess Pty Limited                                |
| V A Vella     | Managing Director, Leighton Properties Pty Limited                   |
| W J Wild      | Managing Director, John Holland Group Pty Limited                    |

## 36 Directors and Executive Remuneration - continued

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

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

- attracts and retains high calibre executives.
- competitiveness and reasonableness
- acceptability to shareholders
- alignment of executive compensation to responsibility and performance
- transparency

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

### Executive pay

The executive pay and reward framework has five components:

#### (a) Base pay

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

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

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

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

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

For the year ended 30 June 2004, the KPI's referable to annual bonus plans were based on Consolidated Entity, individual business and personal objectives. The KPI's to be met in achieving specific profit targets are the greater of a specified return on revenue and/or a specified return on funds employed by each business unit. These KPI's are generic across the senior executive team.

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

#### (c) Medium-term deferred incentives

The Consolidated Entity and its divisions provide for a deferred incentive plan payment that rewards executives for increasing profits over a 3-year period. The increment in profit is measured on an annual basis which results in an incentive pool being available for allocation to senior executives. Any profit reduction in a year will reduce the previously allocated pool of incentive for distribution. The Remuneration Committee approves the allocation of the deferred incentives to executives.

## 36 Directors and Executive Remuneration - continued

### (c) Medium-term deferred incentives - continued

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

The Chief Executive Officer's deferred bonus is calculated by reference to actual profit and return on shareholder's funds.

### (d) Long-term incentives

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

### (e) Retention/retirement benefits

Retirement benefits are delivered under various superannuation plans for Leighton group companies. The plans provide for specified contribution amounts for employees in accordance with government regulations and company policies. In addition the Leighton Superannuation Plan provides for defined benefits based on years of service and final average salary. The Defined Benefit section was closed to new employees on 1 July 1994 and at 30 June 2004 only 48 members are in this category.

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

Certain executives are provided with additional retention/retirement benefits in accordance with their employment contracts. The retention benefits are normally payable to executives after the completion of 3 or 5 years eligible service. The retirement benefits are normally not payable to the executive until after the age of 55 years.

### Details of remuneration of executive directors and executives

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

#### Executive directors of the Company

|              | Primary          |              |                        |                       | Post Employment              |                                  | Other                  | Equity           | Total              |
|--------------|------------------|--------------|------------------------|-----------------------|------------------------------|----------------------------------|------------------------|------------------|--------------------|
|              | Cash salary      | Annual bonus | Deferred payments      | Non monetary benefits | Superannuation contributions | Retirement benefits <sup>4</sup> | Other benefits         | Value of options | Total remuneration |
| W King       | 1,497,248        | -            | 1,820,038 <sup>1</sup> | 667,467               | 313,115                      | 1,433,828                        | 2,230,841 <sup>2</sup> | 300,000          | 8,262,537          |
| D Adamsas    | 1,047,731        | -            | 656,077 <sup>3</sup>   | 550,647               | 11,002                       | 560,183                          | -                      | 200,000          | 3,025,640          |
| <b>Total</b> | <b>2,544,979</b> | <b>-</b>     | <b>2,476,115</b>       | <b>1,218,114</b>      | <b>324,117</b>               | <b>1,994,011</b>                 | <b>2,230,841</b>       | <b>500,000</b>   | <b>11,288,177</b>  |

1. Deferred bonus accrued for 2004.
2. Increase on unpaid deferred bonus entitlements to W M King for the current year was \$2.23 million calculated by reference to the 180-day Bank Bill rate.
3. Deferred bonus awarded in 2000 of \$656,077 paid in the reporting period.
4. The amounts shown for retirement benefits is the accrual in the reporting period for retirement benefits due under the executive's service contract assuming the executive remains an employee for the whole period and earns his full retirement benefit entitlement.

## 36 Directors and Executive Remuneration - continued

### Specified executives of the Consolidated Entity

| Specified executives     | Primary          |                  |                        |                       | Post Employment              |                                  | Other          | Equity           | Total              |
|--------------------------|------------------|------------------|------------------------|-----------------------|------------------------------|----------------------------------|----------------|------------------|--------------------|
|                          | Cash salary      | Annual bonus     | Deferred payments      | Non monetary benefits | Superannuation contributions | Retirement benefits <sup>8</sup> | Other benefits | Value of options | Total remuneration |
| J Faulkner               | 865,350          | 175,000          | -                      | 8,609                 | 80,535                       | 320,190                          | -              | 150,000          | 1,599,684          |
| P McMorrow <sup>1</sup>  | 176,698          | -                | -                      | 414                   | 14,538                       | 32,200                           | -              | 75,000           | 298,850            |
| R Merkenhof <sup>2</sup> | 560,529          | -                | 516,250 <sup>3</sup>   | 217,459               | 117,266                      | -                                | -              | 100,000          | 1,511,504          |
| R Trundle                | 679,249          | 536,000          | 1,037,392 <sup>4</sup> | 122,328               | 115,413                      | 194,091                          | -              | 100,000          | 2,784,473          |
| V Vella                  | 571,748          | 525,000          | 200,000 <sup>5</sup>   | 217,578               | 119,481                      | 102,570                          | -              | 50,000           | 1,786,377          |
| W Wild                   | 897,796          | 310,000          | 1,063,938 <sup>6</sup> | 43,799 <sup>7</sup>   | 17,683                       | 304,164                          | -              | 100,000          | 2,737,380          |
| <b>Total</b>             | <b>3,751,370</b> | <b>1,546,000</b> | <b>2,817,580</b>       | <b>610,187</b>        | <b>464,916</b>               | <b>953,215</b>                   | -              | <b>575,000</b>   | <b>10,718,268</b>  |

- Mr P McMorrow was appointed Managing Director of Leighton Contractors Pty Ltd on 5 May 2004. Prior to this date Mr McMorrow was Deputy Managing Director of Leighton Contractors Pty Ltd since April 2002. Mr McMorrow has been employed in the Consolidated Entity since April 1990. Total remuneration disclosed for 2 months only.
- Mr R Merkenhof was Managing Director of Leighton Contractors Pty Ltd from 1 July 2003 until his resignation from this position on 5 May 2004. Total remuneration disclosed for 10 months only.
- Retention payment earned over the last 5 years paid in the reporting period.
- Includes deferred bonus awarded in 2000 of \$292,892 paid in the reporting period, deferred bonus accrued in the reporting period of \$125,000 payable in 2007 and retention payment of \$619,500 earned over the last 5 years paid in the reporting period.
- Deferred bonus accrued in the reporting period payable in 2006 and 2007.
- Includes deferred bonus accrued in the reporting period of \$224,938 payable in 2007, retention payment of \$714,000 earned over the last 5 years paid in the reporting period and a deferred retention bonus of \$125,000 accrued in the reporting period.
- Includes executive home loan benefit due to relocation.
- The amounts shown for retirement benefits is the accrual in the reporting period for retirement benefits due under the executive's service contract assuming the executive remains an employee for the whole period and earns his full retirement benefit entitlement.

### Service agreements

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

Each of these agreements provide for various conditions including:

- an annual remuneration package and benefits including motor vehicle and superannuation which is reviewed at least on an annual basis with reviews currently effective on 1st January
- provision for participation in the annual bonus plan and deferred bonus plans which are related to the performance of their individual area of responsibility or the Consolidated Entity
- the basis of termination or retirement and the benefits and conditions as a consequence
- participation when eligible in the Leighton Employee Staff Option Plan
- agreed provisions in relation to annual leave and long service leave, confidential information, intellectual property.
- a restrictive covenant preventing the executives from engaging in specified activities after their employment with the Consolidated Entity ceases
- a defined Base Salary which excludes annual bonus, deferred bonus, non monetary benefits, superannuation contributions and allowances.

## 36 Directors and Executive Remuneration - continued

### Service agreements – continued

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      | 36 years total service    |
| Commencement of Service Agreements    | 23 December 1980 | 23 years contract service |
| Termination Date of Current Agreement | 1 December 2005  |                           |

- Payment on termination of employment (other than for gross misconduct) of a retirement benefit of up to 8 times final Base Salary plus any unpaid annual bonus and/or unpaid deferred bonus.
- A payment on termination of employment (other than for gross misconduct) of a retention benefit accrued of up to 21% per annum of Base Salary from February 2000 plus interest on the accrued balance.
- An unconditional entitlement to deferred bonus benefit of \$15,765,000 accrued to 11 February 2000 (date of extension of W M King's service agreement) plus accrued interest of \$2,773,119 accrued to that date.

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

|                                       |                   |                           |
|---------------------------------------|-------------------|---------------------------|
| Date of Commencement                  | 15 February 1971  | 33 years total service    |
| Commencement of Service Agreements    | 4 June 1981       | 23 years contract service |
| Termination Date of Current Agreement | Ongoing agreement | 3 month's notice          |

- Payment on termination of employment (other than for gross misconduct) of a retirement benefit of 5.7 times final Base Salary plus any unpaid annual bonus and/or unpaid deferred bonus.
- A payment on termination of employment (other than for gross misconduct) of a retention benefit accrued at 20% per annum of Base Salary from October 1997 plus interest on the accrued balance.

#### J Faulkner, Executive General Manager Operations

|                                       |                 |                           |
|---------------------------------------|-----------------|---------------------------|
| Date of Commencement                  | 11 January 1988 | 16 years total service    |
| Commencement of Service Agreements    | 1 March 1991    | 13 years contract service |
| Termination Date of Current Agreement | 1 January 2006  |                           |

- A payment on termination of employment (other than for gross misconduct) of a retention benefit accrued at 20% per annum of Base Salary from February 2003.
- Payment on termination of employment (other than for gross misconduct) of a retirement benefit of 1 times final Base Salary plus any unpaid annual bonus and/or unpaid deferred bonus.

#### P McMorrow, Managing Director - Leighton Contractors Pty Limited (from 5 May 2004)

|                                       |              |                          |
|---------------------------------------|--------------|--------------------------|
| Date of Commencement                  | 2 April 1990 | 14 years total service   |
| Commencement of Service Agreements    | 2 April 2002 | 2 years contract service |
| Termination Date of Current Agreement | 1 April 2007 |                          |

- Payment on termination of employment (other than for gross misconduct) of a retention benefit of 1 times final Base Salary plus any unpaid annual bonus and/or unpaid deferred bonus.

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

|                                       |               |                          |
|---------------------------------------|---------------|--------------------------|
| Date of Commencement                  | 31 March 1980 | 24 years total service   |
| Commencement of Service Agreements    | 1 July 1998   | 6 years contract service |
| Termination Date of Current Agreement | 1 July 2011   |                          |

- Payment of a retention benefit over the term of the agreement of 1 times final Base Salary (other than if terminated for gross misconduct).
- Payment of a service benefit on termination of employment (other than for gross misconduct) of 1 times final Base Salary and any unpaid annual bonus and/or unpaid deferred bonus.
- Payment of termination benefit on early termination by the employer (other than for gross misconduct) equal to 2 times final Base Salary and any unpaid annual bonus and/or unpaid deferred bonus.

## 36 Directors and Executive Remuneration - continued

### Service agreements - continued

#### R J Merkenhof, Managing Director - Leighton Contractors Pty Limited (until 5 May 2004)

|                                       |                   |                          |
|---------------------------------------|-------------------|--------------------------|
| Date of Commencement                  | 21 July 1980      | 24 years total service   |
| Commencement of Service Agreements    | 1 July 1998       | 6 years contract service |
| Termination Date of Current Agreement | Ongoing agreement | 3 month's notice         |

- Payment on termination of employment of any unpaid annual and/or unpaid deferred bonuses.

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

|                                       |                  |                           |
|---------------------------------------|------------------|---------------------------|
| Date of Commencement                  | 7 January 1974   | 30 years total service    |
| Commencement of Service Agreements    | 28 October 1982  | 21 years contract service |
| Termination Date of Current Agreement | 1 September 2007 |                           |

- Payment on termination of employment (other than for gross misconduct) of a retirement benefit of 4 times final Base Salary plus any unpaid annual bonus and/or unpaid deferred bonus.

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

|                                       |                   |                          |
|---------------------------------------|-------------------|--------------------------|
| Date of Commencement                  | 24 July 1978      | 26 years total service   |
| Commencement of Service Agreements    | 1 July 1998       | 6 years contract service |
| Termination Date of Current Agreement | 30 September 2008 |                          |

- Payment of a retention benefit over the term of the agreement of 1 times final Base Salary (other than if terminated for gross misconduct).
- Payment of a service benefit on termination of employment (other than for gross misconduct) of 1 times final Base Salary and any unpaid annual bonus and/or unpaid deferred bonus.
- Payment of termination benefit on early termination by the employer (other than for gross misconduct) equal to 2 times final Base Salary and any unpaid annual bonus and/or unpaid deferred bonus.
- Payment of a deferred retention bonus of \$125,000 in each of 2005, 2006 and 2007 financial years.

### Loans to directors and executives

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

| Specified executives of the Consolidated Entity | Balance at the start of the year<br>\$ | Interest paid/payable for the year<br>\$ | Interest not charged<br>\$ | Balance at the end of the year<br>\$ | Number in group at the end of the year |
|---|--|--|----------------------------|--------------------------------------|--|
| W J Wild  | 950,000                                | 38,848                                   | 17,061                     | 820,750                              | 1                                      |

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

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

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

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

## 36 Directors and Executive Remuneration - continued

### Equity Instruments

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

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

During the reporting period no options over ordinary shares were granted. During the reporting period 50% of the options issued in April 2002 became vested. All options 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.

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 Industrials Accumulation Index or the ASX Industrials Accumulation Index during the same two year period. As at 30 June 2004 the performance hurdle for the 2002 options had not been achieved and the options were not able to be exercised.

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

### Exercise of options granted as remuneration

During the reporting period, the following shares were issued on the exercise of options previously granted as remuneration:

|                                  | Number of shares | Amount paid \$/share | Amount paid \$     |
|----------------------------------|------------------|----------------------|--------------------|
| Specified directors              |                  |                      |                    |
| W King                           | 25,000           | \$5.84               | \$146,000          |
| D Adamsas                        | 150,000          | \$5.84               | \$876,000          |
| <b>Total specified directors</b> | <b>175,000</b>   |                      | <b>\$1,022,000</b> |

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

### Option holdings

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

|   | Held at 1 July 2003 | Granted as remuneration | Exercised        | Held at 30 June 2004 | Vested at 30 June 2004 <sup>1</sup> | Vested and exercisable at 30 June 2004 <sup>2</sup> |
|---|---------------------|-------------------------|------------------|----------------------|-------------------------------------|---|
| Specified directors                                       |                     |                         |                  |                      |                                     |   |
| D Adamsas   | 550,000             | Nil                     | (150,000)        | 400,000              | 200,000                             | Nil   |
| W King  | 625,000             | Nil                     | (25,000)         | 600,000              | 300,000                             | Nil   |
| Subtotal specified directors                              | 1,175,000           | Nil                     | (175,000)        | 1,000,000            | 500,000                             | Nil   |
| Specified executives                                      |                     |                         |                  |                      |                                     |   |
| R Trundle   | 200,000             | Nil                     | Nil              | 200,000              | 100,000                             | Nil   |
| W Wild  | 200,000             | Nil                     | Nil              | 200,000              | 100,000                             | Nil   |
| V Vella   | 100,000             | Nil                     | Nil              | 100,000              | 50,000                              | Nil   |
| R Merkenhof   | 200,000             | Nil                     | Nil              | 200,000              | 100,000                             | Nil   |
| P McMorro   | 150,000             | Nil                     | Nil              | 150,000              | 75,000                              | Nil   |
| J Faulkner  | 300,000             | Nil                     | Nil              | 300,000              | 150,000                             | Nil   |
| Subtotal specified executives                             | 1,150,000           | Nil                     | Nil              | 1,150,000            | 575,000                             | Nil   |
| <b>Total specified directors and specified executives</b> | <b>2,325,000</b>    | <b>Nil</b>              | <b>(175,000)</b> | <b>2,150,000</b>     | <b>1,075,000</b>                    | <b>Nil</b>  |

- 50% of the options held vested during the year on the second anniversary of the date of grant.
- Vested options were not able to be exercised as at 30 June 2004 as the performance hurdle had not been achieved.

## 36 Directors and Executive Remuneration - continued

### Valuation of options for remuneration

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

### Equity holdings and transactions

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

|   | Held at<br>1 July<br>2003 | Purchases    | Received<br>on<br>exercise<br>of options | Sales            | Held at<br>30 June<br>2004 |
|---|---------------------------|--------------|--|------------------|----------------------------|
| Specified directors                                       |                           |              |  |                  |                            |
| J Morschel (resigned March 2004)                          | 4,000                     | -            | -  | (4,000)          | -                          |
| G Ashton  | 2,500                     | -            | -  | -                | 2,500                      |
| H-P Keitel  | 1,560*                    | -            | -  | -                | 1,560*                     |
| M Albrecht  | 325,000                   | -            | -  | (65,000)         | 260,000                    |
| G Dixon   | 2,000                     | -            | -  | -                | 2,000                      |
| A Drescher  | 2,000                     | -            | -  | -                | 2,000                      |
| I Johnson (resigned June 2004)                            | 2,000                     | -            | -  | (2,000)          | -                          |
| T Leppert (appointed May 2004)                            | -                         | 1,000*       | -  | -                | 1,000*                     |
| D Mortimer  | 23,500                    | -            | -  | -                | 23,500                     |
| P Noé (appointed November 2003)                           | -                         | 2,305*       | -  | -                | 2,305*                     |
| B Peus (retired November 2003)                            | 2,305*                    | -            | -  | (2,305)*         | -                          |
| D Robinson  | 1,250                     | -            | -  | -                | 1,250                      |
| W King  | 6,860                     | -            | 25,000                                   | (25,000)         | 6,860                      |
| D Adamsas   | 103,060                   | -            | 150,000                                  | (130,000)        | 123,060                    |
| R Seidler (Alternate)                                     | -                         | -            | -  | -                | -                          |
| H Lütkestratkötter (Alternate)                            | -                         | -            | -  | -                | -                          |
| <b>Subtotal specified directors</b>                       | <b>476,035</b>            | <b>3,305</b> | <b>175,000</b>                           | <b>(228,305)</b> | <b>426,035</b>             |
| Specified executives                                      |                           |              |  |                  |                            |
| R Trundle   | 100,183                   | -            | -  | (80,000)         | 20,183                     |
| W Wild  | 183                       | -            | -  | -                | 183                        |
| V Vella   | 183                       | -            | -  | -                | 183                        |
| R Merkenhof   | 183                       | -            | -  | -                | 183                        |
| P McMorrow  | 1,183                     | -            | -  | -                | 1,183                      |
| J Faulkner  | 10,743                    | -            | -  | -                | 10,743                     |
| <b>Subtotal specified executives</b>                      | <b>112,658</b>            | <b>-</b>     | <b>-</b>                                 | <b>(80,000)</b>  | <b>32,658</b>              |
| <b>Total specified directors and specified executives</b> | <b>588,693</b>            | <b>3,305</b> | <b>175,000</b>                           | <b>(308,305)</b> | <b>458,693</b>             |

## 37 Employee entitlements

### Superannuation

The superannuation plans provide defined benefits based on years of service and final average salary or accumulated benefits based on contributions and the actual earnings of the fund. Employees may contribute to the plans at various percentages of their salaries or wages. The Consolidated Entity also contributes to the plans at various percentages of the employee's salary or wages. Future contributions to superannuation plans sponsored by the Consolidated Entity are not legally enforceable provided that vested benefits are fully funded. The Consolidated Entity also contributes to various industry award funds in accordance with the relevant awards. Contributions are enforceable in accordance with the relevant award.

The Leighton Superannuation Plan (managed under the Plum Financial Services Master Trust) and the Leighton Asia Superannuation Fund are the only plans providing defined benefits to employee members.

Actuarial assessments are performed every three years. The Leighton Superannuation Plan was assessed at 26 June 2004 by actuaries appointed by Plum Financial Services. The Leighton Asia Superannuation Fund was assessed at 30 June 2004 by Watson Wyatt (Hong Kong) Limited. Based on these assessments, the Directors are of the view that the assets of each of the funds are sufficient to satisfy all benefits that would have vested under the plans in the event of termination of the plans, and voluntary or compulsory termination of each employee. The following values are based on actuarial valuations of the defined benefits section of the Leighton Superannuation Plan and the Leighton Asia Superannuation Fund as at 30 June 2004.

| Fund                              |          | Accrued benefits | Market value of assets | Surplus / (Deficit) | Vested benefits |
|-----------------------------------|----------|------------------|------------------------|---------------------|-----------------|
| Leighton Superannuation Fund      | -\$000's | 45,393           | 46,502                 | 1,109               | 45,934          |
| Leighton Asia Superannuation Fund | -\$000's | 2,999            | 3,010                  | 11                  | 2,355           |
| <b>Total</b>                      |          | <b>48,392</b>    | <b>49,512</b>          | <b>1,120</b>        | <b>48,289</b>   |

Accrued benefits have been determined based on the amounts calculated in the last actuarial assessments, based on the advice of the trustees of the funds, of the benefits that have accrued in the periods between the last actuarial assessment and the financial year-end. Accrued benefits are benefits the plans are presently expected to pay at some future date, resulting from membership of the plans. Vested benefits are benefits, which are not conditional upon the continued membership of the plan or any factor, other than resignation from the plan.

### Leighton Employees Share Plan

Shareholder approval was obtained at the Annual General Meeting on 5 November 1998 to establish the Leighton Employees Share Plan ("LESP"). Subject to certain eligibility criteria, all permanent employees of the Consolidated Entity are entitled to participate in LESP. The rules of LESP permit the Company to make an annual offer of shares in the Company to eligible employees. The maximum value of shares which may be offered to any employee in any one year is \$1,000. No shares were issued under LESP during the current year (prior year - nil).

### Leighton Executive Share Option Plan

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

- (i) 6,965,000 options granted on 5 August 1999 to 274 employees at an exercise price of \$5.84 per option and with an expiry date of 5 August 2004. During the year 1,207,780 options were exercised and no options lapsed. The balance of unexercised 1999 options is 22,500.
- (ii) 5,980,000 options were granted on 27 March 2002 to 276 employees at an exercise price of \$10.96 per option, with an expiry date of 27 March 2007. During the year 35,000 (2003: 90,000) options lapsed, leaving a balance of 5,855,000 options unexercised at reporting date. 90,000 options were granted on 12 April 2002 to 1 employee at an exercise price of \$10.44 per option with an expiry date of 12 April 2007. None of these options has lapsed.

The market value of the Leighton Holdings Limited shares which are applicable to these options at 30 June 2004 was \$9.25.

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

|  |  | Interest held | Place of Incorporation |
|--|--|---------------|------------------------|
| <b>38</b>  | <b>Leighton Holdings Limited and controlled entities at reporting date</b> |               |                        |
| † Leighton Holdings Limited  | (4)  |               | Vic                    |
| AAECventure Pty Ltd  | (4)  | 100%          | NSW                    |
| A.C.N. 093 124 675 Pty Ltd   | (4)  | 100%          | NSW                    |
| † Adelaide Terrace Investments Pty Ltd   | (4)  | 100%          | SA                     |
| Ausindo Holdings Pte Ltd   |  | 100%          | Singapore              |
| BOS Australia Pty Ltd  | (4)  | 100%          | WA                     |
| Broad Construction Services Pty Ltd  |  | 70%           | WA                     |
| Broad Construction Services (QLD) Pty Ltd  |  | 70%           | Qld                    |
| Broad Construction Services (SA) Pty Ltd   |  | 70%           | SA                     |
| Broad Construction Services (NSW) Pty Ltd  |  | 70%           | WA                     |
| Broad Construction Services (VIC) Pty Ltd  |  | 70%           | WA                     |
| Broad Construction Services (NT) Pty Ltd   |  | 70%           | WA                     |
| Broad Construction Services (WA) Pty Ltd   | (2)  | 70%           | WA                     |
| E_Tube Pty Ltd   | (4)  | 100%          | NSW                    |
| Ewenissa Pty Ltd   | (4)  | 100%          | ACT                    |
| * Fastrax Victoria Pty Ltd   | (4)  | 100%          | NSW                    |
| Giddens Investment Ltd   |  | 100%          | Hong Kong              |
| Green Construction Company   |  | 100%          | USA                    |
| GridComm Pty Ltd   |  | 70%           | Vic                    |
| Hunter Valley Earthmoving Co Pty Ltd   | (4)  | 100%          | NSW                    |
| International Railroad Systems (Electronics) Pty Ltd                                   |  | 70%           | SA                     |
| International Railroad Systems Pty Ltd   |  | 70%           | WA                     |
| Jackimort Pty Ltd  | (4)  | 100%          | ACT                    |
| Jarraah Wood Pty Ltd   |  | 70%           | WA                     |
| JH Rail Holdings Pty Ltd   |  | 70%           | Vic                    |
| JH Rail Investments Pty Ltd  |  | 70%           | Vic                    |
| JH Rail Operations Pty Ltd   |  | 70%           | Vic                    |
| John Holland Pty Ltd   |  | 70%           | Vic                    |
| John Holland AD Holdings Pty Ltd   |  | 70%           | Vic                    |
| John Holland AD Investments Pty Ltd  |  | 70%           | Vic                    |
| John Holland AD Operations Pty Ltd   |  | 70%           | Vic                    |
| John Holland Development & Investment Pty Ltd  |  | 70%           | Vic                    |
| John Holland Engineering Pty Ltd   |  | 70%           | Vic                    |
| John Holland Group Pty Ltd   |  | 70%           | Vic                    |
| John Holland Investment Pty Ltd  |  | 70%           | Vic                    |
| John Holland Investment No 1 Pty Ltd   |  | 70%           | Vic                    |
| John Holland Services Pty Ltd  |  | 70%           | Vic                    |
| John Holland Services No 1 Pty Ltd   |  | 70%           | Vic                    |
| Lai Lap Foundation Engineering Ltd   |  | 100%          | Hong Kong              |
| Lane Cove Tunnel Joint Venture   | (2)  | 100%          | N/A                    |
| † 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 (formerly Leighton Asia Ltd)                              |  | 100%          | Cayman Islands         |
| Leighton Asia Southern Pte Ltd (formerly known as Leighton Indonesia Holdings Pte Ltd) |  | 100%          | Singapore              |
| † Leighton Contractors Pty Ltd   | (4)  | 100%          | NSW                    |
| Leighton Contractors (Asia) Ltd  |  | 100%          | Hong Kong              |
| Leighton Contractors Asia (Vietnam) Limited  |  | 100%          | Vietnam                |
| Leighton Contractors (China) Ltd   |  | 100%          | Hong Kong              |
| Leighton Contractors (India) Private Ltd   |  | 100%          | India                  |
| Leighton Contractors (Indo-China) Ltd  |  | 100%          | Hong Kong              |
| Leighton Contractors Lanka (Private) Ltd   | (2)  | 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 (Singapore) Pty Ltd   |  | 100%          | Singapore              |
| † Leighton Finance Ltd   | (4)  | 100%          | NSW                    |

|           |  | Interest held | Place of Incorporation |
|-----------|--|---------------|------------------------|
| <b>38</b> | <b>Leighton Holdings Limited and controlled entities at reporting date – continued</b> |               |                        |
|           | Leighton Foundation Engineering Ltd  | 100%          | Hong Kong              |
| *         | Leighton Funds Management Pty Ltd  | (4) 100%      | Qld                    |
|           | Leighton Geotech Ltd   | (1) 49%       | Thailand               |
|           | Leighton Investment Inc  | 100%          | USA                    |
|           | Leighton Investments Malaysia (L) Ltd  | 100%          | Malaysia               |
|           | Leighton Investments Singapore Pte Ltd   | 100%          | Singapore              |
|           | Leighton Kumagai Joint Venture   | (2) 55%       | N/A                    |
| *         | Leighton Motorway Investment 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 Properties Pty Ltd  | (4) 100%      | Qld                    |
| †         | Leighton Properties (Brisbane) 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%      | ACT                    |
| *         | Leighton Property Management Pty Ltd   | (4) 100%      | NSW                    |
|           | Leighton Services Australia Pty Ltd  | (4) 100%      | NSW                    |
|           | Leighton Staff Shares Pty Ltd  | (3), (4) 100% | Vic                    |
|           | Leighton Superannuation Pty Ltd  | (3), (4) 100% | NSW                    |
| *         | Lewis Scott Enterprises Pty Ltd  | (4) 100%      | NSW                    |
|           | LMI Westlink Partner Holding No 1 Pty Ltd  | (4) 100%      | Vic                    |
|           | LMI Westlink Partner Holding No 2 Pty Ltd  | (4) 100%      | Vic                    |
|           | LMI Westlink Partner Holding No 3 Pty Ltd  | (4) 100%      | Vic                    |
|           | LMI Westlink Partner Holding No 4 Pty Ltd  | (4) 100%      | Vic                    |
|           | LMI Westlink Partner No 1 Pty Ltd  | (4) 100%      | NSW                    |
|           | LMI Westlink Partner No 2 Pty Ltd  | (4) 100%      | Vic                    |
|           | LMI Westlink Partner No 3 Pty Ltd  | (4) 100%      | Vic                    |
|           | LMI Westlink Partner No 4 Pty Ltd  | (4) 100%      | Vic                    |
|           | LMI WSO Holding No 1 Pty Ltd   | (4) 100%      | Vic                    |
|           | LMI WSO Holding No 2 Pty Ltd   | (4) 100%      | Vic                    |
|           | LMI WSO Holding No 3 Pty Ltd   | (4) 100%      | Vic                    |
|           | LMI WSO Holding No 4 Pty Ltd   | (4) 100%      | Vic                    |
|           | LSE Antenna Services Pty Ltd   | (4) 100%      | Qld                    |
| †         | LSE Technology (Australia) Pty Ltd   | (4) 100%      | NSW                    |
| †         | LSE Technology Pty Ltd   | (4) 100%      | NSW                    |
|           | Lucon Pty Ltd  | 70%           | Vic                    |
|           | MCA Joint Venture Subic Inc  | (1) 40%       | Philippines            |
|           | Metro Developments Australia Pty Ltd   | 70%           | WA                     |
|           | Metronode Pty Ltd  | (4) 100%      | Vic                    |
|           | Nestdeen Pty Ltd   | (4) 100%      | Qld                    |
|           | Nextgen Networks Pty Ltd   | 100%          | NSW                    |
|           | Northland Maintenance Inc (in liquidation)   | 100%          | USA                    |
|           | Pacific Water Pty Ltd  | (4) 100%      | NSW                    |
|           | PT Leighton Contractors Indonesia  | 95%           | Indonesia              |
|           | PT Thiess Contractors Indonesia  | 100%          | Indonesia              |
|           | Quantum Explosives Pty Ltd   | (4) 100%      | Qld                    |
| †         | Ridgewood Development Pty Ltd  | (4) 100%      | Qld                    |
|           | SMgP Construction Services Pty Ltd   | (4) 100%      | NSW                    |
|           | Speedrail Group Pty Ltd  | (4) 100%      | NSW                    |
|           | Swan Water Services Pty Ltd  | (4) 100%      | NSW                    |
| †         | Technical Resources Pty Ltd  | (4) 100%      | NSW                    |
|           | Telecommunication Infrastructure Pty Ltd   | 70%           | Vic                    |
|           | Tensacciai Pty Ltd   | 70%           | WA                     |
|           | Thai Leighton Ltd  | (1) 49%       | Thailand               |

|           |  | Interest held | Place of Incorporation |                  |
|-----------|--|---------------|------------------------|------------------|
| <b>38</b> | <b>Leighton Holdings Limited and controlled entities at reporting date – continued</b> |               |                        |                  |
|           | Thiess Pty Ltd   | (4)           | 100%                   | Qld              |
|           | Thiess Contractors International Pty Ltd   | (4)           | 100%                   | Qld              |
|           | 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   |               | 100%                   | Vic              |
|           | Thiess Infraco (Swanston) Pty Ltd  |               | 100%                   | Vic              |
|           | Thiess Investments Pty Ltd   | (4)           | 100%                   | Qld              |
|           | Thiess Mauritius Pty Ltd   |               | 100%                   | Mauritius        |
|           | Thiess NC  |               | 100%                   | New Caledonia    |
|           | Thiess (NZ) Ltd  |               | 100%                   | New Zealand      |
|           | Thiess Peru SA   |               | 100%                   | Peru             |
|           | Thiess Property Services 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 Pty Ltd   | (4)           | 100%                   | Qld              |
|           | Thiess Superannuation Nominees No 2 Pty Ltd  | (4)           | 100%                   | Qld              |
|           | Universal Portfolio Services Pty Ltd   | (4)           | 100%                   | ACT              |
|           | † Vision Hold Pty Ltd  | (4)           | 100%                   | NSW              |
|           | † Visionstream Pty Ltd   | (4)           | 100%                   | Qld              |
|           | † Visionstream Australia Pty Ltd   | (4)           | 100%                   | NSW              |
|           | † Visionstream Services Pty Ltd  | (4)           | 100%                   | NSW              |
|           | † Vytel Pty Ltd  | (4)           | 100%                   | NSW              |
|           | † Vytel Admin Pty Ltd  | (4)           | 100%                   | NSW              |
|           | Vytel Investments Pty Ltd  | (4)           | 100%                   | NSW              |
|           | WebCon Pty Ltd   | (4)           | 100%                   | NSW              |
|           | Yandina Ethanol Pty Ltd  |               | 70%                    | Vic              |
|           | † Yifta Pty Ltd  | (4)           | 100%                   | ACT              |
|           | Zanofile Trust   | (4)           | 100%                   | N/A              |

(1) Entities controlled under shareholder agreements

(2) Incorporated/established in 2004 financial year

(3) Trustee company

(4) Entities included in tax consolidated group

† These companies (Leighton Holdings Limited (LHL) Class order Companies) have the benefit of an ASIC Class Order 98/1418.

\* These companies are parties to the Deed of Cross Guarantee but do not have the benefit of ASIC Class Order 98/1418 at 30 June 2004, as they are small proprietary companies.

#### Entities liquidated

The following controlled entities were liquidated during the 2004 financial year: Asian Region Investment Ltd, Broad Project Management Services Pty Ltd, Infrastructure Technologies Ltd, John Holland Superannuation Fund Pty Ltd, Matilda Bay Homes Pty Ltd and Vytel Asia Ltd.

| Entities or businesses disposed      | Proportion Disposed | Date Disposed |
|--------------------------------------|---------------------|---------------|
| Universal Portfolio Services Pty Ltd | 50%                 | 22/04/04      |

  

| Entities or businesses acquired   | Proportion Acquired | Date Acquired |
|-----------------------------------|---------------------|---------------|
| Nextgen Networks Pty Ltd          | 100%                | 23/12/03      |
| Thiess Infraco (Bayside) Pty Ltd  | 50%                 | 01/07/03      |
| Thiess Infraco (Swanston) Pty Ltd | 50%                 | 01/07/03      |

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

### Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 dated 13 August 1998, relief was granted to the LHL Class Order Companies from the Corporations Act 2001 requirements for preparation, audit and publication of financial statements. As a condition of the Class Order the Company and each of the LHL Class Order Companies are party to a Deed of Cross Guarantee dated 9 June 1994. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt of a LHL Class Order Company in the event of its winding up under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Law, the Company will only be liable in the event that after six months any creditor has not been paid in full. The LHL Class Order Companies have also given similar guarantees in the event that the Company or other LHL Class Order Companies party to the Deed of Cross Guarantee are wound up.

A consolidated statement of financial performance and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2004 is set out below:

|  | 2004<br>\$'000   | 2003<br>\$'000   |
|--|------------------|------------------|
| <b>Statement of financial performance</b>  |                  |                  |
| Profit from ordinary activities before income tax expense                                  | (39,291)         | 207,502          |
| Income tax expense relating to ordinary activities   | 30,890           | (11,154)         |
| Profit from ordinary activities after income tax expense                                   | (8,401)          | 196,348          |
| Retained profits at the beginning of the financial year                                    | 230,915          | 81,111           |
| Dividends provided for or paid   | (122,692)        | (116,443)        |
| Prior year adjustment in accordance with AASB 1044 with respect to the 2002 final dividend | -                | 69,899           |
| Aggregate of amounts transferred (to)/from reserves  | -                | -                |
| Retained profits at the end of the reporting period  | <b>99,822</b>    | <b>230,915</b>   |
| <b>Statement of financial position</b>   |                  |                  |
| <b>Assets</b>  |                  |                  |
| Cash assets  | 182,801          | 81,919           |
| Receivables  | 217,915          | 279,978          |
| Inventories  | 23,905           | 33,911           |
| Investments accounted for using the equity method  | 114,925          | 70,039           |
| Investments in other entities  | 1,103,080        | 1,548,982        |
| Deferred tax assets  | 69,288           | 56,707           |
| Property, plant and equipment  | 153,221          | 135,838          |
| <b>Total assets</b>  | <b>1,865,135</b> | <b>2,207,374</b> |
| <b>Liabilities</b>   |                  |                  |
| Payables   | 459,834          | 318,520          |
| Current tax liabilities  | (5,582)          | -                |
| Provisions   | 130,005          | 123,488          |
| Deferred tax liabilities   | -                | 18,779           |
| Interest bearing liabilities   | 759,398          | 1,101,067        |
| <b>Total liabilities</b>   | <b>1,343,655</b> | <b>1,561,854</b> |
| <b>Net assets</b>  | <b>521,480</b>   | <b>645,520</b>   |
| <b>Equity</b>  |                  |                  |
| Contributed equity   | 421,851          | 414,798          |
| Reserves   | (193)            | (193)            |
| Retained profits   | 99,822           | 230,915          |
| <b>Total equity</b>  | <b>521,480</b>   | <b>645,520</b>   |

**39 Related party and Company information****Transactions with related parties**

Transactions with related parties are made on normal commercial terms and conditions and the aggregate of the related party transactions was not material in the overall operations of the Consolidated Entity.

**Amounts receivable from and payable to related parties****Aggregate amounts receivable at reporting date from:**

| Note  | Consolidated   |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2004<br>\$'000 | 2003<br>\$'000 | 2004<br>\$'000 | 2003<br>\$'000 |
| Wholly owned controlled entities                | -              | -              | 623,546        | 502,541        |
| Associates                                      | 1,488          | -              | -              | -              |
| Directors of the Company or controlled entities | 820            | 950            | 820            | 950            |

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

|                                  |        |        |         |         |
|----------------------------------|--------|--------|---------|---------|
| Wholly owned controlled entities | -      | -      | 772,352 | 819,507 |
| Associates                       | 507    | 2,898  | -       | -       |
| Joint venture entities           | 92,712 | 76,340 | -       | -       |

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

|   |    |     |        |        |
|---|----|-----|--------|--------|
| Directors of the Company or controlled entities | 43 | 41  | 43     | 41     |
| Associates                                      | 37 | 430 | -      | -      |
| Wholly owned controlled entities                | -  | -   | 28,123 | 10,583 |
| Partly owned controlled entities                | -  | -   | -      | 8,708  |

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

|   |       |       |     |   |
|---|-------|-------|-----|---|
| Directors of the Company or controlled entities | 2,672 | 2,377 | -   | - |
| Wholly owned controlled entities                | -     | -     | 460 | - |
| Joint venture entities                          | 770   | 528   | -   | - |

**Other revenues**

|  |   |   |     |       |
|--|---|---|-----|-------|
| Fees charged to partly owned controlled entities | - | - | 936 | -     |
| Fees charged to wholly owned controlled entities | - | - | -   | 1,711 |

**Number of employees**

|                                       |        |        |   |    |
|---------------------------------------|--------|--------|---|----|
| Number of employees at reporting date | 15,768 | 15,236 | 9 | 10 |
|---------------------------------------|--------|--------|---|----|

**Directors**

The Directors who held office as Directors of Leighton Holdings Limited during the year ended 30 June 2004 were: Geoffrey John Ashton AM, Wallace MacArthur King AO, Dieter Siegfried Adamsas, Martin Carl Albrecht AC, Geoffrey James Dixon, Achim Drescher, Hans-Peter Keitel, Robert Leslie Seidler (alternate for Hans-Peter Keitel), Thomas Chris Leppert, David Allen Mortimer, Peter Michael Noé, Herbert Hermann Lütkestratkötter (alternate for Peter Michael Noé) and David Paul Robinson. John Morschel, Ian Rutledge Johnson and Busso Peus retired as directors during the year.

**Director's transactions**

During the year dividends were paid to Directors on their shareholdings on the same basis as other shareholders. DP Robinson is a principal in the firm of chartered accountants, Harveys, which receives fees from Hochtief Australia Limited for services provided to that company which is a related party.

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

During the year Hochtief Australia Limited acquired 8,479,173 (2003: 1,537,967) shares giving a shareholding at reporting date of 144,718,067 (2003: 136,238,894) shares. HP Keitel, B Peus and DP Robinson were Directors of Hochtief Australia Limited during the year.

Interest is provided on deferred incentives which may be payable to Executive Directors in future years upon completion of certain conditions of employment. Interest is provided at a rate between 4.62% and 6.19% (2003: 4.76% and 5.22%).

During the financial year \$2,672,006 (2003: \$2,020,000) was provided in respect of executive Directors of Leighton Holdings Limited.

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

## 39 Related party and Company information – continued

### Company information

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

### Ultimate parent entity

The ultimate Australian parent entity is Hochtief Australia Limited and the ultimate parent entity is Hochtief AG.

## 40 Cash flow information

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

|  | Consolidated |                | Company        |                |                |
|--|--------------|----------------|----------------|----------------|----------------|
|  | Note         | 2004<br>\$'000 | 2003<br>\$'000 | 2004<br>\$'000 | 2003<br>\$'000 |
| Profit from ordinary activities after income tax expense |              | 122,062        | 150,975        | 117,919        | 151,005        |
| Add (less) non-cash items                                |              |                |                |                |                |
| Depreciation   |              | 287,130        | 301,574        | -              | -              |
| Amortisation of goodwill                                 |              | 4,733          | 8,280          | -              | -              |
| Provision for diminution in value of subsidiaries        |              | -              | -              | -              | 73,468         |
| Bad debts expense  |              | 13,590         | -              | -              | -              |
| Amounts set aside to provisions                          |              | 112,260        | 138,520        | 100            | 400            |
| Provision for losses – Spencer Street Station project    |              | 110,000        | -              | -              | -              |
| Write-down of investment                                 |              | 14,410         | -              | -              | -              |
| Foreign currency (gains)/losses                          |              | (276)          | 2,004          | 975            | (5,361)        |
| (Gain)/loss on sales of assets                           |              | (31,213)       | (26,861)       | -              | -              |
| Intercompany transactions                                |              | -              | -              | -              | (19,332)       |
| Net changes in assets/liabilities                        |              |                |                |                |                |
| (Increase)/decrease in receivables and joint ventures    |              | (173,356)      | (92,723)       | 1,000          | 5,743          |
| (Increase)/decrease in inventories                       |              | 6,677          | 7,303          | -              | -              |
| (Decrease)/increase in payables                          |              | 218,393        | (85,115)       | (26,997)       | (6,787)        |
| (Decrease)/increase in provisions                        |              | (90,594)       | (110,039)      | -              | -              |
| Income tax payable                                       |              | 28,891         | (12,066)       | 4,330          | (2,102)        |
| <b>Net cash provided by operating activities</b>         |              | <b>622,707</b> | <b>281,852</b> | <b>97,327</b>  | <b>197,034</b> |

|  | <b>Consolidated</b> |          |
|--|---------------------|----------|
|  | <b>2004</b>         | 2003     |
|  | <b>\$'000</b>       | \$'000   |
| <b>40 Cash flow information - continued</b>                                |                     |          |
| <b>Fair value of assets of controlled entities and businesses acquired</b> |                     |          |
| Cash consideration   | <b>8,065</b>        | 38,149   |
| Cash acquired  | <b>(1,852)</b>      | -        |
|  | <b>6,213</b>        | 38,149   |
| Property, plant and equipment  | <b>8,433</b>        | 28,367   |
| Receivables  | <b>34,181</b>       | 21,934   |
| Inventories  | -                   | 3,092    |
| Payables   | <b>(38,241)</b>     | (9,646)  |
| Provisions   | -                   | (7,931)  |
| Net assets acquired  | <b>4,373</b>        | 35,816   |
| Goodwill on acquisition  | <b>1,840</b>        | 2,333    |
| <b>Fair value of assets of controlled entities and businesses disposed</b> |                     |          |
| Consideration received   | -                   | 23,439   |
| Cash   | -                   | 978      |
| Property, plant and equipment  | -                   | 278      |
| Receivables  | -                   | 10,384   |
| Investments  | -                   | 28,044   |
| Payables   | -                   | (11,441) |
| Provisions   | -                   | (2,746)  |
| Tax liabilities  | -                   | (2,058)  |
| Net assets disposed  | -                   | 23,439   |
| <b>Details of credit facilities</b>  |                     |          |

The Consolidated Entity has a total of \$2.1 billion (2003: \$1.6 billion) loan and guarantee facilities of which \$725 million (2003: \$422 million) were undrawn as at 30 June 2004. These facilities have maturity dates up to August 2007. The facilities are provided under negative pledge agreements with financial institutions.

## 41 Events subsequent to reporting date

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

## 42 Impact of adopting AASB equivalents to IASB standards

The Consolidated Entity will be required to prepare financial statements using Australian Standards that comply with International Financial Reporting Standards and their related pronouncements (IFRS) when the Consolidated Entity reports for the year ending 30 June 2006.

The Consolidated Entity will report for the first time in compliance with IFRS when the results for the half-year ending 31 December 2005 are released. IFRS require that entities complying with IFRS for the first time also restate their comparative financial statements using all IFRS except AASB132 Financial Instruments: Disclosure and Presentation and AASB139 Financial Instruments: Recognition and Measurement. This means that the Consolidated Entity's opening IFRS balance sheet will be a restated comparative balance sheet, dated 1 July 2004. Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings effective 1 July 2004. Transitional adjustments relating to those standards where comparatives are not required will only be made on 1 July 2005. Comparatives restated under IFRS will not be reported in financial statements until December 2005, being the first half-year reported in compliance with IFRS.

During the 2004 financial year, the Consolidated Entity established a Steering Committee to monitor and plan for the adoption of IFRS. This Committee has been following developments in IFRS and the likely impact that these standards will have on our financial reports and accounting policies. The Committee is progressing through three phases of work: assessment and planning, design, and implementation. It has largely completed the assessment and planning phase and has moved into the design and implementation phases. The three phases are described below:

### Assessment and planning phase

The assessment and planning phase aims to produce a high level overview of the impacts of conversion to IFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

This phase includes:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting IFRS;
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes;
- evaluation of the implications for staff, for example training requirements; and
- preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

### Design phase

The design phase aims to formulate the changes required to existing accounting policies, procedures, systems and processes in order to transition to IFRS.

The design phase will incorporate:

- formulating revised accounting policies and procedures for compliance with IFRS requirements;
- identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of IFRS;
- developing revised IFRS disclosures;
- designing accounting and business processes to support IFRS reporting obligations;
- identifying and planning required changes to financial reporting and business source systems; and
- developing training programs for staff.

### Implementation phase

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the Consolidated Entity to generate the required disclosures of AASB 1 as it progresses through its transition to IFRS.

The key potential implications of the conversion to IFRS on the Consolidated Entity are as follows:

#### Goodwill

*Lower expenses*

*Volatility in results in event of impairment*

Under AASB 3 *Business Combinations*, goodwill will no longer be amortised but instead will be subject to impairment testing at least annually. This will result in a change in the Consolidated Entity's current accounting policy, which amortises goodwill using the straight-line method over the period during which the benefits are expected to arise, which period at present does not exceed ten years. Amortisation of goodwill for the year ended June 2004 was \$4,733,000.

#### Impairment of Assets

*Discounted cash flows used to test impairment*

Under AASB136 *Impairment of Assets*, the recoverable amount of an asset is determined as the higher of net selling price and value in use based on discounted cash flows. This will result in a change in the Consolidated Entity's current accounting policy, which determines the recoverable amount of an asset on the basis of cash flows that have not been discounted to their present value.

## 42 Impact of adopting AASB equivalents to IASB standards

### **Classification of Financial Assets / Liabilities**

*Investments in equity measured at fair value*

*Valuation of derivatives*

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial assets held by the Consolidated Entity will be required to be classified as either held for trading, held to maturity, available for sale or loans and receivables and depending upon the classification, measured at fair value or amortised cost. This will result in a change in the Consolidated Entity's current accounting policy, as investments in equity securities, which are currently held at the lower of cost and recoverable amount, will most likely be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity. The Consolidated Entity will be required to mark to market derivatives and the resulting profit or loss will be recognised on the statement of financial position.

### **Employee Benefits**

*Initial impact on IFRS opening retained earnings*

Under AASB 119 *Employee Benefits*, the Consolidated Entity will be required to recognise the net surplus or deficit in the defined benefit funds as an asset or liability, respectively. This will result in a change in the Consolidated Entity's current accounting policy, which does not currently recognise the net assets/liabilities of the defined benefit fund. The initial adjustment on transition will be to IFRS opening retained earnings and subsequent adjustments will be recognised in the net profit or loss for the period.

### **Income Taxes**

*Higher levels of deferred tax assets and liabilities*

Under AASB112 *Income Taxes*, deferred tax balances are determined using the "balance sheet" method instead of the "statement of financial performance" method currently used. This method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability, and its tax base. It is expected that the IFRS standard may require the Consolidated Entity to carry higher levels of deferred tax assets and liabilities.

### **Share based payments**

*Equity based remuneration expensed to statement of financial performance*

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

### **Leases**

*Operating vs. Finance lease classification*

AASB 117 *Leases* doesn't include any qualitative guidelines on determining lease classification unlike AASB 1008. Therefore the determination of a lease as an operating lease or financial lease is due to an "in-substance" test, which may be open to interpretation. Review of the current leases held by the Consolidated Entity indicates that they would be classified the same under both current Australian standards and IFRS. Any leasing arrangements entered into in the future will be reviewed to ensure the appropriate classification under both Australian standards and IFRS.

### **Development properties**

*Revenue and profit recognition*

UIG Abstract 53 *Pre-Completion Contracts for the Sale of Residential Properties* requires the Consolidated Entity to account for such contracts as construction contracts applying the percentage of completion method. Under IFRS there is no equivalent to UIG 53 and currently no guidance for dealing with pre-completion sale contracts.

### **Hedge Accounting**

*New hedge accounting rules*

Under AASB 139 *Financial Instruments: Recognition and Measurement* in order to achieve a qualifying hedge, the entity is required to meet the following criteria; identify the type of hedge - fair value or cash flow; identify the hedged item or transaction; identify the nature of the risk being hedged; identify the hedging instrument; demonstrate that the hedge has and will continue to be highly effective; and document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested. Ineffectiveness outside the prescribed range precludes the use of hedge accounting and may result in volatility in the statement of financial performance.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to IFRS, as not all standards have been fully analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the full impact of the transition to IFRS on the Consolidated Entity's financial position and reported results.

**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 47 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 2003 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the subsidiaries identified in Note 39 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.

Dated at Sydney this 6th day of September 2004.

Signed in accordance with a resolution of Directors:



GJ Ashton  
Chairman



WM King AO  
Chief Executive Officer

**Independent Auditors' Report to the members of Leighton Holdings Limited**



**Scope**

**The financial report and directors' responsibility**

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements (notes 1 to 42), and the directors' declaration set out on page 48 for both Leighton Holdings Limited (the "Company") and Leighton Holdings Limited and its Controlled Entities (the "Consolidated Entity"), for the year ended 30 June 2004. The Consolidated Entity comprises both the company and the entities it controlled during that year.

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

**Audit Approach**

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

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

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

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

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

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

**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 2004 and of their performance for the year ended on that date; and
  - (ii) complying with the Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

DK Jukes  
Partner

KPMG  
Dated at Sydney this 6th day of September 2004