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Leighton Holdings Limited  
ABN 57 004 482 982

# Financial Report 2007

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<b>CONTENTS</b>	<b>PAGE</b>
INCOME STATEMENTS	1
STATEMENTS OF RECOGNISED INCOME AND EXPENSE	2
BALANCE SHEETS	3
STATEMENTS OF CASH FLOWS	4
NOTES TO THE FINANCIAL STATEMENTS	5
DIRECTORS' DECLARATION	71
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEIGHTON HOLDINGS LIMITED	72

## Income Statements

for the year ended 30 June 2007

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue	2	10,011,292	8,519,705	276,580	264,582
Expenses	3	(9,505,519)	(8,203,191)	(54,826)	(8,172)
Finance costs	4	(34,255)	(25,557)	(16,491)	(16,881)
Share of profits of associates and joint venture entities*		112,578	80,196	-	-
<b>Profit before tax</b>		<b>584,096</b>	371,153	<b>205,263</b>	239,529
Income tax (expense)/benefit	6	(128,860)	(93,764)	40,951	11,765
<b>Profit for the year</b>		<b>455,236</b>	277,389	<b>246,214</b>	251,294
<b>Attributable to:</b>					
Members of the parent entity		450,042	276,069	246,214	251,294
Minority interest		5,194	1,320	-	-
<b>Profit for the year</b>		<b>455,236</b>	277,389	<b>246,214</b>	251,294
Dividends per share					
- Final	20	65.0 ¢	41.0 ¢		
- Interim	20	45.0 ¢	25.0 ¢		
Basic earnings per share	21	162.3 ¢	100.2 ¢		
Diluted earnings per share	21	162.0 ¢	100.0 ¢		

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

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

## Statements of Recognised Income and Expense

for the year ended 30 June 2007

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Foreign exchange translation differences (net of tax)	19	(30,909)	8,031	-	-
Effective portion of changes in fair value of cash flow hedges (net of tax) *	19	48,309	205	-	-
Change in fair value of available-for-sale assets (net of tax)	19	14,837	8,994	-	-
Change in value of associate's equity	19	487	10,658	-	-
<b>Net income recognised directly in equity</b>		<b>32,724</b>	<b>27,888</b>	<b>-</b>	<b>-</b>
<b>Profit for the year</b>		<b>455,236</b>	<b>277,389</b>	<b>246,214</b>	<b>251,294</b>
<b>Total recognised income and expense for the year</b>		<b>487,960</b>	<b>305,277</b>	<b>246,214</b>	<b>251,294</b>
<b>Attributable to:</b>					
Members of the parent entity		482,766	303,957	246,214	251,294
Minority interest		5,194	1,320	-	-
<b>Total recognised income and expense for the year</b>		<b>487,960</b>	<b>305,277</b>	<b>246,214</b>	<b>251,294</b>

\* Includes cash flow hedges relating to capital commitments for equity investments.

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

## Balance Sheets

as at 30 June 2007

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Assets</b>					
Cash and cash equivalents	7	831,372	809,850	63,049	70,769
Trade and other receivables	8	1,727,119	1,508,420	329,508	99,573
Current tax assets		29,131	31,028	-	16,364
Inventories	9	231,817	117,975	-	-
Investments accounted for using the equity method	10	260,106	175,869	-	-
Other investments	11	180,050	151,685	764,430	768,061
Deferred tax assets	12	139,308	70,624	775	911
Property, plant and equipment	13	1,258,619	882,939	-	-
Goodwill	14	87,680	54,898	-	-
<b>Total assets</b>		<b>4,745,202</b>	<b>3,803,288</b>	<b>1,157,762</b>	<b>955,678</b>
<b>Liabilities</b>					
Trade and other payables	15	2,504,968	1,951,010	54,265	10,800
Current tax liabilities	16	177,219	36,476	150,748	-
Provisions	17	346,306	320,934	2,582	3,036
Interest-bearing liabilities	18	32,698	42,950	-	-
Leighton Finance International Notes		129,412	148,649	-	-
Leighton Notes		200,000	200,000	200,000	200,000
<b>Total liabilities</b>		<b>3,390,603</b>	<b>2,700,019</b>	<b>407,595</b>	<b>213,836</b>
<b>Net assets</b>		<b>1,354,599</b>	<b>1,103,269</b>	<b>750,167</b>	<b>741,842</b>
<b>Equity</b>					
Share capital	19	480,988	479,744	480,988	479,744
Reserves	19	35,127	(292)	-	-
Retained earnings	19	834,358	623,449	269,179	262,098
<b>Total equity attributable to equity holders of the parent</b>		<b>1,350,473</b>	<b>1,102,901</b>	<b>750,167</b>	<b>741,842</b>
Minority interest		4,126	368	-	-
<b>Total equity</b>		<b>1,354,599</b>	<b>1,103,269</b>	<b>750,167</b>	<b>741,842</b>

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

## Statements of Cash Flows

for the year ended 30 June 2007

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Cash flows from operating activities</b>					
Cash receipts in the course of operations (including GST)		10,892,988	8,598,151	-	-
Cash payments in the course of operations (including GST)		(9,607,966)	(7,679,206)	(5,424)	(8,853)
Dividends received		6,297	-	263,987	243,881
Interest received		30,292	16,694	3,290	2,280
Finance costs paid		(34,252)	(25,646)	(16,491)	(16,881)
Income taxes (paid)/received		(86,334)	(92,835)	11,571	(18,049)
<b>Net cash from operating activities</b>	25	<b>1,201,025</b>	817,158	<b>256,933</b>	202,378
<b>Cash flows from investing activities</b>					
Payments for plant and equipment		(857,469)	(569,239)	-	-
Payments for plant and equipment - major component parts		(142,298)	(164,507)	-	-
Payments for other property, plant and equipment		(25,349)	(11,295)	-	-
Proceeds from sale of property, plant and equipment		305,091	415,441	-	-
Payments for investments in controlled entities and businesses	26	(112,713)	(261,165)	(679)	(8,029)
Payments for other investments		(197,151)	(116,347)	(88,973)	(2,645)
Proceeds from sale of other investments		115,122	5,296	101,719	33
Loans to executives repaid		-	744	-	744
<b>Net cash from investing activities</b>		<b>(914,767)</b>	(701,072)	<b>12,067</b>	(9,897)
<b>Cash flows from financing activities</b>					
Proceeds from share issues		1,244	57,893	1,244	57,893
Proceeds from borrowings		29,640	151,707	-	-
Repayment of borrowings		(39,892)	-	-	-
Net payments on loans (to)/from related entities		-	-	(38,804)	(103,993)
Distributions to minority interest		(1,436)	(2,240)	-	-
Dividends paid		(239,133)	(152,156)	(239,133)	(152,156)
<b>Net cash from financing activities</b>		<b>(249,577)</b>	55,204	<b>(276,693)</b>	(198,256)
Net increase/(decrease) in cash held		36,681	171,290	(7,693)	(5,775)
Net cash at the beginning of the year		809,850	635,210	70,769	75,347
Effects of exchange rate fluctuations on cash held		(15,159)	3,350	(27)	1,197
<b>Net cash at reporting date</b>		<b>831,372</b>	809,850	<b>63,049</b>	70,769

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

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# Notes to the Financial Statements

for the year ended 30 June 2007

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## 1 Summary of significant accounting policies

Leighton Holdings Limited (the "Company") is a company domiciled in Australia. The financial report of the Company for the year ended 30 June 2007 comprises the Company and its controlled entities (the "Consolidated Entity") and the Consolidated Entity's interest in associates and jointly controlled entities.

### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001.

The consolidated financial report of the Company also complies with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

The financial report was approved by the Directors on 3 September 2007.

### (b) Basis of preparation

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

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

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

### (c) Accounting estimates and judgements

The preparation of the financial report requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

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

- Assessment of projects on a percentage of completion basis, in particular with regard to accounting for claims and variations, the timing of profit recognition and the amount of profit recognised;
- Lease classification - Determining whether the significant risks and rewards of ownership have transferred in a sale or lease transaction;
- Estimation of the economic life of property, plant and equipment;
- Measurement of restoration provisions;
- Testing of assets for impairment;
- Determining the fair value of unlisted available-for-sale assets; and
- Determining the fair value of business combinations.

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

### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Leighton Holdings Limited, being the Company and its controlled entities. Results of controlled entities are included in the consolidated income statement from the date control is obtained and excluded from the date the entity is no longer controlled. Transactions and balances between entities within the Consolidated Entity have been eliminated in full. Minority interests in the equity and in the results of the entities that are controlled by the Company are shown as separate items in the consolidated financial statements.

## 1 Summary of significant accounting policies - continued

### (e) Revenue and profit recognition

(i) Revenue from construction contracting services includes revenue from building and civil contracting services. Revenue and profit are recognised on the basis of the value of work completed. Stage of completion is measured by reference to costs incurred to date as a percentage of estimated total costs for each contract. Profits on building and civil contracting services (other than those performed on a cost plus basis) are not recognised during the establishment and initial stages and accordingly recognition of profit is deferred during that period. The difference between the revenue and costs is carried forward as either a contract receivable or contract payable. Once the contract result can be reliably estimated, which is not less than 20% complete by cost, the profit earned to that point is recognised immediately. Expected losses are recognised in full as soon as they become apparent.

(ii) Revenue and profit from mining contracts are recognised on the basis of the value of work completed. Stage of completion is measured by reference to costs incurred to date as a percentage of estimated total costs for each contract. The difference between the revenue and costs is carried forward as either a contract receivable or contract payable. Expected losses are recognised in full as soon as they become apparent.

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

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

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

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

(vii) Dividend income is recognised when the dividend is declared.

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

### (f) Finance costs

Finance costs, including interest on the Leighton Notes and Leighton Finance International Notes, are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets. The capitalisation rate used to determine the amount of finance costs to be capitalised to qualifying assets is the weighted average interest rate applicable to the entity's outstanding borrowings during the period. Finance costs include interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and certain exchange differences arising from foreign currency borrowings.

### (g) Income tax

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

## 1 Summary of significant accounting policies - continued

### (g) Income tax - continued

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

### (h) Cash and cash equivalents

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

### (i) Trade and other receivables

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

(ii) Other amounts receivable generally arise from transactions other than the provision of construction and other contracting services and include amounts in respect of sales of assets and taxes receivable. Interest may be charged at market rates based on individual debtor arrangements. The recoverability of other amounts receivable is assessed at reporting date and provision is made for any doubtful debts.

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

### (j) Inventories

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

#### (i) Property developments

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

#### (ii) Raw materials and consumables

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

### (k) Investments

#### (i) Controlled entities

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

#### (ii) Associates

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

#### (iii) Joint venture entities

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

## 1 Summary of significant accounting policies - continued

### (k) Investments - continued

#### *(iv) Available-for-sale assets*

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

### (l) Property, plant and equipment

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

#### *(i) Depreciation and amortisation*

Depreciation and amortisation is calculated so as to write off the net book value of property, plant and equipment over their estimated effective useful lives for the current and comparative reporting periods as follows:

- freehold buildings: straight line method - up to 40 years;
- major plant and equipment: cumulative number of hours worked - up to 10 years;
- major plant and equipment - component parts: cumulative number of hours worked - up to 10 years;
- leased plant and equipment: straight line method - over the terms of the leases, up to 10 years;
- waste management assets: straight line method - economic life of the waste operations, up to 20 years;
- office and other equipment: diminishing value method - up to 10 years;
- leasehold buildings and improvements: straight line method - over the terms of the leases, up to 40 years.

#### *(ii) Subsequent costs*

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

#### *(iii) Leased assets*

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

#### *(a) Finance leases*

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

#### *(b) Operating leases*

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

### (m) Goodwill

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

### (n) Acquisitions of assets

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

### (o) Impairment

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

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

## 1 Summary of significant accounting policies - continued

### (o) Impairment - continued

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

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

### (p) Trade and other payables

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

### (q) Employee benefits

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

The provision for employee entitlements to wages, salaries and annual leave represents the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the reporting date. Provisions have been calculated based on expected wage and salary rates and include related on-costs. Amounts which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at reporting date, which most closely match the terms of maturity of the related liabilities.

#### (ii) Long service leave

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

#### (iii) Superannuation

Defined benefit and defined contribution superannuation plans exist to provide benefits for eligible employees or their dependants. Contributions by the Consolidated Entity are expensed to the income statement as incurred. Actuarial gains and losses may arise in relation to defined benefit superannuation plans. To the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of fund assets, that portion of the actuarial gain or loss is recognised in the income statement over the expected average remaining working lives of the active employees participating in the fund. Otherwise, the actuarial gain or loss is not recognised.

#### (iv) Share-based payment transactions

Ownership based remuneration is provided to employees via the Leighton Executive Share Option Plan and the Leighton Senior Executive Share Option Plan. The Consolidated Entity has applied the requirements of AASB 1 in respect of equity-settled awards and has applied AASB 2 *Share-Based Payments* only to equity instruments granted after 7 November 2002. No expense has been recognised in respect of share options granted before 7 November 2002. These shares are recognised when the options are exercised and the proceeds received are allocated to share capital. Details are set out in note 31.

Under the Leighton Management Share Plan, the Company is permitted to grant selected executives shares which the Company acquires on market.

Under the Leighton Employees Share Plan, the Company is permitted to make an annual offer of shares in the Company to eligible employees. The maximum value of shares which may be offered to any employee in any one year is \$1,000. These share offers are recognised as an expense at the time the shares are granted. Details are set out in note 31.

#### (v) Retention arrangements

Retention arrangements are in place ranging from three years to retirement for certain key employees which are payable upon completion of the retention period. The provisions are accrued on a pro-rata basis during the retention period and have been calculated based on current salary rates, including related on-costs. Amounts which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at reporting date, which most closely match the terms of maturity of the related liabilities.

## 1 Summary of significant accounting policies - continued

### (q) Employee benefits - continued

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

Annual bonuses and deferred incentives are provided at reporting date and include related on-costs. The Consolidated Entity recognises a provision where there is a contractual or constructive obligation. Amounts which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at reporting date, which most closely match the terms of maturity of the related liabilities.

### (r) Restoration provisions

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

### (s) Interest-bearing liabilities

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

### (t) Share capital

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

### (u) Foreign currency translation

#### *(i) Functional and presentation currency*

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

#### *(ii) Transactions*

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

#### *(iii) Translation of controlled foreign entities*

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

### (v) Derivative financial instruments

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

The Consolidated Entity is from time to time exposed to changes in interest rates and foreign exchange rates from its activities. It is the Consolidated Entity's policy to use derivative financial instruments to hedge these risks where appropriate. Derivatives are not held for speculative purposes. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

#### *(i) Hedging*

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

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

## 1 Summary of significant accounting policies - continued

### (v) Derivative financial instruments - continued

#### (i) Hedging - continued

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

- identify the type of hedge;
- identify the hedged item or transaction;
- identify the nature of the risk being hedged;
- identify the hedging instrument;
- demonstrate that the hedge has and will continue to be highly effective; and
- document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

Qualifying cash flow hedges and hedges of net investments in foreign operations are measured at fair value with changes in fair value recorded in equity in the hedging reserve or the foreign currency translation reserve respectively, to the extent that the hedge is deemed effective and until the hedged transaction occurs. Any ineffective portion is recorded in the income statement immediately. Qualifying fair value hedges are measured at fair value with changes in fair value recorded in the income statement.

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

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

### (w) Dividends

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

### (x) Earnings per share

#### (i) Basic earnings per share

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

#### (ii) Diluted earnings per share

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

### (y) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report:

- AASB 7 *Financial Instruments: Disclosures* (August 2005) replacing the presentation requirements of financial instruments in AASB 132 *Financial Instruments: Disclosure and Presentation*. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Company's financial instruments and share capital;
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) making consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report;

## 1 Summary of significant accounting policies - continued

### (y) New standards and interpretations not yet adopted - continued

- AASB 8 *Operating Segments* replacing the presentation requirements of segment reporting in AASB 114 *Segment Reporting*. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company and the Consolidated Entity as the standard is only concerned with disclosures;
- AASB 2007-3 *Amendments to Australian Accounting Standards* arising from AASB 8 making amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 6 *Exploration for and Evaluation of Mineral Resources*, AASB 102 *Inventories*, AASB 107 *Cash Flow Statements*, AASB 119 *Employee Benefits*, AASB 127 *Consolidated and Separate Financial Statements*, AASB 134 *Interim Financial Reporting*, AASB 136 *Impairment Assets*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, applicable for annual reporting periods beginning on or after 1 January 2009 and will be adopted in conjunction with AASB 8 *Operating Segments*. This standard is only expected to impact disclosures contained within the financial report;
- Interpretation 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the Consolidated Entity's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Consolidated Entity first applied the measurement criteria of AASB 136 and AASB 139 respectively (i.e., 1 July 2004 and 1 July 2005, respectively).
- Interpretation 11 *AASB 2 Share-based Payment - Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving the services. Interpretation 11 will become mandatory for the Consolidated Entity's 2008 financial report. Interpretation 11 is not expected to have any impact on the financial report.
- AASB 2007-1 *Amendments to Australian Accounting Standards* arising from AASB Interpretation II amends AASB 2 *Share-based Payments* to insert the transitional provisions of AASB 2, previously contained in AASB 1 *First-time Adoption of Australian Equivalents to international Financial Reporting Standards*. AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 2007 and is not expected to have any impact on the consolidated financial report.
- Interpretation 12 *Service Concession Arrangements* addresses the accounting for service concession operators, but not grantors, for public to private service concession arrangements. Interpretation 12 will apply for the Consolidated Entity's 2009 financial report. The potential effect of the interpretation on the financial report has not yet been determined. At this time an entity must also adopt the revised Interpretation 4 *Determining when an arrangement contains a lease* and Interpretation 129 *Service Concession Arrangements: Disclosures*.
- AASB 2007-2 *Amendments to Australian Accounting Standards* arising from AASB Interpretation 12 makes amendments to AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 120 *Accounting for Government Grants and Disclosures of Government Assistance*, AASB 121 *The Effects of Changes in Foreign Exchange Rates*, AASB 127 *Consolidated and Separate Financial Statement*, AASB 131 *Interest in Joint Ventures*, and AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as Interpretation 12 *Service Concession Arrangements*.

## Notes continued

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>2 Revenue</b>					
Construction contracting services		<b>5,603,448</b>	4,971,034	-	-
Mining contracting services		<b>3,361,050</b>	2,601,326	-	-
Property development revenue		<b>312,361</b>	365,372	-	-
Other services revenue		<b>690,181</b>	564,845	-	-
<b>Revenue from external customers</b>		<b>9,967,040</b>	8,502,577	-	-
Interest					
- Related parties	32	<b>1,042</b>	63	<b>7,681</b>	16,143
- Other parties		<b>36,913</b>	17,065	<b>3,290</b>	822
Dividends/distributions					
- Wholly-owned controlled entities	32	-	-	<b>206,571</b>	203,305
- Partly-owned controlled entities	32	-	-	<b>56,000</b>	40,576
- Other parties		<b>6,297</b>	-	<b>1,416</b>	-
Other revenue from related parties	32	-	-	<b>1,622</b>	3,736
<b>Other revenue</b>		<b>44,252</b>	17,128	<b>276,580</b>	264,582
<b>Total revenue</b>		<b>10,011,292</b>	8,519,705	<b>276,580</b>	264,582

The Consolidated Entity's share of revenue from joint ventures is excluded from Revenue noted above and from the income statement in accordance with Accounting Standards. The delivery of a number of projects by the Consolidated Entity is through various joint venture arrangements. Details of the Consolidated Entity's share of joint ventures' revenue are provided as additional information below as Revenue - Group and joint ventures. Revenue - joint ventures represents the Group's share of the operations of the joint venture or associated entity.

### Revenue - Group and joint ventures

Revenue - Group	<b>9,967,040</b>	8,502,577
Revenue - joint ventures	<b>1,880,197</b>	1,513,889
Total revenue - Group and joint ventures	<b>11,847,237</b>	10,016,466
Other revenue	<b>44,252</b>	17,128
<b>Revenue - Group and joint ventures</b>	<b>11,891,489</b>	10,033,594

## Notes continued

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>3 Expenses</b>					
Materials		<b>2,360,707</b>	2,042,929	-	-
Subcontractors		<b>2,836,025</b>	2,530,623	-	-
Plant costs		<b>885,195</b>	791,883	-	-
Depreciation of property, plant and equipment	4	<b>426,681</b>	454,051	-	-
Personnel costs		<b>2,357,449</b>	1,842,741	<b>2,047</b>	2,287
Operating lease payments - plant and equipment		<b>235,683</b>	144,370	-	-
Operating lease payments - other		<b>31,550</b>	12,633	-	-
Professional and management fees		<b>157,439</b>	139,733	<b>66,584</b>	1,429
Foreign exchange losses		<b>4,066</b>	2,719	<b>74</b>	1,674
Net gain on the sale of other investments		<b>(24,284)</b>	(4,243)	<b>(15,101)</b>	-
Net gain on the sale of property, plant and equipment		<b>(24,209)</b>	(17,342)	-	-
Cost of development properties sold		<b>13,446</b>	5,700	-	-
Impairment of investment in Asia Pacific Transport Consortium (ADrail)		-	47,507	-	-
Impairment of other investments		-	625	-	-
Impairment of goodwill	14	-	1,241	-	-
Other expenses		<b>245,771</b>	208,021	<b>1,222</b>	2,782
<b>Total expenses</b>		<b>9,505,519</b>	8,203,191	<b>54,826</b>	8,172

## 4 Profit before tax

Profit before tax includes the following expenses:

### Finance costs

- Related parties	32	<b>81</b>	947	-	-
- Other parties		<b>34,174</b>	24,610	<b>16,491</b>	16,881
Total finance costs		<b>34,255</b>	25,557	<b>16,491</b>	16,881

### Depreciation of property, plant and equipment

- Buildings		<b>1,220</b>	1,207	-	-
- Plant and equipment		<b>263,919</b>	271,057	-	-
- Plant and equipment - major component parts		<b>153,781</b>	176,729	-	-
- Leasehold land and buildings		<b>846</b>	820	-	-
- Leasehold improvements		<b>3,830</b>	1,984	-	-
- Waste management assets		<b>3,085</b>	2,254	-	-
Total depreciation	24	<b>426,681</b>	454,051	-	-

## Notes continued

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>5 Auditors' remuneration</b>				
Assurance services - audit and review of financial reports				
Auditors of the Company - KPMG Australia	2,374	1,476	-	-
Auditors of the Company - related overseas firms	934	722	-	-
Audit services - KPMG	3,308	2,198		
Other auditors	446	439	-	-
Total remuneration for audit services	3,754	2,637	-	-
Other assurance services				
Auditors of the Company - KPMG Australia				
- Corporate finance	553	163	-	-
- Due diligence services	-	87	-	-
- Controls assurance services	-	4	-	-
- Other services	200	198	-	-
Auditors of the Company - related overseas firms	45	90	-	-
Other assurance services - KPMG	798	542		
Other auditors	457	249	-	-
Total remuneration for other assurance services	1,255	791	-	-
Taxation services*				
Auditors of the Company - KPMG Australia	2,011	1,322	-	-
Auditors of the Company - related overseas firms	159	254	-	-
Taxation services - KPMG	2,170	1,576		
Other auditors	1,993	397	-	-
Total remuneration for taxation services	4,163	1,973	-	-

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.

All amounts payable to the Auditors of the Company were paid by a controlled entity of the Company.

## Notes continued

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>6 Income tax expense</b>				
<b>Income tax expense recognised in the income statements</b>				
Current tax expense/(benefit)	196,440	85,972	(39,747)	(11,039)
Deferred tax expense/(benefit)	(68,684)	7,345	136	(51)
Adjustments for prior years	1,104	447	(1,340)	(675)
<b>Total income tax expense/(benefit) in income statement</b>	<b>128,860</b>	<b>93,764</b>	<b>(40,951)</b>	<b>(11,765)</b>
<b>Deferred tax recognised directly in equity</b>				
Revaluation of cash flow hedges	20,714	22	-	-
Revaluation of available-for-sale assets	5,079	1,925	-	-
	<b>25,793</b>	<b>1,947</b>	<b>-</b>	<b>-</b>
<b>Reconciliation between tax expense and profit before tax</b>				
Profit before tax	584,096	371,153	205,263	239,529
Prima facie income tax expense at 30% (2006: 30%)	175,229	111,346	61,579	71,859
The following items have affected income tax expense for the year:				
- Entertainment and other non-allowable items	3,626	3,255	76	76
- Depreciation and amortisation not allowable for tax	786	1,447	-	-
- Building allowance	(199)	(219)	-	-
- Franked and exempt dividends	-	-	(78,903)	(73,164)
- Recoupment of losses previously not recognised	(4,920)	(302)	-	-
- Overseas income tax differential	(432)	6,932	-	-
- Movement in provision for withholding tax on retained earnings of non-resident controlled entities	329	3,651	-	-
- Research and development credit	(43,722)	(27,142)	(22,381)	(10,489)
- Equity-accounted income not subject to tax and other	(2,941)	(5,651)	18	628
Current year income tax expense	127,756	93,317	(39,611)	(11,090)
Under/(over) provision in prior year	1,104	447	(1,340)	(675)
<b>Income tax expense/(benefit)</b>	<b>128,860</b>	<b>93,764</b>	<b>(40,951)</b>	<b>(11,765)</b>

## Notes continued

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>7 Cash and cash equivalents</b>					
Funds on deposit		624,559	622,641	-	-
Cash at bank and on hand		206,813	187,209	63,049	70,769
		<b>831,372</b>	809,850	<b>63,049</b>	70,769
<b>8 Trade and other receivables</b>					
Contract debtors		1,223,058	1,180,525	-	-
Trade debtors		287,910	226,012	-	-
Other amounts receivable		89,064	62,820	1,457	1,798
Prepayments		15,789	13,679	-	-
Derivative financial assets	30	85,114	356	-	-
Loans - unsecured		-	24,083	-	-
Loans - secured related parties	32	26,184	945	-	-
Amounts receivable from controlled entities	32	-	-	328,051	97,775
		<b>1,727,119</b>	1,508,420	<b>329,508</b>	99,573
<b>Progressive value of work completed on contracts in progress at reporting date</b>		<b>20,622,855</b>	15,983,994	-	-
Net contract debtors excluding retentions		985,125	1,064,744	-	-
Retentions		12,803	11,085	-	-
<b>Net contract debtors</b>		<b>997,928</b>	1,075,829	-	-
Cash received to date		19,624,927	14,908,165	-	-
<b>Total progressive value</b>		<b>20,622,855</b>	15,983,994	-	-
Amounts due from customers - contract debtors		1,223,058	1,180,525	-	-
Amounts due to customers - trade creditors		(225,130)	(104,696)	-	-
<b>Net contract debtors</b>		<b>997,928</b>	1,075,829	-	-

Receivables expected to be realised more than 12 months after reporting date: Consolidated Entity \$1,810 (2006: \$26,803), Company \$150,684 (2006: \$97,775).

## Notes continued

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>9 Inventories</b>					
<b>Property developments</b>					
Cost of acquisition		124,405	42,603	-	-
Development expenses capitalised		11,176	17,451	-	-
Rates, taxes, finance and other costs capitalised		18,128	9,209	-	-
		<b>153,709</b>	69,263	-	-
<b>Other inventories</b>					
Raw materials and consumables at cost		78,108	48,712	-	-
		<b>231,817</b>	117,975	-	-

Inventories include property developments of \$107,569 (2006: \$47,580), which are expected to be realised more than 12 months after reporting date. Finance costs capitalised to property developments during the year: \$2,846 (2006: \$3,191). Property developments of \$13,555 (2006: \$27,599) have been pledged as security for interest-bearing liabilities.

## 10 Investments accounted for using the equity method

Associates	22	137,085	30,444	-	-
Joint venture entities	23	123,021	145,425	-	-
		<b>260,106</b>	175,869	-	-

## 11 Other investments

Equity and stapled securities available-for-sale					
- Listed		3,636	5,583	-	-
- Unlisted		176,414	146,102	-	2,694
Investments in controlled entities - at cost		-	-	764,430	763,617
Investments in associates - at cost		-	-	-	1,750
		<b>180,050</b>	151,685	<b>764,430</b>	768,061

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>12 Deferred tax assets</b>				
<b>Recognised deferred tax assets</b>				
Deferred tax assets are attributed to the following:				
- Contract debtors	44,494	20,846	-	-
- Property developments	(7,868)	(6,140)	-	-
- Other inventories	(7,784)	(7,322)	-	-
- Property, plant and equipment	81,107	69,544	-	-
- Trade creditors and accruals	9,887	8,462	-	-
- Employee benefits	97,412	86,090	775	911
- Contract profit differential	(33,354)	(93,931)	-	-
- Withholding tax on retained earnings of non-resident controlled entities	(10,076)	(9,746)	-	-
- Investment revaluations	(31,181)	-	-	-
- Other	(3,329)	2,821	-	-
	<b>139,308</b>	<b>70,624</b>	<b>775</b>	<b>911</b>
<b>Unrecognised deferred tax assets</b>				
Deferred tax assets which have not been recognised in respect of tax losses	7,224	10,252	4,972	7,334

Tax losses not recognised of \$7,224 (2006: \$10,252) include overseas losses and capital losses where there is possibility of recoupment. \$6,298 of these unrecognised losses have no expiry date, the balance having a three to five year expiry date. Deferred tax assets have not been recognised in respect of these tax losses because it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits therefrom. The benefit of tax losses not recognised will be utilised only if the relevant entities earn sufficient profit or capital gains in the future, continue to comply with the provisions of the relevant tax legislation relating to the deduction of carried forward tax losses and there are no changes in tax legislation adversely affecting the Consolidated Entity in realising the benefit.

## Notes continued

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>13 Property, plant and equipment</b>					
Land - cost		<b>22,830</b>	20,177	-	-
Buildings - cost		<b>37,530</b>	35,020	-	-
Accumulated depreciation		<b>(8,147)</b>	(6,978)	-	-
		<b>29,383</b>	28,042	-	-
Leasehold land and buildings - cost		<b>14,409</b>	8,094	-	-
Accumulated depreciation		<b>(2,359)</b>	(1,738)	-	-
		<b>12,050</b>	6,356	-	-
Leasehold improvements - cost		<b>47,186</b>	33,371	-	-
Accumulated depreciation		<b>(13,143)</b>	(12,621)	-	-
		<b>34,043</b>	20,750	-	-
Waste management assets - cost		<b>48,808</b>	43,083	-	-
Accumulated depreciation		<b>(23,814)</b>	(20,729)	-	-
		<b>24,994</b>	22,354	-	-
Plant and equipment - cost		<b>2,299,689</b>	1,858,953	-	-
Accumulated depreciation		<b>(1,164,370)</b>	(1,073,693)	-	-
		<b>1,135,319</b>	785,260	-	-
	24	<b>1,258,619</b>	882,939	-	-

## Notes continued

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>14 Goodwill</b>					
<b>Carrying value</b>					
Balance at beginning of financial year		<b>54,898</b>	30,070	-	-
Acquisitions through business combinations	26	<b>32,782</b>	23,784	-	-
Adjustments to the fair value of business combinations in previous reporting periods		-	2,285	-	-
Impairment charge		-	(1,241)	-	-
Balance at reporting date		<b>87,680</b>	54,898	-	-
<b>Reconciliation of carrying value</b>					
Cost		<b>88,921</b>	56,139	-	-
Accumulated amortisation and impairment		<b>(1,241)</b>	(1,241)	-	-
Balance at reporting date		<b>87,680</b>	54,898	-	-
<b>Impairment tests for cash-generating units containing goodwill</b>					
The following units have significant carrying amounts of goodwill:					
- Leighton Asia Group		<b>14,836</b>	14,836	-	-
- John Holland Group		<b>40,947</b>	11,026	-	-
- Leighton Contractors Group		<b>31,897</b>	29,036	-	-
		<b>87,680</b>	54,898	-	-

The recoverable amount of all cash-generating units is based on value in use calculations, using 5-year cash flow projections based on actual operating results and the Leighton Holdings Group Business Plan. A pre-tax discount rate of 11.5% (2006: 11.5%) has been used in discounting the projected cash flows. The recoverable amount of each cash-generating unit exceeds its carrying amount.

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

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

## Notes continued

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>15 Trade and other payables</b>					
Trade creditors and accruals		2,157,689	1,811,274	1,537	1,498
Other creditors		92,686	59,407	-	-
Derivative financial liabilities	30	16,434	129	-	-
Amounts payable to related parties	32	238,159	80,200	-	-
Amounts payable to controlled entities	32	-	-	52,728	9,302
		<b>2,504,968</b>	1,951,010	<b>54,265</b>	10,800

Trade creditors expected to be settled more than 12 months after reporting date: Consolidated Entity \$235,246 (2006: \$127,433), Company \$52,728 (2006: \$9,302).

## 16 Current tax liabilities

Income tax provision		177,219	36,476	150,748	-
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Income tax payable represents the amounts payable in respect of current and prior periods. The Company's income tax payable includes amounts payable on behalf of controlled entities that are part of the tax-consolidated group.

## 17 Provisions

### Employee benefits

Balance at beginning of financial year		312,099	263,399	3,036	2,867
Provisions made during the year		254,947	209,685	376	420
Acquisitions through business combinations		640	17,674	-	-
Provisions used during the year		(233,179)	(179,296)	(830)	(251)
Effect of movements in foreign exchange		(3,135)	637	-	-
Balance at reporting date		<b>331,372</b>	312,099	<b>2,582</b>	3,036

### Site restoration

Balance at beginning of financial year		8,835	4,402	-	-
Provisions made during the year		6,099	1,715	-	-
Acquisitions through business combinations		-	2,805	-	-
Provisions used during the year		-	(87)	-	-
Balance at reporting date		<b>14,934</b>	8,835	-	-
		<b>346,306</b>	320,934	<b>2,582</b>	3,036

Provisions expected to be settled more than 12 months after reporting date: Consolidated Entity \$170,941 (2006: \$154,039), Company \$2,582 (2006: \$3,036). The provision for employee benefits relates to wages and salaries, annual leave, long service leave, retirement benefits and deferred bonuses. The provision for site restoration represents restoration obligations in respect of landfills, based on the Consolidated Entity's best estimate of the present value of the expenditure required to settle the restoration obligation.

## Notes continued

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>18 Interest-bearing liabilities</b>					
Loans - secured (non-recourse)		6,216	42,950	-	-
Loans - unsecured		26,482	-	-	-
		<b>32,698</b>	42,950	-	-

Interest-bearing liabilities expected to be settled more than 12 months after reporting date: Consolidated Entity \$32,698 (2006: \$3,058), Company nil (2006: nil). The secured loans are property development loans, are non-recourse and are secured against certain property development assets of the Consolidated Entity.

## 19 Equity

### Share capital

Balance at beginning of financial year		479,744	421,851	479,744	421,851
Contributions of equity		1,244	57,893	1,244	57,893
Balance at reporting date		<b>480,988</b>	479,744	<b>480,988</b>	479,744

### Issued and fully paid share capital

		Company	
		2007	2006
Balance at beginning of financial year		277,974,567	272,688,067
Share options exercised	31	113,500	5,286,500
Balance at reporting date		<b>278,088,067</b>	277,974,567

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation. Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

## Notes continued

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>19 Equity - continued</b>				
<b>Total reserves at reporting date</b>	<b>35,127</b>	<b>(292)</b>	<b>-</b>	<b>-</b>
Reserves are represented by:				
<b>Foreign currency translation reserve</b>				
Balance at beginning of financial year	(20,149)	(28,180)	-	-
Total included in statement of recognised income and expense	(30,909)	8,031	-	-
Balance at reporting date	(51,058)	(20,149)	-	-
The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the Consolidated Entity, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.				
<b>Hedging reserve</b>				
Balance at beginning of financial year	205	-	-	-
Total included in statement of recognised income and expense	48,309	205	-	-
Balance at reporting date	48,514	205	-	-
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. The reserve includes cash flow hedges relating to capital commitments for equity investments.				
<b>Fair value reserve</b>				
Balance at beginning of financial year	8,994	-	-	-
Total included in statement of recognised income and expense	14,837	8,994	-	-
Balance at reporting date	23,831	8,994	-	-
The fair value reserve includes the cumulative net change in the fair value of available-for-sale assets until the asset is realised.				
<b>Investment reserve</b>				
Balance at beginning of financial year	10,658	-	-	-
Total included in statement of recognised income and expense	487	10,658	-	-
Balance at reporting date	11,145	10,658	-	-
The investment reserve is used to record post-acquisition increases in the reserves of associates.				
<b>Share based payments reserve</b>				
Balance at beginning of financial year	-	-	-	-
Share options issued to employees of the Consolidated Entity	2,695	-	-	-
Balance at reporting date	2,695	-	-	-
<b>Total reserves at reporting date</b>	<b>35,127</b>	<b>(292)</b>	<b>-</b>	<b>-</b>
<b>Retained earnings</b>				
Balance at beginning of financial year	623,449	499,536	262,098	162,960
Total included in statement of recognised income and expense	450,042	276,069	246,214	251,294
Dividends to shareholders	(239,133)	(152,156)	(239,133)	(152,156)
Balance at reporting date	834,358	623,449	269,179	262,098



## Notes continued

	Consolidated	
	2007	2006
<b>21 Earnings per share</b>		
Basic earnings per share	162.3 ¢	100.2 ¢
Diluted earnings per share	162.0 ¢	100.0 ¢
Profit attributable to members of the parent entity used in the calculation of basic and diluted earnings per share (\$000's)	<b>450,042</b>	276,069
<b>Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>277,291,890</b>	275,635,079
Weighted average effect of share options on issue	<b>555,325</b>	101,794
Weighted average effect of share options converted to ordinary shares	<b>82,288</b>	498,773
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<b>277,929,503</b>	276,235,646

	Principal activity	Country	Consolidated	
			Ownership interest	
			2007	2006
			%	%

## 22 Associates

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

			2007	2006
			%	%
Brisbane Motorway Services Pty Limited	facilities management	Australia	50	50
Defence Maintenance Management Pty Limited	maintenance	Australia	50	50
Devine Limited	property development	Australia	40	-
Gateway Motorway Services Pty Limited	facilities management	Australia	50	-
James Fielding Infrastructure Pty Limited	infrastructure	Australia	50	50
JH Rail Holdings Pty Limited	investment	Australia	-	59
* Leighton Construction India Pvt Limited	construction	India	50	-
Newood Holdings Pty Limited	timber processing	Australia	50	50
Ngarda Civil and Mining Pty Limited	mining	Australia	50	50
Praeco Holdings Limited	property development	Australia	50	50
Promet Engineers Pty Limited	design	Australia	50	50
Sedgman Limited	design	Australia	38	38
Silcar Pty Limited	telecommunications	Australia	50	50
Thiess Kentz Pty Limited	construction	Australia	50	-
Vina Leighton Limited	construction	Vietnam	-	50
Westlink Services Pty Limited	facilities management	Australia	50	50

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

Consolidated	
2007	2006
\$'000	\$'000

## 22 Associates - continued

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

Revenue	<b>382,486</b>	241,436
Expenses	<b>(358,586)</b>	(221,535)
Profit before tax	<b>23,900</b>	19,901
Income tax expense	<b>(7,218)</b>	(5,970)
Profit for the year	<b>16,682</b>	13,931
Assets	<b>465,318</b>	168,431
Liabilities	<b>(299,465)</b>	(109,219)
Consolidated Entity's share of associates' net assets	<b>165,853</b>	59,212
Impairment of investment in JH Rail Holdings Pty Limited	<b>(28,768)</b>	(28,768)
Associates accounted for using the equity method	<b>137,085</b>	30,444

All associates have a reporting date of 30 June, with the following exceptions:

\* Entities have a 31 March reporting date

The fair value of investments in associates for which there are published price quotations at reporting date was \$340,088 (2006: \$97,386).

The movement in carrying amounts of the Consolidated Entity's investments in associates is as follows:

Carrying amount at beginning of financial year	<b>30,444</b>	36,314
Share of net profit	<b>16,682</b>	13,930
Investments in associates acquired during the year	<b>95,578</b>	5,810
Distributions received/receivable	<b>(6,106)</b>	(7,500)
Change in value of associates equity	<b>487</b>	10,658
Impairment of investment in JH Rail Holdings Pty Limited	-	(28,768)
Carrying amount at end of financial year	<b>137,085</b>	30,444

	Principal activity	Country	Consolidated	
			Ownership interest	
			2007 %	2006 %
<b>23 Joint venture entities</b>				
The Consolidated Entity accounts for investments in joint venture entities using the equity method. The Consolidated Entity has the following investments in joint venture entities:				
233 Castlereagh Street joint venture	property development	Australia	50	50
400 George Street (Qld) Pty Limited	property development	Australia	50	-
400 George Street Development Trust	property development	Australia	50	-
Abigroup Leighton joint venture	construction	Australia	50	50
ADrail joint venture	construction	Australia	20	20
Anvil Hill Infrastructure Alliance	construction	Australia	50	-
Bac Devco Pty Limited	property development	Australia	33	33
Bayview Noosa partnership	property development	Australia	50	50
Beenyup Alliance	construction	Australia	47	47
† BJB joint venture	maintenance	Australia	38	38
Cockatoo Iron Ore joint venture	mining	Australia	50	50
Complete joint venture	construction	Australia	50	50
Cotter Goongong Bulk Transfer joint venture	construction	Australia	50	50
Dam Improvement Services joint venture	construction	Australia	40	40
† Emrail Leighton joint venture	construction	Malaysia	-	50
Folkestone/Leighton JV Pty Limited	property development	Australia	50	50
Freeway Business Park Trust	property development	Australia	50	50
Holland York joint venture	construction	Australia	50	50
HPAL Freehold Pty Limited	property development	Australia	50	50
Infocus Infrastructure Management Pty Limited	facilities management	Australia	50	50
John Holland Abigroup Contractors joint venture	construction	Australia	50	-
† John Holland Asia Limited/Namprasert Construction Company Limited joint venture	process engineering	Thailand	50	50
† John Holland Barclay Mowlem joint venture	construction	Australia	50	50
John Holland BRW joint venture	construction	Australia	50	50
John Holland Colin Joss joint venture	construction	Australia	50	50
John Holland Downer EDI joint venture	construction	Australia	60	60
John Holland Downes Graderway joint venture	construction	Australia	50	50
John Holland Fairbrother joint venture	construction	Australia	50	50
John Holland Lahey joint venture	construction	Australia	50	50
John Holland MacMahon joint venture (Bell Bay)	construction	Australia	80	-
John Holland MacMahon joint venture (Roe and Tonkin Highways)	construction	Australia	50	50
John Holland MacMahon joint venture (Ross River Dam)	construction	Australia	50	50
John Holland McConnell Dowell joint venture	construction	Australia	50	50
John Holland MVM joint venture	construction	Australia	50	50
JM joint venture	construction	Australia	50	-
JM JV SIA joint venture	construction	Australia	80	80
John Holland Tenix Alliance joint venture	construction	Australia	50	-
John Holland Thames Water joint venture	construction	Australia	50	50

## Notes continued

	Principal activity	Country	Consolidated	
			Ownership interest	
			2007 %	2006 %
<b>23 Joint venture entities - continued</b>				
John Holland Veolia Water Australia joint venture	construction	Australia	65	50
Leighton Abigroup joint venture	construction	Australia	50	-
Leighton China State joint venture (Wynn Resort)	construction	Macau	50	50
Leighton China State-Van Oord joint venture	construction	Hong Kong	45	45
Leighton Contractors & Boulderstone Hornibrook Bilfinger Berger joint venture	construction	Australia	50	50
Leighton Golding joint venture	construction	Australia	-	55
Leighton Hsin Chong joint venture	construction	Hong Kong	50	50
Leighton-Kier joint venture	construction	UAE	50	50
Leighton Kumagai joint venture	construction	Australia	55	55
* Leighton Kumagai joint venture (Route 9-Eagle's Nest Tunnel)	construction	Hong Kong	51	51
* Leighton Kumagai joint venture (Wanchai East & North Point Trunk Sewers)	construction	Hong Kong	51	51
Leighton-Lama joint venture	construction	Malaysia	54	54
* Leighton-Oriental Structural Engineers joint venture	construction	India	50	-
Link 200 joint venture	construction	Hong Kong	48	48
Link 200 Station joint venture	construction	Hong Kong	60	60
Link 200 Tunnel joint venture	construction	Hong Kong	60	60
Macarthur Chambers joint venture	property development	Australia	-	50
Manukau Motorway	construction	New Zealand	50	-
Ngarda Civil and Mining Pty Limited and Leighton Contractors Pty Limited	construction	Australia	50	-
Northern Gateway Alliance	construction	New Zealand	50	50
Rail Link joint venture	construction	Australia	65	65
River Links Unincorporated joint venture	construction	Australia	18	18
Roche Thiess Linfox joint venture	mobile plant/earthmoving	Australia	44	44
Safelink Alliance	construction	Australia	50	50
Smith Street Pty Limited	property development	Australia	-	50
Smith Street Trust	property development	Australia	-	50
Southern Gateway Alliance	construction	Australia	70	-
St Ives Gold Project joint venture	construction	Australia	50	50
† Taiwan Track Partners joint venture	construction	Taiwan	28	28
Thiess Alstom joint venture	construction	Australia	50	50
Thiess Black and Veatch joint venture	construction	Australia	50	-
Thiess Hochtief joint venture	construction	Australia	50	50
Thiess Sedgman joint venture	construction	Australia	50	50
Thiess United Group joint venture	construction	Australia	50	50

	Principal activity	Country	Consolidated	
			Ownership interest	
			2007 %	2006 %
Universal Portfolio Services Pty Limited	property development	Australia	50	50
Viridian Noosa Pty Limited	property development	Australia	50	50
Viridian Noosa Trust	property development	Australia	50	50

## 23 Joint venture entities - continued

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

† Entities have a 31 December reporting date

\* Entities have a 31 March reporting date

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

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

	Consolidated	
	2007 \$'000	2006 \$'000
The Consolidated Entity's share of joint venture entities' results, assets and liabilities is as follows:		
Revenue	1,497,711	1,272,453
Expenses	(1,401,815)	(1,206,188)
Profit before tax	95,896	66,265
Income tax expense	-	-
Profit for the year	95,896	66,265
Current assets	473,353	505,177
Non current assets	136,121	155,827
Total assets	609,474	661,004
Current liabilities	453,256	478,735
Non current liabilities	33,197	36,844
Total liabilities	486,453	515,579
Consolidated Entity's share of joint ventures' net assets	123,021	145,425

The movement in carrying amounts of the Consolidated Entity's investments in joint ventures is as follows:

Carrying amount at beginning of financial year	145,425	183,250
Share of net profit	95,896	66,265
Contributions to joint venture entities	415,554	302,948
Drawings from joint venture entities	(533,854)	(407,038)
Carrying amount at end of financial year	123,021	145,425

Notes continued

24 Reconciliation of property, plant and equipment carrying values

	Land \$'000	Buildings \$'000	Leasehold land and buildings \$'000	Leasehold improvements \$'000	Waste management assets \$'000	Plant and equipment \$'000	Total property, plant and equipment \$'000
<b>2007 Consolidated</b>							
Carrying amount at the beginning of the year	20,177	28,042	6,356	20,750	22,354	785,260	882,939
Additions	3,303	3,251	1,218	17,578	5,725	994,041	1,025,116
Additions through acquisition of controlled entities and businesses	-	-	6,000	-	-	66,815	72,815
Disposals	(650)	(690)	-	(339)	-	(279,203)	(280,882)
Depreciation	-	(1,220)	(846)	(3,830)	(3,085)	(417,700)	(426,681)
Effects of exchange rate fluctuations	-	-	(678)	(116)	-	(13,894)	(14,688)
<b>Carrying amount at reporting date</b>	<b>22,830</b>	<b>29,383</b>	<b>12,050</b>	<b>34,043</b>	<b>24,994</b>	<b>1,135,319</b>	<b>1,258,619</b>

Notes continued

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>25 Reconciliation of profit for the year to net cash from operating activities</b>				
Profit for the year	455,236	277,389	246,214	251,294
<i>Add/(less) non-cash items:</i>				
Depreciation of property, plant and equipment	426,681	454,051	-	-
Amounts set aside to provisions	262,307	212,147	376	420
Impairment of investments	-	48,132	-	-
Impairment of goodwill	-	1,241	-	-
Foreign exchange losses	3,331	1,858	52	1,172
Gains on sale of assets	(48,493)	(21,585)	(15,101)	-
Non-cash intercompany transactions	-	-	55,220	(18,067)
<i>Net changes in assets/liabilities:</i>				
Increase/(decrease) in receivables	(184,563)	(345,970)	342	(354)
Decrease/(increase) in joint ventures and associates	6,650	28,566	-	-
Increase in inventories	(111,036)	(33,846)	-	-
Increase/(decrease) in payables	581,566	373,628	39	(2,022)
Decrease in provisions	(233,179)	(179,383)	(830)	(251)
Current and deferred income tax movement	42,525	930	(29,379)	(29,814)
<b>Net cash from operating activities</b>	<b>1,201,025</b>	<b>817,158</b>	<b>256,933</b>	<b>202,378</b>

## 26 Acquisitions of controlled entities and businesses

During the year to 30 June 2007 the consolidated entity made the following acquisitions.

### CE Marshall & Sons Earthmoving

On 28 February 2007 the Consolidated Entity acquired selected assets and liabilities of CE Marshall & Sons Earthmoving Pty Limited ("Marshall's") for \$99.3 million cash, including acquisition costs. In the four months to 30 June 2007, Marshall's contributed net loss after tax of \$1.5 million to the consolidated net profit for the year.

### ITS

On 1 July 2006, the Consolidated Entity acquired all the shares in Industrial & Technical Services Pty Limited, ITS Holdings Pty Limited and ITS Lube Services Pty Limited (together "ITS") for \$3.4 million cash, including acquisition costs. In the year to 30 June 2007, these companies contributed net profit after tax of \$0.2 million to the consolidated net profit for the year.

### Ansett Aviation Engineering Services

On 1 June 2007, the Consolidated Entity acquired selected assets and liabilities of Ansett Aviation Engineering Services ("AAES") for \$10.0 million cash, including acquisition costs. In the one month to 30 June 2007, AAES contributed net loss after tax of \$0.2 million to the consolidated net profit for the year.

As some of the businesses acquired by the Consolidated Entity were in administration, it is not practicable to determine the Consolidated Entity's revenue and profit had the acquisitions occurred on 1 July 2006.

These acquisitions had the following effect on the Consolidated Entity's assets and liabilities at the respective acquisition dates:

	Carrying amounts before acquisition	Fair value adjustments	Recognised values
	\$'000	\$'000	\$'000
Cash and cash equivalents	58	-	58
Trade and other receivables	1,156	1,405	2,561
Inventories	6,865	-	6,865
Deferred tax assets	-	109	109
Property, plant and equipment	72,815	-	72,815
Trade and other payables	( 1,779)	-	( 1,779)
Provisions	( 640)	-	( 640)
Net identifiable assets and liabilities	78,475	1,514	79,989
Goodwill on acquisition			32,782
Total purchase consideration, including acquisition costs of \$4.6 million			112,771
Cash acquired			(58)
Net cash outflow			112,713

Goodwill has arisen on these acquisitions as a premium was paid above the acquired net assets for the benefit of the anticipated synergies arising from these acquisitions, entrance to new markets and acquiring skilled workforces.

## 26 Acquisitions of controlled entities and businesses

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

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

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

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

## 27 Segment information

### Geographical segments

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

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

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

### Business segments

The Consolidated Entity provides construction and other contracting services in the following disciplines: engineering and infrastructure, mining and resources, building and property and operations and maintenance. These disciplines represent the business segments of the Consolidated Entity.

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

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

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

## Notes continued

	Australia/ Pacific \$'000	Asia \$'000	Eliminations \$'000	Total \$'000
<b>27 Segment information - continued</b>				
<b>Primary segment - geographical</b>				
<b>2007</b>				
Revenue - Group and joint ventures	10,247,933	1,643,556	-	11,891,489
Segment revenue	8,604,268	1,369,069	-	9,973,337
Interest revenue				37,955
<b>Revenue</b>				<b>10,011,292</b>
Segment result	415,774	52,044	-	467,818
Share of profit of associates and joint venture entities*	100,028	12,550	-	112,578
Interest revenue				37,955
Finance costs				(34,255)
Profit before tax				584,096
Income tax expense				(128,860)
<b>Profit for the year</b>				<b>455,236</b>
Depreciation of property, plant and equipment	354,267	72,414	-	426,681
Other non-cash expenses	232,154	33,485	-	265,639
Segment assets	4,008,193	798,570	(490,106)	4,316,657
Investments accounted for using the equity method	230,274	29,832	-	260,106
Current tax assets				29,131
Deferred tax assets				139,308
<b>Total assets</b>				<b>4,745,202</b>
Acquisition of segment assets	870,202	173,285	-	1,043,487
Segment liabilities	2,538,702	588,126	(275,554)	2,851,274
Interest-bearing liabilities and Notes				362,110
Current tax liabilities				177,219
<b>Total liabilities</b>				<b>3,390,603</b>

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

## Notes continued

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

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

**27 Segment information - continued**

**Secondary segment - business**

	Engineering & Infrastructure \$'000	Mining & Resources \$'000	Building & Property \$'000	Operations & Maintenance \$'000	Unallocated \$'000	Total \$'000
<b>2007</b>						
Revenue - Group and joint ventures	4,827,138	3,386,053	1,695,920	1,944,423	37,955	11,891,489
Segment revenue	3,269,819	3,262,099	1,620,950	1,820,469	-	9,973,337
Segment assets	1,373,962	1,335,749	636,833	404,030	566,083	4,316,657
Acquisition of segment assets	324,217	499,780	115,332	103,143	1,015	1,043,487
<b>2006</b>						
Revenue - Group and joint ventures	4,191,023	2,600,865	1,826,345	1,398,233	17,128	10,033,594
Segment revenue	2,866,594	2,507,395	1,823,825	1,304,763	-	8,502,577
Segment assets	1,155,510	1,117,693	506,226	252,454	493,884	3,525,767
Acquisition of segment assets	304,300	350,747	68,800	52,114	2,846	778,807

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000

## 28 Commitments

### Operating leases

The Consolidated Entity leases plant and equipment used in contract mining and civil engineering activities and property for the purposes of office accommodation under operating leases. Operating leases generally provide the Consolidated Entity with a right of renewal. Under certain property operating leases, contingent rentals may be payable for periodic rent reviews. The Consolidated Entity's leasing arrangements impose no restrictions on any of its financial arrangements.

Expenditure commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities, payable:

- within one year	<b>286,639</b>	243,559	-	-
- later than one year but not later than five years	<b>780,678</b>	782,610	-	-
- later than five years	<b>134,371</b>	116,007	-	-
	<b>1,201,688</b>	1,142,176	-	-

Representing:

Cancellable operating leases - plant and equipment	<b>900,911</b>	853,425	-	-
Cancellable operating leases - property	<b>92,980</b>	53,297	-	-
Non-cancellable operating leases	<b>207,797</b>	235,454	-	-
	<b>1,201,688</b>	1,142,176	-	-

### Non-cancellable operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

#### Plant and equipment

- within one year	<b>44,385</b>	48,739	-	-
- later than one year but not later than five years	<b>57,480</b>	111,722	-	-
- later than five years	-	4,534	-	-
	<b>101,865</b>	164,995	-	-

#### Property

- within one year	<b>27,986</b>	18,007	-	-
- later than one year but not later than five years	<b>59,119</b>	40,102	-	-
- later than five years	<b>18,827</b>	12,350	-	-
	<b>105,932</b>	70,459	-	-
	<b>207,797</b>	235,454	-	-

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**Notes continued**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>28 Commitments - continued</b>				
<b>Capital commitments</b>				
Capital expenditure contracted for at reporting date but not recognised as liabilities is as follows:				
<b>Property, plant and equipment</b>				
Payable:				
- within one year	<b>389,497</b>	378,076	-	-
- later than one year but not later than five years	-	-	-	-
- later than five years	-	-	-	-
	<b>389,497</b>	378,076	-	-
<b>Other investments</b>				
Payable:				
- within one year	<b>314,100</b>	3,045	-	1,103
- later than one year but not later than five years	<b>84,950</b>	266,203	-	6,203
- later than five years	-	-	-	-
	<b>399,050</b>	269,248	-	7,306
<b>Joint venture commitments - property, plant and equipment</b>				
Payable:				
- within one year	<b>34,304</b>	1,411	-	-
- later than one year but not later than five years	-	-	-	-
- later than five years	-	-	-	-
	<b>34,304</b>	1,411	-	-

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000

## 29 Contingencies

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

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

- Bank guarantees	1,580,420	1,539,485	1,580,420	1,539,485
- Insurance, performance and payment bonds	81,236	145,060	81,236	145,060
- Letters of credit	483,174	282,674	483,174	282,674

Letters of credit include those provided for the Consolidated Entity's capital commitments totalling \$363,624 (2006: 260,000), refer to note 28.

### Other contingencies

- (i) The Company is called upon to give, in the ordinary course of business, guarantees and indemnities in respect of the performance by controlled entities, associates and related parties of their contractual and financial obligations. The value of these guarantees and indemnities is indeterminable in amount.
- (ii) There exists in some members of the Consolidated Entity the normal design liability in relation to completed design and construction projects.
- (iii) Certain members of the Consolidated Entity have the normal contractor's liability in relation to construction contracts. This liability may include litigation by or against the Consolidated Entity and/or joint venture arrangements in which the Consolidated Entity has an interest. It is not possible to estimate the financial effect of these claims should they be successful. The Directors are of the opinion that adequate allowance has been made and that disclosure of any further information about the claims would be prejudicial to the interests of the Consolidated Entity.
- (iv) Controlled entities have entered into joint venture arrangements under which the controlled entity may be jointly and severally liable for the liabilities of the joint venture arrangement.
- (v) Under the terms of the Class Order described in note 33 the Company has entered into approved deeds of indemnity for the cross-guarantee of liabilities with participating Australian subsidiary companies.

## 30 Financial instruments

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

### Credit risk

#### Consolidated Entity

The Consolidated Entity has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. The Consolidated Entity minimises concentrations of credit risk by undertaking transactions with a large number of customers in various countries. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. At the reporting date there were no significant concentrations of credit risk. The Consolidated Entity's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

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

### 30 Financial instruments - continued

#### Credit risk - continued

##### Company

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

#### Price risk

##### Consolidated Entity

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

##### Company

The Company is not exposed to significant price risk.

#### Interest rate risk

##### Consolidated Entity

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

Interest payable on Leighton Notes is 8.01% pa to 30 November 2008, subject to the credit rating of Leighton Notes remaining above Standard & Poors BBB-. Interest payable on Leighton Finance International Notes is fixed at 7.875% pa. Interest payable on loans of \$32,698 is fixed at rates between 7.59% and 8.17%.

##### Company

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

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

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

Weighted average rate %	Floating rate \$'000	Fixed rate, maturing in:			Non interest bearing \$'000	Total \$'000
		1 year or less \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000		

#### 2007 Consolidated Entity

##### Financial assets

Cash and cash equivalents	5.58	823,632 <sup>1</sup>	-	-	-	7,740	831,372
Trade and other receivables	8.43	25,346 <sup>1</sup>	-	-	-	1,701,773	1,727,119
Other investments	10.65	-	-	-	68,600	111,450	180,050
		<b>848,978</b>	-	-	<b>68,600</b>	<b>1,820,963</b>	<b>2,738,541</b>

##### Financial liabilities

Trade and other payables		-	-	-	-	2,504,968	2,504,968
Interest-bearing liabilities	8.08	-	-	32,698	-	-	32,698
Leighton Finance International Notes	7.88	-	-	129,412	-	-	129,412
Leighton Notes	8.01	200,000 <sup>2</sup>	-	-	-	-	200,000
		<b>200,000</b>	-	<b>162,110</b>	-	<b>2,504,968</b>	<b>2,867,078</b>

Maturing in 1 year or less <sup>1</sup>  
 Maturing in 2013 <sup>2</sup>

## 30 Financial instruments - continued

	Weighted average rate %	Floating rate \$'000	Fixed rate, maturing in:			Non interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000		
<b>2006 Consolidated Entity</b>							
<i>Financial assets</i>							
Cash and cash equivalents	5.26	804,318	-	-	-	5,532	809,850
Trade and other receivables	6.99	24,515	-	-	-	1,483,905	1,508,420
Other investments	11.93	-	-	-	49,000	102,685	151,685
		<b>828,833</b>	<b>-</b>	<b>-</b>	<b>49,000</b>	<b>1,592,122</b>	<b>2,469,955</b>
<i>Financial liabilities</i>							
Trade and other payables		-	-	-	-	1,951,010	1,951,010
Interest-bearing liabilities	7.34	22,892	20,058	-	-	-	42,950
Leighton Finance International Notes	7.88	-	-	148,649	-	-	148,649
Leighton Notes	8.01	200,000	-	-	-	-	200,000
		<b>222,892</b>	<b>20,058</b>	<b>148,649</b>	<b>-</b>	<b>1,951,010</b>	<b>2,342,609</b>
<b>2007 Company</b>							
<i>Financial assets</i>							
Cash and cash equivalents	<b>6.25</b>	<b>63,049</b>	-	-	-	-	<b>63,049</b>
Trade and other receivables	<b>6.99</b>	<b>322,247</b>	-	-	-	<b>7,261</b>	<b>329,508</b>
Other investments		-	-	-	-	<b>764,430</b>	<b>764,430</b>
		<b>385,296</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>771,691</b>	<b>1,156,987</b>
<i>Financial liabilities</i>							
Trade and other payables		-	-	-	-	<b>54,265</b>	<b>54,265</b>
Leighton Notes	<b>8.01</b>	<b>200,000</b>	-	-	-	-	<b>200,000</b>
		<b>200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,265</b>	<b>254,265</b>
<b>2006 Company</b>							
<i>Financial assets</i>							
Cash and cash equivalents	5.75	70,769	-	-	-	-	70,769
Trade and other receivables	6.48	90,340	-	-	-	9,233	99,573
Other investments		-	-	-	-	768,061	768,061
		<b>161,109</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>777,294</b>	<b>938,403</b>
<i>Financial liabilities</i>							
Trade and other payables		-	-	-	-	10,800	10,800
Leighton Notes	8.01	200,000	-	-	-	-	200,000
		<b>200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,800</b>	<b>210,800</b>

## 30 Financial instruments - continued

### Foreign currency risk

#### *Consolidated Entity*

The Consolidated Entity is exposed to foreign currency risk on project receipts and expenditure and plant and equipment purchase commitments denominated in foreign currencies. The currency giving rise to this risk is primarily US Dollars. Where foreign currency risk is considered to be significant, members of the Consolidated Entity enter into forward exchange contracts to hedge their foreign currency risk. These hedges are classified as cash flow hedges and stated at fair value. The net fair value of forward exchange contracts at reporting date was a net loss of (\$4,424) (2006: net gain of \$205) which was recognised as derivative financial asset of \$110 (2006: 356) and a derivative financial liability of \$4,534 (2006: 129), with a tax effect of \$1,195 (2006: 22). These contracts have settlement dates up to October 2008.

#### *Company*

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

### Fair values of financial instruments

#### *Consolidated Entity*

The fair value of investments in associates is disclosed in note 10. The carrying amounts of other financial assets and liabilities in the Consolidated Entity's balance sheet approximate fair values.

#### *Company*

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

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

#### *Trade and other receivables/payables*

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

#### *Interest-bearing liabilities*

Fair value is calculated based on the present value of discounted expected future principal and interest cash flows at reporting date.

#### *Leighton Notes, Leighton Finance International Notes*

Fair value is calculated based on the present value of discounted expected future principal and interest cash flows at reporting date. At reporting date the listed price of the Leighton Notes was \$102.1 and the listed price of the Leighton International Notes was US\$101.0.

### 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.

#### *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<sup>5</sup> 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.

## 30 Financial instruments - continued

### Leighton Notes – continued

#### *Conversion ratio*

The number of Ordinary Shares issued on conversion of each Leighton Note will be calculated by dividing:

- the Face Value plus Outstanding Interest, by
- the average of the daily volume weighted average sale prices of Ordinary Shares sold on ASX during the 20 Business Days immediately before the Conversion Date, reduced by the Conversion Discount.

#### 1. *Tax Event* means:

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

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

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

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

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

4. A *Scheme Event* occurs if a Court approves a scheme of arrangement by Leighton, as defined in clause 21.2 of the Terms of Issue.

5. *Reset Date* means 30 November 2008 or thereafter as reset by Leighton in accordance with the Terms of Issue. On a Reset Date, Leighton may reset certain terms including the next Reset Date, the method of calculating the Interest Rate, the timing of interest payments and the conversion terms.

#### *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<sup>4</sup> or in October 2103, Leighton must redeem Leighton Notes; and
- On redemption, Noteholders will generally receive the Face Value plus Outstanding interest.

## 30 Financial instruments - continued

### Leighton Notes - continued

Noteholders receive cumulative fixed interest payable semi-annually in arrears. Interest will be paid on 30 November 2007 at the rate of 8.01% pa in respect of the period from 31 May 2007 to 29 November 2007 (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 2007 ("Record Date") shall be entitled to receive the payment. The weighted average interest rate for Leighton Notes for the year was 8.01%.

### Leighton Finance International Notes

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

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

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

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

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

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

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

For the purpose of determining Noteholders entitlements to the payment of interest on 16 November 2007, only those persons who are registered as Noteholders at the opening of business on 1 November 2007 ("Record Date") shall be entitled to receive the payment.

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>31 Employee benefits</b>				
<b>Defined contribution superannuation funds</b>				
During the year, the Consolidated Entity recognised \$121,588 of defined contribution expenses. The Company recognised \$137 of defined contribution expenses.				
<b>Defined benefit superannuation funds</b>				
The Consolidated Entity makes contributions to the Leighton Superannuation Plan and the AMEC Superannuation Fund. These funds provide defined benefits to employee members upon retirement. The Company makes no contributions to defined benefit plans. The Consolidated Entity and the Company have used the AASB 1.20A exemption and disclosed amounts required under AASB 119.120A(p) for each annual reporting period prospectively from the date of transition to AIFRS.				
<b>Defined benefit obligations</b>				
Present value of wholly unfunded obligations	-	-	-	-
Present value of funded obligations	(30,633)	(33,151)	-	-
Fair value of fund assets - funded	32,758	38,283	-	-
Present value of net obligations	2,125	5,132	-	-
Less unrecognised actuarial gains	(2,009)	(3,742)	-	-
Recognised asset for defined benefit obligations	116	1,390	-	-
<b>Movements in the net asset/(liability) for defined benefit obligations recognised in the balance sheet</b>				
Net asset/(liability) for defined benefit obligations at 1 July	1,390	538	-	-
Contributions received	5,486	1,679	-	-
Expense recognised in the income statement	(6,760)	(827)	-	-
Net asset for defined benefit obligations at 30 June	116	1,390	-	-
<b>Changes in the present value of the defined benefit obligation</b>				
Opening defined benefit obligation	(33,151)	(37,120)	-	-
Service cost	(7,741)	(2,000)	-	-
Interest cost	(1,487)	(1,399)	-	-
Contributions by plan participants	(395)	(305)	-	-
Actuarial gains/ (losses)	(5,300)	1,843	-	-
Benefits paid	17,441	5,830	-	-
Closing defined benefit obligation	(30,633)	(33,151)	-	-
<b>Changes in the fair value of fund assets</b>				
Opening fair value of fund assets	38,283	37,658	-	-
Expected return	2,437	2,572	-	-
Contributions by employer	5,093	1,377	-	-
Contributions by plan participants	395	305	-	-
Actuarial gains	3,598	1,899	-	-
Benefits paid	(17,048)	(5,528)	-	-
Closing fair value of fund assets	32,758	38,283	-	-

## Notes continued

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>31 Employee benefits - continued</b>				
Experience adjustments on fund liabilities – gains	(6,190)	272	-	-
Experience adjustments on fund assets – gains	3,598	1,899	-	-
The major categories of fund assets as a percentage of total fund assets are as follows:				
Equity securities	66.4%	44.8%	-	-
Debt securities	18.5%	37.7%	-	-
Property securities	15.1%	17.4%	-	-
Other securities	-	-	-	-
<b>Expenses recognised in the income statement as personnel costs</b>				
Current service costs	7,741	2,000	-	-
Interest on obligation	1,487	1,399	-	-
Recognised actuarial gain	(31)	-	-	-
Expected return on fund assets	(2,437)	(2,572)	-	-
	<b>6,760</b>	<b>827</b>	-	-
Actual return on fund assets	<b>6,037</b>	<b>4,472</b>	-	-

The Consolidated Entity expects to contribute \$2,007 (2006: \$2,165) to its defined benefit superannuation funds in the 2008 financial year.

### Principal actuarial assumptions at reporting date:

Discount rate (net of tax)	5.4%	5.0%	-	-
Expected return on fund assets (net of tax)	8.3%	7.5%	-	-
Future salary increases	4.0%	4.0%	-	-

The overall long-term rate of return on assets is 8.3%, net of tax. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

## 31 Employee benefits - continued

### Share based payments

#### *Leighton Employees Share Plan*

Shareholder approval was obtained at the Annual General Meeting on 5 November 1998 to establish the Leighton Employees Share Plan ("LESP"). Subject to certain eligibility criteria, all permanent employees of the Consolidated Entity are entitled to participate in LESP. The rules of LESP permit the Company to make an annual offer of shares in the Company to eligible employees. The maximum value of shares which may be offered to any employee in any one year is \$1,000. During the year, the Company purchased 244,850 shares on-market and offered these shares to employees (2006: 251,340). An expense of \$4,873,000 was recognised during the year for the cost of these shares (2006: 4,255,000). No shares were issued under LESP during the year (2006:nil).

#### *Leighton Executive Share Option Plan*

Shareholder approval was obtained at the Annual General Meeting on 5 November 1998 to establish the Leighton Executive Share Option Plan ("LESOP"). The rules of LESOP allow the Company to offer selected executives options over unissued ordinary shares in the Company. All options issued expire on the earlier of their expiry date or termination of the individual's employment except in the case of retirement. Not more than 50% of the options may be exercised before the third anniversary of the date of grant. 100% of options must be exercised before the fifth anniversary of the date of grant. All of the LESOP options on issue during the period had passed their third anniversary date.

In addition to a continuing employment service condition, the ability to exercise LESOP options is conditional on the Consolidated Entity achieving a performance hurdle. The performance hurdle requires that the increase in the Consolidated Entity's shareholder returns (i.e. growth in share price plus dividends reinvested) during the period of two years ending 28 days before the proposed exercise of the option equals or exceeds the percentage increase in either the ASX 100 Industrials Accumulation Index or the ASX Industrials Accumulation Index during the same two year period.

5,980,000 options were granted on 27 March 2002 to 276 employees at an exercise price of \$10.96 per option, with an expiry date of 27 March 2007. At the beginning of the year, 323,500 options were unexercised (2006: 5,520,000). During the period 113,500 options were exercised (2006: 5,196,000) and 210,000 options lapsed (2006: nil), leaving a balance of nil options unexercised at reporting date (2006: 323,500).

#### *Leighton Senior Executive Share Option Plan*

Shareholder approval was obtained at the Annual General Meeting on 9 November 2006 to establish the Leighton Senior Executive Share Option Plan ("LSESOP"). The rules of LSESOP allow the Company to offer selected executives options over unissued ordinary shares in the Company. All options issued expire on the earlier of their expiry date or termination of the individual's employment except in the case of retirement. Not more than 50% of the options may be exercised before the fourth 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 Total Shareholder Return ("TSR") (i.e. growth in share price plus dividends reinvested) or Earnings Per Share ("EPS") (i.e. as defined in AASB 133) performance hurdles, as follows:

- 50% of each grant of options will be subject to a TSR performance hurdle (parcel A). The TSR hurdle requires total shareholder return of the Company compared to the ASX 100 over the performance period (from grant date to test date) to be at least at the 50<sup>th</sup> percentile before any parcel A options are exercisable (50% exercisable at threshold) and at the 75<sup>th</sup> percentile before all parcel A options are exercisable; and
- 50% of each grant of options will be subject to an EPS hurdle (parcel B). Annual compound earnings per share growth over the performance period must be at least 8% per annum before any parcel B options are exercisable (20% exercisable at threshold) and at 12% per annum before all parcel B options are exercisable.

5,410,000 options were granted on 15 December 2006 to 62 employees at an exercise price of \$20.42 per option, with an expiry date of 15 December 2011. During the period nil options were exercised and no options lapsed, leaving a balance of 5,410,000 options unexercised at reporting date, all of which were exercisable.

## 31 Employee benefits - continued

### Share based payments - continued

#### *Leighton Management Share Plan*

Shareholder approval was obtained at the Annual General Meeting on 9 November 2006 to establish the Leighton Management Share Plan ("LMSP"). The rules of LMSP allow the Company to grant selected executives shares which the Company acquires on market. Recipients under the LMSP forfeit their shares if they do not remain in employment with the Consolidated Entity for at least 3 years from date of grant.

During the year the Company purchased 99,903 shares on market which were granted on 8 March 2007 to 304 participants. An expense of \$2,978,500 was recognised during the year for the cost of these shares (2006: nil). The shares were granted by the Company under LMSP following the achievement by the Consolidated Entity of an increase in profit in excess of specified thresholds.

The average Leighton Holdings Limited share price during the year was \$25.25. The share price at 30 June 2007 was \$41.25.

All offers under the LESP, LESOP, LSESOP and LMSP plans are at the discretion of the Company.

All offers under the LESOP, LSESOP and LMSP plans are subject to pre-conditions of issue and achieving certain performance hurdles prior to exercise of options which are contained in the Plan rules.

## 32 Related party disclosures

### Key management personnel

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

#### Non-executive Directors

M Albrecht	Director
G Ashton	Director and Chairman until resignation on 31 May 2007
A Drescher	Director
P Gregg	Director from 4 July 2006
R Humphris	Director
H-P Keitel	Director, Deputy Chairman until 3 April 2007
T Leppert	Director until resignation on 1 February 2007
H Lütkestratkötter	Director from 14 February 2007
I Macfarlane	Director from 1 June 2007
D Mortimer	Director, Chairman from 1 June 2007
P Noé	Director, Deputy Chairman from 4 April 2007
D Robinson	Director

#### Executive Directors

W King	Chief Executive Officer
D Adamsas	Deputy Chief Executive Officer and Chief Financial Officer until resignation on 30 June 2007. Non-executive Director from 1 July 2007.

#### Specified Executives

J Dujmovic	Managing Director	Leighton Asia Limited
P McMorrow	Managing Director	Leighton Contractors Pty Limited
D Savage	Managing Director	Leighton International Limited
D Saxelby	Managing Director (from 14 February 2007)	Thiess Pty Limited
D Stewart	Managing Director	John Holland Group Pty Limited
R Trundle	Managing Director (until 13 February 2007)	Thiess Pty Limited
V Vella	Managing Director (until resignation on 30 June 2007)	Leighton Properties Pty Limited
W Wild	Chief Operating Officer	Leighton Holdings Limited

#### Key management personnel compensation included in personnel costs

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Short-term employee benefits	26,717	22,823	1,595	1,505
Post-employment benefits	1,392	2,004	417	782
Long-term benefits	14,169	12,708	-	-
Termination benefits	8,409	-	-	-
Share-based payments	1,170	6	-	-
	<b>51,857</b>	<b>37,541</b>	<b>2,012</b>	<b>2,287</b>

## 32 Related party disclosures - continued

### Key management personnel - continued

#### NON-EXECUTIVE DIRECTOR REMUNERATION

##### Remuneration Policy

Fees and payments to the Company's Non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Remuneration and Nominations Committee reviews and makes recommendations to the Board with regard to Non-executive Directors' fees annually. The Committee seeks advice from independent remuneration consultants in relation to their recommendations having regard to the level of fees paid to Non-executive Directors of other companies of similar size and stature. The fees are determined by the Board after considering the recommendations of the Committee.

Non-executive Directors receive fees as remuneration for acting as a Director of the Company and in some cases as a Director of a subsidiary (M Albrecht is Chairman of Thiess Pty Limited and A Drescher is a Director of Leighton Contractors Pty Limited).

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

Members of standing committees of the Board received the following fees during the year ended 30 June 2007:

Committee	Chairman	Member
Audit	35,000	17,500
Remuneration and Nominations	n.a. *	13,000
Ethics and Compliance	28,000	14,000

\* G Ashton was Chairman until 31 May 2007 and D Mortimer assumed the role of Chairman from this date - neither individual received an additional fee for acting as Chairman of the committee.

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

Non-executive Directors do not receive shares, options or any performance related incentives.

The aggregate annual fees payable to the Company's Non-executive Directors are limited to the maximum annual amount approved by the Company's shareholders. This maximum annual amount is currently \$2,000,000 as approved by shareholders at the 2005 Annual General Meeting. A resolution will be put to shareholders at the 2007 Annual General Meeting to increase the maximum annual amount to \$3,500,000.

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

##### Retirement Benefits and Superannuation

The Company contributes mandatory superannuation contributions for the benefit of each Non-executive Director.

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

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

Directors' fees relevant to the determination of Director retirement benefits exclude Board committee fees. The retirement benefits payable under the plan are funded by the Company to the extent that the amount payable to each Director out of the Company's superannuation fund, and attributable to the amounts paid into the fund by the Company, is insufficient to meet the retirement benefits. The Company's liability for Non-executive Directors' retirement benefits is accrued annually based on completed service at the end of each financial year.

On 5 November 2003, the Board resolved to remove retirement benefits for Non-executive Directors appointed after that date in accordance with ASX Corporate Governance Principle 9.3. All new Non-executive Directors appointed from this date are paid increased Board fees to compensate them for the removal of the retirement benefits. The Non-executive Directors appointed since this change and paid under these arrangements are P Noé, T Leppert (retired), R Humphris, P Gregg, H Lütkestratkötter and I Macfarlane.

## 32 Related party disclosures - continued

## Key management personnel - continued

Details of the remuneration of each Non-executive Director of the Company paid or accrued in respect of the year ended 30 June 2007 are set out in the following table.

Non-executive Directors	Year	Short Term Employee Benefits			Post Employment		Long - Term		Termination Benefits	Share Based Payments	Total
		Fees <sup>10</sup>	Non Monetary Benefits	Annual Bonus	Super	Other <sup>11</sup>	Deferred Incentive	Contract / Retention			
<b>M Albrecht</b>	<b>2007</b>	<b>185,500</b>	-	-	<b>10,907</b>	-	-	-	-	-	<b>196,407</b>
	2006	166,000	-	-	11,600	59,445	-	-	-	-	237,045
<b>G Ashton<sup>1</sup></b>	<b>2007</b>	<b>247,500</b>	-	-	<b>22,775</b>	<b>153,788</b>	-	-	-	-	<b>424,063</b>
	2006	269,250	-	-	25,000	210,031	-	-	-	-	504,281
<b>G Dixon<sup>2</sup></b>	<b>2006</b>	<b>89,833</b>	-	-	<b>8,983</b>	<b>231,555</b>	-	-	-	-	<b>330,371</b>
<b>A Drescher</b>	<b>2007</b>	<b>153,000</b>	-	-	<b>14,120</b>	<b>32,181</b>	-	-	-	-	<b>199,301</b>
	2006	162,500	-	-	11,000	59,053	-	-	-	-	232,553
<b>P Gregg<sup>3</sup></b>	<b>2007</b>	<b>137,917</b>	-	-	<b>12,413</b>	-	-	-	-	-	<b>150,330</b>
<b>R Humphris</b>	<b>2007</b>	<b>149,000</b>	-	-	<b>13,410</b>	-	-	-	-	-	<b>162,410</b>
	2006	154,500	-	-	13,700	-	-	-	-	-	168,200
<b>H-P Keitel<sup>4</sup></b>	<b>2007</b>	<b>135,000</b>	-	-	<b>12,150</b>	<b>12,850</b>	-	-	-	-	<b>160,000</b>
	2006	135,000	-	-	13,500	21,500	-	-	-	-	170,000
<b>T Leppert<sup>5</sup></b>	<b>2007</b>	<b>78,750</b>	-	-	<b>7,088</b>	-	-	-	-	-	<b>85,838</b>
	2006	125,000	-	-	12,500	-	-	-	-	-	137,500
<b>H Lütkestratkötter<sup>6</sup></b>	<b>2007</b>	<b>50,625</b>	-	-	<b>4,556</b>	-	-	-	-	-	<b>55,181</b>
<b>I Macfarlane<sup>7</sup></b>	<b>2007</b>	<b>11,250</b>	-	-	<b>1,013</b>	-	-	-	-	-	<b>12,263</b>
<b>D Mortimer<sup>8</sup></b>	<b>2007</b>	<b>162,750</b>	-	-	<b>14,648</b>	<b>67,347</b>	-	-	-	-	<b>244,745</b>
	2006	137,026	-	-	13,563	50,796	-	-	-	-	201,385
<b>P Noé<sup>9</sup></b>	<b>2007</b>	<b>158,000</b>	-	-	<b>12,696</b>	-	-	-	-	-	<b>170,696</b>
	2006	137,000	-	-	13,700	-	-	-	-	-	150,700
<b>D Robinson</b>	<b>2007</b>	<b>126,000</b>	-	-	<b>11,025</b>	<b>13,975</b>	-	-	-	-	<b>151,000</b>
	2006	128,750	-	-	11,300	14,700	-	-	-	-	154,750

1. Mr G Ashton resigned as a Director from 31 May 2007
2. Mr G Dixon resigned as a Director on 31 May 2006
3. Mr P Gregg was appointed a Director on 4 July 2006
4. Dr H P Keitel was Deputy Chairman until 3 April 2007. He remains a Non-executive Director
5. Mr T Leppert resigned as a Director from 1 February 2007

6. Dr H Lütkestratkötter was appointed a Director on 14 February 2007
7. Mr I Macfarlane was appointed a Director on 1 June 2007
8. Mr D Mortimer was appointed Chairman from 1 June 2007
9. Dr P Noé was appointed Deputy Chairman from 3 April 2007
10. Includes Board Fees, Board Committee Fees and Subsidiary Board Fees, where applicable
11. Includes accrual for retirement benefits during the reporting period

## 32 Related party disclosures - continued

### Key management personnel - continued

#### GROUP EXECUTIVE REMUNERATION

##### Remuneration Policy and Framework

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

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

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

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

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

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

##### Fixed Remuneration

###### Total Fixed Remuneration

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

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

## 32 Related party disclosures - continued

### Key management personnel - continued

#### Fixed Remuneration

#### Retention/retirement benefits

Retirement benefits are delivered under various superannuation plans for Leighton Group companies. The plans provide for specified contribution amounts for employees in accordance with government regulations and Company policies. In addition the Leighton Superannuation Plan has a defined benefit section which provides for benefits based on years of service and final average salary. The defined benefit section is closed to new employees. On 30 June 2007 only 28 members were in this category.

Executives are provided with life insurance and in some cases total and permanent disability insurance and salary continuance insurance through the various superannuation plans. Where salary continuance insurance is not provided through the superannuation plan, the employer may provide such cover directly to the executive.

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

#### Variable Remuneration

#### Short-term performance incentives

Should the Group and its divisions achieve pre-determined profit targets agreed by the Board on an annual basis, a pool of annual incentive is available for allocation to executives. The annual incentive plan is payable in cash during August/September each year and is approved by the Chief Executive Officer and/or Remuneration and Nominations Committee, as appropriate. Using a profit target ensures annual incentives can only be paid when value has been created for shareholders. The annual incentive plan rewards performance above profit targets to provide an incentive for executive outperformance.

Each Executive has an annual incentive opportunity depending on the accountabilities of the role and their impact on the Group or business unit performance. Annual incentive plan obligations are provided for in the annual profit result.

For the year ended 30 June 2007, the KPI's (key performance indicators) referable to annual incentive plans were based on Group, individual business and personal objectives. The KPI's to be met in achieving specific profit targets are the greater of a specified return on revenue and/or a specified return on funds employed by each business unit. These KPI's are generic across the senior executive team.

Annual incentive payments may be adjusted in line with under or over achievement against the target performance levels. Such adjustments are made at the discretion of the Chief Executive Officer and/or the Remuneration and Nominations Committee.

#### Medium-term deferred incentives

The Group and its divisions provide for a deferred incentive plan payment that rewards executives for increasing profits over a 3-year period. An incentive pool amount is calculated following an annual increase in profit by the Group or the relevant division. The incentive pool is available for allocation to relevant senior executives. Up to 50% of the deferred incentive awarded may be reduced prior to payment should the profit of the Group or the relevant division reduce in any of the three financial years following the award. The structure of the plan ensures deferred incentives are only payable to executives when value has been created for shareholders. Participation in the deferred incentive plan and the level of awards under the plan are at the discretion of the Chief Executive Officer and/or the Remuneration and Nominations Committee, as appropriate. Deferred incentive plan obligations are provided for in the annual profit result.

As part of the retention strategy of the Group the deferred incentive is payable three years after award. Executives who resign from the Group prior to the date the incentive is payable forfeit any unpaid incentive unless retiring after 55 years of age, in which case a minimum of 50% of the award is payable. The deferred incentive plan encourages the Company and its divisions to increase their profit results on a year-on-year basis.

Mr W M King has a discrete deferred incentive plan under his employment contract. Under this plan the Group's profit performance is assessed against increasing profit targets which have been set by the Board. The threshold which must be achieved before any deferred incentive can be paid to Mr King is 50% of the increase in the year-on-year profit targets set by the Board. If the profit increase targets are fully achieved the maximum deferred incentive of 150% of Mr King's Fixed Annual Salary is payable. The deferred incentive is payable 2.5 years after the relevant profit target is achieved and all unpaid deferred incentive will be paid on termination of employment.

## 32 Related party disclosures - continued

### Key management personnel - continued

#### Variable Remuneration - continued

##### Long-term incentives

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

Long term incentives have been provided to executives during the reporting period under the Leighton Senior Executive Option Plan (LSESOP). This Plan was approved by shareholders at the Annual General Meeting held on 9 November 2006.

Features of LSESOP are as follows:

- Options are granted at no cost to the employee;
- Options will be able to be exercised by paying the exercise price (market price at grant date) following the achievement of the relevant hurdles;
- There are four test dates for options, at 3, 3.5, 4 and 4.5 years after the date the options are issued;
- Not more than 50% of options may be exercised prior to the fourth anniversary of the date of grant;
- All options for which the performance hurdles have been achieved must be exercised by the fifth anniversary of the date of grant;
- Hurdles - 50% of each grant of options will be subject to a TSR hurdle (parcel A) and 50% subject to an EPS hurdle (parcel B);
- TSR hurdle - total shareholder return of Leighton Holdings Limited ("LEI") compared to ASX 100 over the performance period (from grant date to test date). Due to a lack of listed companies with a comparable business to LEI, the ASX 100 was chosen as the appropriate measure for the purposes of measuring relative TSR performance;

Percentile Ranking	% of Parcel A Exercisable
Below 50%	Nil
50%	50%
50% to 75%	Progressive 50% to 100% (straight line)
75% or greater	100%

- EPS hurdle - annual compound earnings per share growth over the performance period; and

EPS Growth per annum	% of Parcel B Exercisable
Below 8%	Nil
8%	20%
8% to 12%	Progressive 20% to 100% (straight line)
12% or greater	100%

- These two performance hurdles were selected to strike a balance between rewarding the achievement of internal performance measures (which may or may not be reflected in the share price) through EPS growth and rewarding share price growth in a manner that takes into account the company's performance relative to the market through TSR
- Options lapse on the earlier of:
  - Five years after grant; and
  - Termination of employment (exceptions may apply).

Under its Securities Trading Policy, the Company prohibits its senior executives from hedging their interests in shares in the Company including any interest in options over shares in the company.

##### Termination benefits

During the financial year the Board awarded ex gratia termination benefits to three long serving senior executives who terminated their employment.

**32 Related party disclosures - continued****Key management personnel - continued****Relationship of Remuneration to Performance of the Group**

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

	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Profit attributable to members of the parent entity (\$mil)	450	276	215	110	140
Dividends per share paid during the financial year (cents)	86	55	47	45	43
Total dividends paid during the financial year (\$mil)	239	152	128	123	116
Basic earnings per share (cents)	162.3	100.2	78.9	40.4	51.7
Increase/(decrease) in share price during the financial year (\$)	23.90	5.85	2.37	(0.47)	(0.38)
Total shareholder return (\$)	24.76	6.40	2.84	(0.02)	0.05

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

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

## 32 Related party disclosures - continued

### Key management personnel - continued

#### Executive Directors of the Company

Details of the remuneration of each Executive Director of the Company and each Executive key management person of the Company and the Group (key management personnel) paid or accrued in respect of the year ended 30 June 2007 is set out in the following tables.

Executive Directors	Year	Short Term Employee Benefits			Post Employment	Long - Term		Termination Benefits	Share Based Payments <sup>4</sup>	Total	Percentage variable remuneration	Percentage Options
		Salary	Non Monetary Benefits <sup>2</sup>	Annual Bonus	Superannuation	Deferred Incentive	Contract / Retention <sup>3</sup>					
W M King CEO	2007	2,692,270	324,599	6,000,000	105,113	4,457,805	-	-	300,750	13,880,537	75.3%	2.2%
	2006	2,276,136	1,214,515	2,741,109	712,144	4,041,071	178,037	-	-	11,163,012	60.8%	0%
D S Adamsas <sup>1</sup> Deputy CEO & CFO (to 30 June 2007)	2007	1,803,873	171,783	-	105,113	-	1,971,464	5,857,186	200,500	10,109,919	57.9%	2.0%
	2006	1,317,530	492,275	1,900,000	12,144	1,675,969	2,091,312	-	-	7,489,230	47.7%	0%

1. D Adamsas was key management personnel until his retirement as an executive on 30 June 2007. On termination of his employment, D Adamsas received his accrued contractual retirement and retention benefits. Due to the date of his resignation, D Adamsas was not entitled to an annual or deferred incentive for the period in accordance with the terms of the annual and deferred incentive plans. An additional ex- gratia termination benefit was awarded by the Board to D Adamsas following 36 years of service to the Group
2. Includes value of fringe benefits and fringe benefits tax

3. The amounts shown for contract / retention benefits is the accrual in the period for benefits due under the executive's service contract assuming the executive remains an employee for the whole period and earns his full benefit entitlement
4. Share based payments represent the value of options granted over shares in the Company under the Leighton Senior Executive Option Plan

## 32 Related party disclosures - continued

## Key management personnel - continued

## Specified Executives

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

Specified Executives	Year	Short Term Employee Benefits			Post Employment	Long - Term		Termination Benefits	Share Based Payments <sup>9</sup>	Total	Percentage variable remuneration	Percentage options
		Salary	Non Monetary Benefits <sup>6</sup>	Annual bonus	Superannuation	Deferred Incentive <sup>7</sup>	Contract / Retention <sup>8</sup>					
J Dujmovic <sup>1</sup>	2007	673,179	35,988	340,000	41,972	-	90,088	-	76,188	1,257,414	27.0%	6.1%
	2006	584,295	26,087	208,696	36,897	-	-	-	1,000	856,975	24.4%	0%
P McMorrow	2007	1,106,775	45,123	1,500,000	100,094	1,002,165	900,826	-	101,250	4,756,233	52.6%	2.1%
	2006	1,080,167	39,676	400,000	65,387	276,250	205,532	-	1,000	2,068,012	32.7%	0%
D Savage	2007	917,457	9,533	1,175,491	60,557	674,509	346,728	-	76,188	3,260,462	56.7%	2.3%
	2006	794,924	36,710	477,941	66,922	256,165	182,310	-	1,000	1,815,972	40.4%	0%
D Saxelby <sup>2</sup>	2007	423,119	717	431,250	49,651	67,702	170,701	-	23,900	1,167,040	42.8%	2.0%
D Stewart <sup>3</sup>	2007	1,050,040	104,575	1,200,000	66,652	512,538	530,787	-	101,250	3,565,841	48.0%	2.8%
	2006	501,889	77,297	400,000	6,070	185,483	160,000	-	-	1,330,739	44.0%	0%
R Trundle <sup>4</sup>	2007	721,562	2,709	-	176,441	-	896,762	692,253	63,359	2,553,087	27.1%	2.5%
	2006	1,036,407	5,918	1,320,000	160,008	799,032	429,324	-	1,000	3,751,689	56.5%	0%
V Vella <sup>5</sup>	2007	1,151,629	50,809	-	163,884	-	716,885	1,859,855	101,250	4,044,312	46.0%	2.5%
	2006	754,759	198,205	1,100,000	150,300	313,373	803,414	-	1,000	3,321,051	42.6%	0%
W Wild	2007	1,261,899	101,970	1,825,000	105,113	1,236,138	594,129	-	125,313	5,249,562	58.3%	2.4%
	2006	1,141,253	92,261	1,100,000	12,186	544,128	566,800	-	1,000	3,457,628	47.6%	0%

- J Dujmovic was key management personnel from 1 August 2005. Remuneration for 2006 disclosed is for 11 months only
- D Saxelby was key management personnel from 14 February 2007. 2007 Remuneration disclosed was for 4½ months only
- D Stewart was key management personnel from 1 January 2006. Remuneration disclosed for 2006 is for 6 months only
- R Trundle was key management personnel until 13 February 2007. 2007 Remuneration disclosed for 7½ months only. On termination of his employment, R Trundle received contractual retirement and retention benefits. Due to his date of resignation R Trundle was not entitled to an annual or deferred incentive for the period in accordance with the terms of the annual and deferred incentive plans. An additional ex-gratia termination benefit was awarded by the Board to R Trundle following 27 years of service to the Group

- V Vella was key management personnel until 30 June 2007. On termination of his employment, V Vella received contractual retirement and retention benefits. Due to his date of resignation V Vella was not entitled to an annual or deferred incentive for the period in accordance with the terms of the annual and deferred incentive plans. An additional ex-gratia termination benefit was awarded by the Board to V Vella following 33 years of service to the Group
- Includes value of fringe benefits and fringe benefits tax
- Includes deferred incentives awarded for the year ended 30 June 2007 and increase in value accrued during the period on unpaid deferred incentives awarded for 30 June 2005 and prior years
- The amounts shown for contract / retention benefits is the accrual in the period for benefits due under the executive's service contract assuming the executive remains an employee for the whole period and earns his full benefit entitlement
- Share based payments represent the value of options granted over shares in the Company under the Leighton Senior Executive Option Plan plus shares granted under the Leighton Employee Share Plan

## 32 Related party disclosures - continued

## Key management personnel - continued

## Option Holdings

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

	2007		2006	
	Number of options granted during 2007 <sup>1,2</sup>	Balance of options held at 30 June 2007	Number of options exercised during 2006 <sup>3</sup>	Balance of options held at 30 June 2006
	No.	No.	No.	
W M King	600,000	600,000	600,000	-
D S Adamsas	400,000	400,000 <sup>4</sup>	400,000	-
J Dujmovic	150,000	150,000	20,000	-
P McMorrow	200,000	200,000	150,000	-
D Savage	150,000	150,000	70,000	-
D Saxelby	125,000	125,000	75,000	-
D Stewart	200,000	200,000	50,000	-
R S Trundle	200,000	200,000 <sup>4</sup>	200,000	-
V A Vella	200,000	200,000 <sup>4</sup>	100,000	-
W J Wild	250,000	250,000	200,000	-

1. For all options granted during the 2007 financial year:

Grant Date	15 December 2006
Fair value per option at grant date	\$4.01
Exercise price per option	\$20.42
First Exercise Date	15 December 2009
Expiry Date	15 December 2011

2. No options were vested or exercised during the 2007 financial year

3. No options were granted during the 2006 financial year

4. Each of D Adamsas, R Trundle and V Vella terminated their employment with the Group during the period. Due to the circumstances of each termination, each of D Adamsas, R Trundle and V Vella have retained their options

Details of the vesting conditions are disclosed under the heading Long Term Incentives above.

## 32 Related party disclosures - continued

### Key management personnel - continued

#### Service agreements

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

The terms of these agreements include:

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

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

Other features of the service agreements with the Executive Directors and Specified Executives are:

#### W M King

##### Chief Executive Officer

Date of commencement: - 13 May 1968 - 39 years total service

Commencement of service agreements: - 23 December 1980

Termination date of current agreement: - 30 June 2010

Notice: - 6 months by the Employee or 12 months by the Employer

- Payment on the termination date of a fixed retirement benefit of \$12.6 million (amount accrued under previous employment contract to 30 November 2005)
- Annual incentive of up to 1.25% of net profit after tax
- Deferred incentive of up to 150% of fixed annual salary (payable 2.5 years after the relevant financial year) should annual increases in profit meet targets set by the Board
- In consideration for agreeing to a 3 year restraint period following termination, Mr King will receive \$4.9 million over the restraint period
- Transition bonus of up to \$5 million on achieving satisfactory transition to a new CEO and leadership team by 31 December 2010

#### D S Adamsas

##### Deputy Chief Executive Officer and Chief Financial Officer (until 30 June 2007)

Date of commencement: - 15 February 1971 - 36 years total service

Commencement of service agreements: - 4 June 1981

Termination date of current agreement: - Terminated 30 June 2007

- Payment on termination of employment (other than if terminated for gross misconduct) of a retirement benefit of 5.35 times final TFR
- A payment on termination of employment (other than if terminated for gross misconduct) of a retention benefit of 15% per annum of TFR accrued each year from October 1997 plus interest on the accrued balance

#### P McMorrow

##### Managing Director - Leighton Contractors Pty Limited

Date of commencement: - 2 April 1990 - 17 years total service

Commencement of service agreements: - 2 April 2002

Termination date of current agreement: - 31 July 2012

Notice: - 6 months

- Payment on the termination date or on early termination of employment by the employer of a retention benefit of 80% of final TFR and a service benefit of 80% of final TFR (other than if terminated for gross misconduct) plus \$500,000

## 32 Related party disclosures - continued

### Key management personnel - continued

#### Service agreements - continued

##### D Savage

#### Managing Director - Leighton International Limited

- Date of commencement: - 1 February 1998 - 9 years total service  
Commencement of service agreements: - 3 September 2001  
Termination date of current agreement: - 31 December 2008  
Notice - 6 months
- Payment on the termination date of a retention benefit of 100% times base salary

##### D Saxelby

#### Managing Director - Thiess Pty Limited

- Date of commencement: - 21 October 1993 - 14 years total service  
Commencement of service agreements: - 21 June 2005  
Termination date of current agreement: - 31 December 2013  
Notice: - 6 months
- Payment over the period from 2010 to the termination date of a retention benefit of 80% of final TFR and payment on the termination date of a service benefit of 80% of final TFR (other than if terminated for gross misconduct) plus \$500,000

##### D Stewart

#### Managing Director - John Holland Group Pty Limited

- Date of commencement: - 13 December 1986 - 20 years total service  
Commencement of service agreements: - 1 July 2003  
Termination date of current agreement: - 30 September 2013  
Notice: - 6 months
- Payment over the period from 2009 to the termination date of a retention benefit of 80% of final TFR and payment on the termination date of a service benefit of 80% of final TFR (other than if terminated for gross misconduct) plus \$500,000

##### R S Trundle

#### Managing Director - Thiess Pty Limited (until 13 February 2007)

- Date of commencement: - 31 March 1980 - 27 years total service  
Commencement of service agreements: - 1 July 1998  
Termination date of current agreement: - Terminated 30 June 2007
- Payment on the termination date or on early termination of employment by the employer of a retention benefit of 80% of final TFR and a service benefit of 80% of final TFR (other than if terminated for gross misconduct) plus \$500,000

##### V A Vella

#### Managing Director - Leighton Properties Pty Limited (until 30 June 2007)

- Date of commencement: - 7 January 1974 - 33 years total service  
Commencement of service agreements: - 28 October 1982  
Termination date of current agreement: - Terminated 30 June 2007
- Payment on the termination date (other than if terminated for gross misconduct) of a retirement benefit of up to 3.2 times final TFR

##### W J Wild

#### Chief Operating Officer - Leighton Holdings Limited

- Date of commencement: - 24 July 1978 - 29 years total service  
Commencement of service agreements: - 1 July 1998  
Termination date of current agreement: - 30 September 2009  
Notice: - 6 months notice
- Payment on the termination date or on early termination by the employer of a retention benefit of 103% of final TFR and a service benefit of 83% of final TFR (other than if terminated for gross misconduct)

## 32 Related party disclosures - continued

## Key management personnel - continued

## Loans to key management personnel

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

	Balance at the start of the year \$	Interest paid/payable for the year \$	Interest not charged \$	Loan repayment \$	Balance at the end of the year \$
2007 - Nil	-	-	-	-	-
2006 - W Wild	743,750	15,456	5,812	743,750	-

The loan to W J Wild was provided as part of his relocation to Melbourne in 2000 as Managing Director of John Holland Group Pty Ltd. The loan was secured by 1st mortgage over the property acquired by W J Wild in Melbourne. The loan was fully repaid in the year ended 30 June 2006. The amount shown for interest not charged in the table above represents the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's-length basis.

## Equity holdings and transactions

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

2007	Held at 1 July 2006	Purchases	Received on exercise of options	Sales	Gift shares	Held at 30 June 2007
<b>Directors</b>						
D Adamsas	323,060	42,800	-	38,000	-	327,860
M Albrecht	210,000	30,000	-	50,000	-	190,000
G Ashton	5,500	-	-	-	-	5,500
A Drescher	11,960	-	-	5,960	-	6,000
P S Gregg	1,200	-	-	-	-	1,200
R Humphris	6,500	-	-	-	-	6,500
H-P Keitel	* 1,560	-	-	-	-	* 1,560
W King	206,860	20,000	-	-	-	226,860
T Leppert	* 1,000	-	-	* 1,000	-	-
H Lütkestratkötter	-	* 1,000	-	-	-	* 1,000
I Macfarlane	-	2,000	-	-	-	2,000
D Mortimer	26,000	-	-	-	-	26,000
P Noé	* 2,305	-	-	-	-	* 2,305
D Robinson	1,250	-	-	-	-	1,250
<b>Specified Executives</b>						
J Dujmovic	59	-	-	-	50	109
P McMorrow	1,059	-	-	-	50	1,109
D Savage	59	-	-	-	50	109
D Saxelby	123,292	-	-	25,000	50	98,342
D Stewart	50,242	-	-	50,000	50	292
R Trundle	20,059	-	-	10,000	50	10,109
V Vella	259	-	-	-	50	309
W Wild	242	-	-	-	-	242
<b>Total</b>	<b>992,466</b>	<b>95,800</b>	<b>-</b>	<b>179,960</b>	<b>350</b>	<b>908,656</b>

\* held non-beneficially

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

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

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

\* held non-beneficially

<b>Consolidated</b>		<b>Company</b>	
<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>

**Transactions with other related parties**

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

**Aggregate amounts receivable from related parties at reporting date**

Wholly-owned controlled entities	-	-	<b>328,051</b>	97,775
Associates	<b>26,184</b>	945	-	-

**Aggregate amounts payable to related parties at reporting date**

Wholly-owned controlled entities	-	-	<b>52,728</b>	9,302
Associates	<b>15,371</b>	14,059	-	-
Joint venture entities	<b>222,788</b>	66,141	-	-

## Notes continued

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>32 Related party disclosures - continued</b>				
<b>Transactions with other related parties - continued</b>				
<b>Interest received / receivable from related parties</b>				
Wholly-owned controlled entities	-	-	7,681	16,128
Associates	1,042	48	-	-
Directors of the Company and controlled entities	-	15	-	15
<b>Interest paid / payable to related parties</b>				
Directors of the Company and controlled entities	-	722	-	-
Joint venture entities	81	225	-	-
<b>Other revenues</b>				
Fees charged to wholly-owned controlled entities	-	-	1,622	3,376
Dividends from wholly-owned controlled entities	-	-	206,571	203,305
Dividends from partly-owned controlled entities	-	-	56,000	40,576
<b>Other expenses</b>				
Fees paid to wholly-owned controlled entities	-	-	65,000	-
<b>Number of employees</b>				
Number of employees at reporting date	27,834	25,405	10	9

### Directors' transactions

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

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

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

R Seidler is a partner in the law firm Blake Dawson Waldron which provided legal services to the Company in relation to remuneration and employment conditions and in relation to Mr Seidler's membership of Board committees. Fees totalling \$27,000 (2006: \$24,000) were billed based on normal market rates for such services and, in relation to membership of committees, an amount equivalent to fees paid to other committee members was charged. Fees were due and payable under normal payment terms.

Prior to being appointed a director of the Company from 1 June 2007, I Macfarlane received consultancy fees for services provided to the Board. Total fees paid by the Company during the period for these consultancy services was \$24,525 (2006: Nil).

### 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 486 Pacific Highway, St Leonards, NSW, Australia, 2065. The Consolidated Entity's operations and principal activities were construction and other contracting services in the following disciplines: engineering and infrastructure, mining and resources, building and property and operations and maintenance, in Australia and Asia.

### Ultimate parent entity

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

During the year Hochtief Australia Limited acquired 6,668,239 shares in the Company (2006: 1,530,478 shares) giving a shareholding at reporting date of 152,916,784 (2006: 146,248,545) shares.

**33 Leighton Holdings Limited and controlled entities**

		<u>Interest held</u>	<u>Place of incorporation</u>
† Leighton Holdings Limited	(4)		Vic
† Adelaide Terrace Investments Pty Ltd	(4)	100%	SA
Ausindo Holdings Pte Ltd		100%	Singapore
BOS Australia Pty Ltd	(4)	100%	WA
Broad Construction Services (NSW) Pty Ltd		74%	WA
Broad Construction Services (NT) Pty Ltd		74%	WA
Broad Construction Services (QLD) Pty Ltd		74%	Qld
Broad Construction Services (SA) Pty Ltd		74%	SA
Broad Construction Services (VIC) Pty Ltd		74%	WA
Broad Construction Services (WA) Pty Ltd		74%	WA
Broad Group Holdings Pty Ltd (formerly Broad Construction Services Pty Ltd)		74%	WA
Ewenissa Pty Ltd	(4)	100%	ACT
Giddens Investment Ltd		100%	Hong Kong
Green Construction Company		100%	USA
GridComm Pty Ltd		99%	Vic
Gulf Leighton LLC	(1)	49%	UAE
Hunter Valley Earthmoving Co Pty Ltd	(4)	100%	NSW
HWE Cockatoo Pty Ltd	(4)	100%	NT
HWE Mining Pty Ltd	(4)	100%	Vic
HWE Newman Assets Pty Ltd	(4)	100%	Vic
HWE Newman Mining Pty Ltd	(4)	100%	Vic
HWE Newman Services Pty Ltd	(4)	100%	Vic
Industrial & Technical Services Pty Ltd	(2),(4)	100%	Qld
Infoplex Pty Ltd	(4)	100%	NSW
ITS Holdings Pty Ltd	(2),(4)	100%	Qld
ITS Lube Services Pty Ltd	(2),(4)	100%	Qld
Jarrah Wood Pty Ltd		74%	WA
John Holland AD Holdings Pty Ltd		99%	Vic
John Holland AD Investments Pty Ltd		99%	Vic
John Holland AD Operations Pty Ltd		99%	Vic
John Holland Aviation Services Pty Ltd	(2)	99%	Vic
John Holland Development & Investment Pty Ltd		99%	Vic
John Holland Engineering Pty Ltd		99%	Vic
John Holland Group Pty Ltd		99%	Vic
John Holland Infrastructure Nominees Pty Ltd	(2),(3)	100%	Vic
John Holland Infrastructure Pty Ltd	(2)	100%	Vic
John Holland Infrastructure Trust	(2)	100%	N/A
John Holland Investment Pty Ltd		99%	Vic
John Holland Mining Pty Ltd		99%	Vic
John Holland (NZ) Ltd	(2)	99%	New Zealand
John Holland Pty Ltd		99%	Vic
John Holland Rail Pty Ltd		99%	WA
John Holland Services Pty Ltd		99%	Vic
John Holland Services No. 1 Pty Ltd		99%	Vic
LAS Corporate Sdn Bhd		100%	Malaysia
† Leighton Admin Services Pty Ltd	(4)	100%	NSW
Leighton Asia (Hong Kong) Holdings (No. 2) Limited		100%	Hong Kong
Leighton Asia Limited (formerly Leighton Asia (Northern) Ltd)		100%	Hong Kong
Leighton Asia Southern Pte Ltd		100%	Singapore

## 33 Leighton Holdings Limited and controlled entities - continued

		Interest held	Place of incorporation
Leighton Contracting (Qatar) WLL	(1)	49%	Qatar
Leighton Contractors (Asia) Ltd		100%	Hong Kong
Leighton Contractors (China) Ltd		100%	Hong Kong
Leighton Contractors Inc. (formerly Leighton Investment Inc.)		100%	USA
Leighton Contractors (India) Private Ltd		100%	India
Leighton Contractors (Indo-China) Ltd		100%	Hong Kong
Leighton Contractors Infrastructure Nominees Pty Ltd	(2),(3),(4)	100%	Vic
Leighton Contractors Infrastructure Pty Ltd	(2),(4)	100%	Vic
Leighton Contractors Infrastructure Trust	(2),(4)	100%	N/A
Leighton Contractors Lanka (Private) Ltd		100%	Sri Lanka
Leighton Contractors (Laos) Co Ltd		100%	Laos
Leighton Contractors (Malaysia) Sdn Bhd		100%	Malaysia
Leighton Contractors (Mauritius) Ltd		100%	Mauritius
Leighton Contractors (Philippines) Inc	(1)	40%	Philippines
† Leighton Contractors Pty Ltd	(4)	100%	NSW
Leighton Contractors (Singapore) Pte Ltd		100%	Singapore
† Leighton Finance Ltd	(4)	100%	NSW
Leighton Finance International Ltd	(4)	100%	NSW
Leighton Foundation Engineering (Asia) Ltd (formerly Lai Lap		100%	Hong Kong
Leighton Foundation Engineering Ltd		100%	Hong Kong
* Leighton Funds Management Pty Ltd	(4)	100%	Qld
Leighton Geotech Ltd	(1)	49%	Thailand
Leighton Holdings Infrastructure Nominees Pty Ltd	(2),(3),(4)	100%	Vic
Leighton Holdings Infrastructure Pty Ltd	(2),(4)	100%	Vic
Leighton Holdings Infrastructure Trust	(2),(4)	100%	N/A
Leighton International (Australia) Pty Ltd	(2),(4)	100%	Vic
Leighton International Ltd (formerly Leighton Asia (Southern) Ltd		100%	Cayman Islands
Leighton Investments Malaysia (L) Ltd		100%	Malaysia
Leighton Investments Mauritius Ltd		100%	Mauritius
Leighton Investments Mauritius Ltd No. 2		100%	Mauritius
Leighton Investments Singapore Pte Ltd		100%	Singapore
* Leighton Infrastructure Investments Pty Ltd (formerly Leighton Motorway Investments Pty Ltd)	(4)	100%	NSW
Leighton Motorway Investments No. 2 Pty Ltd	(4)	100%	Vic
Leighton Office Trust	(4)	100%	N/A
Leighton Office Trust No. 2	(4)	100%	N/A
Leighton Portfolio Services Pty Ltd	(4)	100%	ACT
Leighton Projects Consulting (Shanghai) Limited		100%	China
† Leighton Properties (Brisbane) Pty Ltd	(4)	100%	Qld
* Leighton Properties Pty Ltd	(4)	100%	Qld
* Leighton Properties (Vic) Pty Ltd	(4)	100%	Vic
† Leighton Property Development Pty Ltd	(4)	100%	NSW
† Leighton Property Funds Management Limited	(4)	100%	NSW
* Leighton Property Management Pty Ltd	(4)	100%	NSW
Leighton Residential Investments Pty Ltd	(2),(4)	100%	Vic
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
Leighton USA Inc.	(2)	100%	USA
* Lewis Scott Enterprises Pty Ltd	(4)	100%	NSW

## 33 Leighton Holdings Limited and controlled entities - continued

		Interest held	Place of incorporation
LMI Westlink Partner Holding No. 1 Pty Ltd	(4)	100%	Vic
LMI Westlink Partner Holding No. 2 Pty Ltd	(4)	100%	Vic
LMI Westlink Partner No. 1 Pty Ltd	(4)	100%	NSW
LMI Westlink Partner No. 2 Pty Ltd	(4)	100%	Vic
LMI WSO Holding No. 1 Pty Ltd	(4)	100%	Vic
LMI WSO Holding No. 2 Pty Ltd	(4)	100%	Vic
London Circuit No. 1 Trust	(4)	100%	N/A
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		99%	Vic
Lyndhurst Business Park Sub Trust No. 1	(4)	100%	N/A
Lyndhurst Business Park Sub Trust No. 2	(4)	100%	N/A
Lyndhurst Business Park Sub Trust No. 3	(4)	100%	N/A
Lyndhurst Business Park Trust No. 1	(4)	100%	N/A
Lyndhurst Business Park Trust No. 2	(4)	100%	N/A
Lyndhurst Business Park Trust No. 3	(4)	100%	N/A
Makamatta Pty Ltd	(3), (4)	100%	NSW
† Mayfield Engineering Pty Ltd	(4)	100%	NSW
# MCA Joint Venture Subic Inc		56%	Philippines
Metro Developments Australia Pty Ltd		74%	WA
Metronode Pty Ltd	(4)	100%	Vic
Moorabbin Trust	(4)	100%	N/A
Nestdeen Pty Ltd	(4)	100%	Qld
Nextgen Networks Pty Ltd		100%	ACT
Nextgen Pure Data Pty Ltd	(2)	100%	Vic
Nexus Point Solutions Pty Ltd (formerly AAECventure Pty Ltd)	(4)	100%	NSW
Onopthic Pty Ltd	(4)	100%	NSW
Opal Insurance (Singapore) Pte Ltd		100%	Singapore
Plant & Equipment Leasing Pty Ltd	(4)	100%	NSW
Portside Fabrication Pty Ltd		74%	Vic
PT Leighton Contractors Indonesia		95%	Indonesia
PT Thiess Contractors Indonesia		100%	Indonesia
Quantum Explosives Pty Ltd	(4)	100%	Qld
Quintelgic Pty Ltd	(4)	100%	NSW
† Ridgewood Development Pty Ltd	(4)	100%	Qld
Silverton Group (Aust) Pty Ltd		59%	WA
Silverton Group Pty Ltd		59%	WA
SMgP Construction Services Pty Ltd	(4)	100%	NSW
Swan Water Services Pty Ltd	(4)	100%	NSW
† Technical Resources Pty Ltd	(4)	100%	NSW
Telecommunication Infrastructure Pty Ltd		99%	Vic
Tensacciai Pty Ltd		99%	WA
Thai Leighton Ltd	(1)	49%	Thailand
Thiess Contractors (Malaysia) Sdn Bhd		100%	Malaysia
Thiess Contractors (PNG) Ltd		100%	Papua New Guinea
Thiess Golding Joint Venture		67%	N/A
Thiess India Pvt Ltd	(2)	100%	India
Thiess Infracore (Bayside) Pty Ltd	(4)	100%	Vic
Thiess Infracore (Swanston) Pty Ltd	(4)	100%	Vic
Thiess Infrastructure Nominees Pty Ltd	(2),(3),(4)	100%	Vic

**33 Leighton Holdings Limited and controlled entities - continued**

		<u>Interest held</u>	<u>Place of incorporation</u>
Thiess Infrastructure Pty Ltd	(2),(4)	100%	Vic
Thiess Infrastructure Trust	(2),(4)	100%	N/A
Thiess Investments Pty Ltd	(4)	100%	Qld
Thiess John Holland joint venture (Eastlink)		100%	N/A
Thiess John Holland joint venture (Lane Cove Tunnel)		100%	N/A
Thiess Mauritius Pty Ltd		100%	Mauritius
Thiess Minecs India Pvt Ltd		90%	India
Thiess NC		100%	New Caledonia
Thiess NZ Ltd		100%	New Zealand
Thiess Pty Ltd	(4)	100%	Qld
Thiess Q Pty Ltd	(4)	100%	Qld
Thiess S.A. Pty Ltd	(4)	100%	Vic
Thiess Services Ltd	(2)	100%	New Zealand
Thiess Services Pty Ltd	(4)	100%	Qld
Thiess Southland Pty Ltd	(4)	100%	NSW
Thiess Superannuation Nominees No. 2 Pty Ltd	(4)	100%	Qld
Thiess Superannuation Nominees Pty Ltd	(4)	100%	Qld
† Vision Hold Pty Ltd	(4)	100%	NSW
† Visionstream Australia Pty Ltd	(4)	100%	NSW
† Visionstream Pty Ltd	(4)	100%	Qld
† Visionstream Services Pty Ltd	(4)	100%	NSW
† Vytel Admin Pty Ltd	(4)	100%	NSW
Vytel Investments Pty Ltd	(4)	100%	NSW
† Vytel Pty Ltd	(4)	100%	NSW
Yandina Ethanol Pty Ltd		99%	Vic
† Yifta Pty Ltd	(4)	100%	ACT
Zanofile Trust	(4)	100%	N/A
512 Wickham Street Pty Ltd	(2),(3),(4)	100%	NSW
512 Wickham Street Trust	(2),(4)	100%	N/A

(1) Entities controlled under shareholder agreements

(3) Trustee company

(2) Incorporated/established in 2007 financial year

(4) Entities included in tax-consolidated group

# Entity has a 31 December balance date

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

\* These companies are parties to the Deed of Cross Guarantee but do not have the benefit of ASIC Class Order 98/1418 at 30 June 2007, as they are small proprietary companies.

**Entities or businesses acquired during the year**

	<b>Proportion acquired</b>	<b>Date acquired</b>
Industrial & Technical Services Pty Ltd	100%	1 July 2006
ITS Holdings Pty Ltd	100%	1 July 2006
ITS Lube Services Pty Ltd	100%	1 July 2006
CE Marshall & Sons Earthmoving Pty Ltd – selected assets and liabilities	N/A	28 February 2007
Ansett Aviation Engineering Services – selected assets and liabilities	N/A	1 June 2007

**Entities liquidated during the year**

Leighton Contractors Asia (Vietnam) Limited  
 Leighton NA Inc  
 Northland Maintenance Inc

### 33 Leighton Holdings Limited and controlled entities at reporting date - continued

#### Deed of Cross Guarantee

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

A consolidated income statement and balance sheet, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2007 is set out below:

	2007 \$'000	2006 \$'000
<b>Income statement</b>		
Profit before tax	274,934	256,471
Income tax (expense)/benefit	7,429	25,931
Profit for the year	282,363	282,402
Retained earnings at the beginning of the year	259,571	129,325
Dividends provided for or paid	(239,133)	(152,156)
Retained earnings at reporting date	<b>302,801</b>	259,571
<b>Balance sheet</b>		
<b>Assets</b>		
Cash and cash equivalents	89,363	134,534
Trade and other receivables	1,065,755	763,084
Current tax assets	28,968	50,026
Inventories	194,489	134,146
Investments accounted for using the equity method	41,704	54,504
Other investments	578,395	571,832
Deferred tax assets	36,789	19,770
Property, plant and equipment	243,837	151,394
<b>Total assets</b>	<b>2,279,300</b>	1,879,290
<b>Liabilities</b>		
Trade and other payables	1,070,407	787,130
Provisions	100,568	112,903
Interest-bearing liabilities	113,672	39,892
Leighton Notes	200,000	200,000
<b>Total liabilities</b>	<b>1,484,647</b>	1,139,925
<b>Net assets</b>	<b>794,653</b>	739,365
<b>Equity</b>		
Share capital	480,988	479,744
Reserves	10,864	50
Retained earnings	302,801	259,571
<b>Total equity</b>	<b>794,653</b>	739,365

### **34 Events subsequent to balance date**

Subsequent to reporting date, the Consolidated Entity:

- declared a final dividend of 65.0 cents (50% franked) per share (note 20); and
- acquired a 45% interest in Al-Habtoor Engineering, which operates in the Gulf Region, for \$870 million. The investment was funded \$340 million from cash reserves and \$510 million from non-recourse debt funding secured against the shares in Al-Habtoor.

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## Statutory Statements

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### Directors' Declaration

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

- (a) The financial statements and notes, set out on pages 1 to 70 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 2007 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a);and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the controlled entities identified in note 33 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2007.

Dated at Sydney this 3rd day of September 2007.

Signed in accordance with a resolution of the Directors:



D A Mortimer AO  
Chairman



W M King AO  
Chief Executive Officer



### Independent auditor's report to the members of Leighton Holdings Limited

#### **Report on the financial report**

We have audited the accompanying financial report of Leighton Holdings Limited ("the Company") and Leighton Holdings Limited and its controlled entities (the "Consolidated Entity"), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of recognised income and expense and statements of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 34 and the directors' declaration set out on pages 1 to 71 of the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Company and Consolidated Entity, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Auditor's opinion**

In our opinion:

- (a) the financial report of Leighton Holdings Limited is in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

KPMG

KPMG

Sydney, 3 September 2007

Steve Gatt  
Partner