marks 50 years of Leighton operations. It is also the end of this century and a time to address some of the “big questions” about our future. Questions about the post-Olympic environment in Australia, managing risk, our assets and how they drive the business, and why we’re confident we can continue to enhance returns to shareholders.

In this annual report, we answer these questions and explain why Leighton today - with expertise spanning many industries, and a demonstrated ability to successfully develop major projects - is more than just a construction contractor.
Corporate Report

The Year in Review
Operations Overview
From the Chairman
Chief Executive’s Report
Financial Management
Question 1: Why is the Group confident it can weather any post-Olympic construction downturn in Australia?
Question 2: How does the Group manage risk?
Question 3: What are the Group’s assets and how do they drive the business?
Question 4: How will the Group ensure continued growth and returns to shareholders?
Corporate Governance
Who Are We?
Leighton Holdings Limited is the parent company of Australia’s largest project development and contracting group. Founded in Victoria in 1949, the organisation has grown from a small, privately owned civil engineering firm into a dynamic group which includes Leighton Contractors, Thiess Contractors, Leighton Asia, Leighton Properties and Technical Resources. The Group’s 10,500 employees can be found all around the Asia-Pacific region on projects in Australia, Hong Kong, Indonesia, Philippines, Thailand, Malaysia, Vietnam, China, New Zealand and Papua New Guinea. The Group is also pursuing opportunities in South America. Leighton Holdings is listed on the Australian Stock Exchange and has its head office in Sydney.

What Do We Do?
Leighton Group companies offer a broad range of project development and contracting services and skills to public and private sector clients from a wide range of industries. Project development skills – community infrastructure, property or resources based – and project management of construction and property developments complement the Group’s contracting activities. These activities include design management, civil engineering construction, building, mining, process engineering, telecommunications, waste management and infrastructure operation and maintenance. Key resources include an experienced, long-serving management team, a strong balance sheet, and the largest fleet of mobile plant and equipment in Australia.
The Year in Review

- Operating profit after tax and minorities up 18% to $121.8 million
- Return on shareholders’ funds reaches new high of 20%
- Dividend up more than 15% to 30 cents fully franked
- Work in hand remains above $4 billion
- Balance sheet strong, liquidity high, no net debt
- Record work in hand in Asia to offset Australian construction downturn
- Good range of project development opportunities

<table>
<thead>
<tr>
<th></th>
<th>1999 $’000</th>
<th>1998 $’000</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>3,327,878</td>
<td>3,034,546</td>
<td>+9.7</td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>3,220,545</td>
<td>2,906,951</td>
<td>+10.8</td>
</tr>
<tr>
<td>New Contracts,...</td>
<td>2,541,050</td>
<td>3,294,306</td>
<td>-22.9</td>
</tr>
<tr>
<td>Value of Work in Hand</td>
<td>4,115,048</td>
<td>4,767,008</td>
<td>-13.7</td>
</tr>
<tr>
<td>Value of Incomplete Management Contracts</td>
<td>321,653</td>
<td>31,180</td>
<td>+931.6</td>
</tr>
<tr>
<td>Operating Profit Before Tax</td>
<td>181,818</td>
<td>155,148</td>
<td>+17.2</td>
</tr>
<tr>
<td>Income Tax Applicable to Operations</td>
<td>(50,424)</td>
<td>(44,981)</td>
<td>+12.1</td>
</tr>
<tr>
<td>Operating Profit After Tax</td>
<td>121,809</td>
<td>102,852</td>
<td>+18.4</td>
</tr>
<tr>
<td>Dividends</td>
<td>78,511</td>
<td>67,893</td>
<td>+15.6</td>
</tr>
<tr>
<td>Total Capital and Reserves (excluding minorities)</td>
<td>612,339</td>
<td>573,803</td>
<td>+6.7</td>
</tr>
<tr>
<td>Total Assets</td>
<td>1,575,994</td>
<td>1,506,903</td>
<td>+4.6</td>
</tr>
<tr>
<td>Net Cash</td>
<td>271,094</td>
<td>248,979</td>
<td>+8.9</td>
</tr>
<tr>
<td>Undrawn Facilities</td>
<td>176,000</td>
<td>176,000</td>
<td>0.0</td>
</tr>
<tr>
<td>Earnings per Ordinary Share</td>
<td>46.6¢</td>
<td>39.5¢</td>
<td>+18.0</td>
</tr>
<tr>
<td>Dividends per Ordinary Share (fully franked)</td>
<td>30.0¢</td>
<td>26.0¢</td>
<td>+15.4</td>
</tr>
</tbody>
</table>
Total revenue reflects the growth of Thiess Contractors’ business. Reduced work in hand as a number of large civil projects are concluded. Continuing strong performance from the Group’s operating companies. The 1997 result included the sale of Welded Mesh. Improved operating profit enhanced by the sale of Star City casino shares. The 1997 result included the sale of Welded Mesh. Construction assets remained steady, with an increase in property assets due to developments underway in North Sydney and Melbourne.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Revenue</th>
<th>Work in Hand</th>
<th>Operating Profit Before Tax</th>
<th>Operating Profit After Tax</th>
<th>Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>2031</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>2520</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>3101</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>3018</td>
<td></td>
<td>70.2</td>
<td>155.1</td>
<td>1576</td>
</tr>
<tr>
<td>1999</td>
<td>3035</td>
<td></td>
<td>70.2</td>
<td>155.1</td>
<td>1576</td>
</tr>
</tbody>
</table>
Operations Overview

Total Revenue 1999 $3328 million

Total Group Revenue $3,328
Total Operating Revenue $3,221

Major Shareholder HOCHTIEF (47%)
No. of Corporate Employees 26
No. of Group Employees 10,502
Office Sydney
Listed on ASX 1962
Chief Executive Officer Wal King

Key Activities
- Strategic direction and planning
- Financial management
- Market positioning
- Corporate and public affairs

Location
Australia/Pacific, Asia

Operating Revenue 1999 $3221 million

<table>
<thead>
<tr>
<th>by Market Segment</th>
<th>95</th>
<th>96</th>
<th>97</th>
<th>98</th>
<th>99</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil Engineering</td>
<td>33%</td>
<td>788</td>
<td>819</td>
<td>665</td>
<td>841</td>
</tr>
<tr>
<td>Contract Mining</td>
<td>25%</td>
<td>375</td>
<td>467</td>
<td>719</td>
<td>823</td>
</tr>
<tr>
<td>Building</td>
<td>24%</td>
<td>431</td>
<td>663</td>
<td>926</td>
<td>659</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>7%</td>
<td>65</td>
<td>121</td>
<td>292</td>
<td>283</td>
</tr>
<tr>
<td>Process Engineering</td>
<td>5%</td>
<td>67</td>
<td>97</td>
<td>56</td>
<td>149</td>
</tr>
<tr>
<td>Environmental Services</td>
<td>4%</td>
<td>65</td>
<td>68</td>
<td>91</td>
<td>116</td>
</tr>
<tr>
<td>Property Development</td>
<td>2%</td>
<td>51</td>
<td>37</td>
<td>48</td>
<td>36</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>106</td>
<td>127</td>
<td>130</td>
<td>-</td>
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<tr>
<td>Total $ million</td>
<td>1948</td>
<td>2399</td>
<td>2927</td>
<td>2907</td>
<td>3221</td>
</tr>
</tbody>
</table>

by Geographic Area

- Asia 21%
- Australia 79%

Work in Hand 1999 $4115 million

<table>
<thead>
<tr>
<th>by Market Segment</th>
<th>95</th>
<th>96</th>
<th>97</th>
<th>98</th>
<th>99</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil Engineering</td>
<td>19%</td>
<td>798</td>
<td>617</td>
<td>1186</td>
<td>1091</td>
</tr>
<tr>
<td>Contract Mining</td>
<td>52%</td>
<td>873</td>
<td>1470</td>
<td>1934</td>
<td>2320</td>
</tr>
<tr>
<td>Building</td>
<td>18%</td>
<td>951</td>
<td>957</td>
<td>627</td>
<td>1015</td>
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<tr>
<td>Telecommunications</td>
<td>4%</td>
<td>-</td>
<td>-</td>
<td>151</td>
<td>24</td>
</tr>
<tr>
<td>Process Engineering</td>
<td>1%</td>
<td>77</td>
<td>39</td>
<td>95</td>
<td>91</td>
</tr>
<tr>
<td>Environmental Services</td>
<td>6%</td>
<td>155</td>
<td>202</td>
<td>226</td>
<td>226</td>
</tr>
<tr>
<td>Property Development</td>
<td>-</td>
<td>96</td>
<td>61</td>
<td>16</td>
<td>-</td>
</tr>
<tr>
<td>Total $ million</td>
<td>2950</td>
<td>3346</td>
<td>4235</td>
<td>4767</td>
<td>4115</td>
</tr>
</tbody>
</table>

by Geographic Area

- Asia 22%
- Australia 78%

% Operating Revenue

by Market Segment and Country 98/99

<table>
<thead>
<tr>
<th>Civil Engineering</th>
<th>Contract Mining</th>
<th>Building</th>
<th>Telecommunications</th>
<th>Process Engineering</th>
<th>Environmental Services</th>
<th>Property Development</th>
<th>% Group Operating Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>33%</td>
<td>25%</td>
<td>24%</td>
<td>7%</td>
<td>4%</td>
<td>4%</td>
<td>1%</td>
<td>79%</td>
</tr>
<tr>
<td>23</td>
<td>15</td>
<td>7</td>
<td>7</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>Australia</td>
</tr>
<tr>
<td>3</td>
<td>-</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10 Hong Kong</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>1</td>
<td>&lt;1</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>7 Indonesia</td>
</tr>
<tr>
<td>1</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2 Philippines</td>
</tr>
<tr>
<td>1</td>
<td>-</td>
<td>&lt;1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1 Thailand</td>
</tr>
<tr>
<td>&lt;1</td>
<td>-</td>
<td>&lt;1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>&lt;1 Malaysia</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>&lt;1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>&lt;1 Vietnam</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>&lt;1</td>
<td>&lt;1</td>
<td>USA</td>
</tr>
</tbody>
</table>

Includes $16 million property income from USA
Investments

Star City Casino
25 million ordinary shares were sold to ABN AMRO for $35.3 million realising a profit of $10.3 million. A separate equity swap transaction was entered into with ABN AMRO enabling Leighton to participate in any movement in the economic value of the shares. Leighton continues to hold 37.45 million options to acquire shares in Star City as well as a 15% share in the casino management company.

Portman Mining Limited

Thiess Contractors formed a strategic alliance with Portman which involved the acquisition of 27.6 million shares for $20 million (of which 11.6 million shares were acquired subsequent to year-end). Thiess maintains a 5% direct interest in Burton Coal Mine, Queensland.

Eastern Distributor Tollroad

No change has been made to Leighton Contractors’ 11% interest in Airport Motorway Limited which holds the concession for the Eastern Distributor tollroad in Sydney.

† Including minority interests
* 20% Owned by HOCHTIEF
From the Chairman

“The Group is well positioned as Australia’s largest contractor and project developer, with diversity well beyond the core construction business, to continue growth.”

MA (Tim) Besley AO Chairman

An outstanding year
The Leighton Group achieved an excellent result for the year, further improving returns for shareholders. Profit after tax rose 18% to $121.8 million and revenue increased 10% to a record $3.3 billion. Despite conditions tightening in some markets, we ended the year with a healthy forward order book.

The Group’s strong performance helps us stand out from the crowd. With return on shareholders’ equity of nearly 20% and earnings per share high at 46.6 cents, the Group has maintained its place in the upper quartile of Australia’s top 100 companies.

The balance sheet remained strong with no net debt and shareholders’ funds of $612 million. The Directors again increased the full year dividend, up 4 cents to 30 cents per share fully franked. This represents a payout ratio of 65%.

Australian economy holds up
Our record year was achieved against the backdrop of a surprisingly resilient Australian economy. Whilst there is now evidence of a general slow-down in construction activity, the Group’s diversity in both its markets and geographic spread should ensure minimal impact from the predicted downturn.

The importance of the Ralph review on business tax reform cannot be underestimated. It will call for bold action providing a one-off opportunity for a badly needed overhaul of Australia’s tax system. If tax reform fails at this time it is likely to be many years before another government is prepared to take on the challenge.

For the Group, Thiess Contractors was the outstanding performer this year, with all-time record levels of work and an ever-widening span of activities. Some 40% of its work is now in the resources sector with a number of major long-term coal projects. Thiess successfully completed a series of initiatives to extend its business, particularly in the mining sector, through strategic alliances and acquisitions.

Leighton Contractors had a tougher year. However, a number of significant opportunities exist including its selection, as part of the Speedrail consortium, as the preferred proponent for the Sydney-Canberra Very High Speed Train project. Leighton Contractors is also expanding its telecommunications activities by initiating the development of Australia’s first independently owned fibre optic network in Queensland.

Performing well under pressure in Asia
In Asia’s difficult economic environment, both of our business streams performed particularly well. Despite significant political
and social unrest, Thiess’ operations in Indonesia delivered excellent results. Leighton Asia’s Hong Kong and Philippines operations also made good contributions.

The Group’s reputation and long-term commitment to Asia has established a track record and developed strong relationships with clients. This has enabled the Group to secure new work and successfully complete existing contracts during difficult times. Over the coming year, as the region’s economies begin their recovery, it is likely we will see some false starts. However, the Group’s disciplined strategy of selecting projects where we can add value should continue to deliver satisfactory results.

Active year for the Board

The Board continues to play an active role in formulating policy and providing strategic direction for the Group.

Complementing our audit, nomination and remuneration committees, the Board established an ethics committee during the year. We continued to closely monitor environmental policy while safety and occupational health remain consistently high on the agenda at Board meetings. Trade practices policy and reporting procedures were also revised to bring them in line with changed legislative requirements.

During the year video-conference equipment was installed to make communication with our operating companies and our major shareholder in Germany easier and more effective. Distance and pressure of commitments often prevent our two German Directors from attending Board meetings but there is regular consultation between the Leighton Group and HOCHTIEF.

In accordance with established policy we again conducted a self-evaluation of the Board’s performance this year. A working group will assess the issues which this evaluation identified. During the year the Board continued its programmes of on-the-ground inspections, with Board members visiting projects in Australia, Indonesia and Hong Kong.

There was a change in the composition of the Board this year with the appointment of Geoff Dixon. Geoff is Deputy Chief Executive of QANTAS and a director of Air Pacific. I welcome his expertise in commercial, transport and tourism matters.

Looking ahead

Management has the will and the expertise to grow the business. This, coupled with the strong support of the Board and the ability to sponsor the development of significant projects, makes the year ahead look promising. Notwithstanding the expected downturn in traditional Australian construction markets, and a patchy outlook for the diverse economies in the Asian region, Directors are confident that the Group’s strength and diversity will once again result in satisfactory results and a continuation of the high dividend pay-out ratio.

My thanks are extended to my fellow Directors for their counsel and guidance, to company management and all Leighton staff for the significant part they played in achieving this excellent result. My thanks as well to all shareholders for their continued support and loyalty.

M A (Tim) Besley AO
Chairman

Leighton Holdings Limited Board
M A Besley AO Chairman
H-P Keitel, R M Wylie OBE Deputy Chairman
W M King AM, D S Adamsas,
G J Ashton, G Dixon, A Drescher,
I R Johnson, D A Mortimer, B Peus,
D P Robinson
Secretary A J Moir

Associate Directors
M C Abrecht, J Faulkner,
R J Merkenhof, V A Vella

Audit Committee
R M Wylie OBE Chairman
D S Adamsas, W M King AM,
D P Robinson
Secretary A J Moir

Board Nominations Committee
M A Besley AO Chairman
W M King AM

Ethics Committee
M A Besley AO Chairman
W M King AM, G J Ashton

Executive Committee
W M King AM Chairman
D S Adamsas, M C Abrecht, J Faulkner,
R G Gussey, R J Merkenhof, A J Moir,
V A Vella, W H West

Remuneration Committee
M A Besley AO Chairman
W M King AM, H-P Keitel
Chief Executive’s Report

“The Group today represents a different mix of skills and capabilities than it did five years ago. We will continue to evolve in response to the needs of the market, without losing sight of what makes us successful.”

Wal King AM Chief Executive

How did the Group perform in the 1998/99 financial year?
The Group delivered an excellent result in its 50th year of operation. We maintained our momentum and are well positioned in Australia and Asia despite the changing operating environments and tightening market conditions. Our balance sheet is in a fireproof condition which is a great asset in this part of the construction cycle in Australia. We have $271 million of surplus funds and are confident that these funds can be selectively applied to business opportunities which should underpin ongoing performance.

In what continues to become a more global marketplace, one of the core strengths of the Group is its broad geographic footprint and diversity of activities. Our people, our financial capacity, a long-term vision and commitment are also key factors behind our success.

How did that translate into profit, revenue and work in hand?
Profit before tax was up 17% to $181.8 million from record operating revenue of $3.2 billion. Australia and the Pacific region contributed 79% of revenue with the remainder from Asia. Profit after tax was $121.8 million, which included $10.3 million from the sale of our ordinary shares in Star City casino.

Overall, work in hand remained high at $4.1 billion although levels of new work won were lower.

How well did Australia perform in a changing marketplace?
The economic upheavals of Asia have had surprisingly little impact on our traditional markets in Australia. Construction is an industry subject to continual change which we do not necessarily find stressful. Finding suitable opportunities in the ever evolving markets in which we operate will continue to be our challenge.

Leighton Contractors had a change of Managing Director with the retirement of Keith Bennett and the appointment of Bob Merkenhof. Having settled in, Bob is working with his senior management team to develop opportunities to offset the downturn in traditional construction markets. The company is well positioned in telecommunications which, in a deregulating environment, is a growth sector offering increased outsourcing of work. Leighton Contractors is also pursuing some very substantial infrastructure developments across Australia.

Thiess had an outstanding year. As a consequence of fundamental changes in the coal mining industry, Thiess has expanded its coal mining operations by offering innovative solutions which provide substantial cost benefits to the various mine owners. Highlights for Thiess this year include negotiating major extensions to the output of the Burton coal mine and forming a strategic alliance with Portman Mining.
Leighton Properties is also in a transitional period, having been through the process of completing Sydney’s Star City casino. The company is now applying its resources to other opportunities on the eastern seaboard.

Technical Resources continues to provide support to the Group’s operations and build its knowledge base. In the year ahead, the company will have a new leader following Bob Gussey’s retirement at calendar year-end. The succession plan is now being finalised.

**Does the Group remain committed to Asia?**

Without a doubt, yes. Asia continues to be a key geographic area for Group activities. Results are somewhat flat, but in the context of the region’s incredible economic and political change it is a credit to both Leighton Asia and Thiess Indonesia’s management to have successfully navigated their way through the prevailing environments without substantial negative impact.

The signs are that the region has stabilised but Asia is not, and never has been, a homogeneous place and the rate of recovery will vary from country to country and from one business area to another.

Hong Kong remains a very successful market for Leighton Asia. The company is focused on the Hong Kong Government’s high level of infrastructure and housing investment which will provide an array of projects over the next 2-3 years.

The Philippines presents a surprisingly high level of opportunity and is now Leighton Asia’s second-largest market.

In Indonesia, Thiess maintained a strong presence despite political and economic upheaval and has continued to be very successful in the resources area.

Opportunities elsewhere in the region remain constrained but nonetheless the Group has continued to maintain a presence in Thailand, Malaysia and Vietnam and is investigating one-off projects on the Indian sub-continent.

**Was it a quality result for the year?**

Yes. To the benefit of shareholders, the Group’s earnings were enhanced by income and profits from investments as well as from our traditional contracting base. We will also continue to develop quality long-term earnings streams from operations such as waste management, mining and facilities management. We expect ongoing future profit contributions from our investments including Sydney’s Eastern Distributor motorway and the remainder of the Star City investment.

**What’s the outlook for the coming year?**

We anticipate another year of very acceptable profits despite the prevailing atmosphere of uncertainty in both the Australian and Asian construction markets. There are very high levels of confidence in Australia’s strong general economy with business in a healthy state as we approach the millennium and the Olympics next year – two events influencing the psyche of the people.

Infrastructure in Australia will, for many years, be a large component of the Group’s business. The Group has many prospective projects under consideration including the huge Speedrail project which will connect Sydney and Canberra by Very High Speed Train.

Infrastructure associated with telecommunications is also providing many opportunities. This growth area will produce revenue and profit which will offset the decline in the company’s more traditional construction areas.

In Asia, there will probably be a number of “false dawns” before the region can confidently be described as back on track. It is most satisfying to see the strong activity levels Group companies have across Asia. We expect this trend to continue as global clients seek to work with companies who are not subject to local economic pressures.

The Group looks forward to the challenges ahead and is confident of another successful year.
Overview
The Group delivered an excellent financial performance, ending the year in a solid position with a stronger balance sheet. Shareholders’ funds attributable to members increased by 6.7% to $612 million and the average return on these funds during the year was 19.9%.

The net level of cash increased slightly to $271 million and undrawn facilities were steady at $176 million. The funds invested in our North Sydney property development, Portman Mining Limited and construction and mining equipment, were broadly balanced by operating cash flows, cash from plant sales and the sale of our Star City casino shares.

The Group’s financial and operating strategies are integrated, providing the parameters within which Group companies function. The Group’s philosophy is to allocate funds to areas demonstrating strong returns, ongoing work flows and/or sound future potential. Operating companies have access to the full range of the Group’s financial capabilities and are encouraged to utilise the balance sheet strength.

Our strong BBB+ credit rating is testimony to the Group’s financial strength and provides a sound basis for any future borrowing requirements. The Group has financial instruments in place, where applicable, to address exposure to interest rate movements.

Foreign exchange exposure
As we closely monitor Asia’s economic recovery, our foreign exchange exposure remains similarly under close review. During the extreme volatility experienced in currency markets, we put in place various foreign exchange hedges which have been beneficial to overall Group results.

Managing risk
Leighton’s commitment to risk management is fundamental to our business strategy. Potential projects are assessed in terms of risk and return with any relevant issues identified at an early stage. Following the procurement of a project, performance is monitored at branch or business unit level, then reviewed at corporate level. Our reporting systems and procedures are well established and supported by modern information systems. Audits are carried out on selected projects, independent of the financial processes, and involve the review of the technical, operational and financial aspects of the job.

Accounting changes
We have prepared the 1999 balance sheet in accordance with the accounting guidelines contained within UIG26 and ED88.
and other new accounting standards and directives. Comparative values for 1998 have been similarly adjusted.

**Stakeholder communications**
A high priority is placed on effective business communication with the Group’s clients, partners, investors and other stakeholders. Ongoing relationships and appropriate contacts are maintained with shareholders, the Australian Stock Exchange, fund managers, stockbrokers, the banking sector, media, industry bodies and the communities in which we operate.

We have maintained a consistent dialogue with the investment market during the year to communicate the Group’s strategic development path. We have also addressed current issues such as our perceived exposure to the Asian economic crisis and the anticipated construction downturn in Australia.

**Information technology**
The Group is implementing an overall plan aimed at accelerating the development and the strategic use and exploitation of the latest information technologies.

Sophisticated IT systems support our strong financial and risk management capabilities as well as communication needs, internally and externally.

Our Internet site is now in its second year of operation and recently installed video-conferencing facilities will further enhance this communication platform.

Excellent progress has been achieved in finalising activities to address the Year 2000 problem within the Group. At year end, we are not aware of any material Year 2000 risks remaining with respect to the Group’s internal systems.

The main areas of risk for the Group are those outside our control and assurances have been sought from relevant external organisations. Contingency plans are being developed to address potential external failure.

**Tax reform**
We do not anticipate the introduction of the GST will negatively impact on profitability. Working parties have been set up in each Australian operating company to plan its introduction and review its impact, particularly during the transitional phase. The Group is also working with industry bodies to support their efforts to seek clarification and/or changes to the GST’s administration.

**Outlook**
The year’s strong financial results and improved balance sheet provide a solid platform for controlled growth of the Group and improved shareholder returns, together with the financial stability and guarantees increasingly sought by clients.

Dieter Adamsas  
Director, Finance and Administration
The Group’s Olympics-related construction work was never more than 10% of our annual revenue, including associated projects such as the Eastern Distributor. The vast majority of Olympics projects have already passed through our books.

However, there is no doubt that the construction sector, particularly in New South Wales, has peaked. The reality is a pre-Olympic slowdown with civil engineering activity forecast to decline by 6% in 1999/2000 according to the Australian Bureau of Statistics. To an extent, we anticipate this will be offset by a series of government projects following on from the Olympics, notably in transport infrastructure. This should go some way towards stabilising the available work in that sector and help minimise the overall downturn.

From Leighton’s perspective, we feel that we have the capacity to withstand any downturn and maintain our profitability, particularly now that traditional construction is only around 50% of our business. For many years the Group has been working towards development of long-term income streams in areas like mining, waste management and facilities management to underpin the cyclical nature of construction work. Also, nearly 10 years ago we diversified into telecommunications, a market that complements our construction activities and has significant growth potential. We also stand to benefit from the recovery in Asian markets where we have record levels of work in hand.

Taking a broad look at our growth strategy, the direction of the Group is unchanged. We are focused on maintaining the momentum of the operating companies and extending the core businesses through selected investments, acquisitions and diversification.

We will uphold our position as a contractor and project developer operating in Australia and Asia. The extension of our core businesses through organic growth or acquisition is an important part of the growth strategy. Obvious areas of interest to us are coal mining, environmental, rail and telecommunications – sectors that show significant potential and provide opportunities to add complementary activities.

An example of this is Thiess’ strategic alliance with Portman Mining which followed on from the success of the Burton coal project. Under this alliance, Thiess and Portman have agreed to undertake future projects together, focusing on rationalisation within the coal industry.

Question 1

Why is the Group confident it can weather any post-Olympic construction downturn in Australia?
Thiess also recently purchased Hunter Valley Earthmoving in New South Wales, a business which will add some $80 million in new contracts and extend Thiess’ presence in the Hunter Valley area.

Thiess’ purchase of the assets of Australian-based Total Energy Systems to form Quantum Explosives is an example of vertical integration in the resources sector. Quantum will supply a customised range of innovative explosives systems, that will provide significant savings to Group companies and other clients through improved blasting efficiencies, and also provide the Group with another earnings stream.

Capability in the environmental sector has been extended by Thiess Environmental Services’ (TES) acquisition of Garrett’s Waste in Victoria. TES has been steadily increasing its presence in Victoria where it has provided services in hydrographics for some years. Garrett’s adds further refuse and recyclable collection services to their capability.

Rail infrastructure and maintenance is another area where natural diversification has allowed the Group to grow. The recent agreement with National Express Group in Victoria, worth $250 million over the first five years, extends Thiess’ engineering skills into providing rail maintenance services.

Telecommunications is an area with tremendous growth promise. Over the last decade, Leighton Contractors has successfully developed capability in this area through its contracting operations and the acquisition of Visionstream. Their ability to provide specialist services in this sector sees them poised to develop Australia’s first independently owned fibre optic network for Reef Networks.

These examples show how the Group is further developing a diverse spread of activities to accommodate the ebb and flow of traditional markets and protect the Group when markets change. The Leighton Group is very capable when it comes to coping with change and it is our view that the current market is an environment where the company’s strengths can be applied to leverage growth.
Risk management is a cornerstone of the Leighton Group’s success and a common thread across all aspects of our contracting and project development activities.

We place considerable emphasis on systems and planning and much of our success is based on two things: carefully documenting what we are going to do and then delivering it. Risk is countered through having experienced management teams, strong financial management systems and increasingly integrated IT capabilities. Our size and financial strength provide additional stability.

The Group has the ability to evolve to match changing market conditions. Among the factors behind the Group’s success are pursuing only the work we can competently handle; business planning principles including a structure that allows effective implementation, transparency and accountability; open communications backed up by good information systems; incentives for our people; and a strategy of diversification by company, geography, market sector and product.

Managing contracting risk has been the area of most focus, especially as the company has matured and developed more sophisticated project delivery methods. From the outset there are exacting controls in
place on contracting activity. Potential projects are assessed against risk and return methodology along with pricing and costs. All relevant issues are addressed early in the planning process.

However, it is our ability to effectively manage development and equity risk that is rapidly transforming the Group. This ability is clearly demonstrated in projects like the M5 Motorway, Burton coal mine, Star City casino and the Eastern Distributor. Each of these large, complex projects is different, but they all demonstrate the fundamentals of our project development strategy: a sponsor level of equity, defined construction or mining activity, and a clear exit path. This approach keeps the level of risk manageable, whilst increasing earnings potential.

Not only do we aim to achieve profit on the construction, but also on the equity, operation and maintenance components.

The Group has a unique project audit discipline that requires stringent checks and balances at divisional and Group level. The project audit process is all-important: it allows us to take corrective action if there is a problem or potential problem; provides an overview of our planning and implementation, systems and procedures; and incorporates a process of continual improvement to address ongoing issues.

Risk management extends beyond the ability to manage the financial and technical issues associated with a project. The ability to understand a range of issues such as safety, environmental and community concerns, and manage them in a professional and accountable manner, is crucial.

Group companies develop systems and procedures to ensure these issues are addressed consistently and competently. Accreditation is the first step, followed by benchmarking, review and improvement. Ongoing performance for occupational health and safety and environmental management is monitored by the Leighton Holdings Board.

Managing the interface between project and community, often on behalf of clients, is an essential part of our approach to risk management. The ability to communicate with a wide array of stakeholders ensures issues are addressed before they become problems and that the development process is less disruptive for all involved. Community relations managers are being introduced into the project teams where impact to normal community activities is anticipated.

The Group is known for its selective and disciplined approach to new work. This approach has helped us to emerge from the Asian crisis relatively unscathed. It also proves that the best way to manage risk is to fully understand your exposure and your capabilities – and we do.
What are the Group’s assets and how do they drive the business?

Question 3

Without doubt, our people are the key asset driving the business. Leighton places considerable emphasis on leadership, responsibility and accountability, and employs some of the best people in the industry. They are project-focused, committed to hard work and achieving high quality standards, and get a lot of professional satisfaction out of meeting or beating targets. The Leighton Group is committed to developing their individual skills and career paths; accordingly training and human resources remain high on the agenda.

Cash is a strategic asset and one of the cornerstones of our financial strength. The Group has a very strong balance sheet with $271 million of net funds. We are confident that these funds will, over time, be applied to a range of business opportunities to optimise the balance sheet and further improve the return on shareholders’ funds. Our strong balance sheet also allows us to facilitate development projects with their characteristically long lead times.

The Group maintains the largest mobile plant fleet in Australia. We use the latest plant to maximise our technological advantage and drive improvements in efficiency and productivity.

The Leighton Group’s reputation is a corporate asset earned through its solid track record. In size, strength and profitability it is dominant in the Australian market. This position has been achieved through a Group-wide commitment to evolving its diverse businesses and constantly seeking ways to maintain its forward momentum. This corporate commitment to growth will support our reputation as a solid performer even under difficult market conditions.

Our systems are fundamental to the successful operation of the Group at all levels. We are a systems-oriented organisation and attribute a good proportion of our success to the fact that our systems are designed to produce outcomes. Our customers select us, then frequently give us repeat business, because we represent certainty of delivery to agreed standards. Repeat business is often the result of using those systems to improve the process or the product delivered, setting new benchmarks for the industry and providing better service to the client.
Good business relationships are another fundamental element underpinning our approach. Our relationships with customers are paramount, and we continually develop our relationships with all stakeholders including sub-contractors, suppliers and specialists. Relationship Contracting is a concept we support and help promote to the industry. Improved industry standards and behaviours - encouraging Australian owners, clients and contractors to work together cooperatively for mutual benefit - can only improve outcomes for us all and therefore deserve our commitment.

Of invaluable benefit to Leighton, and in turn its customers, are the layers of business and industry-specific knowledge accumulated over many years and applied across the organisation. Knowledge management also extends across our commitment to understanding, adapting and implementing leading edge information technologies. These technologies enable knowledge to be gathered, accessed, enhanced and embraced by the Group.

So-called soft technologies such as occupational health and safety, environmental management, community relations, business ethics, corporate sponsorships and industrial relations are also increasingly strong assets for us. In each of these areas we evolve and implement policies and practices and regularly improve them to keep Leighton at the forefront of the industry and contribute to our growth.

Most of these assets can’t be easily quantified in dollar terms, but the value of our people, financial strength, reputation, systems, business relationships, knowledge and soft technology expertise is certainly reflected in the performance of the Group and our ability to grow the business.
The Leighton Group has experienced extraordinary growth in the '90s, a fact acknowledged by the Shareholder Scorecard.

The Group is in a sound financial and operating position after divesting non-performing assets and unlocking the potential of its core businesses during a period of strong market growth.

Rapid change will be a constant in the new millennium, and the Group's ability to evolve to meet the needs of markets and clients will be critical to achieving further growth.

In the immediate future, the Group's $4.1 billion of work in hand will underpin improved revenue from contracting activities in 1999/2000. This will be complemented by the realisation of project development investments such as Star City casino, and property sales in Australia and the USA.

The Australian civil engineering and building construction markets will deliver good levels of new work, although the market has peaked and winning quality projects will become more competitive. This will be balanced by growth opportunities in contract mining, particularly coal, telecommunications and environmental services.

Asia is also expected to perform well, with record levels of work in hand and sound prospects in Hong Kong, Indonesia and the Philippines.

Going beyond next year, the diversity of the Group's businesses will add further growth potential and continue to change our earnings profile. Diversity through company, geography, market sector and product is essential to managing the cyclical nature of the industries we service.

The allocation of assets to the best performing areas will ensure acceptable returns are maintained. This is in line with the Group's growth strategy of maintaining the momentum of our operating companies and extending core businesses through selected investments, acquisitions and diversification.
The implementation of this strategy is already underway throughout the Group. Thiess has made a number of acquisitions to improve the level of services offered to the coal industry. They have also added to their long-term potential in waste management and facilities maintenance.

Leighton Contractors and Visionstream continue to expand their telecommunications capabilities and are now pursuing telecommunications infrastructure development. They continue to target large, complex infrastructure projects, particularly in the transport sector. A process engineering division has also been established to facilitate resource development opportunities.

The outlook for Asia is more positive than anyone would have thought 12 months ago. The Group has record work in hand and is well placed to participate in economic recovery across the region.

Leighton Asia’s expansion into the Philippines has been very successful, countering the limited opportunities in Thailand, Malaysia and Vietnam. The company is presently exploring new prospects on the Indian sub-continent.

Thiess’ business in Indonesia is already showing signs of renewed activity following a relatively minor slowdown during the recent period of social and economic upheaval. Contract mining and resources-related infrastructure will provide the majority of revenue in the short to medium-term.

The Board remains committed to generating long-term wealth for shareholders. The initiatives to extend our business, along with the underlying strength of the contracting operations, should ensure continued growth in the value of the business and commensurate returns to shareholders.
Commitment to corporate governance
Good corporate governance enhances the company’s performance by developing policies and practices that ensure its business affairs are managed and conducted to high standards, consistent with obligations to all stakeholders.

To be effective, corporate governance must go beyond policy; it must become part of the culture of the organisation. Good corporate governance starts with a policy that sets guidelines then gathers its own momentum through the actions of the Board, executives and employees.

The Board is committed to achieving good corporate governance across the Group. It has implemented an active corporate governance programme that clearly communicates corporate objectives to the managers who operate the business. A systematic approach to measuring performance against objectives is a fundamental part of this process.

The Board continues to monitor and uphold the Group’s Corporate Governance Policy to ensure its effectiveness and relevance to Group operations.

Balanced Board
The Group maintains a balanced Board with a broad range of complementary skills and experience spanning the construction, transport, mining, finance, manufacturing and tourism industries. There are presently 12 directors comprising two executive directors and 10 non-executive directors. The Chairman is a non-executive director.

Mr Geoff Dixon was appointed to the Board as a non-executive director in August 1999. Geoff is the Deputy Chief Executive Officer of QANTAS Airways, responsible for commercial strategy and policy, marketing and sales, advertising, frequent flyer and loyalty programmes, product development, inflight service, cabin crew, regional airlines and fleet planning.

He has held senior commercial positions in a variety of industries in addition to senior postings with the Australian Government in The Hague, New York and the United Nations. He also serves on the board of Air Pacific. Geoff brings a wealth of transport, tourism, marketing and commercial experience to the Leighton Board.

Active governance
The Board meets regularly throughout the year to review the company’s progress and to discuss internal and external issues that may impact on the company. There were nine scheduled Board meetings and one unscheduled Board meeting held during the year. Scheduled meetings have regular agendas, which address Group strategy, operational performance, the progress of committees, and the company’s financial status as well as any special issues affecting the Group. Unscheduled meetings are convened at short notice to enable directors to consider and progress urgent issues concerning the company’s ongoing operations.

Directors continued their programme of site visits. Site visits enhance their understanding of key operational issues and encourage interaction with management and employees. During the financial year, directors visited the Eastern Distributor project in Sydney, and the Lei Yue Mun Museum and Tsz Oi Estate Phase 4 Housing projects in Hong Kong.

Directors also visited a number of projects in Indonesia. This was a good opportunity to gain a closer understanding of the prevailing political, social and economic conditions in that country. The directors were able to see first hand that the majority of our work in Indonesia was relatively unaffected by the turmoil experienced in some cities and towns, and that morale among staff and employees was high. This visit satisfied directors that management’s decision to continue operations in Indonesia was correct.
The Board has taken a strong interest in the Group’s development of IT strategies and competency. This goes beyond Year 2000 issues and recognises the role of intellectual capital and new technologies as key elements in the Group’s future performance and growth. During the year, the Board made use of new video-conferencing facilities to maintain contact with directors and management based overseas.

The Board has continued its process of confidential self-evaluation as a means of measuring performance and identifying areas for improvement. This process is supervised by the Chairman and the results of this evaluation are reviewed by the Board.

The company made 24 announcements to the Australian Stock Exchange (ASX) during the year, in line with reporting and continuous disclosure requirements.

Board committees
The Board has established a number of committees to address specific issues in greater depth. Committees are generally chaired by a non-executive director and report back to the Board on a regular basis. This year, the Board established an ethics committee to monitor the Group’s ethical performance and the implementation of recommendations made by The St James Ethics Centre in their review of the company last year.

The ethics committee complements the existing audit, nomination and remuneration committees.

Environment, health and safety
The Board closely monitors the Group’s performance in environmental management and occupational health and safety. It has been instrumental in the development and use of standard report formats to ensure accurate comparisons across Group companies and benchmarking to industry standards. The Board also reviews the reporting mechanisms used by operating companies to drive improvement.

Quarterly reports on environmental management and occupational health and safety were submitted to the Board during 1998/99.

The environmental reports contain details of any reportable incidents, the corrective action taken, and provide statistics relative to environmental compliance and audit activities on projects. Details of the Group’s performance in relation to the various Australian regulations governing the protection of the environment are contained on page 44.

The Group’s Australian operating companies have in place environmental management systems, which are third party certified to Australian or ISO standards. This requirement has now been extended to our international operations. During the year, Leighton Asia achieved third party certification to ISO 14001:1996 for its building and civil engineering operations in Hong Kong.

Occupational health and safety performance reports contain detailed statistics, graphs and management analysis of work-related incidents which are based on standardised reporting criteria. The reports also provide details of any safety training, communication and safety committee initiatives implemented during the quarter. This includes the status of ongoing programmes, awards, certification and compliance activities.

Succession planning
In conjunction with independent advisers, Chandler & MacLeod, the Board reviewed and updated formalised succession plans for directors and senior executives within the Group. A comprehensive Succession Plan Report was subsequently developed and forms the central plank of the Group’s ongoing planning.

The Board is satisfied that the operating companies are appropriately addressing succession planning.

Trade practices compliance review
All members of staff within the Group whose duties require them to have dealings with other business organisations (both private and government) or to respond to tenders or make business proposals to other business organisations, are responsible to ensure that activities within their area of responsibility are carried out lawfully and within the requirements of the Trade Practices Act.

To this end the Board reviewed and approved a compliance manual, upgraded the reporting procedures, and produced a revised Trade Practices Policy for the Group during the year.
Review of Operating Companies
Leighton Group Structure

Our operating strategy is based on a flexible corporate structure able to adapt to changing market conditions. The Group operates through a number of companies which maintain individual identities in the marketplace and have their own advisory boards, balance sheets and distinct corporate cultures. They have high levels of autonomy and responsibility, and are encouraged to develop their own markets and client relationships.

The catalyst for introducing a decentralised and highly accountable management structure was the acquisition of Thiess Contractors in 1983. At the time, Thiess was 50% owned by HOCHTIEF, a major German contractor. The acquisition introduced HOCHTIEF as the Group’s largest shareholder and also fundamentally changed the structure of the organisation.

A dual product approach was developed in Australia, allowing Leighton Contractors and Thiess Contractors to continue as separate organisations within operating and financial parameters agreed with the holding company. As the parent public company of the Group, Leighton Holdings provides strategic direction and planning, financial management, market positioning, and corporate and public affairs.

Leighton Group Structure

Leighton Holdings Limited Board

Audit, Board Nominations, Ethics and Remuneration Committees

Chief Executive Officer

WM King AM

Executive Committee

Group Structure

Review of Operating Companies

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40 Technical Resources
Train loading of iron ore at the Yarrie Mine
Western Australia

Pacific Motorway
Brisbane, Queensland
Overview

A satisfactory result was achieved this year, with our size and financial strength providing stability in a competitive market. Revenue and profit were down and work in hand reduced largely due to the accelerated completion of the Eastern Distributor project in Sydney.

Our capacity to take on massive infrastructure projects inevitably causes fluctuations in our results, particularly work in hand, as evidenced this year. Projects of such size and scale do not occur frequently and often take a long time to develop. However, we are well able to accommodate and resource them whilst still maintaining normal project activity.

In my initial year as Managing Director I have been intent on building on the company's strong foundations and core business as we re-focus for the new millennium. The market is evolving rapidly, with Leighton Contractors increasingly applying its skills to assess clients' business drivers and arrive at solutions that go well beyond simply satisfying the technical brief.

Major projects progressing well

Construction activity was boosted by two high-profile projects in Sydney: the Eastern Distributor motorway and AMP's Angel Place. We are ahead of schedule in delivering Sydney's Eastern Distributor and the project will be open to traffic in early 2000, well before the Olympics. The $202 million Angel Place office development is expected to be completed by June 2000.

Also nearing completion is the $64 million redevelopment of Blacktown Hospital in Sydney's west. Another health facility, the $38 million Peel Health campus project in Perth, was finished in January this year.

Our work on Star City casino, in conjunction with Leighton Contractors, was recognised when the project received the industry's highly regarded annual prize, the Property Council of Australia's 1999 Rider Hunt Award for NSW.

In telecommunications it was a year of rapid growth for Visionstream, which made the watershed transition from its reliance on broadband business into a multi-disciplined telecommunications contractor. Visionstream and Leighton Contractors are currently negotiating to build, partly own, and operate the Reef Network Project. This is a 1200 km fibre optic cable network from Brisbane to Cairns and will be Australia's first privately owned network.

Our performance in contract mining reflects the depressed gold market. We focused on our work at BHP's Yarrie-Niningarra iron ore mine in Western Australia. In a disappointing market, excess plant and equipment was sold to make funds available for other activities. Our Western Australia branch is in transition from a predominantly mining operation to one spanning mining, civil engineering and building.

Customers seeking added value

Many customers are seeking added value in preference to lowest cost and, as they become national or international in their outlook, are increasingly calling on our integrated national geographic capabilities to support their own expansion.

During the year, the Leighton Contractors Engineering group was established to capitalise on the shift in Australia towards adding value to raw commodities. This process engineering group will allow us to explore opportunities in the oil, gas and petrochemical markets which fit comfortably with our resources industry and general construction expertise.

A commitment to obtaining the best return for shareholders is shared by all employees, whose collective 'can do' attitude is exemplified by our ability to successfully deliver complex and environmentally sensitive projects under difficult circumstances.

We increasingly focus on our interaction with local communities, growing our corporate reputation with all project stakeholders. As the projects we undertake frequently have a major impact on neighbouring communities, establishing productive dialogue is all-important to their success.

Future outlook

We expect revenue and profit to remain steady next year in a challenging market. However, we see good prospects for improved profit in 2000/2001.

Major project opportunities include Melbourne's $300 million Entertainment City and the $300 million Walsh Bay Coal Loading Facility at Newcastle, where we are the preferred contractor. We are also the preferred developer, in partnership with ALSTOM, for the $3.7 billion Speedrail project, a Very High Speed Train proposed for the Sydney-Canberra corridor.

Projects of this nature provide additional income streams from equity investment, operation and maintenance and have regularly contributed to our bottom line this decade.

A good level of government-funded civil engineering and infrastructure projects is anticipated to come on-line in New South Wales following the Olympics. Prospects are also promising in other States. The telecommunications sector will continue to generate growth opportunities, particularly for Visionstream.
This year has seen Visionstream develop a broad ranging telecommunication construction and service business from its original base as a cable-TV construction company. Simultaneously, the customer base has broadened substantially to incorporate virtually all telecommunications carriers and major suppliers operating in the Australian market.

Visionstream now has offices in all major capital cities around the country and in a number of regional centres, with a total staff count of more than 2,000. Major projects undertaken during the financial year included cable-TV servicing, network rehabilitation for Telstra, design and construction projects and network relocations.

Cable-TV activities have included support for both Telstra and Optus in providing customer connections and wiring of apartment buildings. Over 400 Visionstream staff are deployed across all mainland State capitals to handle this continuing activity.

Our involvement in upgrading Telstra’s copper based Customer Access Network was a major challenge this year. This work involved testing, design and subsequent installation and rehabilitation activities to bring fault-prone sections of the network to high performance standards. Again, these activities were implemented Australia wide and their scope grew during the course of the year to levels requiring more than 800 staff by year end.

We also undertook telecommunications design and construction projects for all major carriers. Often involving complex fibre optic technology, these projects are total turn-key activities providing new network infrastructure.

Another major activity this year relates to protecting and relocating telecommunications assets (primarily for Telstra) in areas undergoing development, such as new roads and buildings. Visionstream’s expertise was applied to provide developers with alternatives and expertise to protect or relocate communication assets that impact on the development works.
- Won $202 million Angel Place office development in Sydney’s CBD
- Completed work on Star City casino
- Well positioned to tender for exciting opportunities presented by NSW 2010 Transport Plan
- Preferred contractor for $300 million plus Brambles coal loading facility in Newcastle
- Preferred contractor for Melbourne’s Viacom entertainment development
- Eastern Distributor in Sydney well ahead of schedule
- Preferred contractor for Federal Government’s $13.7 billion Very High Speed Train project which will link Sydney and Canberra in 81 mins
- Selling mining fleet to free up capital for growth prospects
- Repositioning WA branch from strictly mining operation to encompass mining, civil engineering and building
- Significant growth opportunities for Visionstream, widening its focus/capabilities from broadband telecommunications to multi-disciplined telecommunications service provider
- Visionstream and Leighton Contractors negotiating to build, partly own and operate Reef Network project

- Won 1999 NSW Rider Hunt Award from Property Council of Australia for casino project
- Won Hospitality Industry category for Singleton Returned Servicemen’s Club project in Newcastle Master Builders Association Excellence in Building Awards, also finalist for Commercial Project of the Year with same project; Merit Award for Kurri Kurri Bowling Club project in Refurbishment or Renovation of a Building category. Work on both projects recognised with joint award for Best Occupational Health, Safety and Site Management project
- Presented with inaugural nationally accredited/recognised project Safety Management diplomas – training course developed jointly by Leighton Contractors/Industrial Foundation for Accident Prevention for the mining industry
Balambano Dam
Sulawesi, Indonesia

Graham Farmer Bridge
Graham Farmer Freeway
Perth, Western Australia
Overview
This year was one of outstanding growth for Thiess, with all-time record levels of revenue and profitability and a growth rate of over 20%. Our business continues to be driven by the strategic emphasis on re-engineering the company’s capabilities to be relevant to emerging opportunities and broadening the business with existing customers. Differentiating our services to derive repeat business is a key objective.

Mining and resources
Some 40% of our business is derived from the mineral resources sector in Australia and Indonesia, with coal dominant. Thiess is at the forefront of providing the coal industry with fully integrated services, focused on continuous improvement and productivity, essential to offset lower coal prices and decreasing demand.

Ongoing improvements in technology and innovation are now critical for resource industry stakeholders. Our drive to improve the overall service to clients culminated in the recent acquisition of an explosives business which will provide opportunity to harness recent technological improvements in blasting efficiency and lower costs.

Following the successful development and commissioning of the Burton coal mine in 1996, Thiess completed the expansion to double the mine’s production to 4 million tonnes per annum of product coal. In June 1999, Thiess entered into a strategic alliance with Portman Mining Limited and acquired a shareholding in Portman. The alliance provides an operating framework for the identification and development of future resource projects to be acquired by Portman who will engage the contract mining, operating and technical skills of Thiess.

In Indonesia, our all-time high level of activity is testament to our commitment and our clients’ confidence in developing resource projects which create employment and contribute to export earnings. The leadership demonstrated by Thiess’ management in Indonesia during the recent turmoil has resulted in greater client confidence in Thiess and a stronger presence going forward. We have some exceptional opportunities and have been able to maintain growth in the quality of results from existing projects.

Construction
Work continued on the $132 million contract for alterations and additions to the Ansett Domestic Air Terminal at Sydney Airport. The new mail-handling facilities for Australia Post, at Dandenong and Sydney, were substantially completed.

Thiess has added another long-term earning stream to its business with the award of a $250 million maintenance and capital works contract with National Express Group. National Express Group has secured the right to operate 3 of the 5 public transport franchises put to tender by the Victorian Government. This further consolidates Thiess’ involvement in the provision of rail infrastructure services.

The Environmental Services business grew strongly with increased revenue from a good cross-section of work including collection and recycling, landfill operations, wastewater treatment, land remediation and water and sewerage maintenance. Our acquisition of Garrett’s Waste complemented organic growth and provides a better balance to our Victorian operations.

Thiess is developing an impressive record and capability in the health services sector. The $170 million management contract for refurbishment and extensions to Royal Prince Alfred Hospital in Sydney, a $37 million design and construction contract for a hospital at Robina in Queensland, and The Holy Spirit’s North Side Hospital in Brisbane, demonstrate success in this specialist market.

The changing face of our business
Thiess has evolved into much more than a traditional contractor. As projects become more complex and clients’ needs become more sophisticated, our challenge is to provide a fully integrated service: from understanding their business drivers, to delivering initial infrastructure and supporting ongoing operations.

Strategic alliances and a focus on innovation and continuous improvement underpin our evolution, whilst links to complementary expertise provide more powerful synergies. This is exemplified by our Partner of Choice agreement with technology firm Siemens which will provide opportunities for both companies to benefit from each other’s expertise in areas of mutual business interest.

Our greatest strength continues to be the quality of our people, with growth linked to equipping all staff with the training and skills they need as individuals. Maintaining safe workplaces for our people is of paramount importance and our efforts have been recognised through a number of awards. Notably we became the first Australian company to receive a second NOSA 5 Star rating, in this instance for our Mt Owen mine operation, recognising world’s best practice in safety.

In respect to environmental performance, all business units have been accredited for environmental compliance and a group environmental manager has been appointed to ensure a continuity in education and training.
We also recognise that the communities in which we work are important stakeholders. Our people are increasingly aware that a reputable corporation has to see itself as part of those communities, particularly where our long-term projects are located and accordingly we intend to work in a co-operative way to develop sustainable and mutually beneficial relationships.

**Sector and geographic expansion will fuel growth**

Our business will continue to grow strongly, based largely on growth in the mining and resources sector as rationalisation and change provide opportunities for Thiess to bring about further productivity improvements.

In both Australia and Indonesia, the telecommunications sector provides strong growth prospects. We also anticipate continued expansion of our environmental services business.

In the coming year, there will undoubtedly be a drop off in building work from traditional markets, with opportunities already reducing and becoming more hotly contested. However, we have a strong presence in the health, correctional services and other specialist building markets and have the technical and financial strengths to deliver complex projects.

We are now committing full-time resources to South America to support existing clients in the region. As Thiess only operates where it has a depth of knowledge, any expansion will be limited to mining infrastructure development and operations.

As we invest in the company’s growth and shift to wider service delivery, capital expenditure will continue to be high. Since year end, we have acquired Hunter Valley Earthmoving which has strategic value and allows us to provide a more comprehensive and efficient service in the Hunter Valley area of New South Wales.

Our industry is undeniably changing. However, the skills and vitality of our people, complemented by sound technical systems and a strong financial base, position our company to address with confidence and optimism a markedly broader business.

Martin Albrecht
Managing Director

**Resources sector services**

Since the early 1940s, Thiess has been active in the exploration, discovery and development of coal deposits for many of the current mines in the Bowen and Callide Basins. Today, our mining activities equate to 73% of current work in hand, and we continue to reinforce our position as one of Australia’s leading mining contractors, achieving continuous improvements in service delivery, productivity, technology, employee relations, environment and workplace health and safety.

Thiess has participated in the development and implementation of new and innovative mining methods in Australia and South-East Asia. These innovations include highwall mining, longwall punch mining, throw blasting, the introduction of large Liebherr 996 excavators, mine planning services, and resource optimisation.

We offer clients an integrated service solution, with capabilities spanning the entire life of mine including feasibility studies, concept planning, mine engineering, mine construction, mechanical processing and infrastructure development, mine operation, and site rehabilitation and revegetation.

Recent strategic initiatives have strengthened our capability by focusing on providing enhanced service solutions, continuous improvement and added value. The strategic alliance between Thiess and Portman Mining Limited resulted largely from the excellent relations developed on the Burton coal mine. The alliance combines Thiess’ operating and technical mining skills with Portman’s resource development, ownership, marketing and asset management skills. The recent formation of Quantum will introduce electronic detonators to the industry and aims to achieve greater efficiencies for the minerals and blasting industries which in turn will improve competitiveness in export coal sales. Thiess’ purchase of 100% of the shares of Hunter Valley Earthmoving (HVE) gives Thiess a stronger local presence in one of Australia’s leading coal-producing regions. HVE has operated there for 30 years as a mining, civil and heavy earthmoving contractor. South America offers significant opportunities. Our presence there extends existing mining services to Australian and international mining houses as they enter the Latin American region.

Our approach within the resource sector is focused on expanding and re-engineering the services we offer our clients to achieve enhanced innovation and productivity efficiencies.
- Celebrated 50th Anniversary of Snowy Mountains Hydro Electric Scheme where Thiess was the first Australian contractor, completing around 25% of the infrastructure works
- Thiess’ 76th dam, Balambano Dam nears completion in Indonesia
- Successful completion of $400 million Burton mine expansion
- Strategic investment in Burton's owner Portman to enable us to support its QLD mining activities/new initiatives. Thiess to be operator for expanded Burton activities
- Kideco coal mine continues to achieve significant increases in mining productivities
- Entered agreement with industrial firm Siemens as partners of choice in mutual interest areas - exchange research/technology expertise for local knowledge/connections from Thiess
- Preferred contractor for 3 of 5 available rail infrastructure deals being outsourced by Victorian Government
- Thiess Subcontractors Safety Pack used as model for National Construction Model (Principal Contractors Alliance)
- Subcontractors included in Thiess health and safety training programmes
- Certified across all units for environmental compliance

- Mount Owen mine - became the first Australian company to receive a second NOSA 5 Star Audit rating for safety performance and received a Highly Commended NSW Premiers Award for Environmental Excellence
- Mt Owen Coal Mine rated No. 1 out of 30 mines worldwide by an independent benchmarking study by Tasman Asia Pacific in truck and shovel efficiencies
- NOSA 5 Star Audit rating for South Walker Creek mine
- Maralinga Rehabilitation – National Case Earth Award for Environmental Best Practice
- NSW Workcover/Master Builders Association Safety Awards:
  - Best Health, Safety and Rehabilitation System
  - Best Civil Project – Bulahdelah Highway Deviation
  - Best New Safety Product – Subcontractors Safety Pack Award for Environmental Excellence
United Christian Hospital
New Territories, Hong Kong SAR

Ma Wan Channel Submarine Pipeline
Hong Kong SAR
Overview
Leighton Asia delivered a sound result despite the turbulence experienced in many Asian economies, defying the current trend in the region. We met profit targets and revenue reached $416 million, marginally higher than last year's $407 million. New contracts won during the year pushed work in hand at 30 June 1999 to $591 million, a record for the start of a new financial year.

Our solid performance in an unpredictable environment was a result of maintaining our focus on our core business, and by continuing our prudent approach to managing risk. By being selective about which projects we undertake, and for whom, we have managed to avoid the difficulties experienced by many of our competitors throughout the region.

Building was again our largest market, contributing $259 million, or 62% of this year’s revenue. Civil engineering and infrastructure was down slightly to $157 million, but this should improve in the coming year on the back of some anticipated new projects.

Public sector projects boost Hong Kong
Hong Kong remains by far our largest market and generated 75% of Leighton Asia’s overall revenue, compared to 71% last year. Our business here is largely driven by the public sector and we have targeted the Hong Kong SAR Government’s various infrastructure initiatives.

Major extensions to Hong Kong's heavy rail network have become a significant source of civil infrastructure opportunities, effectively replacing the work created by the now completed airport at Chek Lap Kok.

We are currently undertaking a $225 million contract as part of the Tsuen Wan O line extension in joint venture with mainland Chinese contractor China State Construction Engineering Corporation. The contract involves the construction of an underground station, two cut and cover tunnels, a public transport interchange and associated works.

In September 1999 we were awarded a $150 million rail trackwork project in joint venture with Rail Services Australia. The project forms part of the Kowloon-Canton Railway Corporation’s West Rail Extension.

The Government has maintained its commitment to increasing public housing. In March we were awarded the $180 million Tin Shui Wai Area 110 Phase 4 project in the New Territories comprising four 41-storey residential towers and two seven-storey schools.

Our two other government housing projects – the $203 million Tsz Oi Estate Phase 4 and the $122 million Fanling Area 49A Phase 3 – progressed smoothly. All three projects feature the use of our innovative “jump form” technology.

Other technological innovations have been introduced on the Ma Wan Channel pipeline and Tai Po aqueducts projects. The $25 million Ma Wan Channel pipeline features a directional drilling technique new to Hong Kong. The use of tunnel boring machines on the $218 million Tai Po aqueducts is another first for us in Hong Kong. The successful delivery of these projects will further enhance Leighton Asia’s reputation as a contractor committed to providing value for clients.

Philippines continues to grow
The Philippines confirmed its position as Leighton Asia’s second-largest market, contributing 15% of revenue.

With one of the stronger economies in Asia, the country continues to hold promise. Transport infrastructure and power projects in particular are major growth areas.

The last of three separate civil engineering projects for Southern Power, worth a total of $42 million, was completed at the Sual Power Station in North Luzon. Our success on the first contract led to us being awarded three further contracts – two at Sual and one at Pagbilao.

We completed the design work on the North Luzon expressway and anticipate the construction contract to be awarded by the end of the calendar year.

Leighton Asia's largest ever contract in the Philippines is the design and construction of a $94 million retail development in Manila. The Rockwell retail centre will contain a mixture of shops, food outlets, cinemas, an entertainment complex and undercover car parking for approximately 2,000 cars.

Other countries
Business elsewhere in the region remains subdued but there are signs that confidence is beginning to return.

In Malaysia we obtained a civil and building contract as part of a water supply project at Lahad Datu in Sabah. This was followed in June by the successful completion of our flour mill project in the same area. The country’s return to positive economic growth this year should see further opportunities emerge.

Thailand, possibly the country hardest hit by the Asian crisis, offers limited prospects at present but we are committed to this market and will be in a strong position when private sector investment improves. Vietnam is in a similar position and we will maintain a presence.

The economic upheaval of the past few years has encouraged us to look for opportunities in new geographic locations. We
The Philippines

Leighton Asia’s strategy of gradual expansion into new geographic areas has been an important factor in the company surviving the Asian crisis relatively unscathed. The success of the Philippines operation and its confirmation as Leighton Asia’s second-largest market is all the more remarkable when considering it was only established three years ago.

Leighton first worked in the Philippines in the 1970s on a series of government aid projects. In 1996, after a period of intensive market research, an office was opened in Manila. Shortly afterwards we secured a small mine infrastructure project in Mindanao. This was followed by a contract mining project at the same mine, and a contract to construct a fibre-cement plant for Hardie-Jardine at Laguna, outside Manila.

In September 1997 we were awarded an $18 million contract by Southern Power to construct a coal unloading jetty at Pangasinan in North Luzon as part of the Sual Power Station. Our success on this project led to the award of a second contract at the power station for a range of civil works. Our close relationship developed further on this project and in May 1998 we were awarded a third project at the same location for dredging works. Southern Power are involved in another power station at Pagbilao where we are undertaking dredging work.

Our repeat business with Southern Power highlights the benefit of building relationships. Our operations at Sual and subsequent work at Pagbilao helped consolidate our operation in the Philippines at a time when the Asian crisis was at its peak. By working closely with the client we were able to obtain additional work when opportunities, particularly for a contractor relatively new to the market, were limited. Had the decision not been taken to enter the Philippines market, Leighton Asia would not have been able to withstand the effects of the regional economic crisis as well as it has.

In a very short period of time we have built up a strong track record. Indirectly, this has helped us win work in other areas. In December 1998 we were awarded our largest contract to date, the $94 million Rockwell retail project in Manila. Work is progressing smoothly and our performance on this high-profile job will inevitably lead to further opportunities.

Civil infrastructure will be our core growth area over the next five years, in particular toll roads, water and power projects. We are the preferred contractor for the $170 million 68 megawatt Tagaloan power station, and we hope to sign a contract for the construction of the $185 million North Luzon expressway before year end.

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Emerging opportunities

With a solid level of work in hand, we can look forward to achieving improved revenue next year. We will follow the strategy that has thus far been so successful for us.

We will stick to the business we know and continue to apply strict risk criteria to any project under consideration.

Government-backed infrastructure work will make up the majority of our opportunities in Hong Kong, with further prospects in rail, road and housing projects. Additional opportunities exist in providing social infrastructure, including health care and educational facilities. The Philippines is also promising, and we are confident of converting at least two civil infrastructure prospects within the next 12 months.

The majority of Asia’s economies will experience general improvement over the next 12 months. This should bring with it increased opportunities for Leighton Asia.

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Our Hong Kong environmental management system obtained ISO 14001 certification, making us one of the first construction companies in Hong Kong to achieve this. In addition, our Philippines operation achieved ISO 9001 certification for its quality management system.

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John Faulkner
Managing Director

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Tsz Oi Estate Phase 4
Kowloon, Hong Kong SAR
- Awarded $225 million contract in joint venture with China State Construction Engineering Corporation for construction of station, tunnels and associated works as part of the Mass Transit Railway Corporation's (MTRC) Tseung Kwan O extension, Hong Kong
- Awarded $180 million housing project at Tin Shui Wai for the Hong Kong Housing Authority
- Awarded $150 million trackwork contract in joint venture with Rail Services Australia for Kowloon-Canton Railway Corporation's West Rail Extension, Hong Kong (September 1999)
- Awarded $94 million Rockwell retail project in Manila, Philippines
- Gained ISO 14001 certification for Hong Kong's environmental management system
- Obtained ISO 9001 certification for Philippines quality management system
- Successfully used tunnel boring machines for the first time in Hong Kong on Tai Po Aqueducts project
- Awarded $25 million project to install twin submarine freshwater pipelines across the Ma Wan Channel, Hong Kong
- Winner of the Hong Kong Airport Authority's top safety award for all contractors involved in the construction of the new airport at Chek Lap Kok for our work on the Aviation Fuel Supply Facility
- Received Plaque of Recognition from Philippine Association of Safety Engineers and plant operator/owner Southern Company for reaching two million man-hours without a lost-time accident
- Winner of Low Accident Rate Achievement Award from the Hong Kong Construction Association
- Winner of the bronze safety award in the Hong Kong Housing Authority's Best Building Site category for 2nd consecutive year
- Winner of Department of Labour and Employment award for reaching one million man-hours without a lost-time injury on the Rockwell retail project, Philippines
80 Pacific Highway,
North Sydney, New South Wales
Overview
Despite high activity levels, the 1998/99 financial year was somewhat disappointing for Leighton Properties. Considerable time and resources went into new and ongoing developments, however no significant property sales were recorded. The book value of our portfolio increased to $168 million and revenue and value of our portfolio increased.

Leighton Properties

Several small sales in Brisbane were concluded including the Upper Mount Gravatt commercial property and portions of the Edens Landing residential subdivision. Subsequent to year end, agreement was reached for the sale of the remaining land at Edgeworth David Corporate Park in Hornsby.

Our major property in Melbourne, 417 St. Kilda Road, is now 100% leased.

Current activity
A core revenue source this year was property management of Star City, which contributed some $2.9 million.

In a strengthening national industrial market, a prime development site at Mulgrave (20km from Melbourne CBD) was purchased from BHP. This is our first major industrial property in Victoria. BHP have leased back their premises and the remainder of the site will be developed over the next four years as a high-tech office/industrial estate. Total redevelopment value is estimated at $60 million.

With construction of our North Sydney office development at 80 Pacific Highway to be completed this year, Leighton Properties has identified a number of interested tenants. The property is also generating interest from potential purchasers.

Progress on the 383 Kent Street development for National Mutual gained momentum with the approval of the development application. We are currently seeking leasing precommitment before progressing this $90 million commercial office project.

We are awaiting the approval of the development application for the $180 million Noosa resort and residential development which is progressing in a 50/50 joint venture with Ariadne. We will utilise our community relations and environmental management skills to ensure the sensitivities of this project are fully addressed.

Renewed efforts towards securing the Canterbury-Bankstown Leagues Club development have made some progress. This theme-based community club and resort will be a major drawcard for one of greater Sydney's fastest growing areas.

Development work to show results in coming year
Leighton Properties is confident that the energies invested in this year's development projects will show results next year. The company foresees ongoing growth over the next five years in the commercial and industrial areas we are targeting, even though industrial property remains a very competitive market.

With the growing trend for property trusts to avoid exposure to development risks, we are increasingly carving out a role as a natural partner for these institutions.

Two significant projects will be tendered due to changes in the tender brief. They are the County Court project in Victoria, and the pedestrian bridges project for the RTA in New South Wales.

Another exciting prospect is the joint venture with CB Richard Ellis for the outsourced management of the Federal Government's local and international foreign affairs properties, including embassies. Some $2 billion of worldwide property assets are owned or managed under the Government's $220 million annual budget.

Our focus will be on improving both our financial and operating performance in a market environment anticipated to be similar to this year. Interest rate movements and the state of the economy will continue to influence the market.

Vyrl Vella
Managing Director
Technical Resources supports the Group’s IT vision, the first part of which requires procurement of appropriate hardware, software and training to establish a platform for communication between our clients, consultants, projects and people. Further to that, we will be focusing on facilitating the use of internet, intranet, electronic databases to gather strategic and technical information, and on ensuring ideas which improve construction performance are captured and communicated.

Technical Resources will continue to identify and support initiatives which improve performance like relationship contracting, alliancing, supply chain management, the development of human resources systems, and our university development programme for young engineers. Effective use of IT provides the infrastructure to manage our unique store of knowledge, improving performance by adding a new dimension to our ability to visualise, communicate, gather market intelligence and present ourselves. However, the development of the people we have now, our delivery strategies, relationship management, and future construction people will remain fundamental.

Improved performance will require more than the ability to continue to do the work we do, and do it well. Therefore the ability to respond to shifts in markets, clients’ requirements and competition from other constructors or miners is critically important. The Group’s long-term strategy supports growth into areas with synergy to the core business and our ability to identify those opportunities, then create strategies and plans for their development, will greatly assist the operating companies. To this end, we have been assessing opportunities in mineral resources like vanadium, magnesium and iron ore, looking for long-term viability, benefits and relationships.
Overview

Technical Resources continued to work with both Leighton Holdings and the operating companies, at all levels across a wide range of activities, focusing on maintaining the Group’s competitive position.

Sourcing and developing appropriate management and control systems, processes, Technologies, and delivery strategies is a significant part of our charter. Communication management, training and the transfer of information and knowledge are the tools we use.

Our ongoing role in research and development of specialist capabilities and skills enables the Group to increasingly offer added value to its customers.

We will continue our involvement with industry groups on the Group’s behalf, developing better mechanisms for client/contractor relations, to help effect change.

Consulting to the Federal Government’s Department of Industry, Science and Resources on its “Building for Growth” initiative, we advised on industry regulation applications and future trends in this area. Our work with the Australian Constructors Association (ACA) continued and we became involved with the Construction Industry Institute on a number of industry-related initiatives. Always, the focus is on raising industry standards and, by extension, our own.

Project support and review

Support activities again spanned a wide range of projects and disciplines. Our involvement with Leighton Contractors on the Eastern Distributor was primarily on project review and other aspects of project services, including completion engineering and planning. We also had an ongoing role in Star City casino’s establishment period.

We provided business planning and engineering support to the Speedrail Consortium as they work towards a proved-up submission to Government.

Utilising our engineering and project review experience we worked in Manila on Leighton Asia’s largest Philippines project, the Rockwell retail centre, supporting the application of management systems, controls and planning.

During the year, we were extensively involved in planning for major projects, and participating in construction planning workshops in Australia and in Asia. A number of benefits will flow from these as we focus on standard-setting and the application of leading edge information and engineering services on larger projects.

Utilising our engineering and communications skills we supported the ACA relationship contracting initiative, reviewing client/contractor relationships to facilitate a project delivery approach that establishes and manages co-operative relationships between clients and contractors. The ACA launched a publication entitled “Relationship Contracting: Optimising Project Outcomes”, aimed at creating major industry efficiencies and ran a series of workshops to support the initiative’s implementation.

Working with Leighton Contractors on health and safety improvements, we analysed incidents, drew conclusions and provided input to their corporate policies and practices. The Group is totally committed to achieving even higher standards in this area.

An emphasis on high standards

Our principal activities continue to be in the areas of project services and construction engineering, communications, and technical computing systems. Within this, the underlying theme of our year has been standard setting, as we challenge preconceptions and apply lateral thinking to the concept of innovation and best practice. We seek to identify ways for Group companies to be at the forefront of business and industry trends through development of strategies, processes, technology, equipment and services.

As the Group complements its role as a business and engineering adviser, Technical Resources can assist the divisions in the application of leading edge of technologies applicable to the business needs of the operating companies.

The processes and techniques of relationship management will be applied to many of the complex projects throughout the Group. This will include the important role of information technology in technical and management communication. With the update on computerised tendering in place, we will focus on other critical IT applications. We will support Leighton Contractors developing processes and reporting systems for its new Brisbane to Cairns fibre optic cable network project.

Working with Thiess we will utilise our skills in the areas of technical and financial feasibility assessing mineral prospects.

Prospects

Growth opportunities for Technical Resources will continue to come mainly from being at the leading edge of technologies applicable to the business needs of the operating companies.

Succession planning is now well in hand as I prepare for retirement from Technical Resources at calendar year end. I remain confident that this organisation will continue to contribute strongly as the Leighton Group enters a new decade, and with it a new millennium.

Bob Gussey
General Manager
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Note 1 Basis of Preparation of Concise Financial Report
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Note 3 Segment Information
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Note 5 Dividends
Note 6 Events Subsequent to Balance Date
The Directors of Leighton Holdings Limited present their report for the financial year ended 30 June 1999 in respect of the Consolidated Entity constituted by the Company and the entities it controlled during the financial year (referred to in this report as either the ‘Consolidated Entity’ or the ‘Group’). This report has been prepared in accordance with the requirements of Division 1 of Part 2M.3 of the Corporations Law.

Review of operations
A review of the operations of the Consolidated Entity during the financial year and of the results of those operations is contained on pages 1 to 41 of this Concise Annual Report.

Significant changes
A significant change in the state of affairs of the Consolidated Entity during the financial year was the acquisition of 16.0 million shares in Portman Mining Limited for $12.5 million (page 7).

Financial results
Total revenue for the Consolidated Entity for the financial year was up by 10% to $3.3 billion. Operating profit after tax attributable to members of the Company increased by 18% to $121.8 million.

Dividends
A final ordinary dividend of 18 cents per share, fully franked at the corporate tax rate of 36%, was announced on 19 August 1999 and will be paid on 30 September 1999. Together with the interim ordinary dividend of 12 cents per share, fully franked at the 36% corporate tax rate, which was paid on 31 March 1999, the total dividend payment out of the profits for the financial year will be 30 cents per share and will amount to $78.6 million.

The final fully franked dividend of 15 cents per share referred to in the Directors’ statutory report for the financial year ended 30 June 1998 and payable out of the profits for that financial year was paid on 30 September 1998.

Principal activities
During the financial year there were no significant changes in the nature of the Consolidated Entity’s principal activities which were building, civil engineering construction, contract mining, environmental services, property development and project management in Australia, Hong Kong and selected parts of South-East Asia.

Events after end of financial year
In the Directors’ opinion, no matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the state of affairs of the Consolidated Entity, its operations or results in future financial years. In addition, the Directors are not aware of any specific developments, not covered generally in this Concise Annual Report, that are likely to have a significant affect on the operations of the Consolidated Entity or its expected results in future financial years.

Future developments
Likely developments in the operations of the Consolidated Entity in future financial years and their anticipated results are referred to in pages 8 to 11. Further information on likely developments in the operations of the Consolidated Entity, including the expected results of those operations in future financial years, would in the Directors’ opinion result in unreasonable prejudice to the Company and has therefore not been included in this report.

Environmental Regulation
The Group’s Australian operations are subject to a range of Commonwealth, State and Territory laws governing the protection of the environment. A number of the Group’s diverse operations work under particular environmental licences and/or approvals at specific sites.

The Group has in place and adheres to an Environmental Policy that has established a quarterly environmental reporting regime that ensures environmental performance is reported from project/site level, up through the levels of management, to the Board of Leighton Holdings Limited.

This ensures that all levels of management are aware of environmental performance and the need to act where performance does not meet expectations.

As part of the Group’s internal reporting processes, operating management is required to report the numbers of environmental incidents occurring and what has happened to resolve such incidents, regardless of whether they infringe any regulations. The following reporting categories are those adopted by the Group and show examples constituting such incidents.

<table>
<thead>
<tr>
<th>Incident Classification</th>
<th>Class 1</th>
<th>Class 2</th>
<th>Class 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
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<tr>
<td>Class 1:</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Degradation of the environment which:</td>
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<tr>
<td>- has a measurable short-term impact on the quality of the environment;</td>
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<td></td>
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<tr>
<td>- is irreversible;</td>
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<td></td>
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<tr>
<td>- is on a wide scale off-site.</td>
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<tr>
<td>Class 2:</td>
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<tr>
<td>Degradation of the environment which:</td>
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<td></td>
<td></td>
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<tr>
<td>- has no measurable impact on the quality of the environment;</td>
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<tr>
<td>- affects the ability of people off-site to enjoy their normal environment, e.g. minor noise disturbance;</td>
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<tr>
<td>- may result in Class 1 or 2 damage if it continues to occur.</td>
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</tbody>
</table>

The circumstances which led to the above class 2 and 3 incidents have all been remedied as at the date of this report.

Directors and Directors’ interests
The Directors of Leighton Holdings Limited in office at the date of this report are listed below together with details of their shareholdings in the Company.

<table>
<thead>
<tr>
<th>Names</th>
<th>No. of ordinary shares</th>
<th>No. of options over unissued shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Mornish Alexander Besley AO</td>
<td>7,960</td>
<td>-</td>
</tr>
<tr>
<td>Wallace MacArthur King AM</td>
<td>6,660</td>
<td>600,000</td>
</tr>
<tr>
<td>Dieter Siegfried Adamsas</td>
<td>103,060</td>
<td>800,000</td>
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<tr>
<td>Geoffrey John Ashton</td>
<td>2,500</td>
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<tr>
<td>Geoffrey James Dixon</td>
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<td>-</td>
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<tr>
<td>Achim Drescher</td>
<td>2,000</td>
<td>800,000</td>
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<tr>
<td>Ian Rutherford Johnson</td>
<td>1,560*</td>
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</tr>
<tr>
<td>Hans-Peter Keitel</td>
<td>1,000</td>
<td>-</td>
</tr>
<tr>
<td>David Allen Mortimer</td>
<td>22,500*</td>
<td>-</td>
</tr>
<tr>
<td>Busso Peus</td>
<td>2,305*</td>
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</tr>
<tr>
<td>David Paul Robinson</td>
<td>1,250</td>
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</tr>
<tr>
<td>Rodney Malcolm Wylie OBE</td>
<td>42,757</td>
<td>-</td>
</tr>
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</table>

*Non-beneficially held

Details of Directors’ qualifications, experience, special responsibilities and interest in shares in the Company are set out on pages 44 and 47 of this Concise Annual Report.
Directors’ and Senior Executives’ emoluments

The Remuneration Committee is responsible for making recommendations to the Board on remuneration arrangements for the executive Directors and the executive team. The broad remuneration policy is to ensure that remuneration properly reflects the relevant person’s duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. In determining remuneration, regard is given to comparable companies and advice is periodically taken from leading independent remuneration consultants. The remuneration of non-executive Directors is determined by the executive Directors having regard to the level of fees paid to non-executive Directors by other companies of similar size and stature.

The aggregate amount payable to non-executive Directors must not exceed the maximum amount approved by the Company’s shareholders (currently $950,000 as determined at the 1998 Annual General Meeting).

Executive Directors and senior executives may receive annual and deferred bonuses based on the achievement of specific operational and financial goals. In addition, executive Directors and senior executives have the opportunity to qualify for participation in the Leighton Executive Share Options Plan which currently provides share option incentives where specified performance criteria are met.

Certain executives are entitled to a benefit pursuant to service agreements subject to ongoing conditions being fulfilled.

The amounts provided in the financial statements of the Consolidated Entity. Any amounts that become payable will be disclosed as remuneration in the relevant year.

Details of the nature and amount of each major element of the emoluments of each Director of the Company and each of the five named executives receiving the highest remuneration are:

<table>
<thead>
<tr>
<th>Consolidated and Company</th>
<th>Remuneration Package (a)</th>
<th>Performance Based Bonuses</th>
<th>Superannuation Contributions</th>
<th>Retirement Benefits</th>
<th>Other Benefits (b)</th>
<th>Total Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Directors</strong></td>
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<td>W M King AM</td>
<td>1,415,811</td>
<td>1,500,000</td>
<td>195,030</td>
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<td>3,110,841</td>
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<td>D S Adamsas</td>
<td>993,166</td>
<td>975,000</td>
<td>264,946</td>
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<td>K L Bennett (retired August 1998)</td>
<td>217,160</td>
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<td>10,048,025</td>
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<tr>
<td><strong>Non-executive Directors</strong></td>
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<tr>
<td>M A Besley AO</td>
<td>164,000</td>
<td>-</td>
<td>-</td>
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<td>164,000</td>
</tr>
<tr>
<td>G J Ashton</td>
<td>67,500</td>
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<td>5,400</td>
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<td>-</td>
<td>72,900</td>
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<tr>
<td>A Drescher</td>
<td>61,000</td>
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<td>6,100</td>
<td>-</td>
<td>-</td>
<td>67,100</td>
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<tr>
<td>I R Johnson</td>
<td>61,000</td>
<td>-</td>
<td>6,100</td>
<td>-</td>
<td>-</td>
<td>67,100</td>
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<tr>
<td>H-P Keitel</td>
<td>80,333</td>
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<td>8,033</td>
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<td>88,366</td>
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<tr>
<td>D A Mortimer</td>
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<td>-</td>
<td>6,100</td>
<td>-</td>
<td>-</td>
<td>67,100</td>
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<tr>
<td>B Peus</td>
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<td>6,100</td>
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<td>-</td>
<td>67,100</td>
</tr>
<tr>
<td>D P Robinson</td>
<td>65,000</td>
<td>-</td>
<td>6,500</td>
<td>-</td>
<td>-</td>
<td>71,500</td>
</tr>
<tr>
<td>R M Wylie OBE</td>
<td>122,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>122,000</td>
</tr>
<tr>
<td><strong>Senior Executives</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>J Faulkner</td>
<td>876,923</td>
<td>315,582</td>
<td>95,660</td>
<td>-</td>
<td>312,229</td>
<td>1,600,394</td>
</tr>
<tr>
<td>M Albrecht</td>
<td>660,383</td>
<td>700,000</td>
<td>113,026</td>
<td>-</td>
<td>462,500</td>
<td>1,473,409</td>
</tr>
<tr>
<td>R Turchini</td>
<td>515,550</td>
<td>300,000</td>
<td>185,800</td>
<td>-</td>
<td>40,000</td>
<td>1,232,080</td>
</tr>
<tr>
<td>R Merkenhof</td>
<td>595,930</td>
<td>290,000</td>
<td>306,150</td>
<td>-</td>
<td>40,000</td>
<td>1,232,080</td>
</tr>
<tr>
<td>P McMorrow</td>
<td>464,497</td>
<td>256,410</td>
<td>44,378</td>
<td>-</td>
<td>226,825</td>
<td>992,110</td>
</tr>
</tbody>
</table>

(a) Reflects the total remuneration package consisting of both payroll salary and benefits. Non-executive Directors’ remuneration represents fees in connection with attending board and committee meetings.

(b) No options were granted during the current financial year and accordingly no amount is included for options in other benefits.

Directors’ Meetings

The Remuneration Committee is responsible for making recommendations to the Board on remuneration arrangements for the executive Directors and the executive team. The broad remuneration policy is to ensure that remuneration properly reflects the relevant person’s duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. In determining remuneration, regard is given to comparable companies and advice is periodically taken from leading independent remuneration consultants. The remuneration of non-executive Directors is determined by the executive Directors having regard to the level of fees paid to non-executive Directors by other companies of similar size and stature.

The aggregate amount payable to non-executive Directors must not exceed the maximum amount approved by the Company’s shareholders (currently $950,000 as determined at the 1998 Annual General Meeting).

Executive Directors and senior executives may receive annual and deferred bonuses based on the achievement of specific operational and financial goals. In addition, executive Directors and senior executives have the opportunity to qualify for participation in the Leighton Executive Share Options Plan which currently provides share option incentives where specified performance criteria are met.

Certain executives are entitled to a benefit pursuant to service agreements subject to ongoing conditions being fulfilled.

The amounts provided in the financial statements of the Consolidated Entity. Any amounts that become payable will be disclosed as remuneration in the relevant year.

Details of the nature and amount of each major element of the emoluments of each Director of the Company and each of the five named executives receiving the highest remuneration are:

<table>
<thead>
<tr>
<th>Directors’ Meetings</th>
<th>No. of Directors’ Meetings Held</th>
<th>No. of Committee Meetings Attended</th>
<th>No. of Audit Committee Meetings Attended</th>
<th>No. of Remuneration Committee Meetings Attended</th>
<th>No. of Plan Committee Meetings Held</th>
<th>No. of Administration Committee Meetings Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>D S Adamsas</td>
<td>10</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>G J Ashton</td>
<td>7</td>
<td>10</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>K L Bennett (retired August 1998)</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>M A Besley AO</td>
<td>10</td>
<td>10</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>A Drescher</td>
<td>10</td>
<td>10</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>I R Johnson</td>
<td>9</td>
<td>10</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>H-P Keitel</td>
<td>1</td>
<td>10</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>W M King AM</td>
<td>9</td>
<td>10</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>D A Mortimer</td>
<td>9</td>
<td>10</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>B Peus</td>
<td>4</td>
<td>10</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>D P Robinson</td>
<td>10</td>
<td>10</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>R M Wylie OBE</td>
<td>9</td>
<td>10</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

*Reflects the number of meetings held during the time the Director held office during the financial year.
Indemnity for Group Officers and Auditors

The Company’s Constitution has included since 3 November 1994 indemnities in favour of persons who are or have been an Officer or auditor of the Company. To the extent permitted by law, the Company indemnifies every person who is or has been:

(a) an Officer against any liability to any person (other than the Company or related entity) incurred while acting in that capacity and in good faith; and

(b) an Officer or auditor of the Company, against costs and expenses incurred by that person in that capacity in successfully defending legal proceedings and ancillary matters.

‘Officer’ for this purpose means any Director or Secretary of the Company and includes any other person who is concerned, or takes part, in the management of the Company.

The current Directors and Secretary of the company are named at page 9 and the Company’s current auditors are KPMG.

During or since the financial year, by Deeds of Indemnity, each between the Company and a particular officer or former officer of the Company or a subsidiary, the Company has given similar indemnities in favour of that officer or former officer in respect of liabilities incurred by the officer while acting as an officer of the Company or any subsidiary or while acting at the request of the Company or any subsidiary as an officer of a non-controlled entity.

The officers who have the benefit of such a Deed of Indemnity are or were at the time a Director of the Company, the Company’s Secretary and certain persons who are or were at the time Directors of a Leighton subsidiary or have or had the status of General Manager or Senior Manager within the Leighton Group.

No claims under the indemnities have been made against the Company during or since the financial year.

Insurance for Group Officers

During and since the financial year the Company has paid or agreed to pay premiums in respect of contracts insuring persons who are or have been a Group Officer against certain liabilities incurred in that capacity. ‘Group Officer’ for this purpose means any Director or Secretary of the Company or any subsidiary and includes any other person who is concerned, or takes part, in the management of the Company or of any subsidiary.

Under the above mentioned Deeds of Indemnity, the Company has undertaken to the relevant officer or former officer that it will insure the officer against certain liabilities incurred in his or her capacity as an officer of the Company or any subsidiary or as an officer of a non-controlled entity where the office is or was held at the request of the Company or any subsidiary.

The insurance contracts entered into by the Company prohibit disclosure of the nature of the liabilities insured by the insurance contracts and the amount of the premiums.

Share options

Leighton Staff Equity Participation Plan ("LSEPP")

The total number of options over unissued ordinary shares in the Company outstanding under LSEPP at the date of this report is 3,758,700 with each option having an exercise price of $5.41 and an expiry date of 24 October, 2001.

Since 1 July 1998 under LSEPP:

(i) 921,800 shares have been issued on exercise of options at an exercise price of $5.41 each and 25,000 options have lapsed;

(ii) no options have been granted.

In accordance with the amendments to LSEPP approved by shareholders at the Company’s Annual General Meeting held in November 1998 no further invitations will be issued to Group employees to acquire shares or options under LSEPP unless and until shareholders determine otherwise.

Leighton Executive Share Options Plan (LESOP)

On 5 August 1999, the Company granted options over 6,965,000 unissued ordinary shares in the Company to 274 executives of the Group under LESOP which was established following receipt of approval by shareholders at the Company’s Annual General Meeting held in November 1998.

The exercise of these options issued under LESOP is subject to the following restrictions:

(i) the options may only be exercised between 5 August 2001 and 5 August 2004.

(ii) not more than 50% of the options issued may be exercised before 5 August 2002.

(iii) no option is exercisable unless the percentage increase in Leighton's total shareholder returns (that is, growth in share price plus dividends reinvested) during the period of the two years ending 28 days before the proposed exercise of the options equals or exceeds the percentage increase in either the ASX All Industrials Accumulation Index or the ASX 100 Industrials Accumulation Index during the same two year period.

Each of these options has an exercise price of $5.84 and each will expire on 5 August 2004 except where they lapse automatically prior to that date on the occurrence of certain events specified in the Plan Rules including the Executive’s termination of employment (other than on account of death, total and permanent disability, normal retirement age and certain other special circumstances mentioned in the Plan Rules).

Executives holding options under LESOP are only entitled to participate in a new issue of shares by the Company in the circumstances mentioned in the Plan Rules.

The following Executive Directors of the Company were granted options under LESOP:

<table>
<thead>
<tr>
<th>Names</th>
<th>No. of options</th>
</tr>
</thead>
<tbody>
<tr>
<td>D S Adamsas</td>
<td>400,000</td>
</tr>
<tr>
<td>W M King AM</td>
<td>600,000</td>
</tr>
</tbody>
</table>

The names of the persons who currently hold options under LSEPP and LESOP are entered in the register of options kept by the Company pursuant to Section 170 of the Corporations Law. The register may be inspected free of charge.

These options do not entitle the holder to participate in any share issue of any other body corporate.

There are no unissued shares in the Company under option as at the date of this report, other than those issued under LSEPP and LESOP referred to above.

Rounding off of amounts

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

Signed at Sydney this 3rd day of September 1999 in accordance with a resolution of the Directors.

M A Besley AO
Chairman

W M King AM
Chief Executive Officer
The Directors during or since the end of the year are:

M A (Tim) Besley AO, (72)
BEngSc, BlegS, FTSE, FIEAust, FAIM
A graduate of the University of New Zealand and Macquarie University. A Non-executive Director since 1989. Elected Chairman February 1990. Chairman of The Commonwealth Bank of Australia. Chancellor Macquarie University and President of the Australian Academy of Technological Sciences and Engineering.

W M King AM, (55)
BE, MEngSc, FIEAust, CP Eng, FAICD, FAIM, FAIB, FTSE
A graduate of the University of NSW. An Executive Director since 1975. Appointed Chief Executive in 1987. A civil engineer who joined Leighton Contractors in 1968 and became Managing Director of that company in 1977. Appointed Deputy Managing Director of Leighton Holdings in 1983. Participates in construction industry affairs and is the President of the Australian Constructors Association. Director of the Board and Member of the Business Council of Australia. Honorary Fellow of the Institution of Engineers and Fellow of the Australian Institute of Company Directors, the Australian Institute of Management, the Australian Institute of Building and the Academy of Technological Sciences and Engineering.

D S Adamsas, (56)
BComm, FAICD
A graduate of the University of NSW. An Executive Director since 1988. Joined the Company in 1971 and has held various senior accounting and commercial positions within the Group. Appointed Associate Director in 1985. Responsible for overall Group management reporting, statutory accounting, auditing, treasury, taxation and insurance. Member of the Financial Executives Institute of Australia. Fellow of the Australian Institute of Company Directors.

G J Ashton, (61)
FAICD, FAIM
A Non-executive Director since 1996. A Director of Evans Deakin Industries Limited, the NSW State Transit Authority and the Australian National Training Authority. Former Managing Director of Clyde Industries Limited and Monier Limited. National Vice-President of the Australian Industry Group.

G J Dixon, (59)
Appointed a Non-executive Director on 19 August 1999. Deputy Chief Executive Officer of Qantas Airways Pty Ltd responsible for all the Airlines commercial activities. Before joining Qantas held senior commercial positions with both Australian Airlines and Ansett Airlines, and has served on the Commercial Board of the International Air Transport Association. A Director of Air Pacific Ltd and Fiji Resorts Ltd.

A Drescher, (59)
BEC
A graduate in economics from Hamburg University, Germany. A Non-executive Director since 1996. Managing Director of Columbus Line Australia Pty Limited and Chairman of Otto Plastics Pty Limited. Non-executive Director of Austal Limited, Liner Shipping Services Limited and of the Australian Chamber of Shipping Limited. He was founding Director of the German Australian Chamber of Industry and Commerce in 1977 and the Chamber’s Chairman from 1986 to 1993. In 1997 Mr Drescher was awarded the “Cross of the Order of Merit” by the Federal Republic of Germany.

I R Johnson, (58)
BSc(Hons)

Dr H-P Keitel, (52)
Dr - Ing.
A graduate in studies on civil engineering at Technical University: Stuttgart and on business administration and economics at Technical University Munich, Germany. A Non-executive Director since 1992. Elected Deputy Chairman in November 1998. Joined HOCHTIEF AG in 1988 as Director to the Board responsible for international business. Became a member of the Board of Executive Directors in 1990 and was appointed Chairman of the Board of Executive Directors of HOCHTIEF AG and Member of the Board of RWE AG (Holding) in 1992. Other directorships include Pilkington PLC and Ballast Nedam NV. A Director of HOCHTIEF Limited.

D A Mortimer, (54)
BEC(Hons)

Dr B Peus, (57)
Dr of Law
Studied at the Universities of Münster, Lausanne and Berlin. Graduated and awarded Doctorate of Law from the University of Münster. A Non-executive Director since 1994. Joined HOCHTIEF in 1977 and is a member of the Board of Executive Directors with responsibility for central departments (legal, audit, insurance, investment controlling, mergers and acquisitions) and international subsidiaries and associates. A member of the Supervisory Board of Ballast Nedam NV. A Director of HOCHTIEF Limited.

D P Robinson, (43)
BComm, BA, FCA
A graduate of the University of Sydney. A Non-executive Director since 1990. Alternate Director from 1987 to December 1990. A chartered accountant and partner with the firm of Harveys Chartered Accountants in Sydney. Responsible for management services within that firm. Participates in construction industry affairs. A Director of HOCHTIEF Limited.

R M Wylie OBE, (71)
BComm, BA, FCA

Changes to the Board
K L Bennett,
An Executive Director since 1995, retired in August 1998.
Corporate Governance Policy

The Board

The Leighton Board is responsible to shareholders for the Group’s overall corporate governance. The Board’s responsibilities include:
- reviewing and determining strategic direction and policy;
- establishing goals for Management and monitoring the achievement of those goals;
- appointing, monitoring and rewarding senior Managers; and
- reporting to shareholders.

The Company has presently ten non-executive Directors and two executive Directors in conformity with the Board’s policy that the Board have a majority of non-executive Directors.

The Chairman is a non-executive Director. HOCHTIEF is represented on the Board by three non-executive Directors, namely Messrs H-P Keitel, B Peus and D P Robinson.

The Board is balanced in its composition with each current Director bringing to the Company a range of complementary skills and experience, as set out on page 47 under the heading ‘Directors’ Resumes’.

It is the Board’s policy that the Chairman and Chief Executive Officer, acting as a Nomination Committee, should assess and make recommendations to the Board regarding the membership of the Board, including proposed new appointments.

Where appropriate, independent consultants are engaged to identify possible new candidates for the Board.

The Board has nine scheduled full meetings each year. Other meetings are held on short notice when particular issues arise which require discussion and a decision by the Board.

Members of the Board visit significant locations and projects when it is considered that actual inspection and meetings with local management will assist Directors’ understanding of important operational issues.

Audit Review

An Audit Committee was established by the Board in June 1990. The functions of this Committee include:
- assist the Board in the discharge of its responsibilities in respect of the preparation of the Group’s financial statements and the Group’s internal controls;
- recommend to the Board nominees for appointment as external auditors;
- review the scope of the audit, the level of audit fees and the performance of the external auditors;
- provide a line of communication between the Board and the external auditors; and
- examine the external auditors evaluation of internal controls and management’s response.

The current members of the Audit Committee are Messrs R M Wylie (Chairman), W M King, D S Adamsas and D P Robinson.

It is the Board’s policy that Committees of the Board dealing with corporate governance matters should:
- be chaired by a non-executive Director;
- generally be constituted with at least half the membership being persons who are non-executive Directors;
- be entitled to obtain independent professional or other advice at the cost of the Company; and
- be entitled to obtain such resources and information from the Group, including direct access to employees of and advisors to the Group, as they may require.

Board Committees operate in accordance with terms of reference established by the Board and report to the Board.

Appointment and Retirement of Non-executive Directors

It is the Board’s policy to determine the terms and conditions relating to the appointment and retirement of non-executive Directors on a case by case basis and in conformity with the requirements of the ASX Listing Rules and the Corporations Law.

Non-executive Directors are subject to re-election by rotation at least every three years and must be re-elected at each Annual General Meeting following their 72nd birthday.

Annual Review by the Board

It is the Board’s policy that the Board should at least annually:
- review the performance of the Board, the Group and Management; and
- review the allocation of the work of the Group between the Board and Management.
Compensation Arrangements for Directors and Senior Executives

The Board has established a Remuneration Committee whose principal functions include:
- review and approve the remuneration of executive Directors and other senior executives of the Group;
- review and make recommendations to the Board regarding:
  - the remuneration policies and practices for the Group generally including participation in the incentive plan, share scheme and other benefits; and
  - superannuation arrangements.

The current members of the Remuneration Committee are Messrs M A Besley (Chairman), W M King and H-P Keitel.

As Chief Executive Officer, Mr King absents himself from the meetings before any discussion by the Committee in relation to his own remuneration. The remuneration of non-executive Directors is determined by the executive Directors having regard to the level of fees paid to non-executive Directors by other companies of similar size and stature.

The aggregate amount payable to non-executive Directors must not exceed the maximum amount approved by the Company’s shareholders (currently $950,000 as determined at the 1998 Annual General Meeting).

Under the policy approved by shareholders at the 1998 Annual General Meeting, retiring non-executive Directors who have held office for three years or more are permitted to receive a retiring allowance which rises with the length of their service. The maximum allowance is payable in the case of a non-executive Director who has held office for at least ten years and in such a case the allowance is an amount equal to the Director’s total fees during the last five years before retirement.

Business Risk Management

Areas of significant business risk to the Group are highlighted in the Business Plan presented to the Board by the Chief Executive Officer each year. The Board reviews and approves the parameters under which such risks will be managed before adopting the Business Plan.

Arrangements put in place by the Board to monitor risk management include:
- regular monthly reporting to the Board regarding the financial position of the Group and new contracts;
- attendance and reports by the Managing Directors of the Group’s main operating subsidiaries at Board Meetings on at least a quarterly basis;
- presentations made to the Board or Committees of the Board throughout the year by appropriate members of the Group’s management team (and/or independent advisers, where necessary) on the nature of particular risks and details of the measures which are either in place or can be adopted to manage or mitigate the risk; and
- any Director may request that operational and project audits be undertaken by the Company’s Technical Resources Division.

The Board has also adopted reporting and other procedures which allow it to monitor Group performance regarding:
- the Company’s compliance with the continuous disclosure requirements of the ASX Listing Rules; and
- health and safety, environment and trade practices.

Directors’ Access to Independent Professional Advice

For the purposes of the proper performance of their duties, Directors are entitled to seek independent professional advice at the Company’s expense, subject to the approval of the Board.

Equity Participation by Directors

The Company’s Constitution requires Directors to hold at least 1,000 shares in the Company but additional shareholdings by Directors are encouraged.

The Company has a policy which restricts the times and circumstances in which Directors and senior executives may buy or sell shares in the Company. Unrestricted trading is limited to specified short periods after announcements are made to the ASX of the half yearly and preliminary final results and after the Annual General Meeting.

Ethical Standards

Leighton recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. The Group intends to maintain a reputation for integrity.

To this end the Board established an Ethics Committee in October, 1998 whose principal function is to review and make recommendations to the Board regarding the maintenance of ethical standards and practices generally within the Leighton Group.

The current members of the Ethics Committee are Messrs M A Besley (Chairman), W M King and G J Ashton.

In September 1995 the Board adopted a Code of Ethics which sets out the principles and standards with which all officers and employees are expected to comply in the performance of their respective functions.

Under the Code officers and employees are expected to:
- comply with the law;
- act honestly and with integrity;
- not place themselves in situations which result in divided loyalties;
- use Leighton’s assets responsibly and in the best interests of Leighton;
- be responsible and accountable for their actions.

The Code and its implementation are reviewed each year.

A copy of the Code of Ethics is available to shareholders on request.
Information as to shareholdings on 28 August 1999 is as follows:

**Substantial Shareholdings**
The names of the substantial shareholders and the numbers of the equity securities in which they have an interest, as shown in the Company's Register of Substantial Shareholders, are:

<table>
<thead>
<tr>
<th>Name</th>
<th>No. of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOCHTIEF Limited</td>
<td>122,995,881</td>
</tr>
</tbody>
</table>

The following companies hold a relevant interest in these shares.

- HOCHTIEF Aktiengesellschaft, ("HOCHTIEF AG"),
- (the parent company of HOCHTIEF Limited.)
- RWE Aktiengesellschaft, (a majority shareholder in HOCHTIEF AG.)

**Number of Shareholders**

10,831

Of ordinary shares which have equal voting rights*

*Voting Rights: On a show of hands every member present in person or by proxy or attorney or duly appointed representative shall have one vote and on a poll every member present as aforesaid shall have one vote for each share of which he/she is the holder.

**Distribution Schedule**

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of Shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-1,000</td>
<td>3,584</td>
</tr>
<tr>
<td>1,001-5,000</td>
<td>5,504</td>
</tr>
<tr>
<td>5,001-10,000</td>
<td>1,014</td>
</tr>
<tr>
<td>10,001-100,000</td>
<td>636</td>
</tr>
<tr>
<td>100,001 and over</td>
<td>93</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10,831</strong></td>
</tr>
</tbody>
</table>

There were 110 shareholders with less than a marketable parcel (80 shares).

**Twenty Largest Shareholders**
The percentage of the total holding of the 20 largest shareholders, as shown in the Company's Register of Members, is 77.06% and their names and numbers of shares are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number</th>
<th>% of Total Shareholdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOCHTIEF Limited</td>
<td>122,992,016</td>
<td>46.96</td>
</tr>
<tr>
<td>Westpac Custodian Nominees Limited</td>
<td>18,556,966</td>
<td>7.09</td>
</tr>
<tr>
<td>Chase Manhattan Nominees Limited</td>
<td>13,277,411</td>
<td>5.07</td>
</tr>
<tr>
<td>National Nominees Limited</td>
<td>11,176,392</td>
<td>4.27</td>
</tr>
<tr>
<td>Queensland Investment Corporation</td>
<td>4,932,289</td>
<td>1.88</td>
</tr>
<tr>
<td>AXA Trustees Limited</td>
<td>4,776,646</td>
<td>1.82</td>
</tr>
<tr>
<td>Citcorp Nominees Pty Limited</td>
<td>4,555,533</td>
<td>1.74</td>
</tr>
<tr>
<td>AMP Life Limited</td>
<td>2,911,603</td>
<td>1.11</td>
</tr>
<tr>
<td>MLC Limited</td>
<td>2,540,080</td>
<td>0.97</td>
</tr>
<tr>
<td>BT Custodial Services Pty Limited</td>
<td>2,520,862</td>
<td>0.96</td>
</tr>
<tr>
<td>ANZ Nominees Limited</td>
<td>2,519,146</td>
<td>0.96</td>
</tr>
<tr>
<td>National Australia Financial Management Limited</td>
<td>2,416,852</td>
<td>0.92</td>
</tr>
<tr>
<td>AMP Nominees Pty Limited</td>
<td>1,445,360</td>
<td>0.55</td>
</tr>
<tr>
<td>Commonwealth Custodial Services Limited</td>
<td>1,438,725</td>
<td>0.55</td>
</tr>
<tr>
<td>Permanent Trustee Australia Limited</td>
<td>1,359,324</td>
<td>0.52</td>
</tr>
<tr>
<td>Colonial Portfolio Services Limited</td>
<td>1,034,600</td>
<td>0.40</td>
</tr>
<tr>
<td>Commonwealth Life Limited</td>
<td>930,228</td>
<td>0.36</td>
</tr>
<tr>
<td>Permanent Trustee Australia Limited</td>
<td>885,133</td>
<td>0.34</td>
</tr>
<tr>
<td>NRMA Insurance Limited</td>
<td>817,240</td>
<td>0.31</td>
</tr>
<tr>
<td>Sandhurst Trustees Ltd</td>
<td>731,500</td>
<td>0.28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>201,817,906</strong></td>
<td><strong>77.06</strong></td>
</tr>
</tbody>
</table>
Profit and Loss Statement
for the year ended 30 June 1999

<table>
<thead>
<tr>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>$'000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Profit before Abnormal Items and Income Tax</td>
<td>181,818</td>
<td>164,171</td>
</tr>
<tr>
<td>Abnormal Items</td>
<td>-</td>
<td>(9,023)</td>
</tr>
<tr>
<td>Operating Profit before Income Tax</td>
<td>181,818</td>
<td>155,148</td>
</tr>
<tr>
<td>Income Tax Expense Attributable to Operating Profit</td>
<td>(50,424)</td>
<td>(44,981)</td>
</tr>
<tr>
<td>Operating Profit after Income Tax</td>
<td>131,394</td>
<td>110,167</td>
</tr>
<tr>
<td>Outside Equity Interest in Operating Profit after Income Tax</td>
<td>(9,585)</td>
<td>(7,315)</td>
</tr>
<tr>
<td>Operating Profit after Income Tax Attributable to Members of the Company</td>
<td>121,809</td>
<td>102,852</td>
</tr>
</tbody>
</table>

Total Available for Appropriation

<table>
<thead>
<tr>
<th>Item</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained Profits at the Beginning of the Financial Year</td>
<td>203,299</td>
<td>168,429</td>
</tr>
<tr>
<td>Dividends provided for or paid</td>
<td>(78,511)</td>
<td>(67,893)</td>
</tr>
<tr>
<td>Aggregate of Amounts Transferred (to)/from Reserves</td>
<td>569</td>
<td>(89)</td>
</tr>
<tr>
<td>Total Available for Appropriation</td>
<td>325,108</td>
<td>271,281</td>
</tr>
</tbody>
</table>

Retained Profits at the End of the Financial Year

<table>
<thead>
<tr>
<th>Item</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained Profits at the End of the Financial Year</td>
<td>247,166</td>
<td>203,299</td>
</tr>
</tbody>
</table>

The profit and loss statement is to be read in conjunction with the discussion and analysis set out below and the notes to the financial statements set out on pages 55 to 56.

Discussion and Analysis of Profit and Loss Statement

The Consolidated Entity delivered an improvement in both revenue and profits in the financial year ended 30 June 1999:

- Total revenue increased by 10% to $3.3 billion.
- Operating profit before tax increased by 17% to $181.8 million.
- Australian/Pacific operations contributed $118 million profit before tax from revenue of $2.6 billion. Increased revenue compared to the prior year came primarily from civil engineering and building construction.
- In a difficult environment, Asian operations contributed $51.8 million profit before tax from operating revenue of $693 million.
- Overall profitability in property development was improved by the sale of shares in Star City Holdings Ltd and the sale of property in the USA.
- The Consolidated Entity’s effective tax rate for the year was below 30% primarily due to the recoupment of tax losses of prior years not previously recognised.
- Financial performance measures showed continued improvement compared to the prior year:
  - Return on revenue (operating profit after tax on total revenue) increased from 3.6% to 4.0%
  - Return on total assets (operating profit after tax on total assets) increased from 7.3% to 8.3%
  - Return on equity (profit attributable to members on shareholders’ equity attributable to members) increased from 17.9% to 19.9%.
## Balance Sheet

**as at 30 June 1999**

<table>
<thead>
<tr>
<th>Note</th>
<th>Current Assets</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash</td>
<td>364,262</td>
<td>368,368</td>
</tr>
<tr>
<td></td>
<td>Receivables</td>
<td>335,945</td>
<td>285,146</td>
</tr>
<tr>
<td></td>
<td>Investments</td>
<td>34,052</td>
<td>28,452</td>
</tr>
<tr>
<td></td>
<td>Inventories</td>
<td>90,254</td>
<td>121,627</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>35,612</td>
<td>36,964</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>860,125</td>
<td>840,557</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Non-Current Assets</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Receivables</td>
<td>23,930</td>
<td>5,415</td>
</tr>
<tr>
<td></td>
<td>Investments</td>
<td>14,921</td>
<td>27,729</td>
</tr>
<tr>
<td></td>
<td>Inventories</td>
<td>86,872</td>
<td>37,792</td>
</tr>
<tr>
<td></td>
<td>Property, Plant and Equipment</td>
<td>480,140</td>
<td>486,658</td>
</tr>
<tr>
<td></td>
<td>Intangibles</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>110,006</td>
<td>108,752</td>
</tr>
<tr>
<td>Total Non-Current Assets</td>
<td>715,869</td>
<td>666,346</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Total Assets</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,575,994</td>
<td>1,506,903</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Current Liabilities</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accounts Payable</td>
<td>567,534</td>
<td>519,924</td>
</tr>
<tr>
<td></td>
<td>Borrowings</td>
<td>20,247</td>
<td>20,871</td>
</tr>
<tr>
<td></td>
<td>Provisions</td>
<td>118,881</td>
<td>127,800</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>5,470</td>
<td>1,720</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>712,132</td>
<td>670,315</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Non-Current Liabilities</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accounts Payable</td>
<td>14,574</td>
<td>13,930</td>
</tr>
<tr>
<td></td>
<td>Borrowings</td>
<td>72,921</td>
<td>98,519</td>
</tr>
<tr>
<td></td>
<td>Provisions</td>
<td>143,489</td>
<td>133,545</td>
</tr>
<tr>
<td>Total Non-Current Liabilities</td>
<td>230,984</td>
<td>245,994</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Total Liabilities</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>943,116</td>
<td>916,309</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Net Assets</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>632,878</td>
<td>590,594</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Shareholders’ Equity</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Capital</td>
<td>361,884</td>
<td>130,563</td>
<td></td>
</tr>
<tr>
<td>Reserves</td>
<td>3,289</td>
<td>239,941</td>
<td></td>
</tr>
<tr>
<td>Retained Profits</td>
<td>247,166</td>
<td>203,299</td>
<td></td>
</tr>
<tr>
<td>Shareholders’ Equity Attributable to Members of the Company</td>
<td>612,339</td>
<td>573,803</td>
<td></td>
</tr>
<tr>
<td>Outside Equity Interest in Controlled Entities</td>
<td>20,539</td>
<td>16,791</td>
<td></td>
</tr>
<tr>
<td>Total Shareholders’ Equity</td>
<td>632,878</td>
<td>590,594</td>
<td></td>
</tr>
</tbody>
</table>

The balance sheet is to be read in conjunction with the discussion and analysis set out below and the notes to the financial statements set out on pages 55 to 56.

### Discussion and Analysis of Balance Sheet

The Consolidated Entity's net assets increased during the year by 7% to $633 million. Net tangible assets per ordinary share increased during the same period from $2.26 to $2.42.

Total assets increased from $1.51 billion to $1.58 billion. The continued expansion in the activity of the Consolidated Entity resulted in an increase in the level of receivables. The Consolidated Entity's investment in property, plant and equipment remained stable at $480 million. During the year, there were changes in the expected timing of the sale of inventories, comprising development properties, resulting in the reclassification of certain properties between current and non-current assets.

The net level of cash (cash less borrowings) held by the Consolidated Entity at 30 June 1999 was $271 million compared to $249 million at 30 June 1998.

Other significant movements in balance sheet items include:
- an increase in accounts payable in line with the expansion in the activity of the Consolidated Entity.
- upon commencement of the Company Law Review Act 1998, all amounts standing to the credit of the share premium account and capital redemption reserve became part of the Company's share capital account.
Statement of Cash Flows
for the year ended 30 June 1999

<table>
<thead>
<tr>
<th>Note</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>$'000</td>
<td>$'000</td>
<td></td>
</tr>
</tbody>
</table>

### Cash Flows From Operating Activities
- **Cash receipts in the course of operations** 3,121,174 2,861,848
- **Cash payments in the course of operations** (2,758,666) (2,539,102)
- **Interest received** 12,154 16,577
- **Borrowing costs paid** (6,976) (6,052)
- **Income taxes paid** (67,622) (69,932)
- **Net cash provided by operating activities** 300,064 263,339

### Cash Flows From Investing Activities
- **(Increase) in investment in controlled entities and businesses** (6,150) —
- **Payments for property, plant and equipment** (289,649) (289,974)
- **Proceeds from sale of non-trading assets** 49,570 103,253
- **(Increase)/decrease in partnerships** 11,795 (6,008)
- **(Increase) in investment in other entities** (12,955) 8(12)
- **Decrease in investment in other entities** 35,993 27,563
- **(Loans to)/repayments by executives and staff shareholders** (377) 14
- **Net cash used in investing activities** (211,773) (165,964)

### Cash Flows From Financing Activities
- **Proceeds from share issues** 3,196 9,079
- **Repayment of borrowings** (19,675) (79,942)
- **Dividends paid** (70,571) (88,392)
- **Dividends paid to outside equity interests** — (6,303)
- **Net cash provided by/(used in) financing activities** (87,050) (165,558)

### Net increase/(decrease) in cash held
- **Net cash at the beginning of the financial year** 368,368 422,840
- **Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the year** 368,368 422,840
- **Net cash at the end of the financial year** 363,704 368,368

### Discussion and Analysis of Cash Flow Statement
Net cash inflows from operations increased from $263 million in the previous year to $300 million in the current year. Receipts from customers increased from $2.9 billion to $3.1 billion, primarily reflecting the growth in revenue in the current year.

Capital expenditure during the year of $290 million was self-financed from the sale of assets and cash provided by operating activities. The divestment of the Consolidated Entity's shares in Star City Holdings Ltd also provided cash proceeds of approximately $35 million.

Repayment of borrowings of $19.7 million was in accordance with agreements entered into with third parties. Total dividends of $88.4 million paid in the prior year included a special interim dividend of 10 cents per share or $25.9 million.
Notes to the Concise Financial Report
for the year ended 30 June 1999

Leighton Holdings Limited

Annual Report 1999

1 Basis of Preparation of Concise Financial Report

The concise financial report has been prepared in accordance with the Corporations Law, Accounting Standard AASB 1039 "Concise Financial Reports" and applicable Urgent Issues Group Consensus Views. The financial statements and specific disclosures required by AASB 1039 have been derived from the Consolidated Entity's full financial report for the financial year. Other information included in the concise financial report is consistent with the Consolidated Entity's full financial report. The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the full financial report.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets. These accounting policies have been consistently applied by each entity in the Consolidated Entity and are consistent with those of the previous year. Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

2 Revenue

<table>
<thead>
<tr>
<th>Industry</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Construction contracts</td>
<td>3,013,986</td>
<td>2,754,451</td>
</tr>
<tr>
<td>Other contracting services</td>
<td>141,656</td>
<td>116,048</td>
</tr>
<tr>
<td>Property development</td>
<td>64,903</td>
<td>36,452</td>
</tr>
<tr>
<td>Interest</td>
<td>12,204</td>
<td>16,212</td>
</tr>
<tr>
<td>Proceeds from sale of Non-Current Assets - Plant</td>
<td>90,060</td>
<td>103,254</td>
</tr>
<tr>
<td></td>
<td>5,069</td>
<td>8,129</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,327,878</strong></td>
<td><strong>3,034,546</strong></td>
</tr>
</tbody>
</table>

3 Segment Information

<table>
<thead>
<tr>
<th>Industry</th>
<th>Contracting &amp; Project Property Development</th>
<th>Unallocated</th>
<th>Total $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Management $'000</td>
<td>Development $'000</td>
<td>$'000</td>
</tr>
<tr>
<td>1999 Total Revenue</td>
<td>3,245,702</td>
<td>64,903</td>
<td>17,273</td>
</tr>
<tr>
<td>Operating Profit/(Loss) Before Tax</td>
<td>179,329</td>
<td>5,495</td>
<td>(3,006)</td>
</tr>
<tr>
<td>Total Assets</td>
<td>1,154,736</td>
<td>178,603</td>
<td>242,655</td>
</tr>
<tr>
<td>1998 Total Revenue</td>
<td>2,974,231</td>
<td>36,452</td>
<td>23,863</td>
</tr>
<tr>
<td>Operating Profit/(Loss) Before Tax</td>
<td>176,290</td>
<td>(8,544)</td>
<td>(12,598)</td>
</tr>
<tr>
<td>Total Assets</td>
<td>1,087,001</td>
<td>167,462</td>
<td>252,440</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Geographic</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia/ Pacific</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Asia</td>
<td>693,119</td>
<td>20,616</td>
</tr>
<tr>
<td>Americas</td>
<td>118,055</td>
<td>11,995</td>
</tr>
<tr>
<td>Total</td>
<td>1,187,970</td>
<td>21,859</td>
</tr>
</tbody>
</table>

1999 Total Revenue                | 2,614,143     | 695,542      | 20,274      | 3,327,878   |
| Operating Profit Before Tax      | 118,055       | 51,768       | 11,995      | 181,818     |
| Total Assets                      | 1,187,970     | 366,165      | 21,859      | 1,575,994   |

1998 Total Revenue                | 2,333,730     | 695,542      | 5,274       | 3,034,546   |
| Operating Profit Before Tax      | 100,727       | 52,616       | 1,805       | 155,148     |
| Total Assets                      | 1,157,878     | 315,155      | 33,870      | 1,506,903   |
**Notes continued**

### Earnings Per Share

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic (cents per share)</td>
<td>46.6¢</td>
<td>39.5¢</td>
</tr>
<tr>
<td>Diluted (cents per share)</td>
<td>46.1¢</td>
<td>39.5¢</td>
</tr>
</tbody>
</table>

### Dividends

Dividends provided for or paid by the Company are:

**Interim Dividend**
A fully franked interim ordinary dividend of 12 cents per share, (1998: 11 cents per share) was paid on 31 March 1999.
Franked at 36%

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31,402</td>
<td>28,724</td>
</tr>
</tbody>
</table>

**Final Dividend**
A fully franked final ordinary dividend of 18 cents per share, (1998: 15 cents per share) will be paid on 30 September 1999.
Franked at 36%

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>47,109</td>
<td>39,169</td>
</tr>
<tr>
<td></td>
<td>78,511</td>
<td>67,893</td>
</tr>
</tbody>
</table>

### Events Subsequent to Balance Date

Since 30 June 1999, certain controlled entities have completed the following acquisitions:

(i) 100% of the issued share capital of Hunter Valley Earthmoving Co. Pty Ltd.
(ii) The business and assets of an explosives manufacturer, Total Energy Systems.
(iii) 11.6 million shares in Portman Mining Limited.
(iv) 2.5 million convertible redeemable preference shares in Tanganyika Gold NL.

The total cost of the above acquisitions was $53 million. The financial effects of these transactions have not been brought to account in the financial statements for the year ended 30 June 1999.
**Directors’ Declaration**

In the opinion of the Directors of Leighton Holdings Limited the accompanying concise financial report of the Consolidated Entity, comprising Leighton Holdings Limited and its controlled entities for the year ended 30 June 1999, set out on pages 52 to 56:

(a) has been derived from or is consistent with the full financial report for the financial year; and

(b) complies with Accounting Standard AASB 1039 “Concise Financial Reports”.

Signed in accordance with a resolution of the Directors.

M A Besley AO
Chairman

W M King AM
Chief Executive Officer

Dated at Sydney this 3rd day of September, 1999.

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**Independent Audit Report on the Concise Financial Report to the Members of Leighton Holdings Limited**

**Scope**

We have audited the concise financial report of Leighton Holdings Ltd and its controlled entities for the financial year ended 30 June 1999 as set out on pages 52 to 56 in order to express an opinion on it to the members of the Company. The Company’s Directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Leighton Holdings Limited and its controlled entities for the year ended 30 June 1999.

Our audit report on the full financial report was signed on 3 September 1999 and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 “Concise Financial Reports”.

The audit opinion expressed in this report has been formed on the above basis.

KPMG
Chartered Accountants

John H Richardson
Partner
Dated at Sydney this 3rd day of September, 1999.
Shareholder Information

1999 Financial Report
A copy of the Group's 1999 Financial Report, including the independent Audit Report, is available to all shareholders, and will be sent to shareholders without charge upon request. The Financial Report can be requested by telephone from our Group Information Manager on (02) 9925 6612 and is available from the Leighton Internet site www.leighton.com.au.

Enquiries
If you have any questions about your shareholding, dividend payments, tax file number, change of address etc., you should contact the Company's Shareholder Enquiry Line at Perpetual Registrars Limited by phone on (02) 9285 7111 or by fax on (02) 9261 8489. Or write to:
Perpetual Registrars Limited
Locked Bag A14
Sydney South Post Office
Sydney NSW 1232

Dividend payment
The final dividend of 18 cents per share will be paid on 30 September 1999. For Australian tax purposes the dividend is fully franked at the 36% corporate tax rate. Overseas shareholders will benefit by having no Australian withholding tax deducted from their franked dividends.

Direct dividend deposit into bank accounts
If you choose, your Leighton dividends can be paid directly into a bank, building society or credit union account in Australia on the dividend payment date. Details of the dividend payment will be confirmed by an advice mailed to you on that date.

Application forms are available from our share registrar, Perpetual Registrars Limited. If you subsequently change your bank account, please promptly notify the registrar in writing quoting your old bank account number as an added security check.

Tax file numbers
Since 1 July 1991, all companies have been obliged to deduct tax at the top marginal rate from unfranked dividends paid to investors, resident in Australia, who have not supplied them with a tax file number or exemption particulars. Tax will not be deducted from the franked portion of a dividend.

If you have not already done so, a Tax File Number Notification form or Tax File Number
Exemption form should be completed for each holding and returned to our Registrars, Perpetual Registrars Limited at the above address. Please note you are not required by law to provide your tax file number if you do not wish to do so.

Stock exchange listing
The Company is listed on the Australian Stock Exchange. The home branch is Sydney.

Share information
Information regarding Substantial Shareholders, the 20 largest holders and shareholding distribution is on page 50.

Audit Committee
As at 3 September 1999, the Company has a formally constituted Audit Committee of the Board of Directors.

Other available publications
In addition to the Annual Report the Company distributes the Chairman’s Address, the Half Yearly and Preliminary Final Reports and quarterly Corporate Updates to all shareholders. Newsletters are published bi-monthly and are available on request. Should you wish to be put on the mailing list, please contact the Group Information Manager on (02) 9925 6612.

Removal from Annual Report mailing list
If you do not wish to receive an Annual Report please advise the Company in writing.

Financial Calendar
1999
6 September Shares begin trading ex Dividend
10 September Books close for Final Dividend
30 September Final Dividend paid
4 November Annual General Meeting
31 December Half year end

2000
15 February Half Year Results announced
13 March Shares begin trading ex Dividend
17 March Books close for Interim Dividend
31 March Interim Dividend paid
30 June Year end
17 August Preliminary Final Results announced
4 September Shares begin trading ex Dividend
8 September Books close for Final Dividend
30 September Final Dividend Paid
2 November Annual General Meeting
### Statistical Summary
for the five years 1995 – 1999

<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>$'000</td>
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</table>

#### Summary of Balance Sheets

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Share Capital</td>
<td>361,884</td>
<td>130,563</td>
<td>129,714</td>
<td>129,676</td>
<td>115,942</td>
</tr>
<tr>
<td>Shareholders’ Equity Attributable to Members</td>
<td>612,339</td>
<td>573,803</td>
<td>524,306</td>
<td>472,032</td>
<td>343,225</td>
</tr>
<tr>
<td>Total Shareholders’ Equity</td>
<td>632,878</td>
<td>590,594</td>
<td>542,897</td>
<td>489,745</td>
<td>358,049</td>
</tr>
<tr>
<td>Non-Current Liabilities</td>
<td>230,984</td>
<td>245,994</td>
<td>249,121</td>
<td>274,245</td>
<td>300,797</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>712,132</td>
<td>670,315</td>
<td>685,775</td>
<td>549,926</td>
<td>408,100</td>
</tr>
<tr>
<td>Non-Current Assets</td>
<td>715,869</td>
<td>666,346</td>
<td>656,711</td>
<td>717,381</td>
<td>715,631</td>
</tr>
<tr>
<td>Current Assets</td>
<td>860,125</td>
<td>840,557</td>
<td>821,082</td>
<td>596,535</td>
<td>391,317</td>
</tr>
<tr>
<td>Total Assets</td>
<td>1,575,994</td>
<td>1,506,903</td>
<td>1,477,793</td>
<td>1,313,916</td>
<td>1,106,948</td>
</tr>
</tbody>
</table>

#### Summary of Profit and Loss Statements

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>3,327,878</td>
<td>3,034,546</td>
<td>3,161,180</td>
<td>2,519,644</td>
<td>2,031,377</td>
</tr>
<tr>
<td>Operating Profit Before Interest and Income Tax</td>
<td>188,644</td>
<td>163,017</td>
<td>235,186</td>
<td>136,602</td>
<td>104,551</td>
</tr>
<tr>
<td>Operating Profit Before Tax</td>
<td>181,818</td>
<td>155,148</td>
<td>218,805</td>
<td>113,430</td>
<td>79,549</td>
</tr>
<tr>
<td>Income Tax Expense</td>
<td>50,424</td>
<td>44,981</td>
<td>80,202</td>
<td>37,688</td>
<td>23,365</td>
</tr>
<tr>
<td>Operating Profit after Tax</td>
<td>131,394</td>
<td>110,167</td>
<td>138,603</td>
<td>75,742</td>
<td>56,184</td>
</tr>
<tr>
<td>Operating Profit Attributable to Members</td>
<td>121,809</td>
<td>102,852</td>
<td>132,112</td>
<td>70,213</td>
<td>51,234</td>
</tr>
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</table>

#### Financial Statistics

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>Earnings per Ordinary Share - basic</td>
<td>46.6¢</td>
<td>39.5¢</td>
<td>50.9¢</td>
<td>29.1¢</td>
<td>22.4¢</td>
</tr>
<tr>
<td>- diluted</td>
<td>46.1¢</td>
<td>39.5¢</td>
<td>50.9¢</td>
<td>29.1¢</td>
<td>22.4¢</td>
</tr>
<tr>
<td>Dividends per Ordinary Share</td>
<td>30.0¢</td>
<td>26.0¢</td>
<td>32.0¢</td>
<td>15.0¢</td>
<td>12.0¢</td>
</tr>
<tr>
<td>Return on Shareholders’ Equity Attributable to Members</td>
<td>19.9%</td>
<td>17.9%</td>
<td>25.2%</td>
<td>14.9%</td>
<td>14.9%</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>8.3%</td>
<td>7.3%</td>
<td>9.4%</td>
<td>5.8%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Operating Profit Before Interest and Tax to Total Revenue</td>
<td>5.7%</td>
<td>5.4%</td>
<td>7.4%</td>
<td>5.4%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Operating Profit After Tax to Total Revenue</td>
<td>4.0%</td>
<td>3.6%</td>
<td>4.4%</td>
<td>3.0%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Dividend Times Covered</td>
<td>1.6</td>
<td>1.5</td>
<td>1.6</td>
<td>1.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Dividend Payout Ratio</td>
<td>64.5%</td>
<td>66.0%</td>
<td>62.8%</td>
<td>55.3%</td>
<td>54.0%</td>
</tr>
<tr>
<td>Interest Times Covered</td>
<td>27.6</td>
<td>20.7</td>
<td>14.4</td>
<td>5.9</td>
<td>4.2</td>
</tr>
<tr>
<td>Net Tangible Assets per Ordinary Share</td>
<td>$2.42</td>
<td>$2.26</td>
<td>$2.06</td>
<td>$1.89</td>
<td>$1.54</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>1.21</td>
<td>1.25</td>
<td>1.20</td>
<td>1.09</td>
<td>0.96</td>
</tr>
<tr>
<td>Total Shareholders’ Equity to Total Assets</td>
<td>40.2%</td>
<td>39.2%</td>
<td>36.7%</td>
<td>37.3%</td>
<td>32.4%</td>
</tr>
<tr>
<td>Total Shareholders’ Equity to Total Liabilities</td>
<td>67.1%</td>
<td>64.5%</td>
<td>58.1%</td>
<td>59.4%</td>
<td>47.8%</td>
</tr>
<tr>
<td>Gross Borrowings to Total Shareholders’ Equity</td>
<td>14.7%</td>
<td>20.2%</td>
<td>32.1%</td>
<td>40.0%</td>
<td>80.6%</td>
</tr>
<tr>
<td>Net Borrowings to Total Shareholders’ Equity</td>
<td>(42.8%)</td>
<td>(42.2%)</td>
<td>(45.8%)</td>
<td>6.1%</td>
<td>50.9%</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>10,502</td>
<td>11,970</td>
<td>12,160</td>
<td>10,633</td>
<td>7,346</td>
</tr>
</tbody>
</table>
Leighton Holdings Limited

Options and Offices

Leighton Holdings Limited
Head Office
472 Pacific Highway
St Leonards NSW 2065
Tel. (02) 9925 6666
Fax. (02) 9925 6005

Board of Directors
Morrish Alexander Besley AO
Wallace MacArthur King AM
Dieter Siegfried Adamsam
Geoffrey John Ashton
Geoffrey James Dixon
Achim Drescher
Ian Rutledge John Johnson
Hans-Peter Keitel
David Allen Mortimer
Busso Peus
David Paul Robinson
Rodney Malcolm Wyle OBE

Associate Directors
Martin Carl Albrecht
J ohn Faulkner
Robert J ohn Merkenhof
Vyril Anthony Vella

Secretary
Ashley John Mok

Principal Registered Office in Australia
Level 5, 472 Pacific Highway
St Leonards
Sydney NSW 2065
Tel. (02) 9925 6666

Principal Bankers
Commonwealth Bank of Australia
48 Martin Place
Sydney NSW 2000

National Australia Bank Limited
255 George Street
Sydney NSW 2000

Auditor
KPMG
Chartered Accountants
The KPMG Centre
45 Clarence Street
Sydney NSW 2000

Share Register Office
C/- Perpetual Registrars Limited
Level 8
580 George Street
Sydney NSW 2000
Tel. (02) 9289 7111

Leighton Contractors Pty Limited
Head Office
472 Pacific Highway
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Tel. (02) 9925 6666
Fax. (02) 9925 6004

New South Wales
Levels 9 and 10
12 Help Street
Chatswood NSW 2067
Tel. (02) 9414 3333
Fax. (02) 9415 2509

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Level 3
143 Coronation Drive
Milton QLD 4064
Tel. (07) 3215 4400
Fax. (07) 3215 4480

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Level 1
5 Queens Road
Melbourne VIC 3004
Tel. (03) 9228 7700
Fax. (03) 9228 3000

Western Australia
1 Altona Street
West Perth WA 6005
Tel. (08) 9324 1166
Fax. (08) 9481 2449

Leighton Contractors Pty Limited
Head Office
Environmental Services
Process Engineering
Thiess Centre
179 Grey Street
South Bank QLD 4101
Tel. (07) 3002 9000
Fax. (07) 3002 9009

New South Wales
and Australian Capital Territory
Level 5
26 College Street
Sydney NSW 2000
Tel. (02) 9332 9444
Fax. (02) 9331 4264

Queensland and Northern Territory
Level 5, Thiess House Kings Row
40 McDougall Street
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Tel. (07) 3368 0200
Fax. (07) 3368 0250

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50100 Kuala Lumpur
Malaysia
Tel. (603) 292 2388
Fax. (603) 293 5388

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Lot B701, 7th Floor
Wisma Merdeka Phase II
Jalan Tun Razak
88000 Kuala Lumpur
Lao PDR

Leighton Contractors (Philippines) Inc
9th Floor
Insular Life Building
6781 Ayala Avenue
Makati Cty 1226
Metro Manila Philippines
Tel. (632) 811 0152
Fax. (632) 811 0158

Leighton Contractors (China) Limited
49th Floor Hopewell Centre
138 Queens Road East
Wanchai Hong Kong
Tel. (852) 2823 1111
Fax. (852) 2529 8784

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Fax. (603) 293 5388

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Fax. (603) 9232 7036

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Brisbane QLD 4000
Tel. (07) 3229 8938
Fax. (07) 3220 2273
