How the KENS Project became Westpac’s new headquarters

Leighton Properties’ KENS project, now known as “Westpac Place”, is a landmark commercial development in Sydney. After 6 years of development and construction the project has recently achieved completion.

Leighton Properties recognised the site’s unique potential in the 1990’s but was outbid in 1997 when the land was sold for a residential development. In 2000, an option over the site was secured from Multistar, the previous purchaser. Leighton Properties then successfully negotiated with relevant authorities to develop two connected commercial office towers, basement car parking, retail precinct, food court and a generous urban park.

In March 2003, Westpac committed to pre-lease the entire 74,000m² of office space, the largest pre-lease deal ever seen in Sydney. At the same time, Westpac Office Trust agreed to buy the completed development for $628 million.

Leighton Contractors commenced construction shortly after and achieved practical completion in June 2006, including a fully integrated fitout for Westpac. Since then, some 5,000 Westpac employees have been progressively relocating into their new home. Leighton Properties will hand over the completed project to the new owner, Westpac Office Trust, in November 2006.

The KENS project is a testament to the foresight and determination of Leighton Properties. They have created an iconic addition to the Sydney skyline, which is acting as a catalyst to reinvigorate the western precinct of Sydney’s CBD.
KENS Project as viewed from the western edge of the Sydney CBD.
The Leighton Group has reported a year of record performance. We continue to build on our diversity, expanding into new geographic markets and making acquisitions that will support continued growth into the future.

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 that includes Thiess, John Holland, Leighton Contractors, Leighton Asia (Northern), Leighton Asia (Southern) and Leighton Properties. With over 25,000 employees, the Group’s operations are spread all around the Asia-Pacific region on projects in Australia, New Zealand, Hong Kong, Indonesia, Malaysia, Singapore, the Philippines, Thailand, Vietnam, China, Taiwan, Sri Lanka, Macau, India and the Arabian Gulf. 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 across a wide range of industries. Project development skills – infrastructure, property or resources based – and project management of construction and property developments complement the Group’s contracting activities. These activities include construction, mining and services. Key resources include an experienced, long-serving management team, a strong balance sheet and the largest fleet of mobile plant and equipment in Australia.
## Key Statistics

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue – Group</td>
<td>8,502,577</td>
<td>6,252,419</td>
<td>+36</td>
</tr>
<tr>
<td>Revenue – Joint Ventures</td>
<td>1,513,889</td>
<td>1,340,171</td>
<td>+13</td>
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<tr>
<td>Other Revenue</td>
<td>17,128</td>
<td>14,754</td>
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<tr>
<td>Total Revenue</td>
<td>10,033,594</td>
<td>7,607,344</td>
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<tr>
<td>New Contracts, Extensions &amp; Variations</td>
<td>10,220,742</td>
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<td>+5</td>
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<tr>
<td>Value of Work in Hand*</td>
<td>16,038,367</td>
<td>15,470,760</td>
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<tr>
<td>Profit before tax*</td>
<td>369,833</td>
<td>297,367</td>
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<tr>
<td>Income Tax*</td>
<td>(93,764)</td>
<td>(82,176)</td>
<td>+14</td>
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<tr>
<td>Profit after tax*</td>
<td>276,069</td>
<td>215,191</td>
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<tr>
<td>Total Capital and Reserves*</td>
<td>1,102,901</td>
<td>893,207</td>
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<tr>
<td>Total Assets</td>
<td>3,803,288</td>
<td>2,996,006</td>
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<tr>
<td>Cash net of Borrowings</td>
<td>618,251</td>
<td>577,940</td>
<td>+7</td>
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<tr>
<td>Undrawn Facilities and Guarantees</td>
<td>810,715</td>
<td>651,317</td>
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<tr>
<td>Earnings per Ordinary Share</td>
<td>100.2¢</td>
<td>78.9¢</td>
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<tr>
<td>Dividends per Ordinary Share</td>
<td>66.0¢</td>
<td>50.0¢</td>
<td>+32</td>
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</tbody>
</table>

*Excludes minority interests

*Includes Joint Ventures
Westlink M7, New South Wales. Contractor: Leighton Contractors
From the Chairman

We are pleased to report a record profit and increased dividends for shareholders.

Geoff Ashton AM Chairman

2005/06 was another successful year for the Leighton Group with strong performances recorded right across the business. I am pleased to report to shareholders that the Company earned a profit after tax of $276 million, up 28% on last year, from revenue of $10 billion, reflecting the strength of the Group’s core infrastructure and resources markets, both in Australia and overseas. This profit performance translates into value creation for shareholders with an increase in dividends to 66 cents per share, franked to 50%, and a total shareholder return of 56 per cent for the year.

The Group continues to pursue its diversity strategy, with expansions into a number of new markets; including India, the Arabian Gulf and New Zealand, consolidated during the year. Geographic expansion remains highly focused, with the Group building on more than 30 years of experience in profitably meeting the challenges of entering new markets and dealing with different cultures. It is a natural progression to continue to diversify into new geographic markets, which offer the Company significant opportunities in the years ahead.

The Group’s governance arrangements are a constantly evolving and dynamic mix of people, culture and systems, managed by experienced and skilled people at all levels of the business. Significant emphasis is placed on continually improving our risk management procedures. The Group’s ability to effectively manage incidents like the subsidence on the Lane Cove Tunnel project last year, while ensuring the project remained on track for early completion, demonstrates the value of this approach. During the past year a number of important changes were made to the structure and resourcing of the management of Leighton Holdings and its various subsidiaries. These changes recognise the significant growth and increasing diversity of our operations. The changes — outlined in more detail throughout the Annual Report — exemplify the Board’s continual focus on succession planning across the business and strengthen the Group’s ability to manage the complexity inherent in the broad range of projects that are currently being undertaken.

The Board would like to thank Geoff Dixon for his seven years of dedicated service as an Independent Non-executive Director of the Company. His financial and administrative expertise, as well as his business acumen, have been appreciated by the Board. In his place, I am delighted to welcome Peter Gregg, Chief Financial Officer of Qantas. Peter has extensive Australian and international finance and strategy experience, and brings a strong commitment to safety. There were no other major changes to the composition or operation of the Board or its Committees. Nine scheduled Board meetings and 33 committee meetings were held during the year.

Chief Executive Officer Wal King’s contract was renewed for a further four years. Wal, who celebrates 20 extraordinary years as CEO in 2007, brings a wealth of corporate and industry knowledge, stability, and continuity to the Group’s operations. His leadership and entrepreneurial style is a great source of competitive advantage for the Company. The Board strongly believes the renewal of Wal’s contract for a further four years is a great example of the Company’s employment arrangements working to enhance value and returns for shareholders. The Board is also keen to acknowledge the appointment of Bill Wild as Leighton Holdings’ Chief Operating Officer. Bill has extensive knowledge of, and experience in, the Group’s operations in Australia and Asia. He brings a new vigour and perspective to risk management and operational performance that will be a valuable asset to Leighton Holdings’ corporate management team.

Looking forward, the positive trend in the Company’s profitability is expected to continue in the coming year, supported by very strong levels of work in hand. The two major drivers in the current environment — the significant pipeline of major infrastructure work in Australia and Asia, and the continuing resources boom, primarily driven by demand out of China — are likely to remain positive for the next few years. These opportunities and the Company’s continued diversification, underwrite a very positive outlook for shareholders.
This was a year of major achievement for the Leighton Group with the diversity of our markets, geography, operating companies, and delivery systems providing substantial growth and a record level of profitability. The value of work won during the year topped $10 billion, taking work in hand to a record $16 billion and we commenced work on some 243 new projects. Our performance in winning new work was matched by the successful completion of a number of major projects. Most notably, the $1.6 billion Westlink M7 in Western Sydney, which opened more than 8 months ahead of schedule, and the KENS commercial office tower, completed 3 months early, which is now home to Westpac’s new corporate headquarters in Sydney’s CBD.

In a convergence of our core markets, strong demand for resources is being complemented by a high level of engineering and infrastructure activity both in Australia and overseas. The boom in global commodity markets continues to drive a high level of work for the Group in both contract mining as well as the development of resources infrastructure and processing facilities. We secured almost $1 billion of new coal related mining services and infrastructure work in Queensland’s Bowen Basin. A highlight was the acquisition by Leighton Contractors of Henry Walker Eltin’s mining business, which significantly increases the size of the Group’s contract mining operations. HWE brings the mining of an additional 90mtpa of iron ore to the Group, making us the world’s largest contract miner. On the back of increased State and Federal government spending on infrastructure, we are seeing more rail opportunities with the Group securing, or in preferred tenderer position for, a number of large projects collectively valued in excess of $1 billion. In Brisbane, a joint venture including Leighton Contractors, was selected to fund, design, construct and maintain the $2 billion North South Bypass Tunnel project.

Leighton Properties has matured into a significant player in the property sector and is currently progressing developments along Australia’s east coast with an end-value of more than $2.5 billion. New projects and development sites were secured in Queensland, New South Wales and Victoria, and two new projects were commenced in Canberra. These projects are providing a good level of work for our Australian based contractors. Thiess, John Holland and Leighton Contractors continue to be selective in bidding on other building work around the country. A number of defence related projects were secured during the year, the most significant being a $300 million Public Private Partnership to develop the new Australian Defence Headquarters project at Bungendore near Canberra.

The past year has been marked by a significant expansion in the Group’s international operations. Extensive planning has been underway for some years to enter the markets of India and the Gulf Region. The Group’s ability to pursue opportunities in diverse geographic markets reflects our commitment to, and understanding of, three essentials when working in Asia: people, presence and patience. At Chennai in India, Leighton Asia (Southern) completed a manufacturing facility for Nokia and was awarded other similar work, as well as the construction of oil refinery pipelines. A highlight was the securing by Leighton Asia (Southern) of their first project in Qatar, a $545 million equestrian centre. Since year end, further infrastructure work has been awarded in the Gulf. In the more traditional Asian markets, Leighton Asia (Northern) and John Holland secured the high-profile $340 million Kowloon Southern Rail Link project in Hong Kong. In Macau, Leighton Asia (Northern) completed the first stage of the new Wynn Resorts complex and secured a major extension. Indonesia was again a strong contributor via Thiess and Leighton Asia (Southern)’s contract coal mining operations. Closer to home, Leighton Contractors has significantly expanded its presence in New Zealand, taking on two mining projects through the HWE acquisition and more work for the construction of major roads in and around Auckland.
Staff numbers grew strongly during the year, up 20% to 25,405, in line with the growth in the business. Recruiting and retaining the skilled staff we require at all levels of the business remains a significant challenge as we continue to grow. Each operating company is pursuing its own initiatives to meet these challenges, including recruiting skilled tradespeople from overseas and placing a greater emphasis on training and career development. During the year, we were very pleased to welcome 1,800 HWE employees to the Leighton Group. Their skills, professionalism and commitment provide a significant boost to Leighton Contractors. At Leighton Holdings, I am delighted to welcome Bill Wild to the executive team as Chief Operating Officer. Bill’s extensive operational experience, depth of corporate knowledge and strong focus on managing the Group’s risk profile, will further enhance the capacity of our management team. Replacing Bill as Managing Director of John Holland is David Stewart, formerly Managing Director of John Holland’s national construction business. David brings more than 20 years of experience in the Group to the role and I congratulate him on his appointment.

It is difficult to recall a more positive environment for the Group in my 38 years with the Company.

Strong demand for new infrastructure, driven by population growth and under-investment over many years, is fuelling investment in roads, rail, water, health and energy. All levels of government are committing to increased levels of spending on infrastructure which is creating a broad range of major engineering opportunities in Australia for the Group. Demand for resources is likely to remain strong for at least the next two years providing good opportunities for mining services, infrastructure and processing projects. Hong Kong, Macau and Indonesia will continue to provide a solid base for our operations in Asia, supplemented by the expansion plans we have in place for the new markets of India and the Gulf Region.

New offices have been established in these countries to pursue opportunities in mining, toll roads and building. More information about the Group’s presence in the Asian region, as well as the current projects and opportunities, is included in the special feature on pages 23 – 26 and the enclosed DVD. It is an exciting time to be involved with engineering and contracting work, and looking forward, I believe the opportunities in both our traditional and emerging markets will ensure the Leighton Group is well placed for sustained growth over the next few years.

The health and safety of our employees, contractors, sub-contractors, other non-employees and clients is of paramount importance to us as our operating companies engage in the delivery of often complex and high-risk projects. We have continued to improve our overall health and safety performance by reducing Lost Time Injury Frequency Rate (LTIFR) in our operating companies in Australia. We have also seen a dramatic decrease in the severity of injuries within our operating companies in Australia, although more work is required in Asia.

It is with great sadness, however, that I report the loss of two lives in workplace fatalities in two of our operating companies in Asia during the preceding 12 months. This is unacceptable and through the Leighton Holdings Board, together with the responsible operating companies, each of these tragic accidents has been investigated to understand the underlying factors that contributed to these incidents. The company believes that appropriate measures have been implemented by the operating companies to prevent future occurrences in similar circumstances. The Board and I remain committed to working towards our goal of identifying and eliminating the risk of injury in the workplace. The Company will continue to assist the operating companies to review and refine their approach in an effort to further enhance the safety and well being of employees, contractors, sub-contractors, other non-employees and clients.
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Financial Management

The Group has reported another record year in 2005/06, achieving a significant new revenue milestone of $10 billion and earning a net profit after tax of $276 million. All operating companies recorded improved contributions to the Group’s result and have a substantial base upon which to move forward. Leighton Asia (Northern)’s contribution was a significant improvement on the previous year, in which they dealt with the North Luzon Expressway write-back, and a number of residual issues affecting the company’s performance are now behind them. The Group’s balance sheet remains in very healthy shape, with total assets of $3.8 billion, net assets of $1.1 billion and $618 million of net cash on hand. Available bonds and guarantees total some $2.6 billion, of which $2.0 billion is currently drawn down.

A number of innovative financial initiatives were entered into during the year to facilitate the continued development of the Group. In June, the Group entered into a $750 million fully underwritten operating lease facility with the Commonwealth Bank of Australia. The facility includes the sale and lease back of some $360 million worth of mining equipment with the balance available to support the continued expansion of the Group’s mining fleet. As a result, we have increased our flexibility to expand or contract the size of the fleet – in line with market conditions – while reducing our risk profile, and freed up an otherwise committed portion of the balance sheet for other operational and investment activities. At current rates we expect the total value of the plant fleet, including owned and leased equipment, to grow to some $2 billion over the next few years. In May, we announced the issue of US$110 million worth of 5-Year Fixed Rates Notes to support the Group’s existing and future operations in Indonesia. The Notes have limited recourse to the wider Leighton Group and effectively reduce our exposure in Indonesia. These initiatives seek to ensure that our financial capability keeps pace with, and is aligned to, our growth prospects and further opportunities for expansion.

Our credit ratings have been maintained over the year, which is evidence of the Group’s financial strength. Much of this strength is due to our ability to effectively manage the risks that flow from our contracting activities; be they commercial, financial or technical. A key element of managing risk is our very significant insurance programme, which covers areas such as public liability risks, professional indemnity risks and plant and contractor’s operational risk. Our size, scale and geographic diversity mean this programme will continue to evolve and develop as the Group continues to grow and our risk profile changes.

The acquisition of Henry Walker Eltin’s mining operations was a significant investment for the Group. Our balance sheet strength facilitated the $261 million acquisition, which bought some 15 new projects with an additional $1.6 billion worth of work in hand and some $650 million per annum of revenue. In addition, the Group has invested some $108 million in toll road projects during the year including the Westlink M7 and Lane Cove Tunnel.

Our people are key to our success and, after 36 years of service, Graeme McOrist has retired from the Company. Graeme has been an integral part of Leighton Holdings’ treasury, acquisition and investment team and more recently had taken responsibility for risk management. Graeme has been appointed to the Board of Thiess and I’d like to thank Graeme for the significant contribution he has made to the Leighton Group over the course of his career.

Looking forward, the Leighton Group is expected to continue its revenue and profit growth trajectory. Our diverse workload and the solid outlook for our core markets, both in Australia and Asia, should see work in hand maintained at historically high levels of around $14 – $16 billion. Revenue should grow to around $11 billion next year, with a commensurate increase in profitability. We are acutely aware of the need to have the financial capacity in place to support this growth outlook and will therefore continue to evaluate options to ensure our balance sheet is robust and flexible enough to continue driving the Group forward.
**Investments**

**Engineering & Infrastructure**

**WestLink Motorway Limited:** Leighton Contractors has a 5% stake in the WestLink Motorway Limited.

**Lane Cove Tunnel Company:** Thiess and John Holland have 11% of the consortium to design, build, maintain and operate the Lane Cove Tunnel in Sydney.

**Connect East Group:** Thiess and John Holland have a commitment to acquire 15.2% of the listed company which has the concession to design, construct, maintain and operate the EastLink Project in Melbourne.

**RiverCity Motorway:** Leighton Contractors has a commitment to acquire 7.8% of the listed company with the concession to design, build, maintain and operate the North-South Bypass Tunnel in Brisbane.

**James Fielding Infrastructure:** Leighton Holdings holds a 50% stake in a funds management joint venture with Mirvac.

**North Luzon Expressway:** Leighton Asia holds a 16.5% stake in the Mining and Resources.

**Burton Coal Mine:** Thiess holds a 5% investment in the Burton Coal Mine in Queensland. The other 95% is owned by Peabody.

**Property**

**Viridian Noosa:** Leighton Properties holds a 50% share in a property at Noosa in Queensland where a residential/resort development is being developed.

**400 George Street:** Leighton Properties holds a 50% share in a development site in Brisbane where a commercial office tower development is proposed.

**Green Square:** Leighton Properties is developing a mixed-use site in Brisbane with an office building, a high-tech utility building, a community facility centre and an affordable housing development.

**100 Pacific Highway:** Leighton Properties holds a 50% share in a development property in North Sydney where a commercial office tower is being developed.

**25 Smith Street, Parramatta:** Leighton Properties holds a 50% share in a development site in Parramatta where a commercial office tower is proposed.

**Sydney Airports:** Leighton Properties holds a 33 1/3% stake in leasehold development land at Bankstown airport, a 25% interest in leasehold land at Camden airport and a 50% stake in freehold development land at Hoxton Park airport.

**Delhi Road:** Leighton Properties has developed a commercial office building in North Ryde.

**Mulgrave:** Leighton Properties is developing a suburban office park in Melbourne.

**Lynbrook:** Leighton Properties is subdividing industrial land at Tooronga.

**Bay Road:** Leighton Properties owns a development site at Cheltenham in Melbourne where a suburban office park and industrial precinct is proposed.

**Robinsons Road:** Melbourne where a development is proposed.

**Praeco:** Leighton Contractors has a 50% share in the PPP consortium that will develop the new Department of Defence Headquarters at Bungendore in the ACT.

**Marcus Clarke:** Leighton Properties is developing a commercial office tower in Canberra for ISPT.

**London Circuit:** Leighton Properties is developing a commercial office tower in the Sydney CBD for Westpac.

**Kawana Waters:** Leighton Properties is developing a Homemaker Centre on a site at Kawana Waters in Queensland for Valad.

**Parramatta:** Leighton Properties is developing a commercial office in Parramatta for the Commonwealth Property Office Fund.

**Peninsula Homemakers:** Leighton Properties has developed a Homemaker Centre on a site at Mornington in Victoria for Mirvac.

**Marcus Clarke:** Leighton Properties is developing a commercial office tower in Canberra for ISPT.

**London Circuit:** Leighton Properties is developing a commercial office tower in the Sydney CBD for Westpac.

Note: Investments – Indicates investments owned by the Group, either infrastructure, resources or property related.

Note: Property developments – Indicates a development where the Group does not own the underlying property.
Delhi Road: Leighton Properties has developed a commercial office building in North Ryde.

Mulgrave: Leighton Properties is developing a suburban office park in Melbourne.

Lynbrook: Leighton Properties is subdivideing industrial land at Lyndhurst, Melbourne.

Tooronga: Leighton Properties is developing a Homemaker Centre on a site in Toorak, Melbourne.

Bay Road: Leighton Properties owns a development site at Cheltenham in Melbourne where a suburban office park and industrial precinct is proposed.

Robinsons Road: Leighton Properties owns a site at Ravenhall in Melbourne where a development is proposed.

Praeco: Leighton Contractors has a 50% share in the PPP consortium that will develop the new Department of Defence Headquarters at Bungendore in the ACT.

Property Developments

Kawana Waters: Leighton Properties is developing a Homemaker Centre on a site at Kawana Waters in Queensland for Valad.

Parramatta: Leighton Properties is developing a commercial office in Parramatta for the Commonwealth Property Office Fund.

KENS: Leighton Properties is completing a commercial office tower in the Sydney CBD for Westpac.

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Note: Investments – Indicates investments owned by the Group, either infrastructure, resources or property related.

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Flextronics, India. Contractor: Leighton Asia (Southern)
It is an exciting and challenging time to be joining Leighton Holding’s executive management team as Chief Operating Officer. The new role reflects the phenomenal growth we are currently experiencing and the increasing diversity, both geographically and product wise, of the Group’s business. This growth requires more resources at executive management level. However, while the position is new in the Group structure, the functions are not.

Our business is a risk business and success is largely a measure of how successfully we manage project risks. One of the Leighton Group’s great strengths is its ability to manage complex projects, and this will continue to be a dominant part of the risk management function. However our success is also judged by how well we manage other business risks such as safety and environment. As the Group grows, our approach to risk management is evolving and improving. “Enterprise Risk Management” which we are introducing now, will use the structured risk management approach to ensure that all the business risks are managed to provide the optimum outcome and to provide that assurance to the Board and our Shareholders. Ensuring that proper risk management discipline and process is rigorously applied across the whole business is one of the COO’s principal responsibilities.

Supporting continued growth of the business and expansion into new geographic areas is another part of the COO’s responsibilities. Over the past year the Group has secured $1.5 billion of work in the Gulf Region and India. This success is a result of nearly three years of careful development of these new markets including the establishment of offices and the recruitment of staff in anticipation of winning work. Over the past six months, Leighton Holdings has been working closely with the team in Leighton Asia (Southern) as they move from the development phase into project delivery. We are very aware of the risks faced in entering new markets, but are confident that we have appropriate management processes in place to deal with them as we go forward. Leighton Holdings will carefully monitor progress in these new markets.

During a period when the company is enjoying strong growth right across all markets and locations, one of the biggest challenges is to ensure that people resources keep pace with the ever increasing demand. Focused external recruitment and development of staff from within the Group, together with effective and leading edge systems and processes are the key to productivity and successful project delivery. As part of this development of better systems and the utilisation of new technology, the Group is leading the development of INCITE, a web based, collaborative project management platform. INCITE will combine a state of the art document management/communication platform and tendering and e-procurement applications, with NextGen’s fibre network and hosting and disaster recovery facilities, which are among the most powerful in Australia. This is a good example of the practical use of information technology to promote project efficiency and mitigate risk. Such initiatives will maintain Leighton’s position as industry leader in the use of technology to assist project staff to perform to their potential.
Health and Safety

The Board is deeply saddened to report that our operating companies experienced two workplace fatalities during the year: in Indonesia in October 2005 and in Malaysia in June 2006. The Board has worked with the relevant operating company to understand the factors which contributed to each incident. The company has satisfied itself that the operating companies have implemented the appropriate controls and measures to eliminate the risk of similar incidents. In September 2005, an operating company’s sub-contractor was fatally injured in NSW when he was struck by a motor vehicle driven by a member of the public. The operating company has co-operated fully with the NSW Police Service and the driver has since been charged. The operating company believes that this incident was not related to their workplace.

In the past five years, the Group’s LTIFR performance has improved by 65% in the Australian operating companies, and by 38% in our international operating companies. The Lost Time Injury Frequency Rate (LTIFR) measures rate of occurrence of lost time injuries or industrial disease.

The LTISR has improved by 70% for our Australian operating companies in the last five years, but more work is required to improve the LTISR performance in our international operating companies. The Lost Time Injury Severity Rate (LTISR) is an indicator of the severity of the lost time injuries that occur.

The Board of Leighton Holdings, through its Ethics and Compliance Committee has continued its work with group operating companies to assist them to meet their obligations of ensuring the health and safety of their workforce. Operating companies are responsible for health and safety performance on projects under their control within the relevant policy and legislative framework. The Committee receives quarterly reports from operating companies which include: analysis of detailed performance statistics; incident reports; presentations in person by operating company Managing Directors on major incidents, as well as on strategies to drive continuous improvement in safety performance within operating companies.

Comments by the operating companies on their health and safety performance and initiatives are contained in each company’s Review of Operations on pages 27 to 52.

Achievements
- Over 70 million man hours worked in Australia during the year without a workplace fatality.
- Improvements in the Group’s LTIFR and LTISR in Australia in the year.
- Board established a process to assist operating companies with their health and safety compliance obligations.

Challenges ahead
- Eliminating work related fatalities on all operating company projects.
- Seeking commitment from operating companies to improve health and safety systems and performance within their operations as they expand into new markets in Asia.
- Establishing appropriate health and safety benchmarks against appropriate industries outside of construction.

Case Study: Leighton Safe

Leighton Contractors’ safety awareness program, Leighton Safe, aims to ensure that everyone across the company has safety as a high priority. The Leighton Safe Essentials program, launched last year, focuses on key risk areas, including eye protection – which has resulted in a 60% reduction in reportable eye injuries; fall prevention; and safety in and around mobile plant, manual handling and electrical hazards.

Leighton Contractors recognises the outstanding safety achievements and innovations of its employees through the annual Leighton Safe Awards. This year’s awards received over 56 entries – highlighting the dedication to safety excellence across the company.

These initiatives have helped Leighton Contractors achieve a 70% reduction in injury rates overall.
People and the Workplace

Group Staffing Levels

<table>
<thead>
<tr>
<th>Group</th>
<th>Level</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>14533</td>
<td>57%</td>
</tr>
<tr>
<td>International</td>
<td>10872</td>
<td>43%</td>
</tr>
<tr>
<td>Total</td>
<td>25405</td>
<td></td>
</tr>
</tbody>
</table>

Group Staffing Levels by Operating Company

<table>
<thead>
<tr>
<th>Operating Company</th>
<th>Level</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thess</td>
<td>13373</td>
<td>53%</td>
</tr>
<tr>
<td>Leighton Contractors</td>
<td>5136</td>
<td>20%</td>
</tr>
<tr>
<td>John Holland</td>
<td>2524</td>
<td>10%</td>
</tr>
<tr>
<td>Leighton Asia (Southern)</td>
<td>1937</td>
<td>7%</td>
</tr>
<tr>
<td>Joint Ventures</td>
<td>1166</td>
<td>5%</td>
</tr>
<tr>
<td>Leighton Asia (Northern)</td>
<td>1156</td>
<td>5%</td>
</tr>
<tr>
<td>Leighton Holdings</td>
<td>84</td>
<td></td>
</tr>
<tr>
<td>Leighton Properties</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>25405</td>
<td></td>
</tr>
</tbody>
</table>

Group Staffing Levels Five Year Trend

<table>
<thead>
<tr>
<th>Year</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>7500</td>
</tr>
<tr>
<td>2003</td>
<td>15000</td>
</tr>
<tr>
<td>2004</td>
<td>22500</td>
</tr>
<tr>
<td>2005</td>
<td>30000</td>
</tr>
</tbody>
</table>

Total employee numbers have grown by 20% to 25,405 in line with increased activity levels. Of these, 14,533 (some 57%) are employed in the Australian operations, while 10,872 (or 43%) are working in the Group’s international markets. The Group also welcomed the addition of 1,800 highly skilled employees as part of Leighton Contractors’ acquisition of HWE’s mining business. The number of female employees increased by 28% to 2,837 and now comprises just over 11% of total employees. Increasingly, women are being engaged at all levels of the Group’s operations in a wide variety of operational, management and administrative roles. While relatively few, the number of women engaged in non-traditional roles such as engineers, labourers, truck drivers, plant operators and other trades continues to increase. On an individual basis, operating companies offer both maternity and paternity leave and flexible working conditions for women returning from maternity leave. Training and professional programmes continue to distinguish Group companies as employers of choice. Accredited courses, behavioural competencies and practical on-the-job training is provided across the Group, with a particular focus on occupational health and safety and environmental systems. In addition, talent management and emerging leaders’ programmes are in place to facilitate professional development.

Recruitment is a continuing challenge and the Group is developing innovative strategies to recruit staff. Operating companies are: working closely with local and overseas universities to target undergraduate engineers, providing scholarships and traineeships, recruiting highly skilled staff through travelling road shows in Asia, the Middle East and Europe, and targeting the local community around major projects.

The Federal Government’s new industrial relations system commenced during the period, with both the industry specific Building and Construction Industry Improvement Act and Work Choices legislation coming into effect. The legislation created a new industry watchdog, the Australian Building and Construction Commission (ABCC), to monitor and enforce the new legislation. The Group is closely monitoring the impact of the new laws.

Achievements

– Recruitment of sufficient new staff to support the Group’s activity levels.
– Retention of 1,800 highly skilled staff as part of the HWE mining acquisition.
– Development of first greenfields agreement under new Work Choices legislation.

Challenges ahead

– Continuing to recruit and retain skilled staff to support the Group’s growth prospects.
– Training and integrating new employees into the Group’s systems and cultures.

Leighton Contractors has acquired a 50 per cent share in an independent contracting company, Ngarda Civil and Mining (Ngarda) based in the Pilbara, Western Australia. Ngarda was formed in 2001 by Henry Walker Ettin (HWE), the Ngarda Ngarli Yarndu Foundation and Indigenous Business Australia, to tackle the perception that indigenous people were lacking the skills and training necessary to meet the needs of the mining and construction industries. The purchase completes Leighton Contractors’ acquisition of HWE’s mining business.

Ngarda provides access to training opportunities; enabling employees to gain the skills and experience to develop their abilities, progress within Ngarda and achieve broader benefits in their lives. In accordance with Ngarda’s Indigenous Employment Policy, the company’s workforce must consist of a minimum of 65% indigenous personnel, preferably recruited from local indigenous communities. Currently some 140 indigenous personnel are employed by Ngarda on mining and construction projects.

Case Study: Ngarda

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Environment

Operating companies are responsible for environmental performance on projects under their control within the policy framework and targets set by Leighton Holdings. Comments by the operating companies on environmental performance and initiatives are contained in each company’s Review of Operations on pages 27 to 52.

The Board continued to oversee the Group’s environmental performance. Quarterly reviews are provided to the Ethics and Compliance Committee, which include analysis of detailed performance statistics and incident reports.

In our Australian operations, we recorded two Level 1 incidents. At a Thiess refuse collection and recycling centre, a leak from an underground fuel pipe resulted in a loss of some 5,000 litres of diesel fuel. The contaminated soil has been removed and replaced in accordance with EPA requirements. In addition, new fuel tracking and leak detection systems have been installed here, and at two other depots involving bulk storage. At the Epping–Chatswood Rail Line project a sludge discharge valve failed, releasing a quantity of sludge from the water treatment plant into a creek. Following detailed investigations, remedial actions were implemented. The circumstances which led to the Level 2 and 3 incidents have all been remedied as at the date of this report.

We measure the frequency of Level 1 and 2 incidents occurring on our projects using the Environmental Incident Frequency Rate (EIFR). Since 2004, the EIFR has decreased from 0.49 to 0.20 in our Australian operations, a 59% improvement. The EIFR improved by 36% from 0.11 to 0.07 in our Asian operations in the same two year period.

Achievements
– Improvement in awareness of environmental issues in operating companies following enhancements to training and systems.
– Maintaining low environmental incident frequency rates, in both Australia and Asia, given the increasing scale and number of projects undertaken by Group companies.

Challenges
– Ensuring operating company compliance with increasingly tougher environmental laws and regulations.
– Improving overall environmental performance given the rapid expansion of Group operations into new countries, with differing environmental conditions and regulations.

Case Study: Greenhouse Challenge Plus

Group companies are participating in the Greenhouse Challenge Plus program. Thiess and Leighton Contractors have entered into separate Co-operative Agreements with the Australian Greenhouse Office that sets out their emissions inventory and their action plans to reduce emissions. In addition, the companies are also involved in the new Energy Efficiencies Opportunities program being run by Federal Dept of Industry Tourism and Resources. This program encourages companies to find ways to reduce their energy consumption and improve the efficiency of their energy use.
The Leighton Group supports working with and helping to develop the communities in which our companies operate. Every day, more than 100 of our employees are engaging with the community on Group projects. On the EastLink project, Thiess John Holland has 7 community relations officers along the 45 kilometre corridor, dealing with neighbours and stakeholders to keep them informed and to deal with their concerns.

The Group is committed to investing in the community through the provision of cash, services and staff time, in areas such as; education and youth, community, culture, industry, the environment and Asia. In 2005/06, the Group provided over $2 million through its Corporate Community Investment (CCI) program.

The philosophy of Leighton Holdings’ CCI program is to develop partnerships which can create fundamental changes to address the root cause of community issues. The program takes a proactive approach to developing partnerships with organisations, particularly focusing on the protection of the environment, the fostering of skills amongst young people and the encouragement of excellence through arts and culture.

Leighton Holdings has also agreed to establish a workplace giving program which will allow staff to make pre-tax payroll deductions to charitable causes.

The Leighton Group participates in the political process by engaging with political parties of all persuasions in the development of public policy. This includes developing working relationships with various levels of government and maintaining a bipartisan political donations program, which is fully disclosed through the Australian Electoral Commission.

Achievements
– Continued successful partnerships with Sydney Sinfonia, UNSW, LandCare Australia and the Children’s Hospital Education Research Institute (CHERI).
– Completion of the Injury Prevention and Control Australia (IPCA) workplace occupational health and safety studies and presentation of findings to Group OH&S management and staff.
– Delivery of successful community relations programs on projects like the WestLink M7.

Challenges ahead
– Extending the relationship with LandCare and enhancing sponsorship of the environment.
– Expanding the Leighton Holdings’ UNSW Rural Scholarship program.
– Maintaining successful community relations programs on existing projects such as EastLink and new projects such as the North–South Bypass Tunnel.

Case Study: Cyclone Larry
Cyclone Larry struck the Queensland Far North Coast on 20 March 2006. The category five cyclone recorded winds of over 290km/h and left an estimated $1.5 billion worth of damage to property, crops and infrastructure.

Leighton Group companies donated over $100,000 to assist with the clean up and reconstruction effort after Cyclone Larry, including matched staff contributions.

Thiess Services’ Electrical division was called in to undertake emergency electrical repair works following the devastation to the communities of Innisfail and the Atherton Tablelands, deploying crews from its operational bases in both Cairns and Townsville to undertake electrical power line restoration, working in difficult and demanding conditions to restore vital electrical services to residents, businesses, farms and community services.

Photo – compliments of Yahoo!7 News
1970
- Bangladesh created as independent country

1971
- Watergate scandal begins
- Election of Whitlam government
- Energy Crisis in the west
- Vietnam war ends
- Civil War in Lebanon
- Nixon resigns, dismissal of Whitlam government
- Election of Fraser government
- Mao Tse-Tung succeeded by Hua Kuo-Feng
- Earthquakes in Italy, Bali, Turkey, China and the Philippines
- 1977 – Star Wars released, Elvis Presley dies
- Margaret Thatcher elected Prime Minister of Great Britain
- Fall of the Shah of Iran
- Iraq invades Iran
- US boycotts Moscow Olympics

1972
- Personal computer launched by IBM

1973
- Leighton established in Indonesia
- Tamshui River Bridge in Taipei
- Sembawang Premier Dry Dock in Singapore
- 1974 – Leighton undertakes rural development program in the Philippines
- Leighton established in Hong Kong

1974
- Site formations at Discovery Bay and Tseun Mun in Hong Kong

1975
- Election of Hawke government
- Compact Disc launched
- Australia wins America’s Cup
- US and French teams discover AIDS virus
- Macintosh Computer with mouse is launched
- Live Aid concert

1976
- Chernobyl reactor disaster
- Space shuttle Challenger explodes
- World stock market crash
- World’s population reaches 5 billion
- Lockerbie disaster
- Transatlantic optical fibre telephone cable enters service

1977
- First major Hong Kong housing project at Ka Tin Court
- Work starts on Lam Tin site formation
- First non-residential building – Hong Kong Polytechnic

1978
- Thiess’ presence in Indonesia re-established with Kaltim Prima coal mine and West Senakin mine in Kalimantan
- Ma On Shan housing project in Hong Kong

1979
- Oil base at Natuna Island
- Leighton established in Hong Kong

1980
- 1981
- 1982
- 1983
- 1984
- 1985
- 1986
- 1987
- 1988
The Leighton Group has enjoyed a positive engagement with Asia for over 30 years. It has been: a market for contracting services, a source of skilled labour, an importer of resources mined by the Group, and a home for many employees. As the Group’s operating companies grew it was inevitable that they would branch out into new markets. In the early 1970’s, each took steps to establish in Asia. Today, the Group has a broad footprint on the Asian continent. Our operating companies are working in countries as far afield as Qatar and Dubai in the Arabian Gulf, India, Indonesia, Malaysia, Hong Kong, Macau, the Philippines, Thailand and Vietnam. Opportunities are also being considered in places like China, Taiwan, Korea and Mongolia, and the Group is optimistic that Asia will grow into an increasingly important part of our business.

A key factor in the success of the Group in Asia is that we realise and understand that the region is made up of individual markets. Each has its own unique customs and cultures, and almost all are at different stages of development. To be successful in Asia, Group companies have to adopt a flexible approach and learn to understand the nuances of each country and in many cases, the different areas within a country. Building long-standing relationships and showing commitment during the harshest economic times has enabled Group companies to prosper and expand their interests in the region. The development of local staff, supported by expatriate managers who bring Leighton Group cultures, values and systems to business ventures and projects, has been a key and on-going strength. This identifiable Leighton Group behaviour has given us a good reputation, excellent performance and very strong prospects.
Asia’s sheer size and scale provide great opportunities. It is only natural that the Group follow these opportunities in the interests of further diversifying the business and continuing to create wealth for shareholders. These pages outline some of the major existing and potential markets in Asia, and what is driving their growth. 

China is undergoing a prolonged period of urbanisation, industrialisation and modernisation. China is now the world’s second largest economy in purchasing power parity terms, the fourth largest in exchange rate terms and the third largest trading nation. The country’s growth has a dramatic influence on the demand for raw materials; to help build China’s cities and to industrialise. According to government statistics, in 2003 China absorbed half the world’s cement production, one third of its steel production, one fifth of its aluminium and nearly one quarter of its copper.

China’s economic growth is as industrialised, which has averaged 9.5% over the past two decades, has been the single largest contributor to global growth over the past five years and in 2005 accounted for around one quarter of world economic growth. Looking forward, many economists expect China to continue to grow at between 7% and 9.5% per annum over the next decade. As this growth requires significant investment in infrastructure and energy, it means that China is going to be highly dependent on imported commodities, which augers well for the Group’s mining operations across Australia and Asia. Despite its enormous physical size, China is short of natural resources – especially nonferrous metals. While restrictions still apply on prospecting and exploitation rights for foreigners, the government is in the process of amending mining laws; leading gradually to 

While Hong Kong’s international status is well known, the formerly sleepy Portuguese colony of Macau is fast becoming the Las Vegas of the east. In 2005, 18.7 million tourists visited the 27.3 km² territory of Macau, up 12% from the year before – a huge number for a territory with a population of only 482,000. More impressive is the money spent in the casinos. Last year, Macau’s casinos raked in about US$5.8 billion, up 14% from 2004. That’s almost as much as the Las Vegas Strip’s gambling revenues. In fact, gaming analysts predict that Macau will surpass Vegas this year!

So what makes Macau so attractive? As gambling is illegal in China and Hong Kong, Macau is the regional focal point for more than one billion people who live within a three-hour flight of the city. In China alone, per-capita income has surged by 8% a year for the past two decades and, with leisure time expanding, more time and money is being spent on gambling. Las Vegas casino king Steve Wynn, who created the famed Mirage and Bellagio hotels, has opened a $700 million casino and resort, constructed by Leighton Asia (Northern) and China State. A short drive away, on a stretch of reclaimed land called Cotai between Macau’s two outer islands, a number of new casinos are in planning or development. These include another for Wynn and the A$2 billion City of Dreams casino for Melco PBL, which Leighton Asia (Northern), John Holland and China State are negotiating to construct. This gambling boom is placing pressure on Macau’s infrastructure, but the government is well placed to fund its needs from gambling royalties. Infrastructure currently being considered includes a light rail system, new roads, extra utilities and a 29km bridge from Hong Kong; all of which should provide construction opportunities. 

To the west of India are the Gulf States, which include the United Arab Emirates (UAE) and Qatar. In these countries, oil and gas are the main industries, and they underpin the region’s considerable prosperity. The UAE has the world’s fifth largest conventional oil reserves and fifth largest natural gas reserves, and is a major player in world energy markets. The first-time visitor to the UAE (made up of the seven states of Abu Dhabi, Dubai, Sharjah, Ajman, Ras Al Khaimah, Fujairah, and Umm Al Quwain) finds it hard to imagine that the country was little more than a series of villages until the early 1970s. However a massive investment in civil infrastructure has included freeways, power plants, world-class port facilities and stunning new buildings. Dubai has used its oil reserves to fund a range of diversification efforts to establish itself as a tourism, ICT, re-export and financial hub. The emirate aims to attract 15 million tourists in the year 2010 (up from 5.24 million in 2003). Indicative of the scale of development occurring in the Gulf is the City of Arabia project, which Leighton Asia (Southern) is now helping to develop. The City of Arabia is a US$1.1 billion, 1.8 km² development at the heart of Dubai – a 280 km² entertainment and leisure development. A joint venture including Leighton Asia (Southern) is responsible for the construction of roads, bridges, and underground services including drains, sewers, water mains and telecommunications.

Some 400 km north-west of Dubai, is the State of Qatar. Another oil rich state, petroleum and natural gas, and their related industries are the basis of the national economy. Leighton Asia (Southern) has recently entered this market with the construction of a world-class equestrian centre. This massive project, set on 162 hectares, includes; an Olympic...
to more favourable market conditions for foreign investors. Although the concept of contract mining is relatively new to China, opportunities are expected to emerge – particularly in coal – as the market opens to foreign direct investors. A joint venture between Leighton Asia (Northern) and Thiess has been formed to focus on emerging opportunities in contract mining in China and nearby Mongolia. In order to meet infrastructure demands, China is also beginning to embrace PPP type financing models. The Group is interested in pursuing some of the toll road and other infrastructure opportunities that may emerge.

Hong Kong, described as a ‘barren rock’ over 150 years ago, has become a world-class business centre and, indeed, a great world city. Situated at the south-eastern tip of China, Hong Kong is ideally positioned at the centre of rapidly developing East Asia. Leighton Asia – in Hong Kong since 1975 – is currently working on major infrastructure including the Kowloon Southern Rail Link, the Eagle’s Nest Tunnel and the Central Reclamation project. A few years ago, the Government undertook a review of Hong Kong’s long-term development strategies. It has set itself on course to become the centre for innovation and technology in East Asia. Much is being done to realise this goal and to capitalise on the enormous opportunities thrown up by the information revolution. The Government is proposing an average spend on infrastructure of HK$29 billion (US$3.7 billion) per year for the next few years. Hong Kong, as a stable and mature market, continues to provide the Group with a good range of infrastructure and building opportunities.

A similar process of urbanisation, industrialisation and modernisation is occurring in Asia’s other giant, India, a country of 1.1 billion people – nearly 17% of the world’s population. After decades of failing to realise its full economic potential, India was one of the world’s fastest growing large economies between 1994 – 2006. India’s GDP grew by 8.3% in 2005 and prospects for medium-term growth are strong. But India will need to maintain high levels of growth to find jobs for the 70 million or so young people who will join the labour force in the next five years. One of India’s biggest challenges is to develop its infrastructure. Research shows that India’s annual spending on infrastructure, as a share of GDP, sank to a 33-year low in 2003 – just 3.5%, or US$21 billion. Compare that to China, where spending on infrastructure in that same year ran to 10.6% of GDP, or US$150 billion. The Group is keen to pursue opportunities in India. Leighton Asia (Southern) has been successful in establishing a presence in the country, winning building work for Nokia and Flextronics, and the construction of oil pipelines at Cochin and Jamnagar. India’s electricity network is almost entirely dependent on coal but generation shortages continue to threaten India’s economic development. While India is the third largest coal producer and consumer in the world, its coal shortage is expected to rise to between 100m and 160m tonnes by 2010, from 23m tonnes currently, as new generating capacity is added. Thiess, seeing an opportunity to leverage its contract mining capability, is the first foreign company to submit a major coal mining tender, for work on the Rajmahal Project for Coal India. Both Thiess and Leighton Asia (Southern) are pursuing other coal mining projects.

Indonesia remains a strong base for the Group, built on its abundance of coal reserves and other natural resources. These resources are spread across the vast archipelago that is Indonesia: a country of 17,000 islands, spanning 5,000 km east to west; 240 million people, making it the world’s fourth most populous nation; and with a diverse population that speaks more than 580 different languages and dialects. Indonesia’s resources should continue to provide process engineering opportunities and support a long term base for the Group’s mining activities, particularly in Kalimantan, through Thiess’ large life-of-mine contracts and Leighton Asia (Southern)’s niche presence on a number of smaller mines. The Indonesian government is also pursuing a massive infrastructure program and has identified projects worth nearly US$150 billion that it wants to progress over the next five years. The Leighton Group is particularly interested in some of the road and rail projects, however much of the funding will have to be provided by the private sector, which may well constrain the timing of these projects.
Section 1

3 Corporate Report

Section 2

27 Review of Operations
29 Thiess
33 John Holland
37 Leighton Properties
41 Leighton Contractors
45 Leighton Asia (Southern)
49 Leighton Asia (Northern)

Section 3

53 Corporate Governance

Section 4

81 Concise Financial Report
**Thiess**

Our key focus is on delivering quality performance from core business areas while identifying new opportunities to expand our horizons.

*Roger Trundle* Mananging Director

**Thiess delivered a record turnover and contribution for 2006.** Our performance was driven by solid growth in our core business with contributions from our major road projects, a strong mining sector, and a rapidly expanding process business. Work in hand has increased over the last 5 years from $4.9 billion to $7.4 billion. While mining remains a large part of our operations, the work mix is becoming more evenly spread across all disciplines. Progress continues on our three major transport infrastructure projects. In New South Wales, the Lane Cove Tunnel Project (Thiess John Holland Joint Venture) and Epping to Chatswood Rail Line (Thiess Hochtief Joint Venture) will be substantially completed next year, while Victoria’s EastLink project (Thiess John Holland Joint Venture), is tracking well.

**Thiess has extended its presence in rail infrastructure.** In June, Queensland Rail, Thiess, United Group, Connell Wagner, and Maunsell Australia signed the TrackStar Program Alliance Agreement. The Alliance will deliver $700 million in rail infrastructure works in south east Queensland. Other rail projects include the successful completion of the Geelong and Ballarat sections of the Regional Fast Rail Project in Victoria, and commencement of the Craigieburn Project in Melbourne and the Revesby Turnback Project, again in joint venture with United Group, in New South Wales. We continue to build our reputation with the Department of Defence through projects such as the Lavarack Barracks Redevelopment Stage 3 in Queensland, and the RAAF College Relocation Project in East Sale, Victoria and Wagga Wagga, New South Wales. Other new building and civil projects included two office buildings in Canberra, the Boggo Road Busway in Queensland and the Area C expansion for BHP Billiton in Western Australia.

**Thiess Process was very successful in securing and delivering a range of resources and energy related projects** across Australia and Indonesia. The Thiess Sedgman joint venture entered into an alliance with Anglo Coal to deliver the $442 million Dawson project, the largest ever design and construct contract in the Australian coal industry. Thiess Services performed well across a broad range of industry sectors including waste management, remediation and utilities services. Highlighting our diverse skills, Thiess Utility Services Asia entered into a general services agreement with PT Ericsson Indonesia for a telecommunications network rollout throughout Indonesia.

**Our coal mining operations made another large contribution** and we embarked on a number of other exciting resource-related projects. Our alliance with BHP Billiton was extended at the Mt Keith nickel mine in Western Australia, Oxiata Limited’s new Prominent Hill gold and copper mine in South Australia, awarded in August 2006, as well as our alliance with Gindalbie Metals and their partner AnSteel to develop and operate the Karara iron ore deposit in Western Australia, are providing further reach and diversity to our mining business.

**Attracting, retaining and developing skilled and motivated people remains a priority.** In May 2005, we launched our “Building Employee Capability” plan, setting out our key objectives and initiatives. Underpinning this plan is a strong commitment to our culture and values.

**Our safety objective is to provide workplaces that are free from incident and injury.** Through the commitment of our people, and the implementation of leading edge systems and initiatives, we have established new benchmarks in safety performance. Highlights for the year include a greater than 30% reduction in both lost-time injury frequency and severity rates, with 82% (166) of all projects lost-time injury free. However, it is with great sadness that we reported a fatality in Indonesia in October 2005. We have worked to understand the factors that contributed to this incident. Appropriate measures have been implemented in an effort to prevent future occurrences in similar circumstances.

**We support a range of community partnership and sponsorship projects across Australia and Indonesia,** and are widely recognised as a long-term supporter of the Hear and Say Centre, Life Stream Foundation and the International River Foundation. Our priority for environmental management remains focused on contributing to the delivery of successful projects. We set performance targets which guide progressive improvements in the delivery of projects and services, beyond the regulatory framework. This year, Thiess committed to the Greenhouse Challenge Plus (GCP+) program with development of our Cooperative Agreement and five year abatement action plan. Our annual Sustainability Report, available at www.thiess.com.au, provides a full account of our activities in this area.

**Continued growth in Asia, coupled with the solid outlook for Australia** over the next few years, provides strong underlying demand for Thiess’ services. Mining and related resources infrastructure, transport, telecommunications and water infrastructure, along with power generation and distribution and utilities maintenance should provide significant opportunities in Australia and Indonesia. We have recently established an office in Delhi, India reflecting our confidence in this country and in particular the resources opportunities. Thiess is well positioned and committed to moving the business to the next level of scale and performance.
Thiess continued

Board
H C Albrecht AC Chairman
R S Trundle Managing Director
D J Argent
R J Flew
Hon R J Kelly AO
W M King AO
G E McIrist
W G Osborn
D J Argent Secretary

Senior Executives
R S Trundle Managing Director
L E Ainsworth Executive General Manager, Thiess Services
D J Argent Director, Finance and Administration
P M Cassano Executive General Manager, Resources Development
M F Connell Executive General Manager, Human Resources and Safety
B A Munro President Director Indonesia
D J Overall Executive General Manager, Process
D K Saxelby Chief Executive Australian Operations
I D Wade Executive General Manager, Business Services
R H Wilson Executive General Manager, Infrastructure and Corporate Services
E P Buratto General Manager WA
B J Donohue General Manager NSW/ACT
C Forsterling General Manager VIC/SA/TAS/NZ
M D Rosengren General Manager QLD/NT/PACIFIC

D K Saxelby
Chief Executive Australian Operations

Epping to Chatswood Rail Line, New South Wales
The 2006 year again saw John Holland improve its performance, increasing work in hand and revenue, and allowing us to maintain our position as the Leighton Group’s most diversified construction contractor. Revenue increased by almost 20 per cent to $2.1 billion and work in hand is almost $3 billion. We are in our strongest ever position and continue to set new benchmarks in terms of project delivery and diversity. It has been an exciting and high performance year for John Holland with many projects exceeding expectations and achieving positive results in terms of budget and completion targets. Foremost amongst these has been our pleasing progress on Melbourne’s EastLink and Sydney’s Lane Cove Tunnel, both in joint venture with Thiess.

In Brisbane, progress on the landmark Southbank TAFE redevelopment has been very good and we have worked hard to evolve and enhance our relationships with our project partners and the Queensland Government to ensure the State’s first PPP is delivered successfully. Relationships with the Department of Defence have been expanded and developed across the country with new construction projects in Darwin coming on-stream during the year and our Sydney Defence Maintenance Management contract extended by a further eight years, highlighting our multi-disciplined capability. Existing prison maintenance contracts are ongoing at Kempsey in New South Wales, and Risdon in Tasmania. These projects have proven to be a solid foundation for our Contract Maintenance Division.

Water and Wastewater projects continue to form a major component of our business with over half of these projects delivered as alliances. A highlight was the award of our first contract under the Melbourne Water Services Panel with anticipated works valued at upwards of $100 million over four years. The purchase of a specialist rail business at Parkes, New South Wales has enabled us to significantly grow our business in this market and expand our rail skills into the manufacturing sector. We again recorded strong performances from our major rail projects in Victoria, Western Australia and New South Wales. We performed well in the challenging health sector, working on the refurbishment of Sydney’s John Hunter and Westmead Hospitals, and commenced construction on the Bathurst Hospital in regional New South Wales. The growth in the minerals sector is presenting a number of opportunities for our structural, mechanical and process business, while our specialist telecommunications business performed above expectations, concentrating on the rollout of mobile systems and upgrades to mobile networks.

We have continued to focus on developing our 4Ps strategy – encompassing people, performance, partnerships and profit. First amongst these are our people. Our commitment to the maintenance of the health, safety and well being of our workforce is paramount. Our safety performance is again ahead of industry averages, and while this is a positive reflection on our safety standards and values, we continually strive for improvement. During the year we launched our Passport To Safety Excellence Program, a benchmark OH&S safety initiative that has received significant support from Government and industry bodies alike. The professional and personal development of our people is also important, especially in an environment where skilled people are in short supply. To address this, we have launched a series of leadership and development programs aimed at further expanding their skills and developing the leaders of tomorrow.

We realise that work on our projects impacts the lives of people across Australia. Major projects are seen as a positive introduction to the communities in which we work and we use them as a springboard for local community participation. We have again sponsored a number of community initiatives, both financially and logistically. Our commitment remains to ensuring that environmental impacts are minimised and, wherever possible, we aim to mitigate any impacts on the climate and natural environment.

The coming year promises to be another busy and successful one for the John Holland Group. The buoyant nature of the construction market at present is anticipated to continue. Growth in the minerals sector, and the continued growth in demand from China and India, should support the ongoing development of our specialist business streams. Our diversification sets us apart and will help John Holland maintain a strong position and further expand our business into new sectors and regions as our two main road projects in Melbourne and Sydney come to a successful conclusion.
John Holland continued

Board
J L Holmes à Court AO Chairman
D G Stewart Group Managing Director
I R Johnson
H J Ohff
W J Wild
J C Horsley, D A Ray Secretaries

Senior Executives
D G Stewart Group Managing Director
D A Ray Chief Financial Officer
G M Palin Executive General Manager, Specialist Businesses
D R Tasker Managing Director (JH Rail)
G Angelucci General Manager, Operations (JH Rail)
R J Bennetto General Manager, Southern Region
D C Brewer General Manager, NSW/ACT
A S Conte General Manager Major Projects, Specialist Businesses
F P Doyle Executive General Manager, Major Projects Division
C J Evans General Manager, Northern Region
T P Gallo General Manager, Telecommunications
D W Golightly General Manager, Engineering & Estimating
A Henderson General Manager, Services
J C Horsley Corporate General Manager, Commercial & Risk Management
K I Kane General Manager, Western Region
P N Kessler General Manager, Tunnelling & Underground Mining
B C Petersen General Manager, SMP
R J Rabie General Manager, Power
G J Ralph Project Director, EastLink
S M Sasse General Manager, Human Resources & Organisation Strategy
M A Snape Development Director
G P Taylor General Manager, Water
KENS Project, New South Wales. Contractor: Leighton Contractors
Leighton Properties experienced another successful year, delivering a significant contribution to the Group. Our performance was underpinned by a good mix of development, sales and leasing income, with a number of new projects commencing. Property sales of more than $500 million were completed during the year, with many developments in the portfolio both pre-leased and pre-sold before or during construction. Leighton Properties’ sustained performance over the past three years reflects: our strategic focus on our core industrial, office and bulky goods markets; our track record in handling complex projects; and an ability to assess and effectively manage risk. The broad range of quality projects currently underway, an improving leasing market and the acquisition of a number of new development sites should underpin a solid level of activity next year. We now have our best ever portfolio, with ten major projects currently underway, which have a total end value of more than $2.5 billion.

A highlight in New South Wales was the successful completion of the KENS office tower in Sydney and the staged migration of 5,000 Westpac staff to their new headquarters. The development is the second largest commercial tower by floor space in Sydney and is a major feature of the city’s revitalised western commercial corridor. Work is continuing on an office tower at 100 Pacific Highway in North Sydney and two A-grade office developments in Parramatta. The Federal Government has also approved master plans for the Bankstown, Camden and Hoxton Park airports, and development and planning activity for the sites is underway. During the year, Leighton Properties successfully expanded into the Canberra market with two new office developments starting construction in the CBD. 18 Marcus Clarke Street has been fully pre-leased to the Department of Agriculture, Fisheries and Forestry, while the National Information Communications Technology Authority (NICTA) has substantially pre-leased the nearby office development at 7 London Circuit. Both buildings have been pre-sold to ISPT.

In Queensland, we commenced work on the Green Square project for the Brisbane City Council and pre-sold the development to ISPT. A new site at 400 George Street, located in the CBD, was acquired in joint venture with Grosvenor. On the Sunshine Coast, a revised development application was submitted for the second stage of the Noosa Viridian Resort and good leasing progress has been made on the Home Central bulky goods retail centre at Kawana Waters. In Victoria, leasing activity is continuing on our bulky goods retail developments at Peninsular Lifestyle and Tooronga, and our high-tech office development at Mulgrave in Melbourne’s south-eastern suburbs. We have also acquired a new development site adjacent to the planned Deer Park bypass, which will be our next major bulky goods development in Victoria.

Leighton Properties continues to take a leading industry advocacy role through Mark Gray’s Presidency of the New South Wales Property Council. The Council is the State’s pre-eminent body for planning and development policy issues. Developing a positive working relationship with all our stakeholders, including our joint venture partners, tenants, investors and the community in which we work, is central to how we conduct our business. We target community relations activities during development and construction of our projects, as well as making a broader philanthropic contribution to the communities in which we operate through the Property Industry Foundation. We have gained considerable recognition for the successful archaeological digs and community open days we held on the KENS project and at 101 George Street in Parramatta, which enhanced our reputation as a good neighbour and good corporate citizen.

We expect our current levels of performance to continue in the foreseeable future with our strong pipeline of developments backed by an experienced team of professionals who have an outstanding record of managing complex projects. The correlation between activity levels in the Australian economy and the property sector suggest that the non-residential property market will remain positive over the coming year, with continuing opportunities in our core office, industrial and bulky goods markets. Our approach to joint venturing with leading property and financial partners such as ISPT, Mirvac and Grosvenor sees Leighton Properties well placed to develop other opportunities. Looking to the longer term, we are exploring the potential to extend our geographic presence. Leighton Properties’ profile in the property industry has increased significantly over the past few years due to the increased volume of projects underway and our ‘can do’ reputation as a company prepared to invest in large projects and effectively manage the associated development risks. This profile positions us well for the continued, successful execution of projects and sustained profit and revenue growth over the coming years.
Mulgrave Office Park, Victoria

St Pauls Terrace, Queensland, Contractor: Leighton Contractors

Home Central, Kawana Waters, Queensland, Contractor: Thiess
Board
J C Elvy Chairman
V A Vella Managing Director
D S Adamsas, A W Beck, R H Borger, B W Clark,
M C Gray, W M King AO, G J Paramor, D P Robinson
B W Clark Secretary
Senior Executives
V A Vella Managing Director
R H Borger Manager, Queensland
B W Clark Commercial Manager/Company Secretary
M C Gray Manager, NSW
A W Beck Manager, Victoria

5 Year Trends $million

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
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<td>06</td>
<td>400</td>
</tr>
</tbody>
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Leighton Contractors

2006 has seen a step change in our level of performance, and in our presence in the mining sector.

Peter McMorrow Managing Director

In 2006, we positioned ourselves for growth and diversification. The most significant event has been the acquisition of HWE’s mining business, which substantially diversified our operations. This transaction has helped grow our work in hand to almost $4 billion and we now have over 5,000 people. Leighton Contractors is firmly established as a leader in the Australian mining industry. We are pleased to have recorded significant growth in our contribution to the Group’s result this year.

The completion of the Westlink M7 eight months ahead of schedule was a tremendous result and a reflection of the dedication and effort of everyone involved. The local community and Sydney’s motoring public have significantly benefited from this new arterial route. High usage levels also auger well for our equity stake. Other major projects successfully completed during the year include the Westpac Headquarters in Sydney and the substantial completion of Melbourne’s new transport hub, the Southern Cross Station, in time for the Commonwealth Games. New projects that have recently been awarded include the Defence Headquarters, at Bungendore near Canberra and the North-South Bypass Tunnel in Brisbane.

Integral to our success has been our approach to alliance contracting. By working collaboratively with clients and partners we are involved with a number of new alliance projects including: the Inner Northern Busway in Brisbane, the Peel Deviation in Perth and the Manukau Extension Project in New Zealand. Our NextGen telecommunications business is progressing well. NextGen is the first Australian Telco to launch a national Virtual Private LAN Service (VPLS) which provides Ethernet corporate data networking services. New opportunities in the rail and water markets have seen successful forays into these sectors. To optimise performance we have structured Leighton Contractors into separate divisions focused on specific market sectors including Mining, Construction, Industrial, Telecommunications and the building business of Broad.

The high priority we give to safety and health, and eliminating workplace injury resulted in the development and implementation of a number of new safety initiatives. The ‘leighton safe essentials’ program targets key risk areas such as working at heights and eye protection. Our annual ‘leighton safe’ awards program provides an opportunity to recognise outstanding individual and team contributions to safety within our company. The overall result of our safety initiatives has been a significant downward trend in injury rates across the business. Our commitment to meet with Worksafe Victoria, due to the death of Mr Robert Sergi in 2000, continued with onsite meetings at the Southern Cross Station and West End Plaza projects. In March 2006, we were accepted into the Federal Government’s Provisional Occupational Health and Safety Accreditation Scheme.

We have an excellent record of environmental performance and our projects continued their diligence in environmental management. This was illustrated on the multi-award winning FPE Seawall Alliance in Brisbane. During the year, we became a 50 per cent partner in the award winning indigenous employment and training joint venture, Ngarda Civil and Mining. Ngarda’s primarily indigenous workforce provides contract mining and civil infrastructure services and the investment enables us to support both the indigenous community and the resource sector. By joining the Federal Government’s new ‘Greenhouse Challenge Plus Program’ we are now measuring and reporting on our national greenhouse gas emissions, which will help to develop future abatement strategies and reduction targets.

Leighton Contractors has returned to being a consistent contributor to the Leighton Group. This year’s solid financial results and record levels of work in hand – balanced across our operational portfolio – bode well for the coming year. The successful integration of HWE mining will also enable us to benefit from the current strength of the resources sector. Longer term, we will continue to foster client relationships, alliance opportunities and the development of our people. Our aim is to be a proven leader in partnership and performance across all of our operations.

Achievements

- Acquisition of HWE mining operations
- Delivery of a number of major projects
- Award of North-South Bypass Tunnel and Defence Headquarters

Challenges ahead

- Selection, retention and career development for our people
- Balancing our work load across our market sectors
- Strengthening our management systems to handle the significant growth of our business
Leighton Contractors
continued

Board
D S Adamsas Chairman
P J McMorrow Managing Director
A Drescher
P G Pollard
R Sputore
H Tyrwhitt
L W Voyer
D E Wilson
P G Pollard, S Choi Secretaries

Senior Executives
P J McMorrow Managing Director
L W Voyer Deputy Managing Director
J Baker General Manager, Risk Management
P R Cooper Executive General Manager
P Hicks General Manager, Investment
J Jones General Manager HWE Mining
P Kane General Manager LCPL Mining
C Laslett Executive General Manager, Mining Division
P Olsen General Manager, Human Resources
P G Pollard General Manager, Finance & Admin
M Rollo General Manager, Business Services
R Sputore General Manager, Western Region
H Tyrwhitt General Manager, Southern Region
D Weir General Manager, Northern Region
D E Wilson General Manager, NSW & ACT

Visionstream Pty Limited
(LSE, Nextgen, Metronode)
B T J de Boer Managing Director
D Phizacklea General Manager, Finance & Admin

Broad Construction Services Pty Ltd
K Rummukainen Managing Director
R Lee Chief Financial Officer

Mayfield Engineering Pty Ltd
J Hesketh General Manager

Metlabs
A Harvey General Manager

L W Voyer
Deputy Managing Director

Saraji (Stage 6) Coal Mine, Queensland
North Dawson, Queensland
Leighton Asia (Southern)

Our projects in Indonesia and Malaysia performed well, and we continue to build our presence in India and the Gulf.

David Savage Managing Director

Leighton Asia (Southern) produced an excellent result for 2006, delivering revenue of $494 million and a significantly increased contribution to the Group. We are poised to experience a period of sustained growth, with work in hand at a record $1.3 billion and good prospects for new work right across our regional footprint.

The result was underpinned by strong performances in Indonesia and Malaysia. Our mining projects in Indonesia continued to perform well, driven in part by the ongoing strength of coal prices. We won the Toka Tindung gold mine project and secured an extension at the GHP coal mine. In West Papua, we also made good progress on our Tangguh LNG projects, despite adverse weather conditions. In Malaysia, the Kuala Lumpur to Putrajaya Highway project progressed well and is now more than 40% complete and on schedule for completion mid-2007. Production on the Rawang to Ipoh rail double-tracking project improved significantly and we expect to complete this project early in the new year.

Our operations in India made a significant contribution to the result in its first full year of operation. We successfully completed the Nokia mobile phone manufacturing facility near Chennai, and secured two similar projects — factories for Flextronics and Salcomp — in the same area. We were also awarded a crude oil offshore pipeline project for Kochi refineries at Cochin and a similar project for Reliance at Jamnagar.

A highlight was the award of the $545 million Al Shaqab Equestrian Academy in Qatar for the Qatar Foundation for Education, Science and Community Development. This project represents our first contract in the Gulf region and is indicative of the large-scale opportunities available. It was quickly followed by a contract for the construction of roads and infrastructure for the City of Arabia development in Dubai.

We continued to implement our “Strive for LIFE” safety scheme during the year, which has been very effective in reducing workplace injuries. However, we are saddened to report the death of a sub-contractor’s employee on the highway project in Malaysia. We have identified the factors that contributed to this accident and have taken appropriate steps in an effort to minimise the risk of similar occurrences. Indonesia completed the year without recording a single lost-time injury (LTI), and in doing so reached 10 million man-hours without an LTI — an achievement of which we are very proud. Our increasing workload has necessitated the recruitment of a large number of new staff. A comprehensive human resources strategy was implemented during the year to ensure we are able to attract, develop and retain the high-quality people we require to manage our rapid growth.

We achieved our environmental targets during the year improving on last year’s performance. Our environmental certification was upgraded from ISO14001: 1994 to ISO14001: 2004 in Malaysia, Indonesia, Singapore and Sri Lanka, and we hope to achieve certification in India and the Gulf region in 2007. We continued to support community groups and charities in our areas of operation through sponsorship and donations. A number of physically disabled students and volunteers from Malaysia were sponsored to attend an inclusive learning technologies school in Australia.

Work in hand is at record levels and with opportunities available across all market sectors the company is set to enjoy an extended period of growth. We will build upon our strong base in Indonesia by pursuing coal and other mining opportunities, as well as infrastructure projects such as tollroads. Our focus in Malaysia remains on completing our existing projects, particularly the Kuala Lumpur to Putrajaya Highway. India has emerged as potentially our most important market and our success here, and in the Gulf Region, is central to our long-term growth. There are many opportunities in India; our challenge is to maintain focus on those that have the best chance of success. These include industrial buildings; large-scale infrastructure such as tollroads and power stations; mining; and oil and gas. In the Gulf region, our efforts will be directed towards the successful execution of the Al Shaqab Equestrian Academy and City of Arabia projects. Future opportunities for us lie in large-scale building and infrastructure projects in Qatar, Dubai and Abu Dhabi.
Leighton Asia (Southern) continued

Board
A B M F Stephens Chairman
D G Savage Managing Director
D M Connolly, R Djohan, J C Elvy, W M King AO, E Los,
A T Mason, Dr L Petzold, W J Wild
J Leung Secretary

Senior Executives
D G Savage Managing Director
R D Hodgson Executive General Manager, South East Asia
E O Wardle General Manager, Operations
D M Connolly General Manager, Finance & Administration
P Freeman Manager Systems
M Johnson Manager HR & Organisational Development
K D Plumble Manager Financed Projects
B Ticcioni Manager Risk
T Harvey General Manager, Malaysia, Singapore, Brunei & Sri Lanka
K S Thong Manager, Finance & Administration, Malaysia, Singapore, Brunei & Sri Lanka
S Wilson President Director, Indonesia
J Russell Manager, Finance & Administration, Indonesia
B Smythe Manager Operations – Civil, Indonesia
T Howie Manager – Mining, Indonesia
R J Waugh Director, Oil & Gas, India
S Chivers Director, Building, India
T McGuire Director, Civil & Mining, India
A Holborn Manager, Finance & Administration, India
G Dunn General Manager, Gulf Leighton
J McKay Finance Manager, Gulf Leighton

John McBreen
Leighton Asia (Southern) Scholarship
We were saddened by the death in May of John McBreen, after a short battle with cancer. As General Manager for Mining, John was a vital member of our team and had been responsible for developing our Indonesian mining operation into our most successful business unit. As a tribute to John’s enormous contribution to the company and the mining industry, we intend to establish the John McBreen Leighton Asia (Southern) Scholarship. The annual scholarship will assist in the education, training and career development of some of Indonesia’s most promising mining engineers.
Another strong performance from our Hong Kong operation was the highlight of an improved result for Leighton Asia (Northern) in 2006. With our major projects progressing well, and a number of exciting building, mining and infrastructure prospects identified, the company can look forward to continued growth next year. Once again Hong Kong and Macau dominated our result. The full impact of the performance of the Hong Kong operation was somewhat reduced by the resolution of issues on a number of smaller projects in other areas. Whilst the issues were relatively minor in nature, by resolving them we are able to begin an exciting new phase of growth in 2007.

A highlight was the successful completion of phase one of the Wynn Resorts project in Macau. We completed this high-profile project one month ahead of schedule, allowing the client to conduct staff training prior to opening the facility in September. We made good progress on our other major projects in Hong Kong. The Eagle’s Nest tunnel structure was completed and fitting-out is well advanced. We also made significant advances on the Central Reclamation project, completing the new Star Ferry terminals in June. In the Philippines, we successfully completed the mine infrastructure for the Rapu Rapu polymetallic mine and commenced mining. In Vietnam, we commenced test piling for Intel’s semi-conductor manufacturing plant.

We secured a number of new projects during the year, most notably the Kowloon Southern rail link project in Hong Kong. Significant progress has already been made with the tunnel boring machine commencing operations in September this year, ahead of schedule. We progressed negotiations with Melco PBL for the construction of their new $2 billion City of Dreams casino in Macau.

We continue to be an industry leader in safety management. A highlight for the year was the achievement of 3.7 million man-hours without a lost-time injury on the Rapu Rapu polymetallic mine project in the Philippines. We will continue to focus on improving our safety performance, with our goal being to identify, assess, control and ultimately eliminate the risk of injuries on our sites. One of our key challenges again this year will be to identify and recruit high calibre staff to help deliver our anticipated increase in workload.

Our environmental performance continued to improve during the year, and we once again achieved our targets. Where our projects impacted on local communities, we took steps to minimise this impact and communicate with those likely to be affected. A comprehensive community relations program is underway on the Kowloon Southern rail link in Hong Kong, a high profile project in one of the most densely populated areas of the world. We provided further assistance to tsunami-relief efforts in Thailand by supporting a local boat building initiative at Khao Lak that provided new fishing boats for fishermen who lost their boats — and their livelihood — in the 2004 Boxing Day tragedy.

Hong Kong will continue to provide the base for our operations for the foreseeable future. We are currently pursuing a number of large-scale building and civil infrastructure projects, and are confident of converting at least two of these during the forthcoming year. Macau offers further casino-related prospects and opportunities for the development of infrastructure to support a gambling led boom. We expect to make a renewed effort to develop a sustainable business in China this year, based on opportunities in privatised infrastructure and contract mining. As China’s industrialisation and urbanisation continues, this will support continued demand for commodities, which should in turn create opportunities for us in contract mining: not only in China, but also in the Philippines, Thailand, Vietnam, Laos and Mongolia. We hold a distinct competitive advantage in this industry and it is one we intend to capitalise upon. We are analysing opportunities in new geographic markets this year. We have identified a small number of large-scale infrastructure development opportunities in Korea and will investigate these further from a new office in Seoul.

Achievements
- Secured Kowloon Southern Rail Link in Hong Kong
- Early completion of Wynn Resorts Macau
- 3.7 million man-hours without an LTI at Rapu Rapu Mine in the Philippines

Challenges ahead
- Successfully completing our current major projects
- Securing further casino prospects in Macau
- Developing a sustainable business in China
Kowloon Southern Rail Link, Hong Kong

Eagle’s Nest Tunnel, Hong Kong

Leighton Asia (Northern)
continued

Board
W M King AO Chairman
J Dujmovic Managing Director
E Los, A T Mason, Dr L Petzold, W J Wild
M Wong Secretary

Senior Executives
J Dujmovic Managing Director
M Ashton General Manager, Hong Kong, Macau & Taiwan
M Griffin General Manager, Korea
P Naughton General Manager, Philippines
S Quinn General Manager, Thailand & Indochina
M Wright General Manager, China
J Au Information Systems Manager
M Bailey Regional Manager, Mining
C I Gordon General Manager, Corporate Affairs
J F Nash Executive Director, Engineering Services
A M Nooy Director, Infrastructure Development
D G Pestridge Commercial Manager
M Wong Finance & Administration Manager
Yarrie Niningarra, Western Australia. Contractor: Leighton Contractors
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1</td>
<td>3</td>
<td>Corporate Report</td>
</tr>
<tr>
<td>Section 2</td>
<td>27</td>
<td>Review of Operations</td>
</tr>
<tr>
<td>Section 3</td>
<td>53</td>
<td>Corporate Governance</td>
</tr>
<tr>
<td></td>
<td>55</td>
<td>Corporate Governance Practices</td>
</tr>
<tr>
<td></td>
<td>62</td>
<td>Directors’ Report</td>
</tr>
<tr>
<td></td>
<td>67</td>
<td>Directors’ Resumes</td>
</tr>
<tr>
<td></td>
<td>69</td>
<td>Remuneration Report</td>
</tr>
<tr>
<td></td>
<td>79</td>
<td>Shareholdings and Noteholdings</td>
</tr>
<tr>
<td></td>
<td>80</td>
<td>Shareholder Information</td>
</tr>
<tr>
<td>Section 4</td>
<td>81</td>
<td>Concise Financial Report</td>
</tr>
</tbody>
</table>
Set out below is a summary of the Leighton Group’s Corporate Governance Practices. The Leighton Group has followed all of the Best Practice Recommendations set by the ASX Corporate Governance Council (Council) for the full financial year ended 30 June 2006 (Financial Year), other than Council Recommendation 2.1. An explanation of why this recommendation was not followed is set out under the relevant section below.

The Leighton Group’s Corporate Governance Report 2006 appears on the Company’s website and a copy will also be sent to shareholders without charge on request.

### ROLE OF THE BOARD AND MANAGEMENT

#### COUNCIL PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

<table>
<thead>
<tr>
<th>Council Recommendations</th>
<th>Compliance</th>
<th>Disclosure/Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Formalise and disclose the functions reserved to the board and those delegated to management</td>
<td>Yes</td>
<td>A strategic balance is maintained between the responsibilities of the Board, Mr W M King AO as the Chief Executive Officer and Mr D S Adams as the Deputy Chief Executive Officer and Chief Financial Officer. The Leighton Board is responsible to shareholders for the Group’s overall corporate governance. The CEO is accountable to the Board for the management of the Group within the policy and authority levels prescribed in the Group’s Business Plan, which is reviewed and approved by the Board each year. The CEO has the authority to approve capital expenditure and business transactions within predetermined limits set by the Board. The Deputy CEO and CFO, is responsible for maintaining financial control across the Group. In this role Mr Adams is responsible for overall Group management reporting, statutory accounting, auditing, treasury, taxation and insurance. When required to act as CEO Mr Adams operates within the same authority levels as Mr King.</td>
</tr>
<tr>
<td>Council Recommendations</td>
<td>Compliance</td>
<td>Disclosure/Explanation</td>
</tr>
<tr>
<td>-------------------------</td>
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</tr>
<tr>
<td>2.1: A majority of the board should be independent directors</td>
<td>No</td>
<td>The Company presently has ten Non-executive Directors, six of whom, G J Ashton, M C Albrecht, A Drescher, P A Gregg, R D Humphris and D A Mortimer, are considered by the Board to be independent. The non-independent Directors comprise the two Executive Directors, W M King and D S Adamsas and the four Non-executive Directors representing Leighton’s majority shareholder, HOCHTIEF. These Directors are H-P Keitel, P M Noé, T C Leppert and D P Robinson. The Board considers HOCHTIEF’s Board representation to be reasonable and appropriate given that HOCHTIEF presently owns in excess of 53% of Leighton. Mr M C Albrecht is considered by the Board to be independent notwithstanding that he has remained a director of Thiess after his retirement as Managing Director of Thiess in October 2000. Mr Albrecht was, after 12 months leave of absence, appointed Chairman of Thiess in October 2001 and to the Board of Leighton Holdings in November 2001. Given the time which has elapsed since Mr Albrecht was involved in the management of Thiess and the consistent independent judgement he has brought to bear in decision making as a member of the Leighton Board, the Board has determined that Mr Albrecht should be considered an Independent Director. Although one half of the Board are Independent Directors, the Board does not have a majority of Independent Directors and consequently the Board’s composition does not comply with recommendation 2.1 in the Council’s Guidelines. Notwithstanding its non-compliance with recommendation 2.1, the Board has adopted a number of policy measures to ensure that independent judgement is achieved and maintained in respect of its decision making processes, which include the following: – the Chairman is an Independent Director and has a casting vote at Board meetings in the event of a deadlock; – Directors are entitled to seek independent professional advice at the Company’s expense, subject to the approval of the Board; – Directors who have a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic; and – Non-executive Directors confer on a needs basis without management in attendance. The Board is balanced in its composition with each current Director bringing a range of complimentary skills and experience to the Group. Personal details of Directors are set out on pages 67 and 68 of this Concise Annual Report. To assist the Board in discharging its responsibilities, the Board has established a number of Board Committees including an Audit Committee, a Remuneration and Nominations Committee, and an Ethics and Compliance Committee.</td>
</tr>
<tr>
<td>2.2: The chairperson should be an independent director</td>
<td>Yes</td>
<td>The Company’s Chairman, Mr G J Ashton AM, is independent in terms of the Council’s definition of independent director.</td>
</tr>
<tr>
<td>2.3: The roles of the chairperson and chief executive officer should not be exercised by the same individual</td>
<td>Yes</td>
<td>The Company’s Chairman, Mr Ashton, and CEO, Mr King have separate roles. The Chairman is responsible for leading the Board in the discharge of its duties.</td>
</tr>
<tr>
<td>2.4: The board should establish a nomination committee</td>
<td>Yes</td>
<td>A Nominations Committee was established in August 1992. The responsibilities of the Nominations Committee were amalgamated with those of the Remuneration Committee to form the Remuneration and Nominations Committee with effect from 1 October 2004. The Terms of Reference and Procedures for the Remuneration and Nominations Committee are available on the Company’s website.</td>
</tr>
<tr>
<td>Council Recommendations</td>
<td>Compliance</td>
<td>Disclosure/Explanation</td>
</tr>
<tr>
<td>--------------------------</td>
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</tr>
<tr>
<td><strong>ETHICAL AND RESPONSIBLE DECISION-MAKING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>COUNCIL PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1: Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.1 the practices necessary to maintain confidence in the company’s integrity</td>
<td>Yes</td>
<td>In September 1995, the Leighton Board adopted a Code of Ethics that sets out the principles and standards with which all Group officers and employees are expected to comply in the performance of their respective functions. A copy of the Code appears on the Company’s website.</td>
</tr>
<tr>
<td>3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices</td>
<td>Yes</td>
<td>In November 1998, the Board established an Ethics Committee whose principal function was initially to review and make recommendations to the Board regarding the maintenance of ethical standards and practices generally within the Leighton Group. Subsequently each of the Group’s main operating subsidiaries established an Ethics Committee which co-ordinates with the Ethics and Compliance Committee of Leighton Holdings in monitoring and formulating the Group’s ethical policy direction and reporting. The Group’s Ethical Dimension Reporting system requires each major operating subsidiary to submit a quarterly report to the Board with a view to ensuring the maintenance of ethical practices within the Group and the achievement of continual improvement in this area. In June 2004 the Ethics Committee was renamed the Ethics and Compliance Committee and its Terms of Reference were expanded. The Terms of Reference and Procedures for the Ethics and Compliance Committee are available on the Company’s website.</td>
</tr>
<tr>
<td>3.2: Disclose the policy concerning trading in company securities by directors, officers and employees</td>
<td>Yes</td>
<td>The Company’s Constitution requires Directors to hold at least 1000 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, senior executives and certain employees may buy or sell shares in the Company except for specified short periods after announcements are made to the ASX of the Company’s quarterly, half-year and annual financial results. The Company’s Securities Trading Policy is available on the Company’s website. Directors must advise the Company, which in turn advises the ASX, of any transactions conducted by them in the Company’s securities within five business days after the transaction occurs.</td>
</tr>
</tbody>
</table>
### INTEGRITY OF FINANCIAL REPORTING

<table>
<thead>
<tr>
<th>Council Recommendations</th>
<th>Compliance</th>
<th>Disclosure/Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1: Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company’s financial reports present a true and fair view, in all material respects, of the company’s financial condition and operational results and are in accordance with relevant accounting standards</td>
<td>Yes</td>
<td>Leighton’s CEO and Deputy CEO and CFO each report in writing to the Board that in his opinion the consolidated financial statements of Leighton Holdings and its controlled entities for each half and full financial year present a true and fair view, in all material respects, of the Group’s financial condition and operational results and are in accordance with accounting standards.</td>
</tr>
<tr>
<td>4.2: The board should establish an audit committee</td>
<td>Yes</td>
<td>An Audit Committee was established by the Board in June 1990.</td>
</tr>
<tr>
<td>4.3: Structure the audit committee so that it consists of:</td>
<td>Yes</td>
<td>The current members of the Leighton Holdings Audit Committee are:</td>
</tr>
<tr>
<td>– only non-executive directors</td>
<td></td>
<td>– D A Mortimer AO (Chairman), Independent Non-executive Director.</td>
</tr>
<tr>
<td>– a majority of independent directors</td>
<td></td>
<td>– G J Ashton AM, Independent Non-executive Director; and</td>
</tr>
<tr>
<td>– an independent chairperson, who is not chairperson of the board</td>
<td></td>
<td>– D P Robinson, Non-executive Director.</td>
</tr>
<tr>
<td>– at least three members</td>
<td></td>
<td>Resumés of Messrs Mortimer, Ashton and Robinson are set out at pages 67 and 68 of this Concise Annual Report and indicate each of them is suitably qualified to be a member of the Audit Committee.</td>
</tr>
<tr>
<td>4.4: The audit committee should have a formal charter</td>
<td>Yes</td>
<td>The Audit Committee’s Terms of Reference and Procedures are available on the Company’s website.</td>
</tr>
</tbody>
</table>

### CONTINUOUS DISCLOSURE TO ASX

<table>
<thead>
<tr>
<th>Council Recommendations</th>
<th>Compliance</th>
<th>Disclosure/Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance</td>
<td>Yes</td>
<td>The Company has a Market Disclosure Policy and Procedure which is available on the Company’s website.</td>
</tr>
</tbody>
</table>
### Corporate Governance Practices (continued)

#### COMMUNICATION WITH SHAREHOLDERS

<table>
<thead>
<tr>
<th>Council Recommendations</th>
<th>Compliance</th>
<th>Disclosure/Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings</strong></td>
<td>Yes</td>
<td>The Company’s policy is to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company. The Board encourages full participation of shareholders at the Annual General Meeting. Important issues are presented to shareholders and proceedings of the AGM are webcast live to shareholders. A video of proceedings at the AGM is available on the Leighton website for viewing by shareholders for at least six months after the AGM.</td>
</tr>
<tr>
<td><strong>6.2: Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor’s report</strong></td>
<td>Yes</td>
<td>The Company’s practice is to ensure the Group’s external auditor attends the AGM.</td>
</tr>
</tbody>
</table>

#### RISK MANAGEMENT

<table>
<thead>
<tr>
<th>Council Recommendations</th>
<th>Compliance</th>
<th>Disclosure/Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>7.1: The board or appropriate board committee should establish policies on risk oversight and management</strong></td>
<td>Yes</td>
<td>The Board is responsible for the oversight of the Group’s risk management and control framework. The Audit Committee assists the Board in fulfilling its responsibilities in this regard by reviewing and monitoring the financial and reporting aspects of the Group’s risk management and control framework. Risk exposures for the Group stem from Leighton’s broad business risk profile which covers areas including operations, reputation, regulation, contract, finance, information and strategy. The Group has implemented a policy framework designed to ensure that the Group’s risks are identified and that adequate controls are in place and function effectively.</td>
</tr>
<tr>
<td><strong>7.2: The chief executive officer and the chief financial officer should state in writing that:</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 7.2.1 the statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board | Yes | Leighton’s CEO and Deputy CEO and CFO are each required to report in writing to the Board whether in his opinion:  
– the statement given in accordance with Council’s best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and  
– the Company’s risk management and internal compliance control framework is operating efficiently and effectively in all material respects. |
| 7.2.2 the company’s risk management and internal compliance and control system is operating efficiently and effectively in all material respects. | Yes |  |
## PERFORMANCE

<table>
<thead>
<tr>
<th>Council Recommendations</th>
<th>Compliance</th>
<th>Disclosure/Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1: Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives</td>
<td>Yes</td>
<td>The Board has adopted an annual self-evaluation process to measure its own performance and the performance of its Committees during the Financial Year. Significant issues identified or changes recommended are actioned in the Board’s ongoing development program.</td>
</tr>
</tbody>
</table>

## REMUNERATION

<table>
<thead>
<tr>
<th>Council Recommendations</th>
<th>Compliance</th>
<th>Disclosure/Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.1: Provide disclosure in relation to the company’s remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance</td>
<td>Yes</td>
<td>The Company’s policies relating to Directors’ and senior executives’ remuneration and the level of their remuneration are set out in the Remuneration Report on pages 69 to 78 of this Concise Annual Report and note 32 to the Financial Report.</td>
</tr>
<tr>
<td>9.2: The board should establish a remuneration committee</td>
<td>Yes</td>
<td>The Board has had a Remuneration Committee since 1992. The responsibilities of the Remuneration Committee were amalgamated with those of the Nominations Committee to form the Remuneration and Nominations Committee with effect from 1 October 2004. The Terms of Reference and Procedures for the Remuneration and Nominations Committee are available on the Company’s website.</td>
</tr>
<tr>
<td>9.3: Clearly distinguish the structure of non-executive directors’ remuneration from that of executives</td>
<td>Yes</td>
<td>A description of the structure of remuneration of Executive Directors and Non-Executive Directors is set out in the Remuneration Report on pages 69 to 78 of this Concise Annual Report. The aggregate annual fees payable to the Company’s Non-executive Directors are limited to the maximum annual amount approved by the Company’s shareholders. This maximum annual amount is currently $2,000,000 as determined at the 2005 AGM.</td>
</tr>
<tr>
<td>9.4: Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders</td>
<td>Yes</td>
<td>The Company ensures that the payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders. Current plans are the Leighton Executive Share Option Plan and the Leighton Employee Share Plan, both of which were approved by shareholders at the 1998 AGM. Resolutions will be put to shareholders at the 2006 AGM to approve two new plans; the Leighton Senior Executive Option Plan and the Leighton Management Share Plan.</td>
</tr>
</tbody>
</table>

## INTERESTS OF STAKEHOLDERS

<table>
<thead>
<tr>
<th>Council Recommendations</th>
<th>Compliance</th>
<th>Disclosure/Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.1: Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders</td>
<td>Yes</td>
<td>Leighton’s objective is to maintain and further develop a diversified contracting and project development business that creates wealth for shareholders and adds value for clients and other stakeholders. To ensure this occurs, the Group conducts its business within the Group’s Code of Ethics and core values.</td>
</tr>
</tbody>
</table>
**Directors’ Report**

The Directors of Leighton Holdings Limited present their report for the financial year ended 30 June 2006 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 the “Group”). This report has been prepared in accordance with the requirements of Division 1 of Part 2M.3 of the Corporations Act 2001.

**Review of operations**
A review of the Group’s operations during the financial year and of the results of those operations is contained on pages 1 to 52 of this Concise Annual Report.

**Significant changes**
Significant changes in the state of affairs of the Group during the financial year were as follows:
- Leighton Contractors acquired the Australian and New Zealand contract mining assets of Henry Walker Eltin Group Limited for $261 million.
- The Group also raised US$110 million through an issue of 5-Year Fixed-Rate Guaranteed Notes to support the continued growth of operations in Indonesia.
- John Holland wrote off its investment in the Alice Springs to Darwin rail project amounting to $48 million.
- The Group entered into a $750 million plant and equipment operating lease facility under which approximately $360 million worth of plant was subject to a sale and lease back.

**Financial results**
Total revenue, including joint venture revenue, for the Group for the financial year was up by 32% to $10 billion. Operating profit after tax attributable to members of the Company increased by 28% to $276 million.

**Dividends**
A final ordinary dividend of 41 cents per share, franked to the extent of 50%, was announced on 14 August 2006 and will be paid on 29 September 2006. Together with the interim ordinary dividend of 25 cents per share, franked to the extent of 50% which was paid on 31 March 2006, the total dividend payment for the financial year will be 66 cents per share and will amount to $183 million. The 2005 final ordinary dividend of 30 cents per share, franked to the extent of 50%, referred to in the Directors’ statutory report for the financial year ended 30 June 2005 and payable out of the profits for that financial year, was paid on 30 September 2005.

**Principal activities**
During the financial year there were no significant changes in the nature of the Group’s principal activities which were building, civil engineering construction, contract mining, telecommunications, environmental services, property development and project management in Australia and selected parts of 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 Group, its operations or results in future financial years. In addition, the Directors are not aware of any specific developments, not covered generally in the 2006 Concise Annual Report, that have or may have a significant effect on the Group’s state of affairs, its operations or its expected results in future financial years.

**Future developments**
Likely developments in the operations of the Group in future financial years and their anticipated results are referred to in pages 1 to 52 of this Concise Annual Report. Further information on likely developments in the operations of the Group, including the expected results of those operations in future financial years, would in the Directors’ opinion result in unreasonable prejudice to the Group and has therefore not been included in this report.

The Concise Annual Report contains all information that members of the Company would reasonably require to make an informed assessment of the Group’s operations, financial position and business strategies and prospects for future financial years other than any information relating to the Group’s business strategies and prospects for future financial years which would, in the Directors’ opinion, result in unreasonable prejudice to the Group.

**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 maintains a quarterly environmental reporting regime, which ensures environmental performance is reported from project/site level, up through the levels of management, to the Ethics and Compliance Committee of the Leighton Holdings Board.

The Group has rigorous internal reporting processes, which require operating company management to report the number of environmental incidents occurring and what remedial action has been taken, regardless of whether they infringe any regulations.

To ensure consistency in the reporting and management of environmental incidents the Group has adopted standard Environmental Incident Severity Classifications, which are categorised into 12 types of impacts, including measurable limits where suitable. The severity of the impact is defined as high, medium or low, according to the following classification:

**Level 1:** (High Severity) refers to pollution or degradation, which has (or may have) irreversible detrimental effects on the environment and/or community. The effects extend to a wide scale beyond the site.

**Level 2:** (Medium Severity) refers to pollution or degradation with a persistent (greater than three months) but reversible detrimental effect on the environment and/or community. The effects extend to a wide scale beyond the site.

**Level 3:** (Low Severity) refers to pollution or degradation, which has a short-term (less than three months) and reversible detrimental effect on the environment and/or community. The event affects the ability of people on-site to enjoy their normal environment, such as a minor noise disturbance. It may result in Level 1 or 2 damage if it continues to occur. During the financial year the Group’s Australian operations recorded and reported on the following environmental incidences:

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>12</td>
<td>444</td>
</tr>
</tbody>
</table>
Two Level 1 incidents reported during the year (0 last year), 12 Level 2 incidents reported during the year (11 last year), and 444 Level 3 incidents reported during the year (405 last year). The number of man-hours worked increased by 30% in the year, with an increasing proportion of contract mining works in the Group's workload.

The first Level 1 incident occurred at a Thiess Services Collection and Recycling project in NSW. Upon investigation of a fuel audit discrepancy, an underground diesel fuel line from the fuel farm was found to be leaking. This was classed as a Level 1 incident as the volume lost exceeded 5,000 litres. Remedial works are 50% complete, with contaminated soil removed and replaced in accordance with EPA requirements. The remaining portion will be remediated in early 2007. In addition, new fuel tracking and leak detection systems have been installed here and at two other depots involving bulk fuel storage.

In the second incident, which occurred at the Epping Chatswood Rail Line project in Sydney, a sludge discharge valve failed to close, resulting in an amount of waste water sludge overflowing the bunded area and the sedimentation pond, with a small amount of sludge entering Porters Creek. Following detailed investigation, remedial actions were implemented.

The circumstances which led to the Level 2 and 3 incidents have all been remedied as at the date of this report. Each Operating Company has set targets for Environmental performance for 2007.

More details on the Group’s environmental performance are contained on page 21 of this Concise Annual Report.

Directors and Directors’ interests

The Directors of the Company in office at the date of this report are listed below together with details of their relevant interest in the securities of the Company or a related body corporate at that date.

<table>
<thead>
<tr>
<th>Names</th>
<th>No. of ordinary shares in the Company</th>
<th>No. of options over unissued ordinary shares in the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geoffrey John Ashton AM</td>
<td>2,500</td>
<td></td>
</tr>
<tr>
<td>Wallace MacArthur King AO</td>
<td>206,660</td>
<td></td>
</tr>
<tr>
<td>Dieter Siegfried Adamsas</td>
<td>323,060</td>
<td></td>
</tr>
<tr>
<td>Martin Carl Albrecht AC</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>Achim Drescher</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Peter Allan Gregg</td>
<td>1,200</td>
<td></td>
</tr>
<tr>
<td>Robert Douglas Humphris OAM</td>
<td>6,500</td>
<td></td>
</tr>
<tr>
<td>Hans-Peter Ketel</td>
<td>1,560*</td>
<td></td>
</tr>
<tr>
<td>Thomas Chris Leppert</td>
<td>1,000*</td>
<td></td>
</tr>
<tr>
<td>David Allen Mortimer AO</td>
<td>26,000</td>
<td></td>
</tr>
<tr>
<td>Peter Michael Noé</td>
<td>2,305*</td>
<td></td>
</tr>
<tr>
<td>David Paul Robinson</td>
<td>1,250</td>
<td></td>
</tr>
</tbody>
</table>

*Non-beneficially held

Directors’ and Senior Executives’ remuneration

Details of the Company’s remuneration policy in respect of the Directors and group executives and company executives are detailed in the Remuneration Report on pages 69 to 78 of this Concise Annual Report. The Remuneration Report includes details of the remuneration paid to each Director and each named company and group executive.

CEO/CFO Declaration

The Chief Executive Officer and Deputy Chief Executive Officer and CFO have given a declaration to the Board concerning the Group’s financial statements under Section 295A(2) of the Corporations Act 2001 and recommendations 4.1 and 7.2 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations.
Directors’ Meetings

The number of Directors’ meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

<table>
<thead>
<tr>
<th>Director</th>
<th>No. of Directors’ Meetings Held*</th>
<th>No. of Audit Committee Meetings Held*</th>
<th>No. of Remuneration and Nominations Committee Meetings Held*</th>
<th>No. of Ethics and Compliance Committee Meetings Held*</th>
<th>No. of Plan Committee Meetings Held*</th>
<th>No. of Special Tender Review Committee No. 1 Meetings Held*</th>
<th>No. of Special Tender Review Committee No. 2 Meetings Held*</th>
<th>No. of Special Tender Review Committee No. 3 Meetings Held*</th>
</tr>
</thead>
<tbody>
<tr>
<td>D S Adamsas</td>
<td>9</td>
<td>9</td>
<td></td>
<td></td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>M C Albrecht AC</td>
<td>9</td>
<td>9</td>
<td></td>
<td></td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>G J Ashton AM</td>
<td>8</td>
<td>9</td>
<td>6</td>
<td>6</td>
<td>8</td>
<td>8</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>A Drescher</td>
<td>8</td>
<td>9</td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>G J Dixon (resigned 31 May 2006)</td>
<td>9</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td>7</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>R Humphris OAM</td>
<td>9</td>
<td>9</td>
<td></td>
<td></td>
<td>4</td>
<td>4</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>H.-P Keitel (2 in person and 7 by his alternate)</td>
<td>9</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td>8</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>W M King AO</td>
<td>9</td>
<td>9</td>
<td></td>
<td></td>
<td>8</td>
<td>8</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>T C Leppert</td>
<td>9</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>D A Mortimer AO</td>
<td>8</td>
<td>9</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>P M Noé (8 in person and 1 by his alternate)</td>
<td>9</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td>7</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>D P Robinson</td>
<td>9</td>
<td>9</td>
<td>6</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>6</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.

Briefly, to the extent permitted by law, the Company indemnifies every person who is or has been:

- an Officer against any liability to any person (other than the Company or a related entity) incurred while acting in that capacity and in good faith; and
- 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 Secretaries of the Company are named on pages 67 and 68 in this Concise Annual Report and the Company’s current auditors are KPMG.

Deeds of Indemnity

In prior financial years, by Deeds of Indemnity, each entered into 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, a Secretary of the Company 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.

**Directors’ Deed**
The Company has entered into a Deed of Indemnity, Insurance and Access (“Director’s Deed”) with each current and former Director of the Company who has held office since 4 November 1999. These Deeds formalise the arrangements between the Company and the Directors as to indemnities, insurance and access to board records and replaced any existing Deeds of Indemnity previously executed by the Company in favour of those Directors. Under each Director’s Deed the Company indemnifies the Director to the extent permitted by law against any liability (including liability for legal defence costs) incurred by the Director as an officer or former 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 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 covered by the insurance contracts and the amount of the premiums.

**Insurance for Group Officers**
During and since the end of 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 any subsidiary.

Under the above mentioned Deeds of Indemnity and Directors Deeds, 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 exercise of options under LESOP is subject to the following conditions:

(i) the options may only be exercised on or after the second and no later than the fifth anniversary of the date of grant;

(ii) not more than 50% of the options held by an option holder and having the same date of grant may be exercised before the third anniversary of the date of grant (the “First Tranche”);

(iii) (performance hurdle) 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 option equals or exceeds the percentage increase in either the ASX All Industrials Accumulation Index or the ASX 100 Industrials Accumulation Index during the same two year period.

**Share options**
Leighton Executive Share Options Plan ("LESOP")
LESOP was approved by shareholders at the 1998 AGM. The total number of options over unissued ordinary shares in the Company outstanding under LESOP at the date of this report are detailed as follows:

<table>
<thead>
<tr>
<th>Calendar Year of Grant</th>
<th>2002 Options</th>
<th>2002 Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of Executives participating</td>
<td>276</td>
<td>1</td>
</tr>
<tr>
<td>Date of Grant</td>
<td>27 March 2002</td>
<td>12 April 2002</td>
</tr>
<tr>
<td>Exercise Price (Market Price at date of grant)</td>
<td>$10.96</td>
<td>$10.44</td>
</tr>
<tr>
<td>Original Grant</td>
<td>5,980,000</td>
<td>90,000</td>
</tr>
<tr>
<td>On Issue 1 July 2005</td>
<td>5,520,000</td>
<td>90,000</td>
</tr>
<tr>
<td>Exercised since 1 July 2005</td>
<td>5,246,500</td>
<td>90,000</td>
</tr>
<tr>
<td>Lapsed Since 1 July 2005</td>
<td>90,000</td>
<td>–</td>
</tr>
<tr>
<td>On Issue 4 September 2006</td>
<td>183,500</td>
<td>–</td>
</tr>
<tr>
<td>Expiry Date</td>
<td>27 March 2007</td>
<td>–</td>
</tr>
</tbody>
</table>

No claims under the indemnities have been made against the Company during or since the end of the financial year.
Directors’ Report continued

The expiry date of options granted under LESOP is extended by 6 months in the case of options held by an executive who dies or suffers total and permanent disablement (as defined in the Plan Rules) during the 6 month period before the fifth anniversary of the date of grant of the options.

Executives holding options under LESOP are only entitled to participate in a new issue of shares in the Company if they have become entitled to exercise their options and they do so during the period prescribed in the Plan Rules and participate as a result of being a holder of shares in the Company.

The names of the persons who currently hold options under LESOP are entered in the register of options kept by the Company pursuant to section 170 of the Corporations Act 2001. 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 LESOP referred to above.

No options have been issued during or since the end of the financial year over unissued shares in the Company.

Audit
The declaration by the Group’s external auditor to the Directors of Leighton Holdings in relation to the auditor’s compliance with the independence requirements of the Corporations Act 2001 and the professional code of conduct for external auditors is set out below.

No person who was an officer of Leighton Holdings during the financial year was a director or partner of the Group’s external auditor at a time when the Group’s external auditors conducted an audit of the Group.

Non-audit services
Details of the amounts paid or payable to the auditor (KPMG) for non-audit services provided during the year are set out below.

The Company’s Board of Directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

– all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
– none of the services undermine the general principles relating to auditor independence, including reviewing or auditing the auditor’s own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

The non-audit services supplied by the Group’s external auditor, KPMG, and the amount paid or payable by type of non-audit service during the year to 30 June 2006 are as follows:

<table>
<thead>
<tr>
<th>Non-audit service</th>
<th>Amount paid/payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory and non-regulatory audit and attestation services</td>
<td>292</td>
</tr>
<tr>
<td>Direct and indirect tax compliance and advisory services</td>
<td>1,576</td>
</tr>
<tr>
<td>Other advisory services</td>
<td>250</td>
</tr>
</tbody>
</table>

Lead auditor’s independence declaration under Section 307C of the Corporations Act 2001
To the Directors of Leighton Holdings Limited
I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006 there have been:
– no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
– no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG
S J Marshall
Partner
Sydney, 4 September 2006.

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.
The Directors during or since the end of the year are:

G J Ashton AM (68)
FACD, FAIM

W M King AO (62)
BE, MEngSc, Hon DSc, Hon FIEAust, FPEng, 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. A Director of the UNSW Foundation Limited and a Member of the Council of The University of NSW. Participates in construction industry affairs and is the President of the Australian Constructors Association. Member of the Business Council of Australia. Honorary Fellow of the Institute of Engineers and Fellow of the Australian Institute of Company Directors. Member of the Australian Institute of Management, the Australian Institute of Building and the Academy of Technological Sciences and Engineering. Member of the American Society of Civil Engineers. Founding Councillor of the Australia Business Arts Foundation. As at 30 June 2006, Mr King was a Director of Coca-Cola Amatil Limited, an ASX listed company of which he has been a Director since 2002.

D S Adamsas (63)
BComm, FAICD

M C Albrecht AC (67)
B Tech (Civil), FTSE, FlE Aust, FAICD, FAIM, FUniv (QUT)
A Non-executive Director since 2001. Mr Albrecht is considered by the Board to be an Independent Director for the reasons mentioned in the Company’s Statement of Corporate Governance Practices 2006. Chairman of Thess Pty Ltd. Member of the Queensland Premier’s Business Round Table. Chairman of the Wesley Research Institute and the International Riverfoundation. Patron of the Brisbane Regional Youth Orchestra and the Life Stream Foundation for people with intellectual disabilities. Formerly managing director of Thess Pty Ltd, a position he held for 15 years before retiring in October 2000. A former director of Siemens Limited Advisory Board. As at 30 June 2006, Mr Albrecht was the Chairman of Geodynamics Limited, an ASX listed company of which he had been a Director since 2001. He was formerly a Director of ASX listed companies Portman Limited from 1998 to 2003 and Queensland Gas Company Limited from 2002 to 2005.

A Drescher (66)
BEC
A graduate in economics from Hamburg University, Germany. An Independent Non-executive Director since 1996. A former Managing Director (1989 – 2002) and Chairman (2002 – 2003) of Columbus Line Australia Limited. A Non-executive Director of Leighton Contractors Pty Limited, Adsteam Marine Limited and Sword Securitisation Limited. Chairman of the ‘Young Endeavour Youth Scheme’ (RAN). In 1997 Mr. Drescher was awarded the ‘Cross of the Order of Merit’ by the Federal Republic of Germany. As at 30 June 2006, Mr Drescher was a Director of Adsteam Marine Limited, an ASX listed company of which he had been a Director since 2001. Mr Drescher was formerly a Director of ASX listed company Austal Limited from 1998 to 2004.

P A Gregg (51)
BEC
Appointed an Independent Non-executive Director on 4 July 2006. Chief Financial Officer and a member of the Board of Directors of Qantas Airways Limited. Chairman of the Singapore-based Jetstar, and its parent company Orangestar. Executive General Manager Strategy for the Qantas Group. Formerly Deputy Chief Financial Officer and Group Treasurer at Qantas. Fellow of the Finance and Treasury Association, a Member of the Australian Institute of Company Directors and holds a Bachelor of Economics degree from Queensland University.

R D Humphris DAM (64)
ARSM, BSc (Eng) Hons, CEng, FIMMM, FAIMM
An Independent Non-executive Director since 2004. An Honours graduate in Mining Engineering at the Royal School of Mines, Imperial College, London University. Chairman of Amptcontrol Pty Limited. Former Managing Director of Peabody Resources Pty Limited (previously Costain Australia Limited). Former Managing Director and Executive General Manager of the Standard Bank Group. Formerly Deputy Chief Executive Officer and Head of the Finance and Treasury Association, the Young Endeavour Scheme. Formerly the Managing Director of Thiess Group and Adsteam Marine Limited. Past Director of Australian Coal Research Limited and Port Waratah Coal Services Limited. Mr Humphris was formerly a Director of an ASX listed company AurionGold Limited from 2003 to 2004.
Prof. Dr. H.-P Keitel (59)
Dr.-Ing. A graduate in studies on civil engineering at Technical University, Stuttgart and an business administration and economics at Technical University, Munich, Germany. A Non-executive Director since 1992. Elected Deputy Chairman in November 1998. Joined HOCHTIEF Aktiengesellschaft in 1988 as Director to the Board responsible for international business. Became a member of the Board of Executive Directors in 1991 and was appointed Chairman of the Board of Executive Directors of HOCHTIEF Aktiengesellschaft in 1992. Other directorships include The Turner Corporation, USA, HOCHTIEF AUSTRALIA Ltd. and SGS SA, Switzerland. He is a member of several Supervisory Boards and a teaching professor at Berlin Technical University.

D A Mortimer AD (61)
BEC(Hons), FCPA, A graduate of the University of Cologna in business management studies. A Non-executive Director since 1997. Deputy Chairman of Australia Post. A Director of Macquarie Infrastructure Investment Management Limited. Former Managing Director and Chief Executive Officer of TNT Limited.
As at 30 June 2006, Mr Mortimer was a Director of the following ASX listed companies: Sigma Pharmaceuticals Limited since 2002; Astarde Marine Limited since 1997; Petsc Energy Limited since 1985; and Macquarie Infrastructure Investment Management Limited since 2000. He was formerly a Director of ASX listed companies: Direct Corporation Limited from 1997 to 2006 and Virgin Blue Holdings Limited from 2003 to 2006.

Dr P M Noé (49)
Dr. rer. pol. A graduate of the University of Sydney. A Non-executive Director since 1990. Alternate Director from 1987 to December 1990. Registered company auditor and tax agent. A chartered accountant and principal of the firm Harvey, Chartered Accountants in Sydney. Advisor to local and overseas companies with interests in Australia. Participates in construction industry affairs. A Director of HOCHTIEF Australia Limited.

D P Robinson (5D)
McLam, BEc, FCA, FTIA A graduate of the University of Sydney. A Non-executive Director since 1990. Alternate Director from 1987 to December 1990. Registered company auditor and tax agent. A chartered accountant and principal of the firm Harvey, Chartered Accountants in Sydney. Advisor to local and overseas companies with interests in Australia. Participates in construction industry affairs. A Director of HOCHTIEF Australia Limited.

Alternate Directors
Dr H H Lütkestratkötter (56)
Dr.-Ing. Studied mechanical engineering and gained doctorate in civil engineering at Aachen Technical University. An Alternate Director for Dr P M Noé since 2004. Member of the Executive Board of HOCHTIEF since December 2003 with responsibility for both the Corporate Divisions HOCHTIEF Development and HOCHTIEF Americas as well as the Strategic Corporate Development department. Prior to joining HOCHTIEF Dr. Lütkestratkötter had a wide range of experience in the industry having served for over 25 years in international engineering and construction businesses.

R L Seidler (57)
LLB An Alternate Director for Dr H-P Keitel since 2003. A graduate of the University of Sydney, Partner of Blake Dawson Wadron and a member of its board. Chairman of Hunter Philip Japan Limited. A member of the investment advisory board of the Australian Prime Property Fund and a member of the Australian Government’s Corporations and Markets Advisory Committee. As at 30 June 2006, Mr Seidler was a Director of Valad Property Group Limited and Valad Opportunity Fund No.11, each an ASX listed company of which he has been a Director since February 2005.
Remuneration Report

This Remuneration Report has been prepared for the purposes of Section 300A of the Corporations Act 2001.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee is responsible for making recommendations to the Board that ensure the Group’s remuneration policy fairly and responsibly rewards executives having regard to performance, the law and the highest standards of governance.

The Committee’s principal objectives, according to its Terms of Reference and Procedures (which are available on the Company’s website) include:

- Reviewing and approving the remuneration of Executive Directors and other senior executive members;
- Reviewing and making recommendations to the Board regarding the remuneration of Non-executive Directors;
- Reviewing and making recommendations to the Board regarding the remuneration policies and practices for the Group generally including the incentive plans; and
- Reviewing and making recommendations to the Board regarding superannuation arrangements.

The Committee engages independent remuneration consultants to ensure remuneration practices are consistent with market practice.

Membership of the Remuneration and Nominations Committee is listed on page 68 of this Concise Annual Report.

NON-EXECUTIVE DIRECTOR REMUNERATION

Remuneration Policy

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

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

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

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

<table>
<thead>
<tr>
<th>Committee</th>
<th>Chairman</th>
<th>Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit</td>
<td>25,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Remuneration and Nominations</td>
<td>n.a.*</td>
<td>12,000</td>
</tr>
<tr>
<td>Ethics and Compliance</td>
<td>18,000</td>
<td>12,000</td>
</tr>
</tbody>
</table>

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

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

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

The aggregate annual fees payable to the Company’s Non-executive Directors are limited to the maximum annual amount approved by the Company’s shareholders. This maximum annual amount is currently $2,000,000 as approved by shareholders at the 2005 Annual General Meeting.

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

R Seidler is a partner of Blake Dawson Waldron and a member of both the Remuneration and Nominations and Ethics and Compliance committees. Mr Seidler does not receive committee membership fees, however consulting fees equivalent to the committee membership fees are paid by the Company to Blake Dawson Waldron.

Retirement Allowances and Superannuation

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Remuneration in $’000</th>
<th>Non-executive Directors</th>
<th>Short Term Employee Benefits</th>
<th>Employment Benefits</th>
<th>Post Employment Benefits</th>
<th>Termination Benefits</th>
<th>Share Based Payments</th>
<th>Total Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Board and Committee Fees</td>
<td>Subsidiary Board Fees</td>
<td>Superannuation and Retirement Benefits²</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Remuneration</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>G Ashton</td>
<td>269</td>
<td>–</td>
<td>235</td>
<td>–</td>
<td>–</td>
<td>504</td>
</tr>
<tr>
<td></td>
<td>(Independent Non-executive Director, Chairman)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>H-P Keitel</td>
<td>135</td>
<td>–</td>
<td>35</td>
<td>–</td>
<td>–</td>
<td>170</td>
</tr>
<tr>
<td></td>
<td>(Non-executive Director, Deputy Chairman)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>M Albrecht</td>
<td>116</td>
<td>50</td>
<td>71</td>
<td>–</td>
<td>–</td>
<td>237</td>
</tr>
<tr>
<td></td>
<td>(Independent Non-executive Director)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A Drescher</td>
<td>128</td>
<td>35</td>
<td>70</td>
<td>–</td>
<td>–</td>
<td>233</td>
</tr>
<tr>
<td></td>
<td>(Independent Non-executive Director)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>R Humphris</td>
<td>154</td>
<td>–</td>
<td>14</td>
<td>–</td>
<td>–</td>
<td>168</td>
</tr>
<tr>
<td></td>
<td>(Independent Non-executive Director)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>T Leppert</td>
<td>125</td>
<td>–</td>
<td>13</td>
<td>–</td>
<td>–</td>
<td>138</td>
</tr>
<tr>
<td></td>
<td>(Non-Executive Director)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>D Mortimer</td>
<td>137</td>
<td>–</td>
<td>64</td>
<td>–</td>
<td>–</td>
<td>201</td>
</tr>
<tr>
<td></td>
<td>(Independent Non-Executive Director)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>P Noé</td>
<td>137</td>
<td>–</td>
<td>14</td>
<td>–</td>
<td>–</td>
<td>151</td>
</tr>
<tr>
<td></td>
<td>(Non-Executive Director)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>D Robinson</td>
<td>129</td>
<td>–</td>
<td>26</td>
<td>–</td>
<td>–</td>
<td>155</td>
</tr>
<tr>
<td></td>
<td>(Non-executive Director)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Former Non-executive Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>G Dixon¹</td>
<td>90</td>
<td>–</td>
<td>240</td>
<td>–</td>
<td>–</td>
<td>330</td>
</tr>
</tbody>
</table>

1. Mr G Dixon resigned as a Director on 31 May 2006.
2. Includes accrual for retirement allowance during the reporting period, retirement benefit due to G Dixon ($196,742) and other benefit for G Dixon ($43,796).
3. Non-executive directors receive no share based incentives.
GROUP EXECUTIVE REMUNERATION
Remuneration Policy and Framework
The overriding objectives of the Group’s senior executive remuneration framework is to ensure remuneration provided to the Company’s Executive Directors and to other senior executives of the Company and the Group is competitive in the market and that it provides executives with appropriate motivation for high performance. The framework aligns executive remuneration with achievement of strategic objectives and the creation of value for shareholders. The Board’s objective is that the remuneration policy for senior executives satisfies the following principles:
– It attracts and retains high calibre executives
– It is competitive and reasonable
– It is acceptable to shareholders
– It aligns executive compensation to responsibility and performance of the executive and the Group
– It is transparent

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

The framework is comprised of five components providing a mix of fixed remuneration and variable ("at risk") remuneration:
– Total Fixed Remuneration;
– Short-term performance incentives (at risk);
– Medium-term deferred incentives (at risk);
– Long-term incentives (at risk); and
– Retention/retirement benefits.

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

Fixed Remuneration

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

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

Retention/retirement benefits
Retirement benefits are delivered under various superannuation plans for Leighton group companies. The plans provide for specified contribution amounts for employees in accordance with government regulations and company policies. In addition the Leighton Superannuation Plan has a defined benefit section which provides for benefits based on years of service and final average salary. The defined benefit section was closed to new employees on 1 July 1994 and at 30 June 2006 only 33 members were in this category. Executives are provided with life insurance and in some cases total and permanent disability insurance and salary continuity insurance through the various superannuation plans. Where salary continuity insurance is not provided through the superannuation plan, the employer may provide such cover directly to the executive.

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

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

For the year ended 30 June 2006, the KPI’s (key performance indicators) referable to annual incentive plans were based on Group, individual business and personal objectives. The KPI’s to be met in achieving specific profit targets are the greater of a specified return on revenue and/or a specified return on funds employed by each business unit. These KPI’s are generic across the senior executive team.

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

Medium-term deferred incentives
The Group and its divisions provide for a deferred incentive plan payment that rewards executives for increasing profits over a 3-year period. An incentive pool amount is calculated following an annual increase in profit by the Group or the relevant division. The incentive pool is available for allocation to relevant senior executives. Up to 50% of deferred incentives awarded may be reduced prior to payment should the profit of the Group or the relevant division reduce in any of the three financial years following the award. The structure of the plan ensures deferred incentives are only payable to executives when value has been created for shareholders. The Chief Executive Officer and/or the Remuneration and Nominations Committee, as appropriate, approves the allocation of the deferred incentives to executives.
As part of the retention strategy of the Group the deferred incentive is payable three years after award. Executives who resign from the Group prior to the date the incentive is payable forfeit any unpaid incentive unless retiring after 55 years of age in which case a minimum of 50% of the award is payable. The deferred incentive plan is leveraged to encourage the Company and its divisions to increase their profit results on a year-on-year basis. The unpaid amount of deferred incentive awards made prior to the year ended 30 June 2006 are increased each six months by reference to the 180-day bank bill rate.

The deferred incentives awarded for the year ended 30 June 2006 are disclosed on an undiscounted basis.

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

All unpaid deferred incentives due to Mr King for the period to 30 June 2005 were paid in December 2005. The deferred incentive calculated for the five month period to 30 November 2005 is included in remuneration disclosures for Mr King on page 74 of this Concise Annual Report.

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

Long-term incentives

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

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

Vesting of options under this Plan is subject to conditions. All options expire on the earlier of their expiry date or termination of the individual’s employment except in the case of retirement or death. In addition to a continuing employment service condition, the ability to exercise options is conditional on the Group achieving a performance hurdle. The performance hurdle requires that the increase in the Group’s shareholder returns (i.e. growth in share price plus dividends reinvested) during the period of two years ending 28 days before the proposed exercise of the option equals or exceeds the percentage increase in either the ASX All Industrials Accumulation Index or the ASX 100 Industrials Accumulation Index during the same two year period.

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

Options were last issued to group executives under the Leighton Executive Share Option Plan on 27 March 2002.

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

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

– Absolute Return – the TSR must exceed a minimum return before any element of this incentive is payable. This element of the LTI is capped at 75% of TFR.

– Comparative Return – the TSR must be at least the average of the ASX 100 before any element of this incentive is payable. This element is capped at 75% of TFR.

Under its Securities Trading Policy, the Company prohibits its senior executives from hedging their interests in shares of the Company.
**Relationship of Remuneration to Performance of the Group**

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

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

Leighton Holdings' actual results and financial statistics for each of the previous five years are set out on page 93 of this Concise Annual Report. The table above demonstrates Leighton Holdings' average annual performance over the short, medium and long term.

Leighton Holdings achieved a net profit result in 2006 which exceeded the previous year's results by 28%. Over a three year period the average compound annual growth (CAGR) in profitability was 25% whereas the long term (10 year) CAGR was 15%. Earnings per share (EPS) has delivered similar results, with 2006 EPS exceeding the previous year's results by 27% and three and 10 year EPS CAGR of 25% and 13% respectively.

The performance detailed above has been reflected in the Leighton Holdings share price, which has contributed to a TSR of 56% during 2006. The chart on page 15 illustrates Leighton Holdings' TSR performance, on a cumulative basis over the last 10 years compared to the ASX 100 Accumulation Index. Cumulative TSR over the 10 years to 30 June 2006 was 501%. This compares to a 242% increase for the ASX 100 Accumulation Index over the same time period. This TSR performance has been achieved through consistent capital growth in the share price and income growth through dividend payments.

* LHL TSR based on reinvestment in the Company's shares on the ex-dividend date of net dividends paid.
Remuneration Report continued

Remuneration
Details of the remuneration of each Executive Director of the Company and each of the five most highly remunerated executives of the Company and the Group (Specified Executives) paid or accrued in respect of the year ended 30 June 2006 is set out in the following tables.

Executive Directors of the Company

<table>
<thead>
<tr>
<th>Remuneration in $’000</th>
<th>Short-Term Employee Benefits</th>
<th>Post Employment Long-Term Employee Benefits</th>
<th>Variable Remuneration</th>
<th>Total</th>
<th>% Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salary</td>
<td>Incentive</td>
<td>Monetary Benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>W M King, CEO</td>
<td>2,276</td>
<td>2,741</td>
<td>1,215</td>
<td>712</td>
<td>4,041</td>
</tr>
<tr>
<td>D S Adamsas, Deputy CEO &amp; CFO</td>
<td>1,318</td>
<td>1,900</td>
<td>492</td>
<td>12</td>
<td>1,676</td>
</tr>
</tbody>
</table>

1. During the period W King entered into a new employment contract with the company. As a result, contractual benefits previously accrued under his terminating contract, of $23,154,031, were paid to Mr King. Of the amount paid, $12,973,504 had previously been disclosed as remuneration in the Directors’ Report of the Company and $7,24,218 is disclosed as remuneration in the table above as income accrued during the period.

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

3. Includes accrual of $700,000 for W King restraint payment due following expiry of current service agreement (refer Service Agreement details).

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

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

6. The percentage of the value of each Executive Director’s remuneration for the period which consists of options is nil.
Specified Executives
The Specified Executives received the highest remuneration of all executives in the Group (with the exception of the Executive Directors) for the year ended 30 June 2006. Each of the Specified Executives are both company executives and relevant group executives for the purposes of Section 300A (1)(c) of the Corporations Act 2001.

<table>
<thead>
<tr>
<th>Remuneration in $’000</th>
<th>Short-Term Employee Benefits</th>
<th>Post Employment Benefits</th>
<th>Non-Supernumerable Monetary Benefits</th>
<th>Deferred Incentive</th>
<th>Contract/ Retention</th>
<th>Share Based Payments</th>
<th>Total</th>
<th>% Variable Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specified Executives</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>DK Saxelby</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Chief Executive</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australian Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thiess Pty Ltd</td>
<td>917</td>
<td>935</td>
<td>–</td>
<td>119</td>
<td>476</td>
<td>157</td>
<td>1</td>
<td>2,605</td>
</tr>
<tr>
<td>D G Stewart</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managing Director</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>John Holland Pty Ltd</td>
<td>920</td>
<td>800</td>
<td>80</td>
<td>12</td>
<td>332</td>
<td>160</td>
<td>1</td>
<td>2,305</td>
</tr>
<tr>
<td>R S Trundle</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Managing Director</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thiess Pty Ltd</td>
<td>1,036</td>
<td>1,320</td>
<td>6</td>
<td>160</td>
<td>799</td>
<td>430</td>
<td>1</td>
<td>3,752</td>
</tr>
<tr>
<td>V A Vella</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managing Director</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leighton Properties Pty Ltd</td>
<td>755</td>
<td>1,100</td>
<td>198</td>
<td>150</td>
<td>313</td>
<td>804</td>
<td>1</td>
<td>3,321</td>
</tr>
<tr>
<td>W J Wild</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chief Operating Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leighton Holdings Limited</td>
<td>1,141</td>
<td>1,100</td>
<td>93</td>
<td>12</td>
<td>544</td>
<td>567</td>
<td>1</td>
<td>3,458</td>
</tr>
</tbody>
</table>

1. Includes value of fringe benefits and fringe benefits tax.
2. Includes deferred incentives awarded for the year ended 30 June 2006 and increase in value accrued during the period on prior year unpaid deferred incentives.
3. The amounts shown for contract / retention benefits is the accrual in the period for benefits due under the executive’s service contract assuming the executive remains an employee for the whole period and earns his full benefit entitlement.
4. The percentage of the value of each Specified Executive’s remuneration for the period which consists of options is nil.
Option Holdings
For each of the Executive Directors and Specified Executives the movement in holdings of options in the Company during the period are summarised below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Options held at 30 June 2005 No.</th>
<th>Options Granted as Remuneration No.</th>
<th>Options Exercised(^1) No.</th>
<th>Options Lapsed No.</th>
<th>Options held at 30 June 2006 No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>W M King</td>
<td>600,000</td>
<td>400,000</td>
<td>600,000</td>
<td>3,389,000</td>
<td>600,000</td>
</tr>
<tr>
<td>D S Adamsas</td>
<td>400,000</td>
<td>400,000</td>
<td>400,000</td>
<td>1,376,000</td>
<td>400,000</td>
</tr>
<tr>
<td>D K Saxelby</td>
<td>75,000</td>
<td>75,000</td>
<td>75,000</td>
<td>277,050</td>
<td>75,000</td>
</tr>
<tr>
<td>D G Stewart</td>
<td>50,000</td>
<td>50,000</td>
<td>50,000</td>
<td>167,500</td>
<td>50,000</td>
</tr>
<tr>
<td>R S Trundle</td>
<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
<td>898,000</td>
<td>200,000</td>
</tr>
<tr>
<td>V A Vella</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
<td>335,000</td>
<td>100,000</td>
</tr>
<tr>
<td>W J Wild</td>
<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
<td>704,000</td>
<td>200,000</td>
</tr>
</tbody>
</table>

\(^1\) The value of options exercised during the period is calculated as the closing share price of the Company on the ASX on the date the options were exercised, after deducting the price paid to exercise the options.
Service agreements
Remuneration and other terms of employment for the Chief Executive Officer, Deputy CEO & CFO and the Specified Executives are formalised in service agreements.

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

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

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

W M King
Chief Executive Officer
Date of Commencement: 13 May 1968
38 years total service

Commencement of Service Agreements:
23 December 1980
25 years contract service

Termination Date of Current Agreement:
30 November 2008 with an option to extend to 30 November 2009
Notice: 6 months by the Employee or 12 months by the Employer

– Payment on the Termination Date of a fixed retirement benefit of $12.6 million (amount accrued under previous employment contract to 30 November 2005).
– Capped annual incentive amounts based upon achieving specified profit targets.
– Capped cash long term incentive amounts calculated by reference to TSR over a 2 or 3 year period.
– Capped total defined remuneration for each financial year (indexed to Average Weekly Ordinary Time Earnings).
– In consideration for agreeing to a 2 year restraint period following termination, Mr King will receive $3.6 million over the restraint period.

D S Adamsas
Deputy Chief Executive Officer and Chief Financial Officer
Date of Commencement: 15 February 1971
35 years total service

Commencement of Service Agreements:
4 June 1981
25 years contract service

Termination Date of Current Agreement:
Ongoing agreement
Notice: 3 months

– Payment on termination of employment (other than if terminated for gross misconduct) of a retirement benefit of up to 5.15 times final TFR.
– A payment on termination of employment (other than if terminated for gross misconduct) of a retention benefit of 15% per annum of TFR accrued each year from October 1997 plus interest on the accrued balance.

D K Saxelby
Chief Executive Australian Operations
Thiess Pty Limited
Date of Commencement: 21 October 1993
12 years total service

Commencement of Service Agreements:
21 June 2005
1 year contract service

Termination Date of Current Agreement:
31 December 2013
Notice: 6 months

– Payment over the period from 2010 to the Termination Date of a retention benefit of 80% of final TFR and payment on the Termination Date of a service benefit of 80% of final TFR (other than if terminated for gross misconduct).
Remuneration Report continued

D G Stewart  
Managing Director  
John Holland Group Pty Limited  
Date of Commencement: 13 December 1986  
19 years total service  
Commencement of Service Agreements:  
1 July 2003  
3 years contract service  
Termination Date of Current Agreement:  
30 September 2013  
Notice: 6 months  
– Payment over the period from 2009 to the  
Termination Date of a retention benefit of 80% of final TFR  
and payment on the  
Termination Date of a service benefit of 80% of final TFR  
(other than if terminated for gross misconduct).

R S Trundle  
Managing Director  
Thiess Pty Limited  
Date of Commencement: 31 March 1980  
26 years total service  
Commencement of Service Agreements:  
1 July 1998  
8 years contract service  
Termination Date of Current Agreement:  
1 July 2008  
Notice: 6 months  
– Payment on the Termination Date or on early  
termination of employment by the employer  
of a retention benefit of 80% of final TFR  
and a service benefit of 80% of final TFR  
(other than if terminated for gross misconduct).

V A Vella  
Managing Director  
Leighton Properties Pty Limited  
Date of Commencement: 7 January 1974  
32 years total service  
Commencement of Service Agreements:  
28 October 1982  
23 years contract service  
Termination Date of Current Agreement:  
1 September 2007  
Notice: 6 months  
– Payment on the Termination Date (other than  
if terminated for gross misconduct)  
of a retirement benefit of up to 3.2 times  
final TFR.

W J Wild  
Chief Operating Officer  
Leighton Holdings Limited  
Date of Commencement: 24 July 1978  
28 years total service  
Commencement of Service Agreements:  
1 July 1998  
8 years contract service  
Termination Date of Current Agreement:  
30 September 2008  
Notice: 6 months  
– Payment on the Termination Date or on early  
termination by the employer of a retention  
benefit of 83% of final TFR  
and a service benefit of 83% of final TFR  
(other than if terminated for  
gross misconduct).  
– Payment of a deferred retention bonus of  
$125,000 in the 2007 financial year.

The Leighton Holdings Limited Directors' Report for the financial year ended 30 June 2006 is signed at Sydney this 4th day of September 2006 in accordance with a resolution of the Directors.

G J Ashton AM  
Chairman

W M King AO  
Chief Executive Officer
Shareholdings and Noteholdings

Information as to shareholdings on 4 September 2006 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 Australia Limited</td>
<td>144,722,932</td>
</tr>
</tbody>
</table>

The following companies hold a relevant interest in these shares.
- HOCHTIEF Australia Holdings Limited, (the parent company of HOCHTIEF Australia Limited)
- HOCHTIEF Asia Pacific GmbH, (the parent company of HOCHTIEF Australia Holdings Limited)
- HOCHTIEF Aktiengesellschaft, ("HOCHTIEF AG"). (the ultimate holding company of HOCHTIEF Australia Limited.)

Number of holders of the Company’s ordinary shares: 26,424

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

### Twenty Largest Shareholders

The percentage of the total holding of the 20 largest shareholders, as shown in the Company’s Register of Members, is 80.72% and their names and numbers of shares are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number Shareholdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOCHTIEF Australia Limited</td>
<td>149,380,545 (53.73%)</td>
</tr>
<tr>
<td>J P Morgan Nominees Australia Limited</td>
<td>18,955,416 (6.82%)</td>
</tr>
<tr>
<td>Westpac Custodian Nominees Limited</td>
<td>13,893,367 (5.00%)</td>
</tr>
<tr>
<td>National Nominees Limited</td>
<td>11,304,534 (4.07%)</td>
</tr>
<tr>
<td>Citcorp Nominees Pty Limited</td>
<td>8,879,733 (3.19%)</td>
</tr>
<tr>
<td>ANZ Nominees Limited (Cash Income Account)</td>
<td>7,233,906 (2.60%)</td>
</tr>
<tr>
<td>HSBC Custody Nominees (Australia) Limited</td>
<td>5,593,216 (2.01%)</td>
</tr>
<tr>
<td>UBS Nominees Pty Limited</td>
<td>2,353,000 (0.83%)</td>
</tr>
<tr>
<td>Citcorp Nominees Pty Limited</td>
<td>1,653,595 (0.59%)</td>
</tr>
<tr>
<td>AMP Life Limited</td>
<td>1,035,255 (0.37%)</td>
</tr>
<tr>
<td>Labrador Pty Limited</td>
<td>683,500 (0.25%)</td>
</tr>
<tr>
<td>Milton Corporation Limited</td>
<td>503,220 (0.18%)</td>
</tr>
<tr>
<td>Argo Investments Limited</td>
<td>484,000 (0.17%)</td>
</tr>
<tr>
<td>Victorian Workcover Authority</td>
<td>449,457 (0.16%)</td>
</tr>
<tr>
<td>Citcorp Nominees Pty Limited (CFSIL CWLTH BDOF Super Account)</td>
<td>421,778 (0.15%)</td>
</tr>
<tr>
<td>Australian Reward Investment Alliance</td>
<td>409,278 (0.15%)</td>
</tr>
<tr>
<td>Pan Australian Nominees Pty Limited</td>
<td>336,634 (0.12%)</td>
</tr>
<tr>
<td>Dieter Siegfried Admasas</td>
<td>322,060 (0.12%)</td>
</tr>
<tr>
<td>Merrill Lynch (Australia) Nominees Pty Ltd (BPB Account)</td>
<td>292,351 (0.11%)</td>
</tr>
<tr>
<td>Test Investments Pty Limited</td>
<td>274,300 (0.10%)</td>
</tr>
</tbody>
</table>

**Total:** 224,408,545 (80.72%)

There were 100 shareholders with less than a marketable parcel (26 shares).

Information as to Noteholdings on 4 September 2006 is as follows:

### Twenty Largest Leighton Noteholders

The percentage of the total holding of the 20 largest Leighton Noteholders, as shown in the Company’s Register of Noteholders, is 71.56% and their names and numbers of notes are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number Noteholdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>J P Morgan Nominees Australia Limited</td>
<td>496,739 (24.84%)</td>
</tr>
<tr>
<td>Citcorp Nominees Pty Limited</td>
<td>202,149 (10.11%)</td>
</tr>
<tr>
<td>Westpac Custodian Nominees Limited</td>
<td>144,164 (7.21%)</td>
</tr>
<tr>
<td>ANZ Nominees Limited (Cash Income Account)</td>
<td>136,044 (6.80%)</td>
</tr>
<tr>
<td>National Nominees Limited</td>
<td>125,602 (6.28%)</td>
</tr>
<tr>
<td>Citcorp Nominees Pty Limited (CFSIL CWLTH Spec C Account)</td>
<td>101,470 (5.32%)</td>
</tr>
<tr>
<td>Hastings Funds Management Ltd AREF Hastings Yield Fund</td>
<td>67,500 (3.38%)</td>
</tr>
<tr>
<td>Citcorp Nominees Pty Limited</td>
<td>40,240 (2.01%)</td>
</tr>
<tr>
<td>Bond Street Custodians Limited (Albury – MAI211 Account)</td>
<td>23,426 (1.17%)</td>
</tr>
<tr>
<td>Citcorp Nominees Pty Limited (CFSIL CWLTH Spec 5 Account)</td>
<td>18,329 (0.92%)</td>
</tr>
<tr>
<td>RBC Dexa Investor Services Australia Nominees Pty Limited (MLC1 Account)</td>
<td>15,236 (0.76%)</td>
</tr>
<tr>
<td>Else Nominees Pty Limited</td>
<td>13,331 (0.67%)</td>
</tr>
<tr>
<td>Bremcorp No 11 Pty Limited</td>
<td>12,500 (0.63%)</td>
</tr>
<tr>
<td>Australian Executor Trustees Limited (No 1 Account)</td>
<td>11,641 (0.58%)</td>
</tr>
<tr>
<td>MF Custodians Limited</td>
<td>11,250 (0.56%)</td>
</tr>
<tr>
<td>The Art Gallery of New South Wales Foundation</td>
<td>9,853 (0.49%)</td>
</tr>
<tr>
<td>Bond Street Custodians Limited (5DD1 – VIB421 Account)</td>
<td>9,770 (0.49%)</td>
</tr>
<tr>
<td>Bond Street Custodians Limited (5DD1 – VIB421 Account)</td>
<td>9,770 (0.49%)</td>
</tr>
<tr>
<td>Invia Custodian Pty Limited (Wilson Investment Fund Limited Account)</td>
<td>8,000 (0.40%)</td>
</tr>
<tr>
<td>RBC Dexa Investor Services Australia Nominees Pty Limited (NMS1 Account)</td>
<td>6,229 (0.31%)</td>
</tr>
</tbody>
</table>

**Total: 1,430,948 (71.56%)**

Leighton Notes confer a right to attend a general meeting of the Company but no voting rights

### Distribution Schedule Category

<table>
<thead>
<tr>
<th>No. of Shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 1,000</td>
</tr>
<tr>
<td>1,001 – 5,000</td>
</tr>
<tr>
<td>5,001 – 10,000</td>
</tr>
<tr>
<td>10,001 – 100,000</td>
</tr>
<tr>
<td>100,001 and over</td>
</tr>
</tbody>
</table>

**Total: 26,424**

<table>
<thead>
<tr>
<th>No. of Noteholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 1,000</td>
</tr>
<tr>
<td>1,001 – 5,000</td>
</tr>
<tr>
<td>5,001 – 10,000</td>
</tr>
<tr>
<td>10,001 – 100,000</td>
</tr>
<tr>
<td>100,001 and over</td>
</tr>
</tbody>
</table>

**Total: 2,526**
Dividend payment
The final dividend of 41 cents per share will be paid on 29 September 2006 and will be franked to the extent of 50%. For non-resident and corporate shareholders the 20.5 cents per share unfranked component of the dividend will include conduit foreign income.

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, Computershare Investor Services Pty 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, Computershare Investor Services Pty 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 listings
The Company is listed on the Australian Stock Exchange. The home branch is Sydney. Leighton Finance International Notes are listed on the Singapore Stock Exchange.

Share information
Information regarding Substantial Shareholders, the 20 largest holders and shareholding distribution is on page 79.

Share buy-back
Leighton Holdings does not have a current on-market buy-back program.

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. 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*

<table>
<thead>
<tr>
<th>2006</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>11 September</td>
<td>Shares begin trading ex Dividend</td>
</tr>
<tr>
<td>15 September</td>
<td>Books close for Final Dividend</td>
</tr>
<tr>
<td>29 September</td>
<td>Final Dividend Paid</td>
</tr>
<tr>
<td>9 November</td>
<td>Annual General Meeting</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2007</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>14 February</td>
<td>Half year Results announced</td>
</tr>
<tr>
<td>9 March</td>
<td>Shares begin trading ex Dividend</td>
</tr>
<tr>
<td>16 March</td>
<td>Books close for Interim Dividend</td>
</tr>
<tr>
<td>30 March</td>
<td>Interim Dividend paid</td>
</tr>
<tr>
<td>30 June</td>
<td>Year end</td>
</tr>
<tr>
<td>14 August</td>
<td>Preliminary Final Results announced</td>
</tr>
<tr>
<td>10 September</td>
<td>Shares begin trading ex Dividend</td>
</tr>
<tr>
<td>14 September</td>
<td>Books close for Final Dividend</td>
</tr>
<tr>
<td>28 September</td>
<td>Final Dividend Paid</td>
</tr>
<tr>
<td>8 November</td>
<td>Annual General Meeting</td>
</tr>
</tbody>
</table>

*Note timing of events can be subject to change
Spencer Street Station (now Southern Cross Station), Victoria. Contractor: Leighton Contractors
## Income Statement

for the year ended 30 June 2006

<table>
<thead>
<tr>
<th>Note</th>
<th>2006 ($'000)</th>
<th>2005 ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2</td>
<td>8,519,705</td>
</tr>
<tr>
<td>Expenses</td>
<td>3</td>
<td>(8,203,191)</td>
</tr>
<tr>
<td>Finance costs</td>
<td></td>
<td>(25,557)</td>
</tr>
<tr>
<td>Share of profits of associates and joint venture entities*</td>
<td></td>
<td>80,196</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td></td>
<td>371,153</td>
</tr>
<tr>
<td>Income tax expense</td>
<td></td>
<td>(93,764)</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td></td>
<td>277,389</td>
</tr>
<tr>
<td><strong>Attributable to:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members of the parent entity</td>
<td></td>
<td>276,069</td>
</tr>
<tr>
<td>Minority interest</td>
<td></td>
<td>1,320</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td></td>
<td>277,389</td>
</tr>
</tbody>
</table>

| Basic earnings per share | | 100.2 c | 78.9 c |
| Diluted earnings per share | | 100.0 c | 78.9 c |
| Dividends per share – Interim | | 25.0 c | 20.0 c |
| – Final | | 41.0 c | 30.0 c |

*Interest costs, tendering expenses, overheads, corporate expenses and taxation of the Consolidated Entity have not been allocated to associates and joint venture results. The income statement is to be read in conjunction with the notes to the concise financial report.
## Statement of Recognised Income and Expense

for the year ended 30 June 2006

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
</tr>
<tr>
<td>$’000</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange translation differences (net of tax)</td>
<td>8,031</td>
</tr>
<tr>
<td>Effective portion of changes in fair value of cash flow hedges (net of tax)</td>
<td>205</td>
</tr>
<tr>
<td>Change in fair value of available-for-sale assets (net of tax)</td>
<td>8,994</td>
</tr>
<tr>
<td>Change in value of associate’s equity</td>
<td>10,658</td>
</tr>
<tr>
<td>Net income/(expense) recognised directly in equity</td>
<td>27,888</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>277,389</td>
</tr>
<tr>
<td>Total recognised income and expense for the year</td>
<td>305,277</td>
</tr>
<tr>
<td><strong>Attributable to:</strong></td>
<td></td>
</tr>
<tr>
<td>Members of the parent entity</td>
<td>303,957</td>
</tr>
<tr>
<td>Minority interest</td>
<td>1,320</td>
</tr>
<tr>
<td><strong>Total recognised income and expense for the year</strong></td>
<td>305,277</td>
</tr>
</tbody>
</table>

The statement of recognised income and expense is to be read in conjunction with the notes to the concise financial report.
## Balance Sheet

as at 30 June 2006

<table>
<thead>
<tr>
<th>Note</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>809,850</td>
<td>635,210</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>1,508,420</td>
<td>1,033,259</td>
</tr>
<tr>
<td>Current tax assets</td>
<td>31,028</td>
<td>9,686</td>
</tr>
<tr>
<td>Inventories</td>
<td>117,975</td>
<td>71,349</td>
</tr>
<tr>
<td>Investments accounted for using the equity method</td>
<td>175,869</td>
<td>219,564</td>
</tr>
<tr>
<td>Other investments</td>
<td>151,685</td>
<td>46,067</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>70,624</td>
<td>77,969</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>882,939</td>
<td>882,518</td>
</tr>
<tr>
<td>Goodwill</td>
<td>54,898</td>
<td>30,070</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>3,803,288</td>
<td>3,005,692</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>1,951,010</td>
<td>1,557,182</td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td>36,476</td>
<td>28,944</td>
</tr>
<tr>
<td>Provisions</td>
<td>320,934</td>
<td>267,801</td>
</tr>
<tr>
<td>Interest-bearing liabilities</td>
<td>42,950</td>
<td>57,270</td>
</tr>
<tr>
<td>Leighton Finance International Notes</td>
<td>7</td>
<td>148,649</td>
</tr>
<tr>
<td>Leighton Notes</td>
<td>8</td>
<td>200,000</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>2,700,019</td>
<td>2,111,197</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>1,103,269</td>
<td>894,495</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>479,744</td>
<td>421,851</td>
</tr>
<tr>
<td>Reserves</td>
<td>(292)</td>
<td>(28,180)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>623,449</td>
<td>499,536</td>
</tr>
<tr>
<td><strong>Total equity attributable to equity holders of the parent</strong></td>
<td>1,102,901</td>
<td>893,207</td>
</tr>
<tr>
<td>Minority interest</td>
<td>368</td>
<td>1,128</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>1,103,269</td>
<td>894,495</td>
</tr>
</tbody>
</table>

The balance sheet is to be read in conjunction with the notes to the concise financial report.
Statement of Cash Flows
for the year ended 30 June 2006

<table>
<thead>
<tr>
<th>Consolidated</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash receipts in the course of operations (including GST)</td>
<td>8,598,151</td>
<td>6,919,077</td>
</tr>
<tr>
<td>Cash payments in the course of operations (including GST)</td>
<td>(7,679,206)</td>
<td>(6,208,009)</td>
</tr>
<tr>
<td>Dividends received</td>
<td>–</td>
<td>2,601</td>
</tr>
<tr>
<td>Interest received</td>
<td>16,694</td>
<td>12,079</td>
</tr>
<tr>
<td>Finance costs paid</td>
<td>(25,646)</td>
<td>(23,403)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(92,835)</td>
<td>(94,637)</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>817,158</td>
<td>607,708</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for plant and equipment</td>
<td>(569,239)</td>
<td>(480,273)</td>
</tr>
<tr>
<td>Payments for plant and equipment – major component parts</td>
<td>(164,507)</td>
<td>(157,493)</td>
</tr>
<tr>
<td>Payments for other property, plant and equipment</td>
<td>(11,295)</td>
<td>(14,825)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>415,441</td>
<td>64,605</td>
</tr>
<tr>
<td>Payments for investments in controlled entities and businesses</td>
<td>(261,165)</td>
<td>(4,349)</td>
</tr>
<tr>
<td>Proceeds from sale of investments in controlled entities and businesses</td>
<td>–</td>
<td>10,577</td>
</tr>
<tr>
<td>Payments for other investments</td>
<td>(116,347)</td>
<td>(21,065)</td>
</tr>
<tr>
<td>Proceeds from sale of other investments</td>
<td>5,296</td>
<td>33,669</td>
</tr>
<tr>
<td>Loans to executives repaid</td>
<td>744</td>
<td>77</td>
</tr>
<tr>
<td><strong>Net cash from investing activities</strong></td>
<td>(701,072)</td>
<td>(569,077)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from share issues</td>
<td>57,893</td>
<td>–</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>–</td>
<td>(999)</td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>151,707</td>
<td>17,000</td>
</tr>
<tr>
<td>Distributions to minority interest</td>
<td>(2,240)</td>
<td>(10,373)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(152,156)</td>
<td>(128,164)</td>
</tr>
<tr>
<td><strong>Net cash from financing activities</strong></td>
<td>55,204</td>
<td>(122,536)</td>
</tr>
<tr>
<td>Net increase/(decrease) in cash held</td>
<td>171,290</td>
<td>(83,905)</td>
</tr>
<tr>
<td>Net cash at the beginning of the year</td>
<td>635,210</td>
<td>728,433</td>
</tr>
<tr>
<td>Effects of exchange rate fluctuations on cash held</td>
<td>3,350</td>
<td>(9,318)</td>
</tr>
<tr>
<td><strong>Net cash at reporting date</strong></td>
<td>809,850</td>
<td>635,210</td>
</tr>
</tbody>
</table>

The statement of cash flows is to be read in conjunction with the notes to the concise financial report.
Notes to the Concise Financial Report
for the year ended 30 June 2006

1

Basis of preparation of the Concise Financial Report
The concise financial report has been prepared in accordance with Australian Accounting Standard AASB 1039 Concise Financial Reports, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements and specific disclosures required by AASB 1039 have been derived from the Consolidated Entity’s full financial report for the 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 can not be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group, as the full financial report. Further financial information can be obtained from the Consolidated Entity’s full financial report which is available free of charge on request.

The concise financial report is presented in Australian dollars and has been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale assets that have been measured at fair value at reporting date. The Consolidated Entity’s accounting policies have been consistently applied by each entity in the Group to all periods presented in this report, except where there has been a change in accounting policy. A full description of the accounting policies adopted by the Consolidated Entity may be found in the Consolidated Entity’s full financial report.

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

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

2

Consolidated

<table>
<thead>
<tr>
<th>Revenue</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction contracting services</td>
<td>4,971,034</td>
<td>3,720,443</td>
</tr>
<tr>
<td>Mining contracting services</td>
<td>2,601,326</td>
<td>1,782,350</td>
</tr>
<tr>
<td>Property development revenue</td>
<td>365,372</td>
<td>274,865</td>
</tr>
<tr>
<td>Other services revenue</td>
<td>564,845</td>
<td>474,761</td>
</tr>
<tr>
<td><strong>Revenue from external customers</strong></td>
<td>8,502,577</td>
<td>6,252,419</td>
</tr>
<tr>
<td>Interest</td>
<td>17,128</td>
<td>12,153</td>
</tr>
<tr>
<td>Dividends/distributions</td>
<td>—</td>
<td>2,601</td>
</tr>
<tr>
<td><strong>Other revenue</strong></td>
<td>17,128</td>
<td>14,754</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>8,519,705</td>
<td>6,267,173</td>
</tr>
</tbody>
</table>

The Consolidated Entity’s share of revenue from joint ventures is excluded from Revenue noted above and from the income statement in accordance with Accounting Standards. The delivery of a number of projects by the Consolidated Entity is in the form of joint ventures. Details of the Consolidated Entity’s share of joint ventures’ revenue are provided as additional information below as Revenue – Group and joint ventures. Revenue – joint ventures represents the Group’s share of the operations of the joint venture or associated entity where the operations are primarily construction or property development.

**Revenue – Group and joint ventures**

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

<table>
<thead>
<tr>
<th>Item</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials</td>
<td>2,042,929</td>
<td>1,559,358</td>
</tr>
<tr>
<td>Subcontractors</td>
<td>2,530,623</td>
<td>1,997,679</td>
</tr>
<tr>
<td>Plant costs</td>
<td>791,883</td>
<td>466,979</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>454,051</td>
<td>366,864</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>1,842,741</td>
<td>1,417,410</td>
</tr>
<tr>
<td>Operating leases payments</td>
<td>157,003</td>
<td>69,337</td>
</tr>
<tr>
<td>Professional fees</td>
<td>139,733</td>
<td>95,591</td>
</tr>
<tr>
<td>Foreign exchange losses</td>
<td>2,719</td>
<td>2,246</td>
</tr>
<tr>
<td>Net gain on the sale of other investments</td>
<td>(4,243)</td>
<td>(6,028)</td>
</tr>
<tr>
<td>Net gain on the sale of property, plant and equipment</td>
<td>(17,342)</td>
<td>(9,918)</td>
</tr>
<tr>
<td>Cost of development properties sold</td>
<td>5,700</td>
<td>13,840</td>
</tr>
<tr>
<td>Impairment of investment in Asia Pacific Transport Consortium (ADrail)</td>
<td>47,507</td>
<td>7,400</td>
</tr>
<tr>
<td>Impairment of other investments</td>
<td>625</td>
<td>–</td>
</tr>
<tr>
<td>Impairment of goodwill</td>
<td>1,241</td>
<td>–</td>
</tr>
<tr>
<td>Other expenses</td>
<td>208,021</td>
<td>97,237</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>8,203,191</strong></td>
<td><strong>6,077,995</strong></td>
</tr>
</tbody>
</table>

### 4 Depreciation

<table>
<thead>
<tr>
<th>Depreciation of property, plant and equipment</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>1,207</td>
<td>1,178</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>271,057</td>
<td>183,931</td>
</tr>
<tr>
<td>Plant and equipment – major component parts</td>
<td>176,729</td>
<td>177,250</td>
</tr>
<tr>
<td>Leasehold land and buildings</td>
<td>820</td>
<td>121</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>1,984</td>
<td>1,639</td>
</tr>
<tr>
<td>Waste management assets</td>
<td>2,254</td>
<td>2,745</td>
</tr>
<tr>
<td><strong>Total depreciation</strong></td>
<td><strong>454,051</strong></td>
<td><strong>366,864</strong></td>
</tr>
</tbody>
</table>

87 88
### Notes continued

5

**Segment information**

<table>
<thead>
<tr>
<th></th>
<th>Australia/Pacific</th>
<th>Asia</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Segment revenue</td>
<td>10,033,594</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest revenue</td>
<td>17,128</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>8,519,705</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment result</td>
<td>299,386</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of profit of associates and joint venture entities*</td>
<td>80,196</td>
<td>17,128</td>
<td>(25,557)</td>
<td>Profit before tax</td>
</tr>
<tr>
<td>Interest and dividend revenue</td>
<td>14,712</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>277,389</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment assets</td>
<td>3,525,767</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments accounted for using the equity method</td>
<td>175,869</td>
<td>31,028</td>
<td>70,624</td>
<td>Total assets</td>
</tr>
<tr>
<td>Current tax assets</td>
<td>139,618</td>
<td>36,251</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>3,803,288</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment liabilities</td>
<td>2,271,944</td>
<td>391,599</td>
<td>36,476</td>
<td>Total liabilities</td>
</tr>
<tr>
<td>Interest-bearing liabilities and Notes</td>
<td>1,949,190</td>
<td>516,702</td>
<td>(193,948)</td>
<td></td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Primary segment — geographical

#### 2006

<table>
<thead>
<tr>
<th></th>
<th>Australia/Pacific</th>
<th>Asia</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>6,539,058</td>
<td>1,068,286</td>
<td></td>
<td>7,607,344</td>
</tr>
<tr>
<td>Segment revenue</td>
<td>5,394,008</td>
<td>858,411</td>
<td></td>
<td>6,252,419</td>
</tr>
<tr>
<td>Interest and dividend revenue</td>
<td>14,712</td>
<td></td>
<td></td>
<td>14,712</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>6,267,173</td>
<td></td>
<td></td>
<td>6,267,173</td>
</tr>
<tr>
<td>Segment result</td>
<td>143,226</td>
<td>31,198</td>
<td></td>
<td>174,424</td>
</tr>
<tr>
<td>Share of profit of associates and joint venture entities*</td>
<td>103,984</td>
<td>32,570</td>
<td></td>
<td>136,554</td>
</tr>
<tr>
<td>Interest and dividend revenue</td>
<td>14,712</td>
<td></td>
<td></td>
<td>14,712</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(26,352)</td>
<td></td>
<td></td>
<td>(26,352)</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>217,204</td>
<td></td>
<td></td>
<td>217,204</td>
</tr>
<tr>
<td>Segment assets</td>
<td>2,477,836</td>
<td>585,949</td>
<td>(365,312)</td>
<td>2,698,473</td>
</tr>
<tr>
<td>Investments accounted for using the equity method</td>
<td>194,969</td>
<td>24,595</td>
<td></td>
<td>219,564</td>
</tr>
<tr>
<td>Current tax assets</td>
<td>139,618</td>
<td>36,251</td>
<td></td>
<td>9,686</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td></td>
<td></td>
<td>77,969</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>3,005,692</td>
<td></td>
<td></td>
<td>3,005,692</td>
</tr>
<tr>
<td>Segment liabilities</td>
<td>1,548,922</td>
<td>432,516</td>
<td>(156,455)</td>
<td>1,824,983</td>
</tr>
<tr>
<td>Interest-bearing liabilities and Notes</td>
<td>1,949,190</td>
<td>516,702</td>
<td>(193,948)</td>
<td></td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td></td>
<td></td>
<td></td>
<td>28,944</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>2,111,197</td>
<td></td>
<td></td>
<td>2,111,197</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2006 final dividend</th>
<th>Cents per share</th>
<th>$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Subsequent to reporting date the Company announced a final dividend in respect of the year ended 30 June 2006 50% franked at a tax rate of 30%. For non-resident and corporate shareholders the unfranked component of the dividend will include 20.5 cents per share conduit foreign income. The dividend is payable on 29 September 2006. This dividend has not been provided for in the balance sheet. The announcement and subsequent payment of this dividend has no income tax consequences for the Company.

Dividends recognised in the reporting period

To 30 June 2006

2006 interim ordinary dividend 50% franked at a tax rate of 30% paid on 31 March 2006 | 25.0 | 69,460 |
2005 final ordinary dividend 50% franked at a tax rate of 30% paid on 30 September 2005 | 30.0 | 82,696 |

To 30 June 2005

2005 interim ordinary dividend 50% franked at a tax rate of 30% paid on 31 March 2005 | 20.0 | 54,538 |
2004 final ordinary dividend fully franked at a tax rate of 30% paid on 30 September 2004 | 27.0 | 73,626 |

7 Leighton Finance International Notes

On 16 May 2006, Leighton Finance International Limited, a wholly-owned subsidiary of the Company, issued US$110 million of 5-Year Fixed-Rate Guaranteed Notes (“Leighton Finance International Notes”), maturing on 16 May 2011. Leighton Finance International Notes are listed on the Singapore Stock Exchange and bear interest from 16 May 2006 at the rate of 7.875% pa, payable semi-annually in arrears on 16 May and 16 November each year, commencing on 16 November 2006. For the purpose of determining Noteholders entitlements to the payment of interest on 16 November 2006, only those persons who are registered as Noteholders at the opening of business on 1 November 2006 (“Record Date”) shall be entitled to receive the payment. PT Thiess Contractors Indonesia and PT Leighton Contractors Indonesia, both wholly-owned subsidiaries of the Company, jointly and severally guarantee the obligations of Leighton Finance International Limited and Noteholders have no recourse to other Group companies.

8 Leighton Notes

The Company issued 2,000,000 Convertible Unsecured Subordinated Resettable Notes (“Leighton Notes”) at $100 each on 9 December 2003, maturing in October 2103. Interest on Leighton Notes will be paid on 30 November 2006 at the rate of 8.01% pa in respect of the period from 31 May 2006 to 29 November 2006 (both dates included). For the purpose of determining Noteholders entitlements to the payment of interest on the Leighton Notes only those persons who are registered as Noteholders at 7.00pm on 22 November 2006 (“Record Date”) shall be entitled to receive the payment.
9

Explanation of transition to Australian Equivalents to International Financial Reporting Standards

This is the Consolidated Entity’s first concise financial report prepared in accordance with Australian Equivalents to International Financial Reporting Standards ("AIFRS"). In preparing its opening AIFRS balance sheet, the Consolidated Entity has adjusted amounts reported previously in concise financial reports prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRS has affected the Consolidated Entity’s equity, profit and cash flows is set out in the following tables and accompanying notes.

<table>
<thead>
<tr>
<th>Note</th>
<th>Consolidated As at 30 June 2005</th>
<th>Consolidated As at 1 July 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>(73,618)</td>
<td>(73,618)</td>
</tr>
<tr>
<td>B</td>
<td>(767)</td>
<td>(6,673)</td>
</tr>
<tr>
<td>C</td>
<td>230</td>
<td>2,002</td>
</tr>
<tr>
<td>D</td>
<td>(4,028)</td>
<td>(5,236)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4,417</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adjustments to other reserves (net of tax)</th>
<th>Note</th>
<th>Consolidated As at 30 June 2005 $’000</th>
<th>Consolidated As at 1 July 2004 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign currency translation reserve reset to zero</td>
<td>A</td>
<td>73,618</td>
<td>73,618</td>
</tr>
<tr>
<td>Development properties profit reversed</td>
<td>B</td>
<td>5,906</td>
<td></td>
</tr>
<tr>
<td>Increase in deferred tax asset</td>
<td>C</td>
<td>(564)</td>
<td></td>
</tr>
<tr>
<td>Decrease in deferred tax asset</td>
<td>D</td>
<td>4,417</td>
<td></td>
</tr>
</tbody>
</table>

Total equity under AIFRS

<table>
<thead>
<tr>
<th></th>
<th>As at 30 June 2005</th>
<th>As at 1 July 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconciliation of equity</td>
<td>894,643</td>
<td>855,915</td>
</tr>
<tr>
<td>Reconciliation of profit</td>
<td>205,432</td>
<td></td>
</tr>
<tr>
<td>Profit under AIFRS</td>
<td>215,191</td>
<td></td>
</tr>
</tbody>
</table>

Notes to the reconciliations of equity and profit

A The Consolidated Entity has elected the exemption allowed by AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards to reset cumulative translation differences to zero on transition.

B Under AASB 118 Revenue, revenue and profit recognition on pre-sale residential projects is deferred until settlement date rather than the percentage completion method adopted under UIG 53 Pre-Completion Contracts for the Sale of Residential Development Properties. The adjustment required on transition to AIFRS was a reversal of development profit of $6,673 and recognition of a deferred tax asset of $2,002. The AIFRS adjustment to profit for the year ended 30 June 2005 was a recognition of profit of $5,906 and a decrease in the deferred tax asset of $1,772. The equivalent AIFRS adjustment to profit for the year ended 30 June 2004 would have been a reversal of profit of $6,673.

C Under AASB 112 Income Taxes, the Consolidated Entity is required to use the balance sheet method of tax effect accounting, rather than the liability method applied under previous GAAP. Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset will be recognised only to the extent it is probable that future taxable profits will be available against which the asset can be utilised. The adjustments to deferred tax asset and income tax expense relate to the impact of the change in basis and the tax effect of the above AIFRS adjustments.

D Under AASB 3 Business Combinations, goodwill is not permitted to be amortised but instead is subject to impairment testing on an annual basis or when triggers occur which may indicate a potential impairment. Under previous GAAP, the Consolidated Entity amortised goodwill using a straight line method over the period during which the benefits were expected to arise, which did not exceed ten years.

Other adjustments on transition to AIFRS

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

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

Explanation of material adjustments to the cash flow statement

There were no material adjustments to the cash flow statement as a result of transition to AIFRS.
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 2006, set out pages 83 to 91:
(a) has been derived from or is consistent with the full financial report for the year; and
(b) complies with Australian Accounting Standard AASB 1039 Concise Financial Reports.

Dated at Sydney this 4th day of September 2006.
Signed in accordance with a resolution of the Directors:

G J Ashton AM
Chairman

W M King AO
Chief Executive Officer

Independent audit report on concise financial report to the members of Leighton Holdings Limited

Scope
The financial report and Directors’ responsibility
The concise financial report comprises the income statement, statement of recognised income and expense, balance sheet, statement of cash flows and accompanying notes 1 to 9 for Leighton Holdings Limited (“the Company”) and its controlled entities (the “Consolidated Entity”) for the year ended 30 June 2006.

The Directors of the Company are responsible for the preparation of the concise financial report in accordance with Australian Accounting Standard AASB 1039 Concise Financial Reports. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the concise financial report.

Audit approach
We conducted an independent audit in order to express an opinion to members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected. We have also performed an independent audit of the full financial report of the Company and its controlled entities for the year ended 30 June 2006. Our audit report on the full financial report was signed on 4 September 2006, and was not subject to any qualification.

We performed procedures in respect of the audit of the concise financial report to assess whether, in all material respects, the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039 Concise Financial Reports.

We formed our audit opinion on the basis of these procedures, which included:
– testing that the information in the concise financial report is consistent with the full financial report, and
– examining, on a test basis, information to provide evidence supporting the amounts and other disclosures, which were not directly derived from the full financial report.

Audit opinion
In our opinion, the concise financial report of Leighton Holdings Limited and its controlled entities for the year ended 30 June 2006 complies with Australian Accounting Standard AASB 1039 Concise Financial Reports.

KPMG
S J Marshall
Partner
Sydney, 4 September 2006
### 5-Year Statistical Summary

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

#### Summary of Financial Position
- **Share capital**: 479,744
- **Total equity attributable to equity holders of the parent**: 1,102,901
- **Total equity**: 1,103,269
- **Total liabilities**: 2,700,019
- **Total assets**: 3,803,288

#### Summary of Financial Performance
- **Revenue - Group and joint ventures**: 10,033,594
- **Profit before finance costs and tax**: 396,710
- **Profit before tax**: 371,153
- **Income tax expense**: 93,764
- **Profit for the year**: 277,389
- **Profit for the year attributable to members of the parent entity**: 276,069

#### Financial Statistics
- **Earnings per ordinary share - basic**: 100.2c
- **Earnings per ordinary share - diluted**: 100.0c
- **Dividends per ordinary share**: 66.0c
- **Return on equity attributable to equity holders of the parent**: 25.0%
- **Return on total assets**: 7.3%
- **Profit before finance costs and tax to total revenue**: 4.0%
- **Profit for the year attributable to members of the parent entity to total revenue**: 2.8%
- **Dividend times covered**: 1.5
- **Dividend payout ratio**: 65.9%
- **Interest times covered**: 15.5
- **Net tangible assets per ordinary share**: $3.77
- **Current ratio**: 1.2
- **Total equity to total assets**: 29.0%
- **Total equity to total liabilities**: 40.9%
- **Gross borrowings to total equity**: 35.5%
- **Number of employees**: 25,405
Directory and Offices

Leighton Holdings Limited
Board of Directors
Geoffrey John Ashton AM
Wallace MacArthur King AO
Dieter Siegfried Adamsas
Martin Carl Albrecht AC
Achim Drescher
Peter Allan Gregg
Robert Douglas Humphris OAM
Hans-Peter Keitel
Thomas Chris Leppert
David Allen Mortimer AO
Alternate Directors
Herbert Lütkestratkötter
Robert Leslie Seidler
Associate Directors
Joseph Dujmovic
Peter John McMorrow
David George Savage
David Graeme Stewart
Roger Stewart Trundle
Vyril Anthony Vella
Secretaries
Ashley John Moir, Company Secretary
Peter Carl Janu, General Manager
Corporate Administration

Principal Registered Office in Australia
Level 5
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St Leonards NSW 2065 Australia
T: +61 2 9925 6666

Principal Bankers
Commonwealth Bank of Australia
48 Martin Place
Sydney NSW 2000 Australia
National Australia Bank Limited
255 George Street
Sydney NSW 2000 Australia

Auditor
KPMG
The KPMG Centre
10 Shelley Street
Sydney NSW 2000 Australia

Share Registrar Office
Computershare Investor Services Pty Limited
GPO Box 7045
Sydney NSW 1115 Australia
T: 1300 855 080

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