Leighton Holdings Limited
Concise Annual Report 2007

Leighton’s offshore pipelay barge, Leighton Stealth, lays a 48 inch concrete coated pipe for crude oil import near Cochin in Southern India. Contractor: Leighton International
Who are we?

Leighton Holdings is a dynamic group that includes Thiess, John Holland, Leighton Contractors, Leighton Asia, Leighton International and Leighton Properties.

Leighton Holdings’ principal objective is to oversee and monitor the performance of the Leighton Group’s operating companies; developing and maintaining a financially sound, competitive and profitable organisation that recognises the needs of shareholders, clients and employees, as well as those of the communities within which Group companies operate.

The Group's activities include engineering and building construction, contract mining, environmental services, operations and maintenance, and facilities management. The Group's project development skills - community infrastructure, property or resources-based - and project management of construction and property developments complement the Group's contracting activities.

What do we do?

The Group’s activities include engineering and building construction, contract mining, environmental services, operations and maintenance, and facilities management. The Group's project development skills - community infrastructure, property or resources-based - and project management of construction and property developments complement the Group's contracting activities.

Who are we?

Leighton Holdings provides an umbrella framework of corporate governance, ensuring the highest standards of behaviour are adopted. We actively encourage the autonomy of our operating companies, enabling them to cultivate long-term relationships in the markets and regions they each serve.
The Leighton Group achieved an outstanding result in 2006/07 with record levels of revenue, profit, dividends and work in hand. Shareholders have been rewarded with excellent returns and the outlook over the next few years is for continued strong growth.
Section 1
Corporate Report
Key Statistics

2007 2006  %

$'000 $'000 change

Revenue  – Group 9,967,040 8,502,577 +17

– Joint Ventures 1,880,197 1,513,889 +24

Other Revenue  44,252 17,128 +158

Total Revenue  11,891,489 10,033,594 +19

New Contracts, Extensions & Variations 16,664,564 10,220,742 +63

Value of Work in Hand*  21,084,802 16,038,367 +31

Profit before tax*  578,902 369,833 +57

Income Tax*  (128,860) (93,764) +37

Profit after tax*  450,042 276,069 +63

Total Capital and Reserves*  1,350,473 1,102,901 +22

Total Assets  4,745,202 3,803,288 +25

Cash net of Borrowings  669,262 618,251 +8

Undrawn Facilities and Guarantees  740,512 810,715 -9

Dividends per Ordinary Share  110.0¢ 66.0¢ +67

Earnings per Ordinary Share  162.3¢ 100.2¢ +62

*Excludes minority interests  *Includes the Group’s share of Joint Ventures
Central Reclamation Phase III, Hong Kong. Contractor: Leighton Asia
These results reflect the successful implementation of the Group’s business strategy and are a credit to the company’s management and all employees. The Group has continued to diversify this year, expanding into new markets such as residential development and aviation services, and further extending into existing markets such as contract mining. Geographically, the Group has continued to push into the Gulf Region and India, assuming a cautious approach by spending time getting to understand the markets and by engaging in contracts with a relatively low risk profile. This approach has given us confidence to enter into relationships like the Emaar MGF joint venture in India and the Al Habtoor investment in the Gulf, which bring scale, local knowledge and synergies.

The year has seen a great emphasis on human resources. It is important that our people are given the opportunity to show their potential and we must be prepared to recognise their performance by providing exciting and challenging work opportunities and attractive compensation.

The Board has continued to be active in terms of succession planning, ensuring there is a talent pool in place to address the inevitability of demographic change and ageing. We have confidence that the Leighton Group’s inimitable culture is deeply embedded and that there is a formidable team of people in place to continue driving the Group forward.

On behalf of the Board, I would like to sincerely thank outgoing Chairman Geoff Ashton for his service to the company since 1996, as a Director and, from March 2004 to June 2006, as Chairman. Geoff has served in the role with distinction.

I would like to thank Dr Hans-Peter Keitel for his service as Deputy Chairman since 1998 and to congratulate Dr Peter Noé on his appointment as Deputy Chairman. Dr Keitel remains a Director of Leighton Holdings. I am pleased to welcome to the Board, former Governor of the Reserve Bank of Australia, Mr Ian Macfarlane.

We farewell Leighton Holdings’ Deputy Chief Executive Officer and Chief Financial Officer, Mr Dieter Adamsas, after 36 years of valuable service. Leighton Properties’ Managing Director, Mr Vyrl Vella, has also retired after 33 years of service. Both have been great contributors to the Group over their long careers. Their skills and experience will not be lost however as Dieter will remain a Director of the company and both will retain a close relationship with the company.

The Group’s outlook remains very positive, supported by the continued strength of the Australian resources and infrastructure markets. Both China and India are growing rapidly and the Group is well positioned in these and other markets for good growth.

We will continue to be innovative in taking the company forward but also mindful of carefully managing our risks – particularly given the current buoyant market outlook. I am confident that the Group has in place the strategies, the risk management disciplines and the depth of talent to profit from the great opportunities it faces. The Board expects the Group to continue to deliver strong growth for shareholders over the next few years.
Chief Executive’s Report

It is very pleasing to report on another great year for the Leighton Group. 2006/07 has been a year of outstanding financial results, strong operating performances and continued diversification. Underpinning our performance is our people and their ability to profitably win and execute work.

Wal King AO Chief Executive

Achievements
- Record profit of $450 million
- Successful completion of a number of strategic acquisitions
- Work in hand at all-time high

Challenges ahead
- Recruitment and retention of skilled people
- Improving safety performance across the Group
- Maintaining discipline while continuing to grow

The Group’s profit increased by 63% to $450 million underpinned by strong performances from almost all parts of the company. Work in hand has grown significantly during the year to a record $21.1 billion, boosted by the award of a number of major new projects and some significant extensions to contract mining projects.

Our companies continued to win some large transport infrastructure projects in Australia boosted by an increasing number of water infrastructure projects. We were also successful in securing some major long-term mining contracts in both Australia and Indonesia in coal, iron ore and other minerals. Another highlight was the award of the management contract at the City of Dreams casino in Macau.

While our major markets are continuing to perform strongly, providing many opportunities, we continue to actively pursue opportunities to diversify the business. This year, the Group acquired a strategic 40% stake in Devine Limited, one of Australia’s leading residential property developers. The acquisition substantially increases Devine’s ability to fund and develop its business, and further diversifies the Leighton Group into the residential property market.

John Holland acquired a central Queensland contractor, Marshall Mining & Earthmoving, which facilitates John Holland’s entry into the contract mining services market. John Holland has also diversified into the aviation maintenance market by acquiring the former Ansett Aviation Engineering Services business (renamed John Holland Aviation Services).

Al Habtoor is regarded as one of the leading builders in the region. Their track record in large-scale building projects is second to none and this complements Leighton International’s expertise in large-scale civil infrastructure projects. This deal significantly increases Leighton International’s capacity to capitalise on the numerous opportunities in the Arabian Gulf market, particularly in Dubai, Abu Dhabi and Qatar.

It is our people – all 27,834 of them – who drive the performance of the business. I believe that people perform best when they operate within a fun, challenging and performance driven culture. One which values their contribution, and recognises and rewards individual performance. The efforts of all our people this year have been tremendous and I wish to thank each of them for their contribution.

This year has seen a number of changes at the senior levels including the retirement of Dieter Adams as, my long serving deputy and friend. Dieter has made an invaluable
contribution to the Leighton Group over the last 36 years and I wish him well as he moves into the next phase of his business life. I'm pleased to welcome Scott Charlton as CFO and look forward to working closely with him in the future. Scott brings over 20 years experience in senior financial positions and has worked on many projects with Group companies over this time.

Vyril Vella has retired as Managing Director of Leighton Properties and I wish to thank him for his significant contribution over 33 years to the Leighton Group and in particular to Leighton Properties. Vyril has successfully built Leighton Properties into one of the major commercial and industrial property developers in the country over recent years. I congratulate Mark Gray on his promotion to Managing Director of Leighton Properties. Mark has over 30 years experience in the property industry and has served as Vyril's deputy for a number of years.

It is with sadness that I note the retirement of Roger Trundle as Managing Director of Thiess for health reasons. Roger has been a great contributor to Thiess and the Leighton Group over 27 years of service. I would like to thank him for this service and his strong leadership as Managing Director over the last 6 years. David Saxelby has been promoted to the role of Managing Director and I also congratulate him on his appointment. David was formerly CEO of Thiess’ Australian operations and has 30 years experience in the contracting industry, the last 15 years with Thiess.

We value our people and are absolutely committed to providing a safe and healthy workplace. Leighton Holdings provides an umbrella framework that aims for the highest practical standards of behaviour and performance. It establishes minimum general standards that each of the Group’s operating companies are required to adopt in addition to any specific requirements that their own Boards may impose as they think necessary to satisfy their own statutory and other regulatory obligations.

Each of the Group’s operating companies has developed its own system for managing safety which complies with the core values and shared vision set out in Leighton Holdings’ Safety Framework. It also incorporates the individual vision, strategy and requirements of its own Board. Each operating company’s system is fully integrated with, and optimised against, the particular scope of its own operations and the culture and history of that company.

It is very disappointing, however, to report that we had five workplace fatalities in our operating companies during the year. Every incident has been thoroughly investigated and reported on to the Board of Leighton Holdings. Through its Ethics and Compliance Committee the Board has continued its work with the Group’s operating companies to assist them to meet their health and safety obligations.

The Group’s outlook for the longer-term remains very positive driven by a record level of work in hand, the continued strength of the core markets in Australia and an increasing diversification into the growth markets of Asia.

Ageing infrastructure, a growing population, a resources boom and issues such as drought, continue to support the long-term outlook for infrastructure investment in Australia.

Demand for raw materials, particularly coal and iron ore, is forecast to remain at high levels for the foreseeable future. Demand will continue to be underpinned by the remarkable growth in China’s economy, which should support good long-term opportunities for contract mining. The Leighton Group is the largest contract miner in the world and we are keen to export this capability into a number of new markets in the future and are exploring growth opportunities in India, China and Canada.

Asia is forecast to continue growing strongly and the Group is leveraged both directly – undertaking mining and construction work across the region – and indirectly – providing services such as contract mining to companies selling commodities into Asia. Many of the countries in Asia need our skills and we expect that international markets will progressively become a more significant contributor to the Leighton Group.

We are operating in growing markets, our companies occupy strong competitive positions in those markets and we have a strong balance sheet to support growth. All of these positive factors add up to a great outlook for shareholders in the future.
Group Structure

Major shareholder HOCHTIEF 54.9%
Other shareholders 45.1%

Leighton Board

From the Chairman
See page 7

Leighton Holdings

Chief Executive’s Report
See page 8
Chief Financial Officer’s Report
See page 14
Chief Operating Officer’s Report
See page 18

Thiess
See page 26
Leighton Contractors
See page 30
John Holland
(99% owned)
See page 34
Leighton Properties
See page 38
Leighton International
See page 42
Leighton Asia
See page 46
Financial Strength

After more than 23 years as Chief Financial Officer of Leighton Holdings – a significant number of those as Deputy CEO – I step down knowing the company is in great shape.

Dieter Adamsas

The Leighton Group has an extremely strong balance sheet, net cash deposits and significant available financial leverage. We have a credit rating as good as, or better than, any of our competitors anywhere in the world and a very capable management team to take the business forward. Not only is Leighton in an extremely sound financial position but it has great opportunities to continue to grow and diversify.

It is with great pride that I reflect on where the Leighton Group has come from and what has been achieved. Since I became CFO in 1984, Leighton has transformed itself from a relatively small, largely Australian-based contractor. Revenues have grown from $653 million to $11.9 billion, profit has grown from $21 million to $450 million and shareholders’ equity has increased from $105 million to $1.35 billion. Even more pleasing has been the long-term creation of wealth for shareholders. Over the last 10 years, the total return to shareholders has averaged 28% per annum.

One of Leighton’s core values has always been to be commercially competitive. From a CFO’s perspective, this means having a strong balance sheet, which gives the company the ability to shape its own destiny. It also gave the company the freedom to avoid having to go, cap in hand, to the banks. Having been through some tough times in the 1970s and 1980s, I never again wanted to be beholden to the banks.

I have always held the view that contractors should be financially prudent and cautious, and believe this approach has served Leighton well. It has allowed us to invest in major projects, to make acquisitions and acquire the very best plant and equipment. It has also created opportunities and facilitated our growth. Our balance sheet strength has been built up and fiercely protected, despite occasional calls for a special dividend or criticisms that it was perhaps lazy. Shareholders are far better served with a cautious balance sheet than a stretched one.

Leighton has evolved a conservative and rigorous approach to financial disciplines which are deeply embedded in the company. They are at the core of the Leighton Group’s culture and values. I’m sure that shareholders have come to expect from Leighton over many years. I wish Scott Charlton every success as he steps up into the role of CFO. Scott is a very capable executive with great enthusiasm for the business and capacity to undertake the role.
Chief Financial Officer’s Report

2006/07 has been another record year with strong financial results throughout the Group. Revenue was up by 19% to $11.9 billion while net profit after tax rose by 63% to $450 million, demonstrating a strengthening in underlying margins.

Scott Charlton CFO

The Group’s key performance indicator remains return on shareholder funds (ROSF) – as it has for the last 20 years – and this year’s average ROSF was a record of 36.7%. We see ROSF as one of the best measures of the Group’s performance as it benchmarks us, not only against our competitors in the industry, but also against competitors for capital across the wider markets. Our other key financial indicator is return on revenue – or net profit margin – which has improved and is forecast to remain strong.

Our balance sheet has been further strengthened during the year with total assets now standing at $4.7 billion, net assets at $1.3 billion and we have $669 million of net cash as at 30 June. The Group’s bonding capacity, which was increased a few years ago, allows us to undertake major new projects. As we complete projects like the Westlink M7 and Lane Cove Tunnel, bonding is rolled over progressively so we have sufficient capacity to undertake the opportunities we currently see in front of us.

The Group’s Asia contribution was impacted by poor performance on two process engineering projects in Indonesia, however these have been dealt with and, in US$ terms, revenue and work in hand have increased.

This year, the Group invested over $700 million on mining plant including a major recapitalisation of HWE Mining’s fleet. The Group’s strong financial position and cash flow has allowed significant investments in plant, other capital expenditure and acquisitions. Looking forward, we will continue to invest in plant and equipment and, after depreciation and including new operating leases, expect the value of our plant fleet will grow by some $300 million.

The Group’s credit rating – BBB+ from Standard and Poors’ and Ba1 from Moody’s – has been retained. They acknowledge Leighton as one of the highest rated pure construction groups globally and provide confidence in our ongoing financial management.

We have continued to diversify during the year, both through organic growth and targeted acquisitions. The Group’s financial strength has supported this growth into markets such as: residential property, through a 40% stake in Devine Limited; contract mining, through the acquisition of Marshall’s Mining; and aviation maintenance via the acquisition of Ansett Aviation Engineering Services.

Since June, the company has invested in the Australian-based contractor Macmahon Holdings Limited and, through a structured financing solution, taken a 45% stake in UAE-based contractor Al Habtoor Engineering. The Group still has significant financial firepower in the form of undrawn operating leases, additional hybrid capacity, debt and cash net of working capital, which will continue to be used to drive growth.

Looking forward, our record level of work in hand supports a positive outlook for the next few years. Revenue, including recent acquisitions, should grow to around $14 billion and the inherent profitability of that work should provide another strong return to shareholders. We also continue to see substantial options presenting themselves for growth both organically and through acquisitions.

Achievements
- Return on average shareholder funds of 36.7%
- Strengthened balance sheet while still investing for growth
- Facilitated strategic acquisitions

Challenges ahead
- Maintaining high level of return on shareholders’ funds
- Ensuring balance sheet supports growth opportunities
- Maintaining financial discipline while we grow

Leighton Holdings Limited
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Scott Charlton CFO
Chief Financial Officer’s Report  

Investments

Engineering & Infrastructure

Westlink Motorway Limited: Leighton Contractors has a 5% stake in the M7 Westlink Motorway in Sydney.

Connector Motorways: Thiess and John Holland have an 11% stake in the Lane Cove Tunnel in Sydney.

ConnectEast Group: Thiess and John Holland have a commitment to acquire 15.2% of the EastLink Project in Melbourne.

RiverCity Motorway: Leighton Contractors has a commitment to acquire 7.8% of the RiverCity Motorway in Brisbane.

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

North Luzon Expressway: Leighton Asia holds a 16.5% stake in the Manila North Tollway Corporation in the Philippines.

Oriental Pathways (Agra): Leighton International holds a 15% stake in the consortium developing a tollway between Agra and Bharatpur in India.

Oriental Pathways (Indore): Leighton International holds a 15% stake in the consortium developing a tollway between Indore to Khatgal in India.

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

Praeco: Leighton Contractors has a commitment to acquire 50% of the new Defence Headquarters Joint Operations Command in New South Wales.

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 is being developed.

512 Wickham Road: Leighton Properties holds a 50% share in a development site in Brisbane where a commercial office will be constructed. The other 50% is owned by Leighton Contractors.

100 Pacific Highway: Leighton Properties holds a 50% share in a commercial office tower development in North Sydney.
Sydney Airports: Leighton Properties holds a 33 1/3% stake in leasehold development land at Bankstown Airport, a 23% interest in leasehold land at Camden airport and a 50% stake in development land at Hoxton Park Airport, in Sydney.

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

Matraville: Leighton Properties owns a development site at Matraville in Sydney where an industrial estate is proposed.

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

Toorak Road: Leighton Properties owns a development 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 holds a 50% share in a development site at Ravenhall in Melbourne.

Property Developments

St Pauls Terrace: Leighton Properties is developing a site in Brisbane with two office buildings, a high-tech utility building and a community facility centre for ISPT.

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 Canberra for ISPT.
It has been another great year as the company has enjoyed strong growth and delivered excellent returns to shareholders. Our international operations grew strongly in 2006/07, with the business in the Gulf Region and India expanding organically and via new business relationships.

Bill Wild COO

Achievements
- Successful expansion of business in Gulf and India
- Further strengthened risk management systems and resources
- Established leading-edge data hosting capability

Challenges ahead
- Continuing improvement of tender management
- Embedding risk management disciplines into new overseas businesses
- Continue to offer an attractive workplace

As we continue to grow and diversify, a key focus has been on ensuring that we adhere to our basic business model and that compliance with our Enterprise Risk Management systems remains strong. We have committed more resources to risk management over the past year and have strengthened our staffing with some senior appointments.

A key to continued performance is ensuring that we minimise the effect of any significant project reversals. Good projects start with good tenders and we have worked with the operating companies to strengthen their approach to tender management. We have also adopted a proactive problem seeking approach to identify weaknesses in project delivery across the Group and to adopt appropriate mitigation strategies as soon as these risks are identified.

During the year, we revised both the Group’s Safety Framework and Environmental Management Framework. These clearly set out the roles and responsibilities of Leighton Holdings and the operating companies in managing risks in these two vital areas of our business.

Over the past twelve months, we have established a leading edge data hosting capability – with high level disaster recovery. This has been developed alongside our Nextgen fibre optic network and is an important part of our increased IT capability. In parallel with our IT hosting and network development, we have been developing our Incite project collaboration tool and see great commercial potential for the product. It is however principally a risk and project management tool.

Our international expansion is progressing well and we made significant in-roads during the year in establishing a broad base in the Indian market. The Group has also taken a significant step towards building a much larger presence in the Gulf Region through the investment in Al Habtoor and is pushing into new markets such as Korea, Mongolia and China.

Whilst each new market comes with its own challenges in terms of local regulatory environments and culture, our strength is in our business systems and disciplines, and how we manage the business risks inherent in project acquisition, project design and delivery. These core requirements are the same wherever we operate in the world. A key challenge in continuing to successfully grow our international business will be maintaining our focus and successfully delivering on our core business model.

As the company continues to grow, we need to access more resources to deliver our workload. Securing skilled people is still our biggest challenge. We are recruiting, both domestically and overseas, and have a strong focus on training new staff in our systems and the way we do business.

In common with all businesses we are mindful of the changing needs of younger employees, and the importance of providing a challenging and attractive workplace. We are also keen to retain our more experienced people, who may be considering retirement, by entering into different employment relationships so that we can continue to tap their experience and skills.
Health and Safety

In the past five years, the Group’s safety performance – as measured by Lost Time Injury Frequency Rate (LTIFR) – has improved by 72% in the Australian operating companies and by 54% in our international operating companies. LTIFR measures the rate of occurrence of lost time injuries or industrial disease.

Over the last five years, the Group’s Lost Time Injury Severity Rate (LTISR) has improved by 57% for our Australian operating companies. In our international operations the LTISR has improved considerably, falling by 37% over the last two years. LTISR is an indicator of the severity of the lost time injuries that occur.

Notwithstanding the significant overall improvement in Group safety performance, the Board deeply regrets to report that five workplace fatalities occurred on Group operating company projects or joint ventures during the year.

In Australia, the Thiess/Silcar joint venture experienced two fatalities in the December quarter of 2006. One of these fatalities occurred at the Yallourn coal mine and the other at the Loy Yang power station project.

In February 2007, a traffic control worker was fatally struck by a motor vehicle whilst working on the North South Bypass Tunnel project in Brisbane, which is being constructed by a joint venture including Leighton Contractors.

Two Leighton International projects experienced fatalities; one of these occurred on the GHP Mine Project in Indonesia, in March 2007 and the other occurred on the KL-Putrajaya highway project in Malaysia, in April 2007.

Every incident has been thoroughly investigated by the relevant operating company or responsible joint venture and the incident reported to the Board of Leighton Holdings. In each case, the relevant operating company or joint venture has worked hard to understand the factors which contributed to the fatality. Each company or joint venture has sought to ensure that they have in place best practice occupational health and safety policies and procedures, and that all appropriate resources are being applied to identify and minimise the risk of injury in the workplace.

Each operating company reports on a quarterly basis to the Ethics and Compliance Committee of Leighton Holdings on their policies, systems, processes and performance. The operating companies are also expected to demonstrate continuous improvement through a cycle of performance review, audit and operational change.

Achievements
- Improved injury management and rehabilitation performance and reduced injury rates
- Reviewed and revised the Leighton Holdings Safety Framework
- Improved injury management performance in Hong Kong

Challenges ahead
- Eliminating work-related fatalities on all operating company projects.
- Further reducing average lost time rates on both Australian and international projects
- Work with operating companies in new markets to improve systems and outcomes

* An alignment in reporting methodology from 1 July 2004 for operations in Hong Kong has resulted in the above International LTISR graph being reset commencing from that date.

Group Lost Time Injury Frequency Rate (LTIFR)

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Group Lost Time Injury Severity Rate (LTISR)

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Comments by the individual operating companies on their health and safety performance and initiatives are contained in the Review of Operations on pages 24 to 49.
The Group has again experienced strong employment growth across its project workforce, broadly in line with increased activity levels. Total Group workforce numbers were up by 9.5% to 27,834. Of those employees, approximately 59% are engaged in our Australian projects (16,474 versus 14,533 last year) and 41% are employed across our international projects (11,360 versus 10,872 last year).

The number of females employed across the workforce increased by 15% to 3,345 and women now comprise just over 12% of total employees (up from 11% last year). The number of women engaged in engineering and trades across the Group’s workforce is also increasing with specific engineering scholarship programs being used to encourage their participation.

The attraction, recruitment, training and retention of quality staff is an ongoing challenge for the Group and is a key focus of Leighton Holdings’ Board and management, and each of the operating companies. The Leighton Group is recruiting staff from around the world to meet the growth of the business and is working with universities in Australia and Asia to identify and attract skilled graduates.

Our operating companies have continued to develop a broad range of training and professional development programs for staff, ranging from on the job skills training to tailored management training.

In addition to providing competitive remuneration packages, the Group is looking at flexible work options to retain the skills of older workers who may not wish to continue in full time employment. Many of these employees provide a valuable contribution on projects on a consultancy basis and can play an important role in the mentoring of our younger people.

The Federal workplace relations framework has assisted in delivering industrial stability to the industry through a combination of the legislative framework, the national code of practice and the enforcement powers of the Australian Building and Construction Commissioner. The Group will continue to work for an industrial relations environment that supports improved workplace productivity.

**Achievements**
- Expansion of workforce to deliver increased work in hand across the business
- Integration of the Marshall Mining and Earthmoving, and John Holland Aviation Services acquisitions
- Reduction in industrial disputation across businesses in Australia

**Challenges ahead**
- Developing workforce to meet growth opportunities in the Gulf and India
- Reducing turnover and providing continued career development opportunities
- Maintaining core elements of current industrial relations framework

**Case study**
Leighton International has developed a ‘Leighton University’ in India which provides a structured training program – including a mix of academic and on the job training in Leighton systems and work processes – for approximately 100 students per year. The program also delivers training for trades-qualified workers across the business.

In addition, the John McBreen Leighton International Scholarship is being provided to assist in the education, training and career development of Indonesian mining engineers. The scholarship funds one candidate annually to spend the final year of their degree studying at the University of New South Wales.
Operating companies and their joint venture partners are responsible for environmental performance on projects under their control within the umbrella framework and targets set by Leighton Holdings.

Comments by the operating companies on their environmental performance and initiatives are contained in the Review of Operations on pages 24 to 49.

The Board continued to monitor and review 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, there were no Level 1 incidents and the number of Level 2 incidents has fallen by 25% over the last year. The circumstances which led to the Level 2 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). This year, the EIFR has fallen from 0.20 to 0.13 in our Australian operations. The EIFR in our Asian operation has remained steady at 0.07. Both of these results exceed our internal targets which is an encouraging result. Definitions of the Environmental Incident Severity Classifications and the EIFR are set out on pg 59 in the Directors’ Report.

Achievements
• Reviewed and revised the Leighton Holdings Environmental Framework
• Maintained low environmental incident frequency rates, in both Australia and Asia, as the Group grows and diversifies
• Registration under the Federal Energy Efficiency Opportunities Act 2006

Challenges
• Ensuring operating company compliance with increasingly tougher environmental laws and regulations
• Improving overall environmental performance given the rapid expansion of Group’s operations into new countries, with differing environmental conditions
• Meeting the challenges of climate change and preparing for the foreshadowed national carbon trading scheme

The Group utilises a standard Environmental Incident Severity Classification, which categorises incidents into 12 types of impacts. The severity of the impact is reported as high (Level 1), medium (Level 2) or low (Level 3).

Field study
John Holland’s water and tunnelling divisions are actively working with governments at various levels around the country to help address the nation’s water shortages and improve the environment.

In Brisbane, John Holland is part of an alliance upgrading the Oxley, Sandgate and Wacol wastewater treatment plants. These projects will treat around 100 million litres of wastewater a day; removing nitrogen and reducing the impact on the nearby waterways and ultimately on Moreton Bay.

John Holland is also helping to secure future water supplies on the Gold Coast and in Sydney, with the construction of two desalination plants. When complete, the Gold Coast plant is expected to produce 125 million litres per day, enough to fill 60 Olympic size swimming pools. The Sydney plant will be capable of producing 250 million litres of water a day and can be scaled up to 500 million litres a day in the future if needed.
The Leighton Group recognises that all of our projects impact a range of stakeholders from the wider community and are therefore subject to a ‘licence to operate’.

Our stakeholders can include; nearby communities, who may be affected by our contracting activities; our clients, including Government; regulators; and the general public or neighbours who may be impacted directly or indirectly by our projects. An active community relations program helps us to identify and deal with the concerns of the various stakeholders, and to identify opportunities for better ways to deliver projects.

Leighton Holdings has an active Corporate Community Investment (CCI) program which includes a mix of major partnerships, sponsorships and donations. The CCI program is focused on building our future skills base, protecting the environment and supporting excellence through arts and culture.

Our core partnerships include Landcare Australia, where we continue to sponsor the successful salinity assault program and we are now supporting the National Landcare Awards, and the Sydney Sinfonia where we have been a long-term supporter of the youth mentoring orchestra. We also continue to support the University of NSW Rural Engineering Scholars program and are currently sponsoring five students.

During the year, Leighton Holdings established a workplace giving program which allowed staff to make pre-tax payroll deductions to charities including Alzheimer’s Australia, the Australian Cancer Research Foundation, Redkite, World Wildlife Fund and Care Australia. Leighton Holdings matches staff donations which, this year, totalled almost $40,000.

Each operating company has its own CCI program. In 2006/07, across the Group approximately $4 million was provided in sponsorships and donations to charitable groups. The Group engages in a proactive government relations program which includes a bipartisan approach to political donations. These donations, which totalled $500,395 in 2006/07 are fully disclosed through the Australian Electoral Commission. The Government relations program involves representing the interest of Group companies on policy issues that could impact on our industry and activities, and informing our operating companies of changes to Government policies and the regulatory environment.

**Achievements**
- Expanded rural scholarship partnership with UNSW
- Successfully opened the Lane Cove Tunnel including community fundraising dinner
- Launched workplace giving program within Leighton Holdings

**Challenges**
- Continue to deliver quality community relations on projects such as North-South Bypass Tunnel
- Build on existing major partnerships with Landcare and UNSW
- Examine opportunities to develop further major partnerships

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**Case study**

In December 2006, a successful charity dinner was held to celebrate the completion of the Thiess/John Holland delivered Lane Cove Tunnel. Attended by 420 people in the west bound lane of the tunnel – some 20 metres underground – the dinner helped raise over $350,000 for the Humpty Dumpty Foundation, which provides much needed medical equipment to hospitals in NSW.

The funds were used to provide equipment for the children’s wards at Royal North Shore, Manly, Hornsby, St George, Sutherland, Mt Druitt and Ryde Hospitals, as well as Sydney Children’s Hospital, Randwick and the Children’s Hospital at Westmead.
Section 2

Review of Operations
Diversity is a key strength of Thiess’ business and has helped to deliver another record result. Solid growth across all disciplines has resulted in revenue of $4.7 billion for the financial year with strong contributions from major transport projects and mining. Our work in hand has steadily increased over the last five years from around $4.8 billion to an all time high of $8.8 billion.

David Saxleby
Managing Director

Achievements
- Strong performance on all major projects
- Substantial growth in Services revenue
- Early completion of Lane Cove Tunnel

Challenges ahead
- Aim for a workplace free of incidence and injury
- Continuing to attract and retain people to support growth
- Improving execution in core business

Commercially competitive
The resources market remains a major driver of our business. We are the world’s largest supplier of outsourced mining services, extracting in excess of 105 million tonnes per annum of coal and metalliferous ore. We operate on 14 mining projects across Australia and Indonesia, including the $800 million Prominent Hill Copper-Gold project in South Australia, which was awarded during the year. The resources sector continues to provide major infrastructure opportunities such as the $346 million alliance contract, awarded to the Thiess Sedgman Joint Venture (TSJV), to deliver a coal handling and preparation plant for the Lake Lindsay Project in Queensland.

Our transport infrastructure business performed well. New projects included an upgrade to the Pacific Highway between Coorong and Herons Creek in New South Wales, an upgrade of the Calder Freeway at Harcourt North in Victoria, and the Townsville Ring Road and Trackstar rail projects in Queensland. The Epping to Chatswood Rail Line in New South Wales (Thiess Hochtief Joint Venture) will be completed in 2008, with significant progress made on the $2.5 billion EastLink project in Victoria (Thiess John Holland Joint Venture). Early completion of the Lane Cove Tunnel Project in New South Wales (Thiess John Holland Joint Venture) was a significant achievement.

Thiess Services has reported substantial growth in revenues this year and secured new waste collection and recycling contracts for the Gosford and Wyong City Councils in NSW, and the Pine Rivers and Caloundra City Councils in Queensland.

Provide a safe and healthy workplace
Thiess’ goal is to provide an incident and injury-free workplace. Health and safety highlights for the year include the world-class achievement of more than 30 million hours worked without a lost time injury in our Indonesian operations; the introduction of a Core Systems of Work process to standardise the management of key risks and an overall 10% reduction in lost time injury frequency rates (LTIFR). A total of 86% of Thiess projects completed the year without a lost time injury.

However, it is with deep regret that we report two fatalities in our joint venture Silcar operations. These tragic incidents occurred in the La Trobe Valley power industry at separate projects in late 2006. Silcar immediately reviewed the relevant operations, using two complementary expert consultant organisations overseen by an eminent barrister. Wide ranging recommendations arising from this work are currently being implemented.

Protect the environment and recognise the needs of the community
Thiess has an ongoing commitment to environmental management on all projects. We seek to continually improve our performance by identifying and managing risks, setting clear objectives and targets, measuring progress, and communicating the results across our entire business.
Epping to Chatswood Rail, New South Wales

Wilpinjong Coal Mine, New South Wales

Eastlink Tollway, Victoria
Senakin Coal Mine, Indonesia

Ergon Energy overhead electrical works

Project Magnet, South Australia
Despite these efforts, Thiess was convicted of two separate environmental offences relating to an incident in Victoria and another in Queensland in late 2005. While we regret these incidents, we have sought to reduce the associated environmental impacts and have cooperated fully with the relevant investigating authorities. Learning from the experience we have implemented a range of affirmative measures to minimise the potential for similar incidents in the future.

Thiess accepts it has a role to play in addressing sustainability challenges. We are committed to delivering a high standard of environmental performance that supports sustainable development. We are a member of the Australian Greenhouse Challenge Plus (GCP) program and an active participant in research and development of greenhouse abatement technologies and innovative practices. We will continue to pursue greenhouse gas emission abatement strategies and improved energy efficiency practices, and seek opportunities to create value through such initiatives.

Our commitment to sustainability is put into practice in the communities in which we operate. Thiess’ Community Investment Program is active at all levels of the business, supporting cultural, educational, environmental and charitable organisations such as Engineers Without Borders, Breast Cancer Foundation’s Pink Ribbon Appeal, and the Hear and Say Centre.

Our Sustainability Report, examining our performance against key criteria, can be downloaded at www.thiess.com.au

Create a fun, challenging and performance-driven culture

With a workforce of 11,642 people, our ability to attract, retain and develop our employees is critical to support our continued growth. Our Thiess Apprenticeship Training Scheme (TATS) initiative has developed into a significant success story, receiving a High Achievers Award at the 2006 Construction Training Queensland’s Annual Excellence Awards. Australian certified programs are being delivered through our training facility in Bakkpapan, Indonesia, while our graduate program continues to support the development of young people across all areas of the business.

Encourage innovation and technological leadership

As we continue to recruit new people into the business it is important that we capture and share information and knowledge. Communities of Practice that facilitate knowledge sharing have been introduced and are working effectively in areas of health and safety, drilling and blasting, mine estimating and survey, and for technology applications.

Outlook

Our clear focus is on improving our execution capability in our core businesses of mining, infrastructure and services. We are well positioned to build on and expand those core activities, and have excellent opportunities for growth in Australia and offshore, particularly in India and Canada.

We also aim to improve cross-business connections with Thiess Services and expect Services to account for some 25% of our business by 2010. We will be pursuing an active growth strategy in areas of waste management, remediation, asset management and utilities maintenance in the telecommunications, electrical, gas and water sectors.

Revenue $million

| Mining & Resources | 36% | $1724m |
| Infrastructure     | 30%  | $1444m |
| Services           | 28%  | $1337m |
| Building & Property| 17%  | $2860m |
| Other              | 5%   | $265m  |

Work in Hand $million

| Mining & Resources | 57% | $5006m |
| Infrastructure     | 30%  | $5989m |
| Building & Property| 20%  | $2496m |
| Other              | 13%  | $1779m |

5 Year Trends $million

- Work in Hand
- Revenue

Board
M C Albrecht AC Chairman
D K Saxelby Managing Director
D J Argent
R J Flew
Hon R J Kelly AO
W M King AO
G E McOrist
W G Osborn
D J Argent Secretary

Senior Executives
D K Saxelby Managing Director
D J Argent Director, Finance & Administration
N Power Chief Executive Australian Operations
L E Ainsworth Executive General Manager, Thiess Services
P M Cassano Executive General Manager, Resources Development
M F Connell Executive General Manager, Human Resources and Safety
B A Munro Executive General Manager, Asia
D I 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
R Olsen President Director, PT Thiess Contractors Indonesia
This was a year of outstanding achievement with excellent results from our key operating divisions and work in hand of $6.9 billion. We provide a challenging, values-based work environment for more than 6,000 dedicated and talented people, where safety and health is our number one priority. Our diverse business enables us to offer integrated, client-focused solutions.

Peter Mc Morrow
Managing Director

Commercially competitive
As Australia’s largest mining services provider, we now operate 22 open cut and underground sites across Australia and New Zealand. Our client-focused approach has resulted in the award and extension of some significant contracts including a $400 million extension at the Yandi iron ore mine in Western Australia, a new $500 million contract at the Middlemount coal mine in Queensland and, since June, a $500 million contract for work at the new Sonoma coal mine, also in Queensland. We are developing a reputation for expertise in start-up development and ‘life of mine’ service delivery.

Delivering major infrastructure remains core to our business. This year we completed several significant projects, including Melbourne’s iconic Southern Cross Station, Stage One of Sydney’s North West T-way, Perth’s Metro Rail Project and Auckland’s Central Motorway Junction.

The Gateway Upgrade and North South Bypass Tunnel in Brisbane, both major joint ventures, are progressing well and we are confident of their successful delivery. The Gateway Upgrade and North South Bypass Tunnel in Brisbane, both major joint ventures, are progressing well and we are confident of their successful delivery. The Gateway Upgrade and North South Bypass Tunnel in Brisbane, both major joint ventures, are progressing well and we are confident of their successful delivery. The Gateway Upgrade and North South Bypass Tunnel in Brisbane, both major joint ventures, are progressing well and we are confident of their successful delivery. The Gateway Upgrade and North South Bypass Tunnel in Brisbane, both major joint ventures, are progressing well and we are confident of their successful delivery.

Investing in the infrastructure we build, maintain and operate creates growth opportunities. Our financing solutions have been recognised with Brisbane’s RiverCity Motorway awarded the 2006 Asian Infrastructure Deal of the Year.

Our newly expanded Industrial and Services Division provides diversity to our business. Engineering has commenced on the Dalby Ethanol plant in Queensland and the Division secured a long-term operation and maintenance contract by taking a small (5%) equity stake in Sydney’s Cross City Tunnel.

The 8,500 kilometre Nextgen fibre-optic network, owned and operated by our Telecommunications Division, is currently being utilised by an impressive range of blue chip clients. Increasing demand for high quality telecommunications services, sees us well positioned to capitalise on the expected growth in this sector.

Provide a safe and healthy workplace
Ensuring the safety of our people is our highest priority. The ‘Leighton Safe Essentials’ program aims to eliminate fatalities and permanent disabling injuries from our work sites and continues to be implemented across the company.

This year, we launched a new program module targeting safety in and around mobile plant, and a pilot program to address manual-handling injuries called ‘Ergo Safe’. Our annual ‘Leighton Excellence Awards’ recognise excellence in safety, health and environmental initiatives across the business, generating an impressive number of innovative and practical safety management solutions.

Our overall safety performance continues to improve with lost time injury frequency rates within Australian and New Zealand operations reaching all time lows of 2.0 and 1.7 respectively over the year.
North West Transitway, New South Wales Northern Gateway Alliance, New Zealand

Poitrel Coal Mine, Queensland

Rotowaro Coal Mine, New Zealand

North West Transitway, New South Wales

Northern Gateway Alliance, New Zealand
Despite this outcome, it is with sadness that we report that in February 2007 a Traffic Controller on the North South Bypass Tunnel project in Brisbane was struck by a vehicle and fatally injured. This incident has been thoroughly investigated and we are communicating the lessons learnt to all of our people.

Our commitment to meet with Worksafe Victoria, due to the death of Mr Robert Sergi in 2000, has continued through onsite meetings at the Monash Interchange and the Royal Melbourne Hospital projects. As we have both found them to be very beneficial, by mutual agreement, these meetings are continuing past our obligations.

Protect the environment and recognise the needs of the community Respect for the environment is a core value. Many projects are in sensitive areas or require a high level of environmental awareness, ownership and innovation. Of note is the Green Square building in Brisbane, being constructed to a 5 star rating and the Northern Gateway Alliance project, where our work takes place within environmentally sensitive areas in New Zealand.

In November 2006, we were officially registered under the Energy Efficiency and Opportunities Act 2006. We formed an Energy Efficiency working party that meets regularly to identify opportunities to improve the efficiency of our operations. As a signatory to the Federal Government's Greenhouse Challenge Plus Program we monitor our emissions and commenced reporting our achievements in our inaugural 2006 Sustainability Report, available at www.leightoncontractors.com.au

A strengthened approach to community engagement was a key area of focus evidenced by the large number of people currently engaged on projects working directly with the community.

Create a fun, challenging and performance-driven culture We actively engage with our people, seeking their feedback to ensure we provide the best possible employment experience. This year we attracted over 800 new salaried staff to our company. Our employee and leadership development programs continue to be expanded to support our overall growth.

Encourage innovation and technological leadership The dedication and technical excellence of our people was recognised by numerous industry awards. Notably, Melbourne's Southern Cross Station was awarded the Australian Construction Achievement Award for 2007 and the Lubetkin Prize for most architecturally outstanding building outside the European Union - the first time the prize has been awarded to an Australian building.

We continue to invest in our management systems. These systems are fundamental to the effective and efficient management of our growth in the future.

Outlook This has been an outstanding year for us. We remain on track to firmly establish ourselves as an industry leader with a reputation for excellence and outstanding performance. We have built a strong momentum for sustainable business growth and are well-positioned to capitalise on recent achievements and the opportunities provided by a growing market.
Our success in 2007 is due to the diversity of our national specialist divisions combined with the strength of our regional construction businesses. John Holland performed well in 2007, achieving record results and securing a number of key acquisitions. Revenue rose by 14% to $2.4 billion while work in hand increased to $3.1 billion.

David Stewart  Group Managing Director

Achievements
- Record level of revenue, work in hand and contribution to the Group
- Completed acquisitions which further diversify our business
- Secured major new desalination projects

Challenges ahead
- Integrating and growing our new acquisitions
- Continuing to integrate significant numbers of new employees
- Targeting new projects which best suit our skills and capability

Commercially competitive  We successfully completed the Lane Cove Tunnel (Thiess John Holland Joint Venture) ahead of schedule and commenced work on 55 new projects including the $1 billion Gold Coast Desalination Plant, Canberra’s National Portrait Gallery, and the City of Dreams in Macau. We were also pleased to be awarded the Sydney Desalination Project in joint venture with Veolia.

During the year we diversified into the aviation sector, acquiring Ansett Aviation Engineering Services to launch John Holland Aviation Services. In the mining services sector we also expanded our presence through the acquisition of C.E. Marshall & Sons, re-branding it Marshall Mining & Earthmoving.

We have continued to grow our business by positioning ourselves to win complex, sophisticated and often iconic work, which addresses public infrastructure needs and those of our private sector clients. This is a direct result of our ability to draw upon the different strengths of our specialist and regional businesses, enabling us to best meet clients’ needs.

We offer six national specialist businesses; Tunnelling, Water, Telecommunications, Power, Rail, and Structural Mechanical and Process. Each business, expert in their field, speaks the language of their clients and understands the challenges of their sectors. As such, we also established a national Roads business.

This expertise is supported by the local knowledge and strength of delivery of our four regional construction businesses. The regional businesses had a very solid year, supporting our reputation for delivering BOOT and PPP projects.

We have been recognised for our ability to work successfully under a range of contracting methods, fostered by our Relationship Contracting Group. The $230m Southbank Education & Training Precinct Redevelopment – Queensland’s first PPP – was awarded Best Global Project to Reach Financial Close in the 2006 Public: Private Awards, while the Middleborough Road Alliance project won an award for Excellence in Major Capital Alliances.

Safe, healthy workplace  Our commitment to a ‘No Harm’ policy is reflected in our improving safety record, with the LTIFR reducing from 4.4 to 3.1 over the year. Safety improvements are evident in the downward trend of workers’ compensation claims, with the number of total claims reduced by 30% over the past three years.

This performance has been achieved in spite of the challenges of a growing workforce with some 1,000 new people joining John Holland during 2007.

Since launching our Passport to Safety Program in October 2005, one third of our employees have completed the three-day Safety & Risk Leadership Foundation Module. We welcome the staff of John Holland Aviation Services and Marshall Mining & Earthmoving, to whom our Passport to Safety and Emerging Leaders programs will be available, alongside their colleagues from other divisions.

Protect the environment and recognise the needs of the community  We recognise our responsibilities to local communities and the environments within which we operate, seeking to address them in very tangible ways. Every project has an Environmental Officer to ensure that guidelines and requirements are clearly understood and met.
New projects support their local communities and we encourage programs that provide tangible benefits to the community. At the Bathurst Base Hospital project in New South Wales, we have worked alongside the community to combat water shortages and provided work experience for students.

On Victoria’s EastLink project, thousands of hours have been invested by the joint venture in presentations and site tours for residents and other stakeholders like community groups, environmental agencies, media, and members of State and local government.

Create a fun, challenging and performance-driven culture Our culture is embedded in our operating principles, the 4P’s: People, Performance, Partnerships and Profit. Our people are professional, with a reputation for design and engineering excellence, making us a contractor of choice. After nearly 60 years of operation, our history, diversity and geographic reach provide a stimulating environment offering great opportunities.

The growth of the John Holland team to around 3,500 employees is a reflection of a range of people strategies to attract new recruits and retain people. Recognising the diversity of our teams, our new employee newspaper, The National, serves as a forum for connecting people across the country and across disciplines, while the recently-launched Talent Exchange Network offers employees the chance to work on key projects across Australia. Combined with regular social and athletic events, we aim to offer inspiring, interesting careers to our people.

Encourage innovation and technological leadership Latest technology and innovative thinking feature in all our projects. The recently completed Lane Cove Tunnel boasts an advanced tunnel ventilation system, with over twice the capacity of Sydney’s other road tunnels. Precasting the 17 tonne concrete segments in EastLink’s tunnels enabled us to deploy 35 of our workforce to other parts of the project. Our innovative contracting methods can extend to suballiances with key subcontractors, helping to produce savings for our clients.

Outlook We see opportunities arising from a ‘once in a generation’ infrastructure spend in Australia and a global resources boom. Our new specialist Roads and Mining businesses are well-positioned for these opportunities. A number of major projects suited to our strength in providing water infrastructure and tunnelling solutions, as well as rail and port infrastructure are likely to proceed.

We aim to build on our solid track record in health, correctional and education facilities around the country. We offer clients operation and maintenance services flowing from opportunities in these and other critical sectors, such as defence. As Australia’s premier independent maintenance, repair and overhaul facility, John Holland Aviation Services can now cater for the buoyant aviation sector. We are also well positioned to secure new work in power and telecommunications.

Our combination of diversity and market expertise provides us with a strong platform upon which to deliver another successful year. Our challenge will be to continue to grow our team to meet the demands upon our services offered by the strong market conditions.
2006/07 was a record year for Leighton Properties with our contribution significantly exceeding forecasts. We have a great pipeline of development work which sets us up well for the future.

Mark Gray
Managing Director

Achievements
- Record contribution to the Group
- Continued to build strong development pipeline
- Secured a number of pre-sales to capitalise on demand

Challenges ahead
- Managing further diversification into mixed-use, residential and new geographies
- Maintaining the development pipeline to support future contributions

I wish to thank the Leighton Properties team for their work this year and to pay tribute to my predecessor, Vyril Vella, who retired after 19 years at the helm of Leighton Properties. Vyril has left Leighton Properties in great shape.

Commercially competitive Leighton Properties has reported another very good year in 2006/07 with our return on funds employed exceeding 40%. We have continued to build our development pipeline and are progressing projects with a total development value of some $2.9 billion.

Quality property is currently in strong demand, both for lease and for investment, and we are well positioned to supply. Demand from institutional purchasers has seen yields compress resulting in strong capital values. We have pre-sold a number of developments to capitalise on this demand including our 50% share of 25 Smith Street, Parramatta and 233 Castlereagh Street, Sydney. Our Parramatta projects are fully leased.

The leasing market has been particularly strong in Brisbane and Canberra. The Brisbane office market has experienced strong rental rates increases due to the low vacancy rates and strong tenant demand. In Brisbane, we achieved pre-leases at our office developments at 400 George Street, Green Square and 512 Wickham Terrace. In Canberra, we leased the balance of the office space at 18 Marcus Clarke and 7 London Circuit. Construction of these buildings is nearing completion.

Provide a safe and healthy workplace
As a property developer our role is to ensure that our contractors adopt the highest safety practices on all our development projects, meeting or exceeding the Leighton Group’s standards. This includes the implementation of safe-site policies and procedures, safety reporting on a monthly basis and detailed accident reporting if required.

There were four incidents on our projects during the year, two in Canberra and one each in Brisbane and Parramatta. Each incident was reported and investigated, and procedures put in place to avoid similar future incidents.

Protect the environment and recognise the needs of the community
Our objective is to be the leading developer of environmentally sustainable commercial developments in Australia. As developers of the built environment we believe we have a responsibility to minimise our environmental footprint. This translates not only to reducing the energy usage of buildings but designing buildings with embedded efficiencies that allow them to be adapted over time to meet changing needs without the requirement to rebuild.

Our developments have adopted a minimum standard of four green stars with the objective of achieving 5 green stars where possible. At the Green Square project in Brisbane, we are aiming to achieve Queensland’s first 6 green star building.
7 London Circuit, Australian Capital Territory. Contractor: Thiess

Green Square Development, Queensland. Contractor: Leighton Contractors

Green Square Development, Queensland. Contractor: Leighton Contractors
We require our contractors to adopt best practices during the construction phase of projects including reporting on recycling and site procedures, and having policies in place to mitigate environmental incidents.

We are highly engaged with the community when developing our projects and actively contribute to initiatives such as the sponsorship of community events including the Noosa Viridian Half Marathon and family fun run which raised funds for the Frangipani Dreams Giving Hope Charity and the Zonta Club of Noosa.

Create a fun, challenging and performance-driven culture

In all our offices, Leighton Properties has a mixture of young and mature staff capturing the best of experience, energy and enthusiasm. Staff turnover is low and we aim to provide long-term careers, coupled with a dynamic and rewarding work environment. We have adopted a policy of continuing education and skill development for all staff, and our employees attend courses and training sessions held both externally and internally.

Organisational changes this year have included Andrew Cooper elevated to NSW Manager and Andrew Borger appointed QLD Manager. In addition, the Board has been strengthened with the appointment of two independent Directors, Mr John Austin and Mr Ian Frost.

Encourage innovation and technological leadership

Leighton Properties is embracing the latest innovations in proven sustainable design and technology to provide the best environmental outcomes for our clients on our projects. Recent innovations adopted on our projects include night purge systems, black water harvesting, stormwater retention and on-site recycling, passive solar shading devices, advanced building control systems, and light sensitive and motion sensitive lighting controls.

Outlook

The buoyant Australian economy, strong inflows into superannuation and the benign interest rate environment support a positive outlook for the commercial property market, particularly in Queensland and ACT.

We are increasingly being sought as joint venture of choice by institutional owners and our existing long-term projects, including Bankstown Airport and Hoxton Park Airport, will continue to provide good levels of work over the next few years. We are also investigating further diversifying into mixed-use development, residential lot subdivision and the opportunities for geographical expansion into new markets.
Leighton International

Leighton International delivered a record turnover and profit in 2007, thanks to strong contributions from each of the company’s four geographic markets: Malaysia, Indonesia, India and the Arabian Gulf region. Our work in hand is at an all time high of $1.7 billion and, with solid prospects in every country in which we operate, we expect to continue our growth trajectory for the next few years.

David Savage
Managing Director

Commercially competitive Our operations in India continued to expand. We secured, and substantially completed our largest contract there to date, the $312 million Jamnagar export refinery marine terminal works. Further down the west coast we laid almost 20km of offshore pipeline for Kochi Refineries. We built and commissioned a 100 metre long pipelay barge – “Leighton Stealth” – and an 86 metre crane barge – “Leighton Mynx” – for these two projects, a move that consolidates our position in the oil and gas market. Ownership of the barges gives us a significant competitive advantage and positions Leighton International to secure further oil and gas opportunities, not just in India, but right across the region.

We made good progress on our two tollroad projects – the Agra to Bharatpur Highway and the Indore to Khalgat Highway – and are on schedule to finish them later this year. We also completed the Flextronics and Salcomp manufacturing facilities near Chennai, and secured a similar project for Motorola in the same area.

Our presence in India was further enhanced in May when we established a joint venture with Emaar MGF, one of India’s leading property developers. The 50:50 joint venture, to be known as Leighton Construction India Pvt Ltd, will provide design and construction services for Emaar MGF’s massive pipeline of projects across India and immediately creates one of India’s leading construction entities. Already the joint venture has commenced work on four residential developments around Delhi.

We have also established a joint venture with Thiess in India, combining Leighton International’s country knowledge and Thiess’ mining capability. The JV will pursue contract mining, mine infrastructure and large-scale civil infrastructure opportunities throughout the country.

In Indonesia, our mining projects continued to perform well, and we completed our various projects as part of the Tangguh LNG development in West Papua. Our market presence was further strengthened during May by the award of the $622 million Wahan coal mine and the MHU coal mine. In June, we secured a three-year extension on the MSJ coal mine.

Practical completion was reached on the Kuala Lumpur to Putrajaya Highway in Malaysia, thanks to a fantastic effort by the project team. This is the single largest construction project Leighton International has ever completed and the quality of the finished product has enhanced our standing in the local industry.

We made good progress on the Al Shaqab Equestrian Academy in Qatar and the City of Arabia infrastructure project in Dubai, and have quickly established a strong presence in this region. Since June, we announced our investment in Al Habtoor Engineering. Al Habtoor-Leighton will provide a significant increase in capacity enabling us to fully capitalise on the numerous opportunities in the Arabian Gulf.

Provide a safe and healthy workplace
Our “Strive for LIFE” safety scheme continued to be rolled out during the year.
The program has been very successful in reducing workplace injuries. However, it is with great sadness that we report two fatalities during the year – one in Indonesia and one in Malaysia. We have spent considerable time investigating these events, working hard to understand the factors that contributed to the incidents. In turn, we have taken the appropriate measures to mitigate against such incidents occuring again.

On a positive note, we achieved ISO18001 health and safety certification in each country, and the Al Shaqab project completed four million man-hours without a lost-time injury.

Protect the environment and recognise the needs of the community Our environmental performance continued to improve and we exceeded our targets for the year. In India and the Gulf region, we achieved ISO14001 certification for our environmental management system and we now hold certification in each country.

We are very conscious that our work has the potential to impact on the local communities in which we operate. We provided financial and in-kind support to various community groups and charities throughout the region. Such support included a major financial contribution to the construction of a new accident and emergency facility at a teaching hospital in southern Sri Lanka, and sponsorship of a privately run school for the deaf in Mumbai, India.

Outlook With record levels of work in hand, we expect to achieve substantial growth in the coming year.

Further coal mining opportunities have been identified in Indonesia and these, along with infrastructure projects such as tollroads, will enable us to build upon the strong base we have in that market. Whilst opportunities for us in Malaysia are likely to be relatively limited we are confident of securing some large-scale rail projects in the north of the country.

We see the relatively new markets of India and the Gulf region driving our growth for the foreseeable future. India’s continued economic progress depends on the development of its infrastructure and, through our recently established joint ventures, we stand to benefit with good prospects for tollroads, rail, power stations, commercial and residential developments, and contract mining.

In the Gulf, the United Arab Emirates (primarily Dubai and Abu Dhabi) and Qatar, will be our key areas of focus. These countries offer opportunities in civil infrastructure, including roads, bridges, marine engineering and services installation; and large-scale building, including hotels, commercial and residential towers, hospitals and educational facilities. We see that the investment in Al Habtoor Engineering will also provide substantial opportunities for Leighton International in the future.

Our overriding objective is to become a consistent, substantial contributor to the Leighton Group’s results and we are well on the way to achieving this.
Leighton Asia

Strong performances from our operations in Hong Kong and Macau enabled Leighton Asia to deliver revenue of $325 million and produce a solid result for 2007. Our Philippines and Thailand & Indo-China divisions also made valuable contributions. With solid prospects right across our regional footprint, we are well placed to achieve strong growth next year.

Joe Dujmovic
Managing Director

Achievements
- Securing $378 million management contract for City of Dreams in Macau
- Established offices in new markets
- Improved safety performance

Challenges ahead
- Securing work in new markets of China, Guam and Korea
- Capitalising on numerous resources-related opportunities
- Developing strategic partnerships to secure opportunities in new markets

Commercially competitive
A highlight for the year was securing the management contract for Melco PBL’s City of Dreams casino in Macau. Significant progress has been made on the project, with the sub-structure now complete and structural steel frame erection well underway. A further highlight was the completion and opening of the Wynn Resort in Macau and the subsequent award in June this year of the Wynn Diamond Suites extension. These projects have made Leighton Asia the dominant player in the competitive Macau casino market, which should lead to further work in that market.

Our major projects in Hong Kong progressed well. The Eagle’s Nest tunnel has commenced commissioning and steady progress has been made on the Central Reclamation project, which is now entering its final stage. We achieved breakthrough on the first of two tunnels for the Kowloon Southern Link rail project and the tunnel boring machine is being reassembled, in preparation for commencement of work on the second tunnel.

In the Philippines, we continued mining operations on the Rapu Rapu polymetallic mine. The profile provided in the Philippines by this project should help Leighton Asia secure other similar projects throughout the country.

In Laos, we made good progress on the Australian Chancery in Vientiane and were very active at the Phu Kham copper and gold mine and associated works, where we provided and operated over 400 pieces of heavy equipment.

In China, we established a new office in Beijing, in addition to our Shanghai office. We also established new offices in Korea and Guam during the year to pursue the numerous opportunities emerging in these markets.

Provide a safe and healthy workplace
Our safety performance improved during the year and we continue to lead the industry in every market in which we operate. We launched a new safety education program, SafeX, during the year. The program aims to change the mind-set of our people from a traditional compliance and problem-solving approach, to a more pro-active and preventative approach. A particular highlight was Rapu Rapu reaching 4 million man-hours without a lost-time injury.

Protect the environment and recognise the needs of the community
Our strong environmental performance was recognised during the year. The Juvenile Training Complex project in Hong Kong was awarded the silver in the same category. The Kowloon Southern Link rail project received the silver award in the same scheme.

In China, we established a new office in Beijing, in addition to our Shanghai office. We also established new offices in Korea and Guam during the year to pursue the numerous opportunities emerging in these markets.
Wynn Macau

Eagle's Nest Tunnel, Hong Kong

Kowloon Southern Link, Hong Kong
We continue to work closely with the communities affected by our work and these efforts were recognised by the Hong Kong Works Bureau, which presented both the Kowloon Southern Link rail project and Eagle’s Nest Tunnel with the Considerate Contractors Award. Community relations is playing an increasingly important role in our projects and we aim to develop this area of our business into a competitive advantage.

Create a fun, challenging and performance-driven culture
We took some important steps this year to ensure that we are able to attract, retain and develop high-quality people. We implemented a comprehensive human resources strategy, with a focus on the continuous training and development of our people, and are aiming to maintain Leighton Asia’s reputation as an enjoyable and challenging place to work.

Outlook
The outlook for Leighton Asia is positive, with all our key markets offering strong new work prospects. Opportunities in Hong Kong, traditionally the cornerstone of our business, are expected to increase during the year as a number of large-scale infrastructure projects begin to come to market. These include some substantial drainage tunnels and the extension of the rail network on Hong Kong Island. Macau will continue to offer casino-related prospects as well as opportunities in infrastructure, most notably a light rail system which is due to commence construction in 2008.

Mining remains an area of growth for the business. We have assembled a strong regional mining team to capitalise on the numerous contract mining and mine infrastructure opportunities in the Philippines, Thailand, Vietnam, Laos, China and Mongolia. These markets also offer further prospects in infrastructure development, oil and gas and environmental & services sectors.

Our new markets of China, Korea and Guam provide us with exciting prospects for growth. Having spent the past year learning more about the operating environments in these countries, we are aiming to secure at least one project in each of these markets during the forthcoming year.

An alignment in reporting methodology from 1 July 2004 for operations in Hong Kong has resulted in the Health and Safety Performance graph being reset commencing from that date.
Section 3
Corporate Governance
Kowloon Southern Link, Hong Kong. Contractor: Leighton Asia.
Corporate Governance Practices

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 2007 (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 2007 appears on the Company’s website and a copy will also be sent to shareholders without charge on request.

<table>
<thead>
<tr>
<th>ROLE OF THE BOARD AND MANAGEMENT</th>
<th>COUNCIL PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council Recommendations</td>
<td>Compliance</td>
</tr>
<tr>
<td>1.1: Formalise and disclose the functions reserved to the board and those delegated to management</td>
<td>Yes</td>
</tr>
<tr>
<td>Disclosure/Explaination</td>
<td></td>
</tr>
<tr>
<td></td>
<td>During the Financial Year a strategic balance was maintained between the responsibilities of the Board, Mr W M King as the Chief Executive Officer and Mr D S Adams as the Deputy Chief Executive Officer and Chief Financial Officer.</td>
</tr>
<tr>
<td></td>
<td>The Leighton Board is responsible to shareholders for the Group’s overall corporate governance.</td>
</tr>
<tr>
<td></td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td>During the Financial Year the Deputy CEO and CFO, was responsible for maintaining financial control across the Group. In this role Mr Adams was responsible for overall Group management reporting, statutory accounting, auditing, treasury, taxation and insurance. When required to act as CEO Mr Adams operated within the same authority levels as Mr King.</td>
</tr>
<tr>
<td></td>
<td>Mr Adams retired as Deputy CEO and CFO on 30 June 2007 but will remain on the Board as a Non-executive Director. Mr L S Charlton was appointed Chief Financial Officer with effect from 1 July 2007.</td>
</tr>
</tbody>
</table>
COUNCIL PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

During the Financial Year the Company had at any given time ten Non-executive Directors. At all times at least six of these Non-executive Directors, namely D A Mortimer, M C Albrecht, G J Ashton (until 31 May 2007), A Drescher, P A Gregg, R D Humphris and I J Macfarlane (from 1 June 2007), were considered by the Board to be independent. The non-independent Directors comprised the two Executive Directors, W M King and D S Adamsas and up to four Non-executive Directors representing Leighton’s majority shareholder, HOCHTIEF, namely H-P Keitel, P M Noé, T C Leppert (until 1 February 2007), H H Lükestratkötter (from 14 February 2007) and D P Robinson. The Board considers HOCHTIEF’s Board representation to be reasonable and appropriate given that HOCHTIEF presently owns 54.9% 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 Recommendations. 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 64 and 65 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.
## Corporate Governance Practices continued

### COMPOSITION OF THE BOARD

<table>
<thead>
<tr>
<th>Council Recommendations</th>
<th>Compliance</th>
<th>Disclosure/Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2: The chairperson should be an independent director</td>
<td>Yes</td>
<td>During the Financial Year the Company’s Chairmen, Mr G J Ashton (until 31 May 2007) and Mr D A Mortimer (from 1 June 2007), were 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>At all times during the Financial Year the roles of Chairman of the Board and Chief Executive Officer have been held by different individuals. 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>
</tbody>
</table>

### ETHICAL AND RESPONSIBLE DECISION-MAKING

<table>
<thead>
<tr>
<th>Council Principle 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING</th>
<th></th>
</tr>
</thead>
<tbody>
<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>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>3.1.1 the practices necessary to maintain confidence in the company’s integrity</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.</td>
</tr>
<tr>
<td>3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices</td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td>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>Council Recommendations</td>
<td>Compliance</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>3.2: Disclose the policy concerning trading in company securities by directors, officers and employees</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**INTEGRITY OF FINANCIAL REPORTING**

| 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 | Yes        | Leighton’s 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. |

| 4.2: The board should establish an audit committee | Yes        | An Audit Committee was established by the Board in June 1990. |

| 4.3: Structure the audit committee so that it consists of: | Yes        |  - only non-executive directors  
- a majority of independent directors  
- an independent chairperson, who is not chairperson of the board  
- at least three members  

The current members of the Leighton Holdings Audit Committee are:  
- P Gregg (Chairman), Independent Non-executive Director.  
- D A Mortimer, Independent Non-executive Director  
- D P Robinson, Non-executive Director.  

Resumés of Messrs Gregg, Mortimer and Robinson are set out at pages 64 and 65 of this Concise Annual Report and indicate each of them is suitably qualified to be a member of the Audit Committee. |

| 4.4: The audit committee should have a formal charter | Yes        | The Audit Committee’s Terms of Reference and Procedures are available on the Company’s website. |
## Corporate Governance Practices continued

### 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>

### COMMUNICATION WITH SHAREHOLDERS

<table>
<thead>
<tr>
<th>Compliance</th>
<th>Disclosure/Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<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>
</tbody>
</table>

### RISK MANAGEMENT

<table>
<thead>
<tr>
<th>Compliance</th>
<th>Disclosure/Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<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>
</tbody>
</table>
7.2: The chief executive officer and the chief financial officer should state in writing that:

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.

7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

PERFORMANCE

8.1: Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.

<table>
<thead>
<tr>
<th>Council Recommendations</th>
<th>Compliance</th>
<th>Disclosure/Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.2: The chief executive officer and the chief financial officer should state in writing that:</td>
<td>Yes</td>
<td>Leighton's CEO and CFO are each required to report in writing to the Board whether in his opinion:</td>
</tr>
<tr>
<td>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</td>
<td>Yes</td>
<td>- 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</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- the Company’s risk management and internal compliance control framework is operating efficiently and effectively in all material respects.</td>
</tr>
<tr>
<td>7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>PERFORMANCE</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>
<tr>
<td></td>
<td></td>
<td>Board approved arrangements are in place to monitor the performance of the Group's key executives.</td>
</tr>
</tbody>
</table>
**Corporate Governance Practices continued**

### 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 66 to 75 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 66 to 75 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: - Leighton Employee Share Plan (approved by shareholders at the 1998 AGM); - Leighton Senior Executive Option Plan (approved by shareholders at the 2006 AGM); and - Leighton Management Share Plan (approved by shareholders at the 2006 AGM).</td>
</tr>
</tbody>
</table>

### Interests of Stakeholders

| Council Principle 10: Recognise the legitimate interests of stakeholders |
|--------------------------|--------------------------------------------------|
| 10.1: Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders | Yes |
| 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. |
Directors’ Report

The Directors of Leighton Holdings Limited present their report for the financial year ended 30 June 2007 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 5 to 49 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 Holdings acquired a strategic 40% stake in Devine Limited thereby further diversifying the Group into the residential property market.


– John Holland acquired the former Ansett Aviation Engineering Services business (renamed John Holland Aviation Services) for $10 million marking its entry into the aviation maintenance market.

Financial results
Total revenue, including joint venture revenue, for the Group for the financial year was up by 19% to $11.9 billion. Operating profit after tax attributable to members of the Company increased by 63% to $450 million.

Dividends
A final ordinary dividend of 65 cents per share, franked to the extent of 50%, was announced on 14 August 2007 and will be paid on 28 September 2007. Together with the interim ordinary dividend of 45 cents per share unfranked which was paid on 30 March 2007, the total dividend payment for the financial year will be $1.10 per share and will amount to $306 million.

The 2006 final ordinary dividend of 41 cents per share, franked to the extent of 50%, referred to in the Directors’ statutory report for the financial year ended 30 June 2006 and payable out of the profits for that financial year, was paid on 29 September 2006.

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, the Gulf region and selected parts of Asia.

Events after end of financial year
Since the end of the financial year the Group acquired a 45% interest in Al Habtoor Engineering, which operates in the Gulf Region, for $870 million. The investment was funded $350 million from cash reserves and $520 million from non-recourse debt funding secured against the shares in Al Habtoor. The Directors are not aware of any other specific developments, not covered generally in the 2007 Concise Annual Report, that have or may have a significant affect 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 5 to 49 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 Framework 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 on 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 event is contained on-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 is contained on-site.

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>0</td>
<td>9</td>
<td>614</td>
</tr>
</tbody>
</table>
No Level 1 incidents were reported during the year (2 last year), 9 Level 2 incidents were reported during the year (12 last year), and 614 Level 3 incidents were reported during the year (444 last year). The number of man-hours worked in Australia increased by 8% in the year.

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 2008.

More details on the Group’s environmental performance are contained on page 22 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 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>David Allen Mortimer AO</td>
<td>26,000</td>
<td></td>
</tr>
<tr>
<td>Wallace MacArthur King AO</td>
<td>226,660</td>
<td>600,000</td>
</tr>
<tr>
<td>Dieter Siegfried Adamsas</td>
<td>323,060</td>
<td>400,000</td>
</tr>
<tr>
<td>Martin Carl Albrecht AC</td>
<td>180,000</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>10,000</td>
<td></td>
</tr>
<tr>
<td>Hans-Peter Keitel</td>
<td>1,560*</td>
<td></td>
</tr>
<tr>
<td>Dr. Herbert H Lütkestratkötter</td>
<td>1,000*</td>
<td></td>
</tr>
<tr>
<td>Ian John Macfarlane AC</td>
<td>2,000</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 66 to 75 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 Chief Financial Officer 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.
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 64 and 65 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.
Directors’ Report continued

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. In approving each Director’s Deed the Board relied on the resolution approved by shareholders at the Company’s 1999 AGM and on sections 195(1A)(b) and 212 of the Corporations Act 2001.

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

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 of 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 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.

Share options
Leighton Executive Share Option Plan (“LESOP”) LESOP was approved by shareholders at the 1998 AGM. Options over shares in Leighton Holdings Limited were last issued under LESOP in 2002 (“2002 Options”). Since the 2006 Directors’ Report all unexercised 2002 options have either been exercised or have lapsed. Details of the number of options exercised and lapsed are contained in the table below.

Leighton Senior Executive Option Plan (“LSEOP”) LSEOP was approved by shareholders at the 2006 AGM. Options over shares in Leighton Holdings Limited were first granted under LSEOP in 2006 (“2006 Options”). The total number of options over un-issued ordinary shares in the Company outstanding under LSEOP at the date of this report are detailed in the table below.

<table>
<thead>
<tr>
<th>Plan</th>
<th>LESOP</th>
<th>LSEOP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calendar Year of Grant</td>
<td>2002 Options</td>
<td>2006 Options</td>
</tr>
<tr>
<td>No. of Executives participating</td>
<td>276</td>
<td>62</td>
</tr>
<tr>
<td>Date of Grant</td>
<td>27 March 2002</td>
<td>15 December 2006</td>
</tr>
<tr>
<td>Exercise Price (Market Price at date of grant)</td>
<td>$10.96</td>
<td>$20.42</td>
</tr>
<tr>
<td>No of Options</td>
<td>5,980,000</td>
<td>5,410,000</td>
</tr>
<tr>
<td>On Issue 4 September 2006</td>
<td>183,500</td>
<td>-</td>
</tr>
<tr>
<td>Exercised since 4 September 2006</td>
<td>63,500</td>
<td>-</td>
</tr>
<tr>
<td>Lapsed Since 4 September 2006</td>
<td>120,000</td>
<td>-</td>
</tr>
<tr>
<td>On Issue 3 September 2007</td>
<td>Nil</td>
<td>5,410,000</td>
</tr>
<tr>
<td>Expiry Date</td>
<td>27 March 2007</td>
<td>15 December 2011</td>
</tr>
</tbody>
</table>

Details of the exercise conditions of options under LSEOP are contained in the Remuneration Report on page 69 of this Concise Annual Report.

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

The names of the persons who currently hold options under LSEOP 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.

There are no un-issued shares in the Company under option as at the date of this report, other than those issued under LSEOP referred to above.

No options have been issued since the end of the financial year over un-issued 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 to entities within the Group 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 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 to entities within the Group 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 2007 are as follows:

<table>
<thead>
<tr>
<th>Non-audit service</th>
<th>Amount paid/payable (‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory and non-regulatory audit and attestation services</td>
<td>245</td>
</tr>
<tr>
<td>Direct and indirect tax compliance and advisory services</td>
<td>2,170</td>
</tr>
<tr>
<td>Other advisory services</td>
<td>553</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 2007 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. Gatt
Partner
Sydney, 3 September 2007.

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:

D A Mortimer AO, (62) BEc (Hons), FCPA

As at 30 June 2007, Mr Mortimer was a Director of the following ASX listed companies: Petsec Energy Limited since 1985 and Macquarie Infrastructure Investment Management Limited since 1997 to March 2007, Citect Corporation Limited from 1997 to 2006 and Virgin Blue Holdings Limited from 2003 to 2005.

W M King AO, (63) BE, MEngSc, Hon DSc, Hon FIEAust, CPEng, 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 Board 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, 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 2007, Mr King was a Director of the following ASX listed company: Coca-Cola Amatil Limited since 2002.

D S Adamson, (64) BComm, FAICD

M C Albrecht AC, (68) BEng (Civil), FTSE, FIE Aust, FAICD, FAIM, DUniv (QUT), HonDEng (Glad)

As at 30 June 2007, Mr Albrecht was a Director of the following ASX listed companies: Geodynamics Limited (Chairman) since 2001. He was formerly a Director of ASX listed company Queensland Gas Company Limited from 2002 to 2005.

A Drescher, (67) BEc,

Mr Drescher was formerly a Director of ASX listed companies: Austal Limited (Chairman) from 1998 to 2004 and Adsteam Marine Limited from 2001 until March 2007.

P Gregg (52) BEc
Appointed as 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. 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.

As at 30 June 2007, Mr Gregg was a Director of the following ASX listed company: Qantas Airways Limited since 2000.

R D Humphris OAM, (65) ARSM, BSc (Eng) Hons, CEng, FIMMM, FAIMM

As at 30 June 2007, Mr Humphris was a Director of the following ASX listed entity: Australian Infrastructure Fund Limited since 2006. Mr Humphris was formerly a Director of an ASX listed company AurionGold Limited from 2003 to 2004.
Dr. H H Lütkestratkötter, (57)
Dr.-Ing.
Appointed a Non-Executive Director on 14 February 2007. Studied mechanical engineering and gained a doctorate in civil engineering at Aachen Technical University. An Alternate Director from 2004 until February 2007. 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. Appointed Deputy Chief Executive Officer of HOCHTIEF management Board in November 2006 and became Chief Executive Officer of HOCHTIEF in April 2007. 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.

I J Macartianie AC, (67)
BEC (Hons), MEC
A graduate in economics from Monash University. An Independent Non-executive Director appointed on 1 June 2007. Previously Governor of the Reserve Bank of Australia from 1996 to 2006, Deputy Governor of the Reserve Bank of Australia from 1992 to 1996. Member of International Advisory Board, Goldman Sachs. Director of the Lowy Institute for International Policy. As at 30 June 2007, Mr. Macartianie was a Director of the following ASX listed companies: Woolworths Limited since 2007 and ANZ Bank Limited since 2007.

Dr P M Noé, (50)
Dr. rer.pol.
A graduate of the University of Cologne in business management studies. An Non-executive Director since 2003. Elected Deputy Chairman in April 2007. Since February 2002 has been a member of the Executive Board of HOCHTIEF AG with his responsibilities including the Asia Pacific division from December 2003 and Airport division from June 2004. Since October 2005 he became in addition the Chief Financial Officer of HOCHTIEF AG with responsibilities for Corporate Finance and Investor Relations. Since June 2007, he has been a member of the Supervisory Board of Budapest Airport Zrt. A non-executive director of the Supervisory Board of Athen International Airport S.A., Chairman of the Supervisory Board of Flughafen Duesseldorf GmbH since January 2006. A Director of HOCHTIEF Australia Limited.

D P Robinson, (51)
MCom, BEC, FCA, FTIA

Alternate Directors

Dr. J Gregor, Chairman
D A Mortimer AO
D P Robinson

Associate Directors

L S Charlton
J Duimovic
P J McMorrow
D G Savage
D K Saxelby
D G Stewart
W J Wild

Secretaries

A J Moir, Company Secretary
P C Janu, General Manager Corporate Administration

Leighton Holdings Limited Board

D A Mortimer AO, Chairman
P M Noé, Deputy Chairman
W M King AO, Chief Executive
D S Adamsam
M C Albrecht AC
A Drescher
P A Gregg
R D Humphris OAM
H-P Kettel
H H Lütkestratkötter
I J Macartianie AC
D P Robinson

Audit Committee

P A Gregg, Chairman
D A Mortimer AO
D P Robinson

Remuneration and Nominations Committee

D A Mortimer AO, Chairman
A Drescher
W M King AO
P M Noé
R L Seidler

Executive Committee

W M King AO, Chairman
P Bingham-Hall
L S Charlton
J Duimovic
M C Gray
A T Mason
P J McMorrow
A J Moir
D G Savage
D K Saxelby
D G Stewart
W J Wild

As at 30 June 2007, Mr Seidler was a Director of the following ASX listed entities: Valad Property Group Limited since 2005 and Valad Opportunity Fund No.11 since 2005.

B Lohr
Appointed as an Alternate Director for Dr P M Noé in July 2007. A graduate in Business Studies from Cologne University with a Doctorate from the Technical University of Braunschweig. Joined HOCHTIEF in 1993 and has held various senior accounting and commercial positions within that Company. Member of the Executive Board of HOCHTIEF since January 2006 with fields of responsibility covering Accounting, Tax, Risk Management and Controlling.
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 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 65 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 in relation to their recommendations having regard to the level of fees paid to Non-executive Directors of other companies of similar size and stature. The fees are determined by the Board after considering the recommendations of the Committee.

Non-executive Directors receive fees as remuneration for acting as a Director of the Company and in some cases as a Director of a subsidiary. During the year, M Albrecht was Chairman of Thiess Pty Limited and A Drescher was 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 from 1 July 2005.

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

<table>
<thead>
<tr>
<th>Committee</th>
<th>Chairman</th>
<th>Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit</td>
<td>35,000</td>
<td>17,500</td>
</tr>
<tr>
<td>Remuneration and</td>
<td>n.a.*</td>
<td>13,000</td>
</tr>
<tr>
<td>Nominations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethics and Compliance</td>
<td>28,000</td>
<td>14,000</td>
</tr>
</tbody>
</table>

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

Members of the Plan Committee do not receive any additional remuneration.

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

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

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

The Company does not pay directors’ fees to Alternate Directors. 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 Benefits and Superannuation**

The Company contributes mandatory superannuation contributions for the benefit of each Non-executive Director. On 1 November 1996 the shareholders approved a retirement plan for Non-executive Directors that provides for retirement benefits calculated as follows:

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

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

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

Remuneration Report continued

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

<table>
<thead>
<tr>
<th>Remuneration in $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-executive Directors</td>
</tr>
<tr>
<td>M Albrecht Independent Non-executive Director 132 53 11 – – – 196</td>
</tr>
<tr>
<td>G Ashton Independent Non-executive Director, Former Chairman 247 – 23 154 – – 424</td>
</tr>
<tr>
<td>A Drescher Independent Non-executive Director 118 35 14 32 – – 199</td>
</tr>
<tr>
<td>P Gregg Independent Non-executive Director 138 – 12 – – – 150</td>
</tr>
<tr>
<td>R Humphris Independent Non-executive Director 149 – 13 – – – 162</td>
</tr>
<tr>
<td>H-P Keitel Non-executive Director Former Deputy Chairman 135 – 12 13 – – 160</td>
</tr>
<tr>
<td>T Leppert Former Non-Executive Director 79 – 7 – – – 86</td>
</tr>
<tr>
<td>H Lütkestratkötter Non-executive Director 51 – 4 – – – 55</td>
</tr>
<tr>
<td>I Macfarlane Independent Non-executive Director 11 – 1 – – – 12</td>
</tr>
<tr>
<td>D Mortimer Independent Non-Executive Director, Chairman 163 – 15 67 – – 245</td>
</tr>
<tr>
<td>P Noé Non-Executive Director, Deputy Chairman 158 – 13 – – – 171</td>
</tr>
<tr>
<td>D Robinson Non-executive Director 126 – 11 14 – – 151</td>
</tr>
</tbody>
</table>

1. Mr G Ashton resigned as a Director from 31 May 2007.
2. Mr P Gregg was appointed a Director on 4 July 2006.
3. Dr H-P Keitel was Deputy Chairman until 3 April 2007. He remains a Non-executive Director.
4. Mr T Leppert resigned as a Director from 1 February 2007.
5. Dr H Lütkestratkötter was appointed a Director from 14 February 2007.
6. Mr I Macfarlane was appointed a Director from 1 June 2007.
7. Mr D Mortimer was appointed Chairman from 1 June 2007.
8. Dr P Noé was appointed Deputy Chairman from 3 April 2007.
9. Includes accrual for retirement benefits during the reporting period.
Remuneration Report continued

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

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

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

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 2007 only 28 members were in this category.

Retention/retirement benefits

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.

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.

Short-term performance incentives

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

The annual incentive plan rewards performance above profit targets to provide an incentive for executive outperformance. Each Executive has an annual incentive opportunity depending on the accountabilities of the role and their impact on the Group or business unit performance. Annual incentive plan obligations are provided for in the annual profit result.

For the year ended 30 June 2007, the KPI’s (key performance indicators) referable to annual incentive plans were based on Group, individual business and personal objectives. The KPI’s to be met in achieving specific profit targets are the greater of a specified return on revenue and/or a specified return on funds employed by each business unit. These KPI’s are generic across the senior executive team.
Annual incentive payments may be adjusted in line with under or over achievement against the target performance levels. Such adjustments are made at the discretion of the Chief Executive Officer and/or the Remuneration and Nominations Committee.

Medium-term deferred incentives
The Group and its divisions provide for a deferred incentive plan payment that rewards executives for increasing profits over a 3-year period. An incentive pool amount is calculated following an annual increase in profit by the Group or the relevant division. The incentive pool is available for allocation to relevant senior executives. Up to 50% of the deferred incentive awarded may be reduced prior to payment should the profit of the Group or the relevant division reduce in any of the three financial years following the award. The structure of the plan ensures deferred incentives are only payable to executives when value has been created for shareholders.

Participation in the deferred incentive plan and the level of awards under the plan are at the discretion of the Chief Executive Officer and/or the Remuneration and Nominations Committee, as appropriate. Deferred incentive plan obligations are provided for in the annual profit result.

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

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

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

Long-term incentives have been provided to executives during the reporting period under the Leighton Senior Executive Option Plan (LSEOP). This Plan was approved by shareholders at the Annual General Meeting held on 9 November 2006. Features of LSEOP are as follows:

- Options are granted at no cost to the employee.
- Options will be able to be exercised by paying the exercise price (market price at grant date) following the achievement of the relevant hurdles.
- There are four test dates for options, at 3, 3.5, 4 and 4.5 years after the date the options are issued.
- More than one test date has been specified as it is not envisaged that options will be granted to any executive who participates in LSEOP more than once every three years.
- Not more than 50% of options may be exercised prior to the fourth anniversary of the date of grant.
- All options for which the performance hurdles have been achieved must be exercised by the fifth anniversary of the date of grant.
- Hurdles – 50% of each grant of options will be subject to a TSR hurdle (parcel A) and 50% subject to an EPS hurdle (parcel B).
- TSR hurdle – total shareholder return of Leighton Holdings Limited (LEI) as a percentile ranking compared to the ASX 100 over the performance period (from grant date to test date). Due to a lack of listed companies with a comparable business to LEI, the ASX 100 was chosen as appropriate for the purposes of measuring relative TSR performance.
- EPS hurdle – annual compound earnings per share growth over the performance period.

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

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

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

Fifty percent of the potential benefit of long-term incentives provided through options can only be obtained by senior management where Total Shareholder Returns over the long term exceed relevant market indices. The remaining 50% is only available when substantial growth in earnings per share is achieved. Attaining sustained EPS growth will be a major factor in driving the future share price growth of the company. Accordingly, the structure of the long term incentive plan provides 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 92 of this Concise Annual Report. The table above demonstrates Leighton Holdings’ compound growth in annual performance over the short, medium and long term.

<table>
<thead>
<tr>
<th>Compound Annual Growth Rate (CAGR)</th>
<th>1 year</th>
<th>3 years</th>
<th>5 years</th>
<th>10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit After Tax</td>
<td>63%</td>
<td>60%</td>
<td>22%</td>
<td>13%</td>
</tr>
<tr>
<td>Earnings Per Share</td>
<td>62%</td>
<td>59%</td>
<td>21%</td>
<td>12%</td>
</tr>
<tr>
<td>Dividends</td>
<td>67%</td>
<td>35%</td>
<td>21%</td>
<td>13%</td>
</tr>
<tr>
<td>Share Price Appreciation</td>
<td>138%</td>
<td>66%</td>
<td>32%</td>
<td>20%</td>
</tr>
<tr>
<td>LHL Total Shareholder Return (TSR)*</td>
<td>147%</td>
<td>74%</td>
<td>39%</td>
<td>28%</td>
</tr>
<tr>
<td>ASX 100 Accumulation Index</td>
<td>27%</td>
<td>26%</td>
<td>19%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Leighton Holdings achieved a net profit result in 2007 which exceeded the previous year’s results by 63%. Over a three year period the average compound annual growth (CAGR) in profitability was 60% whereas the long term (10 year) CAGR was 13%. Earnings per share (EPS) has delivered similar results, with 2007 EPS exceeding the previous year’s results by 62% and three and 10 year EPS CAGR of 59% and 12% respectively.

The performance detailed above has been reflected in the Leighton Holdings’ share price, which has contributed to a TSR of 147% during 2007. The chart on page 16 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 2007 was 1,081%. This compares to a 241% increase for the ASX Accumulation 100 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 paid

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 2007 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 Benefits</th>
<th>Long-Term Employee Benefits</th>
<th>Termination Benefits</th>
<th>Share Based Payments</th>
<th>Total</th>
<th>% Variable Remuneration</th>
<th>% Variable Options</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salary</td>
<td>Non-Monetary Benefits ²</td>
<td>Annual Bonus</td>
<td>Superannuation</td>
<td>Deferred Incentive</td>
<td>Contract/Retention ³</td>
<td></td>
<td></td>
</tr>
<tr>
<td>W M King</td>
<td>2,692</td>
<td>325</td>
<td>6,000</td>
<td>105</td>
<td>4,458</td>
<td>–</td>
<td>301</td>
<td>13,881</td>
</tr>
<tr>
<td>CEO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D S Adamsas ¹</td>
<td>1,804</td>
<td>172</td>
<td>–</td>
<td>105</td>
<td>–</td>
<td>1,971</td>
<td>5,857</td>
<td>201</td>
</tr>
<tr>
<td>Deputy CEO &amp; CFO (until 30 June 2007)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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

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

4. Share based payments represent the value of options granted over shares in the Company under the Leighton Senior Executive Option Plan.
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 2007. 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>Specified Executives</th>
<th>Remuneration in $'000</th>
<th>Short-Term Employee Benefits</th>
<th>Non-Monetary Benefits</th>
<th>Post Employment Benefits</th>
<th>Post Employment Benefits</th>
<th>Long-Term Employee Benefits</th>
<th>Termination Benefits</th>
<th>Share Based Payments</th>
<th>Total</th>
<th>Variable Remuneration</th>
<th>Variable Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>P McMorrow</td>
<td>1,107</td>
<td>1,500</td>
<td>45</td>
<td>100</td>
<td>1,002</td>
<td>901</td>
<td>-</td>
<td>101</td>
<td>4,756</td>
<td>52.6</td>
<td>2.1</td>
</tr>
<tr>
<td>Managing Director</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leighton Contractors Pty Ltd</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D G Stewart</td>
<td>1,050</td>
<td>1,200</td>
<td>105</td>
<td>67</td>
<td>512</td>
<td>531</td>
<td>-</td>
<td>101</td>
<td>3,566</td>
<td>48.0</td>
<td>2.8</td>
</tr>
<tr>
<td>Managing Director</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>John Holland Group Pty Ltd</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R S Trundle(^1)</td>
<td>1,155</td>
<td>-</td>
<td>4</td>
<td>282</td>
<td>-</td>
<td>1,435</td>
<td>1,108</td>
<td>101</td>
<td>4,085</td>
<td>27.1</td>
<td>2.5</td>
</tr>
<tr>
<td>Managing Director</td>
<td></td>
<td></td>
<td></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></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(until 13 February 2007)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V A Vella(^2)</td>
<td>1,151</td>
<td>-</td>
<td>51</td>
<td>164</td>
<td>-</td>
<td>717</td>
<td>1,860</td>
<td>101</td>
<td>4,044</td>
<td>46.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Managing Director</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leighton Properties Pty Ltd</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(until 30 June 2007)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>W J Wild</td>
<td>1,262</td>
<td>1,825</td>
<td>102</td>
<td>105</td>
<td>1,236</td>
<td>594</td>
<td>-</td>
<td>126</td>
<td>5,250</td>
<td>58.3</td>
<td>2.4</td>
</tr>
<tr>
<td>Chief Operating Officer</td>
<td></td>
<td></td>
<td></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></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. R Trundle retired as an executive on 30 June 2007. On termination of his employment, R Trundle received his accrued contractual retirement and retention benefits. Due to his date of resignation R Trundle was not entitled to an annual or deferred incentive for the period in accordance with the terms of the annual and deferred incentive plans. An ex-gratia termination benefit was awarded by the Board to R Trundle following 27 years of service to the Group.
2. V Vella retired as an executive on 30 June 2007. On termination of his employment, V Vella received his accrued contractual retirement and retention benefits. Due to his date of resignation V Vella was not entitled to an annual or deferred incentive for the period in accordance with the terms of the annual and deferred incentive plans. An ex-gratia termination benefit was awarded by the Board to V Vella following 33 years of service to the Group.
3. Includes value of fringe benefits and fringe benefits tax.
4. Includes deferred incentives awarded for the year ended 30 June 2007 and increase in value accrued during the period on unpaid deferred incentives awarded for 30 June 2005 and prior years.
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. Share based payments represent the value of options granted over shares in the Company under the Leighton Senior Executive Option Plan plus shares granted under the Leighton Employee Share Plan.
Option Holdings

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of options granted during 2007</th>
<th>Balance of options held at 30 June 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>No.</td>
</tr>
<tr>
<td>W M King</td>
<td>600,000</td>
<td>600,000</td>
</tr>
<tr>
<td>D S Adamsas</td>
<td>400,000</td>
<td>400,000 3</td>
</tr>
<tr>
<td>P McMorrow</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td>D Stewart</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td>R S Trundle</td>
<td>200,000</td>
<td>200,000 3</td>
</tr>
<tr>
<td>V A Vella</td>
<td>200,000</td>
<td>200,000 3</td>
</tr>
<tr>
<td>W J Wild</td>
<td>250,000</td>
<td>250,000</td>
</tr>
</tbody>
</table>

1. For all options granted during the 2007 financial year:
   - Grant Date: 15 December 2006
   - Fair value per option at grant date: $4.01
   - Exercise price per option: $20.42
   - First Exercise Date: 15 December 2009
   - Expiry Date: 15 December 2011

Details of the vesting conditions are disclosed under the heading Long Term Incentives on page 69 of this Concise Annual Report.

2. For each of the Executive Directors and Specified Directors no options lapsed or were vested or exercised during the 2007 financial year.

3. Each of D Adamsas, R Trundle and V Vella terminated their employment with the group during the period.
   - Due to the circumstances of each termination, each of D Adamsas, R Trundle and V Vella have retained their options.
Service Agreements
Remuneration and other terms of employment for the Chief Executive Officer and the following Specified Executives are formalised in service agreements.

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

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

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

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

Commencement of Service Agreements: 23 December 1980
Termination Date of Current Agreement: 30 June 2010
Notice: 6 months by the Employee or 12 months by the Employer

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

P McMorrow
Managing Director
Leighton Contractors Pty Limited
Date of Commencement: 2 April 1990
17 years total service

Commencement of Service Agreements: 2 April 2002
Termination Date of Current Agreement: 31 July 2012
Notice: 6 months

- Payment on the Termination Date or on early termination of employment by the employer of a retention benefit of 80% of final TFR and a service benefit of 80% of final TFR (other than if terminated for gross misconduct) plus $500,000.
- Payment over the period from 2009 to the Termination Date of a retention benefit of 80% of final TFR and payment on the Termination Date of a service benefit of 80% of final TFR (other than if terminated for gross misconduct) plus $900,000.

D Stewart
Managing Director
John Holland Group Pty Limited
Date of Commencement: 13 December 1986
20 years total service

Commencement of Service Agreements: 1 July 2003
Termination Date of Current Agreement: 30 September 2013
Notice: 6 months

- Payment on the Termination Date or on early termination by the employer of a retention benefit of 103% of final TFR and a service benefit of 83% of final TFR (other than if terminated for gross misconduct).

W J Wild
Chief Operating Officer
Leighton Holdings Limited
Date of Commencement: 24 July 1978
29 years total service

Commencement of Service Agreements: 1 July 1998
Termination Date of Current Agreement: 30 September 2009
Notice: 6 months notice

- Payment on the Termination Date or on early termination by the employer of a retention benefit of 103% of final TFR and a service benefit of 83% of final TFR (other than if terminated for gross misconduct).
D S Adamsas  
Deputy Chief Executive Officer and Chief Financial Officer (until 30 June 2007)  
Date of Commencement: 15 February 1971  
36 years total service  
Commencement of Service Agreements: 4 June 1981  
Termination Date of Current Agreement: Terminated 30 June 2007  
— Payment on termination of employment (other than if terminated for gross misconduct) of a retirement benefit of 5.35 times final TFR.  
— A payment on termination of employment (other than if terminated for gross misconduct) of a retention benefit of 15% per annum of TFR accrued each year from October 1997 plus interest on the accrued balance.

R S Trundle  
Managing Director  
Thiess Pty Limited (until 13 February 2007)  
Date of Commencement: 31 March 1980  
27 years total service  
Commencement of Service Agreements: 1 July 1998  
Termination Date of Current Agreement: Terminated 30 June 2007  
— Payment on the Termination Date or on early termination of employment by the employer of a retention benefit of 80% of final TFR and a service benefit of 80% of final TFR (other than if terminated for gross misconduct) plus $500,000.

V A Vella  
Managing Director  
Leighton Properties Pty Limited (until 30 June 2007)  
Date of Commencement: 7 January 1974  
33 years total service  
Commencement of Service Agreements: 28 October 1982  
Termination Date of Current Agreement: Terminated 30 June 2007  
— Payment on the Termination Date (other than if terminated for gross misconduct) of a retirement benefit of up to 3.2 times final TFR.

The Leighton Holdings Limited Directors’ Report for the financial year ended 30 June 2007 is signed at Sydney the 3rd day of September 2007 in accordance with a resolution of the Directors.

DA Mortimer AO  
Chairman

WM King AO  
Chief Executive Officer
Shareholdings and Noteholdings

Information as to shareholdings on 3 September 2007 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>150,650,410</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 *(which have equal voting rights)*

<table>
<thead>
<tr>
<th>Number 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: 30,421 Shareholders

There were 65 shareholders with less than a marketable parcel (11 shares).

Twenty Largest Shareholders

The percentage of the total holding of the 20 largest shareholders, as shown in the Company’s Register of Members, is 81.34% and their names and numbers of shares are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number</th>
<th>% of Total Shareholdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOCHTIEF Australia Limited</td>
<td>152,916,784</td>
<td>54.99</td>
</tr>
<tr>
<td>National Nominees Limited</td>
<td>21,550,123</td>
<td>7.75</td>
</tr>
<tr>
<td>J P Morgan Nominees Australia Limited</td>
<td>20,435,665</td>
<td>7.35</td>
</tr>
<tr>
<td>HSBC Custody Nominees (Australia) Limited</td>
<td>10,918,524</td>
<td>3.93</td>
</tr>
<tr>
<td>ANZ Nominees Limited (Cash Income A/C)</td>
<td>6,947,465</td>
<td>2.50</td>
</tr>
<tr>
<td>Citicorp Nominees Pty Limited</td>
<td>3,987,278</td>
<td>1.43</td>
</tr>
<tr>
<td>Cogent Nominees Pty Limited</td>
<td>1,922,017</td>
<td>0.69</td>
</tr>
<tr>
<td>UBS Nominees Pty Limited</td>
<td>1,505,112</td>
<td>0.54</td>
</tr>
<tr>
<td>AMP Life Limited</td>
<td>1,175,125</td>
<td>0.42</td>
</tr>
<tr>
<td>UBS Nominees Pty Limited (116C A/C)</td>
<td>700,000</td>
<td>0.25</td>
</tr>
<tr>
<td>Gwynvill Investments Pty Limited</td>
<td>683,500</td>
<td>0.25</td>
</tr>
<tr>
<td>HSBC Custody Nominees (Australia) Limited – A/C 2</td>
<td>580,460</td>
<td>0.21</td>
</tr>
<tr>
<td>Milton Corporation Limited</td>
<td>515,780</td>
<td>0.19</td>
</tr>
<tr>
<td>Argo Investments Limited</td>
<td>484,000</td>
<td>0.17</td>
</tr>
<tr>
<td>Queensland Investment Corporation</td>
<td>473,962</td>
<td>0.17</td>
</tr>
<tr>
<td>HSBC Custody Nominees (Australia) Limited – GSOC ECA</td>
<td>380,975</td>
<td>0.14</td>
</tr>
<tr>
<td>Dieter Siegfried Adamsas</td>
<td>323,060</td>
<td>0.11</td>
</tr>
<tr>
<td>Citicorp Nominees Pty Limited (CWLTH BANK OFF SUPER A/C)</td>
<td>255,510</td>
<td>0.09</td>
</tr>
<tr>
<td>Merrill Lynch (Australia) Nominees Pty Ltd (BPB A/C)</td>
<td>251,066</td>
<td>0.09</td>
</tr>
<tr>
<td>Wallace Macarthur King</td>
<td>226,660</td>
<td>0.07</td>
</tr>
</tbody>
</table>

Total: 226,233,066 Shareholders
Information as to Noteholdings on 3 September 2007 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 79.30% and their names and numbers of notes are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number</th>
<th>% of Total Shareholdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>J P Morgan Nominees Australia Limited</td>
<td>481,669</td>
<td>24.08</td>
</tr>
<tr>
<td>HSBC Custody Nominees (Australia) Limited</td>
<td>473,248</td>
<td>23.66</td>
</tr>
<tr>
<td>National Nominees Limited</td>
<td>175,577</td>
<td>8.78</td>
</tr>
<tr>
<td>ANZ Nominees Limited (Cash Income A/C)</td>
<td>110,824</td>
<td>5.54</td>
</tr>
<tr>
<td>Citicorp Nominees Pty Limited</td>
<td>105,626</td>
<td>5.28</td>
</tr>
<tr>
<td>Citicorp Nominees Pty Limited (CFSIL CFS WS ENH Yield A/C)</td>
<td>67,198</td>
<td>3.36</td>
</tr>
<tr>
<td>Cogent Nominees Pty Limited (SMP Accounts)</td>
<td>49,560</td>
<td>2.48</td>
</tr>
<tr>
<td>RBC Dexia Investor Services Australia Nominees Pty Limited (GSENIP A/C)</td>
<td>28,462</td>
<td>1.42</td>
</tr>
<tr>
<td>RBC Dexia Investor Services Australia Nominees Pty Limited (MLCI A/C)</td>
<td>20,217</td>
<td>1.01</td>
</tr>
<tr>
<td>Elise Nominees Pty Limited</td>
<td>10,573</td>
<td>0.53</td>
</tr>
<tr>
<td>The Art Gallery of New South Wales Foundation</td>
<td>9,853</td>
<td>0.49</td>
</tr>
<tr>
<td>Invia Custodian Pty Limited (Wilson Investment Fund Limited A/C)</td>
<td>8,000</td>
<td>0.40</td>
</tr>
<tr>
<td>Australian Executor Trustees Limited (No 1 A/C)</td>
<td>7,395</td>
<td>0.37</td>
</tr>
<tr>
<td>RBC Dexia Investor Services Australia Nominees Pty Limited (BKCUST A/C)</td>
<td>5,900</td>
<td>0.30</td>
</tr>
<tr>
<td>Equitas Nominees Pty Limited (PB MML 2722453 A/C)</td>
<td>5,680</td>
<td>0.28</td>
</tr>
<tr>
<td>RBC Dexia Investor Services Australia Nominees Pty Limited (NMSMT A/C)</td>
<td>5,652</td>
<td>0.28</td>
</tr>
<tr>
<td>Citicorp Nominees Pty Limited (CFSIL CWLTH Divers FD 9)</td>
<td>5,500</td>
<td>0.28</td>
</tr>
<tr>
<td>SR Consolidated Pty Ltd</td>
<td>5,100</td>
<td>0.26</td>
</tr>
<tr>
<td>A C F Investments Ltd</td>
<td>5,000</td>
<td>0.25</td>
</tr>
<tr>
<td>Cambooya Pty Limited</td>
<td>4,960</td>
<td>0.25</td>
</tr>
<tr>
<td>J P Morgan Nominees Australia Limited</td>
<td>1,585,994</td>
<td>79.30</td>
</tr>
</tbody>
</table>

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

---

<table>
<thead>
<tr>
<th>Distribution Schedule Category</th>
<th>No. of Shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 1,000</td>
<td>2,072</td>
</tr>
<tr>
<td>1,001 – 5,000</td>
<td>48</td>
</tr>
<tr>
<td>5,001 – 10,000</td>
<td>8</td>
</tr>
<tr>
<td>10,001 – 100,000</td>
<td>5</td>
</tr>
<tr>
<td>100,001 and over</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>2,138</td>
</tr>
</tbody>
</table>
Lane Cove Tunnel, New South Wales. Contractor: Thiess John Holland JV
Shareholder Information

2007 Financial report
A copy of the Group’s 2007 Financial Report, including the independent Audit Report, is available to all shareholders, and will be sent to shareholders without charge upon request. The Financial Report can be requested by telephone from our Manager, Group Communications on (02) 9925 6644 and is available from the Leighton website www.leighton.com.au

Enquiries
If you have any questions about your shareholding, dividend payments, tax file number, change of address etc, you should contact the Company’s Shareholder Enquiry Line at Computershare Investor Services Pty Limited: by phone on 1300 855 080 (local) or 61 3 9473 2500 (international); or by fax on 61 3 9473 2500 (local) or 61 3 9473 2500 (international); or by email at web.queries@computershare.com.au
Or write to: Computershare Investor Services Pty Limited GPO Box 2975 Melbourne VIC 3001

Dividend payment
The final dividend of 65 cents per share will be paid on 28 September 2007 and will be franked to the extent of 50%. For non-resident and corporate shareholders the 32.5 cents per share unfranked component of the dividend will include conduit foreign income.

Direct dividend deposit into bank accounts
If you are an Australian resident shareholder, your Leighton dividends will be paid directly into your nominated bank, building society or credit union account in Australia on the dividend payment date. Details of the dividend payment will be confirmed either by an advice mailed or emailed to you on that date.
If you have not provided your bank account details you will not receive your dividend until you do so. You can provide your bank account details by contacting our share registrar, Computershare Investor Services Pty Limited.
If you subsequently change your bank account details, 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.

Shareholding and Noteholding information
Information regarding Substantial Shareholders, Twenty Largest Shareholders, Twenty Largest Leighton Noteholders and the distribution schedules is on page 76 and 77.

Share buy-back
Leighton Holdings does not have a current onmarket 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 who have indicated their preference to receive these publications. Should other interested parties wish to receive any of these documents, please contact the Manager, Group Communications on (02) 9925 6644.

Financial Calendar *
2007
10 September Shares begin trading ex Dividend
14 September Books close for Final Dividend
28 September Final Dividend Paid
8 November Annual General Meeting
2008
14 February Half year Results announced
7 March Shares begin trading ex Dividend
14 March Books close for Interim Dividend
28 March Interim Dividend paid
30 June Year end
14 August Preliminary Final Results Announced
8 September Shares begin trading ex Dividend
12 September Books close for Final Dividend
30 September Final Dividend Paid
6 November Annual General Meeting

* Note timing of events can be subject to change
Section 4
Concise Financial Report
**Income Statement** for the year ended 30 June 2007

<table>
<thead>
<tr>
<th>Note</th>
<th>Consolidated 2007</th>
<th>Consolidated 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Revenue</td>
<td>2 10,011,292</td>
<td>8,519,705</td>
</tr>
<tr>
<td>Expenses</td>
<td>3 (9,505,519)</td>
<td>(8,203,191)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(34,255)</td>
<td>(25,557)</td>
</tr>
<tr>
<td>Share of profits of associates and joint venture entities *</td>
<td>112,578</td>
<td>80,196</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>584,096</td>
<td>371,153</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(128,860)</td>
<td>(93,764)</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>455,236</td>
<td>277,389</td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members of the parent entity</td>
<td>450,042</td>
<td>276,069</td>
</tr>
<tr>
<td>Minority interest</td>
<td>5,194</td>
<td>1,320</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>455,236</td>
<td>277,389</td>
</tr>
</tbody>
</table>

| Dividends per share – Final | 6 | 65.0 ¢ | 41.0 ¢ |
| - Interim | 6 | 45.0 ¢ | 25.0 ¢ |
| Basic earnings per share | 6 | 162.3 ¢ | 100.2 ¢ |
| Diluted earnings per share | 6 | 162.0 ¢ | 100.0 ¢ |

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

The Income Statement is to be read in conjunction with the Notes to the Concise Financial Report.

The Financial Statements and specific disclosures required by AASB 1039 have been derived from the Consolidated Entity’s full financial report for the financial year.

Other information included in the Concise Financial Report is consistent with the Consolidated Entity’s full financial report.

The Concise Financial Report does not, and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group, as the full financial report.
**Statement of Recognised Income and Expense** for the year ended 30 June 2007

<table>
<thead>
<tr>
<th>Description</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange translation differences (net of tax)</td>
<td>(30,909)</td>
<td>8,031</td>
</tr>
<tr>
<td>Effective portion of changes in fair value of cash flow hedges (net of tax)*</td>
<td>48,309</td>
<td>205</td>
</tr>
<tr>
<td>Change in fair value of available-for-sale assets (net of tax)</td>
<td>14,837</td>
<td>8,994</td>
</tr>
<tr>
<td>Change in value of associate’s equity</td>
<td>487</td>
<td>10,658</td>
</tr>
<tr>
<td><strong>Net income recognised directly in equity</strong></td>
<td>32,724</td>
<td>27,888</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>455,236</td>
<td>277,389</td>
</tr>
<tr>
<td><strong>Total recognised income and expense for the year</strong></td>
<td>487,960</td>
<td>305,277</td>
</tr>
</tbody>
</table>

**Attributable to:**

- **Members of the parent entity**                                           | 482,766 | 303,957 |
- **Minority interest**                                                      | 5,194   | 1,320   |

**Total recognised income and expense for the year**                         | 487,960 | 305,277 |

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

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 2007

<table>
<thead>
<tr>
<th>Note</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>831,372</td>
<td>809,850</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>1,727,119</td>
<td>1,508,420</td>
</tr>
<tr>
<td>Current tax assets</td>
<td>29,131</td>
<td>31,028</td>
</tr>
<tr>
<td>Inventories</td>
<td>231,817</td>
<td>117,975</td>
</tr>
<tr>
<td>Investments accounted for using the equity method</td>
<td>260,106</td>
<td>175,869</td>
</tr>
<tr>
<td>Other investments</td>
<td>180,050</td>
<td>151,685</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>139,308</td>
<td>70,624</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>1,258,619</td>
<td>882,939</td>
</tr>
<tr>
<td>Goodwill</td>
<td>87,680</td>
<td>54,898</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>4,745,202</td>
<td>3,803,288</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>2,504,968</td>
<td>1,951,010</td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td>177,219</td>
<td>36,476</td>
</tr>
<tr>
<td>Provisions</td>
<td>346,306</td>
<td>320,934</td>
</tr>
<tr>
<td>Interest-bearing liabilities</td>
<td>32,698</td>
<td>42,950</td>
</tr>
<tr>
<td>Leighton Finance International Notes</td>
<td>7</td>
<td>129,412</td>
</tr>
<tr>
<td>Leighton Notes</td>
<td>8</td>
<td>200,000</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>3,390,603</td>
<td>2,700,019</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>1,354,599</td>
<td>1,103,269</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>480,988</td>
<td>479,744</td>
</tr>
<tr>
<td>Reserves</td>
<td>35,127</td>
<td>(292)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>834,358</td>
<td>623,449</td>
</tr>
<tr>
<td><strong>Total equity attributable to equity holders of the parent</strong></td>
<td>1,350,473</td>
<td>1,102,901</td>
</tr>
<tr>
<td>Minority interest</td>
<td>4,126</td>
<td>368</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>1,354,599</td>
<td>1,103,269</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 2007

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<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>10,892,988</td>
<td>8,598,151</td>
</tr>
<tr>
<td>Cash payments in the course of operations (including GST)</td>
<td>(9,607,366)</td>
<td>(7,679,206)</td>
</tr>
<tr>
<td>Dividends received</td>
<td>6,297</td>
<td>–</td>
</tr>
<tr>
<td>Interest received</td>
<td>30,292</td>
<td>16,694</td>
</tr>
<tr>
<td>Finance costs paid</td>
<td>(34,252)</td>
<td>(25,646)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(86,334)</td>
<td>(92,835)</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>1,201,025</td>
<td>817,158</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>(857,469)</td>
<td>(569,239)</td>
</tr>
<tr>
<td>Payments for plant and equipment – major component parts</td>
<td>(142,298)</td>
<td>(164,507)</td>
</tr>
<tr>
<td>Payments for other property, plant and equipment</td>
<td>(25,349)</td>
<td>(11,295)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>305,091</td>
<td>415,441</td>
</tr>
<tr>
<td>Payments for investments in controlled entities and businesses</td>
<td>(112,713)</td>
<td>(261,165)</td>
</tr>
<tr>
<td>Payments for other investments</td>
<td>(197,151)</td>
<td>(116,347)</td>
</tr>
<tr>
<td>Proceeds from sale of other investments</td>
<td>115,122</td>
<td>5,296</td>
</tr>
<tr>
<td>Loans to executives repaid</td>
<td>–</td>
<td>744</td>
</tr>
<tr>
<td><strong>Net cash from investing activities</strong></td>
<td>(914,767)</td>
<td>(701,072)</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>1,244</td>
<td>57,893</td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>29,640</td>
<td>151,707</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>(39,892)</td>
<td>–</td>
</tr>
<tr>
<td>Distributions to minority interest</td>
<td>(1,436)</td>
<td>(2,240)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(239,133)</td>
<td>(152,156)</td>
</tr>
<tr>
<td><strong>Net cash from financing activities</strong></td>
<td>(249,577)</td>
<td>55,204</td>
</tr>
<tr>
<td><strong>Net increase in cash held</strong></td>
<td>36,681</td>
<td>171,290</td>
</tr>
<tr>
<td><strong>Net cash at the beginning of the year</strong></td>
<td>809,850</td>
<td>635,210</td>
</tr>
<tr>
<td><strong>Effects of exchange rate fluctuations on cash held</strong></td>
<td>(15,159)</td>
<td>3,350</td>
</tr>
<tr>
<td><strong>Net cash at reporting date</strong></td>
<td>831,372</td>
<td>809,850</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 2007

1 Basis of preparation of the Concise Financial Report

The concise financial report has been prepared in accordance with the Corporations Act 2001, Accounting Standard Concise Financial Reports (AASB 1039). The financial statements and specific disclosures required by AASB 1039 have been derived from the Consolidated Entity’s full financial report for the financial year. Other information included in the concise financial report is consistent with the Consolidated Entity’s full financial report. The concise financial report does not, and 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 and, are consistent with those in the previous year. A full description of the accounting policies adopted by the Consolidated Entity may be found in the Consolidated Entity’s full financial report.

2 Revenue

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction contracting services</td>
<td>5,603,448</td>
<td>4,971,034</td>
</tr>
<tr>
<td>Mining contracting services</td>
<td>3,361,050</td>
<td>2,601,326</td>
</tr>
<tr>
<td>Property development revenue</td>
<td>312,361</td>
<td>365,372</td>
</tr>
<tr>
<td>Other services revenue</td>
<td>690,181</td>
<td>564,845</td>
</tr>
<tr>
<td>Revenue from external customers</td>
<td>9,967,040</td>
<td>8,502,577</td>
</tr>
<tr>
<td>Interest</td>
<td>37,955</td>
<td>17,128</td>
</tr>
<tr>
<td>Dividends/distributions</td>
<td>6,297</td>
<td>–</td>
</tr>
<tr>
<td>Other revenue</td>
<td>44,252</td>
<td>17,128</td>
</tr>
<tr>
<td>Total revenue</td>
<td>10,011,292</td>
<td>8,519,705</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 through various joint venture arrangements. Details of the Consolidated Entity’s share of joint ventures’ revenue are provided as additional information below as Revenue – Group and joint ventures. Revenue – joint ventures represents the Group’s share of the operations of the joint venture or associated entity.

Revenue – Group and joint ventures

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue – Group</td>
<td>9,967,040</td>
<td>8,502,577</td>
</tr>
<tr>
<td>Revenue – joint ventures</td>
<td>1,880,197</td>
<td>1,513,889</td>
</tr>
<tr>
<td>Total revenue – Group and joint ventures</td>
<td>11,847,237</td>
<td>10,016,466</td>
</tr>
<tr>
<td>Other revenue</td>
<td>44,252</td>
<td>17,128</td>
</tr>
<tr>
<td>Revenue – Group and joint ventures</td>
<td>11,891,489</td>
<td>10,033,594</td>
</tr>
</tbody>
</table>
### Notes continued

#### 3 Expenses

<table>
<thead>
<tr>
<th>Expenses</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials</td>
<td>2,360,707</td>
<td>2,042,929</td>
</tr>
<tr>
<td>Subcontractors</td>
<td>2,836,025</td>
<td>2,530,623</td>
</tr>
<tr>
<td>Plant costs</td>
<td>885,195</td>
<td>791,883</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>426,681</td>
<td>454,051</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>2,357,449</td>
<td>1,842,741</td>
</tr>
<tr>
<td>Operating leases payments</td>
<td>267,233</td>
<td>157,003</td>
</tr>
<tr>
<td>Professional fees</td>
<td>157,439</td>
<td>139,733</td>
</tr>
<tr>
<td>Foreign exchange losses</td>
<td>4,066</td>
<td>2,719</td>
</tr>
<tr>
<td>Net gain on the sale of other investments</td>
<td>(24,284)</td>
<td>(4,243)</td>
</tr>
<tr>
<td>Net gain on the sale of property, plant and equipment</td>
<td>(24,209)</td>
<td>(17,342)</td>
</tr>
<tr>
<td>Cost of development properties sold</td>
<td>13,446</td>
<td>5,700</td>
</tr>
<tr>
<td>Impairment of investment in Asia Pacific Transport (ADrail)</td>
<td>–</td>
<td>47,507</td>
</tr>
<tr>
<td>Impairment of other investments</td>
<td>–</td>
<td>625</td>
</tr>
<tr>
<td>Impairment of goodwill</td>
<td>–</td>
<td>1,241</td>
</tr>
<tr>
<td>Other expenses</td>
<td>245,771</td>
<td>208,021</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>9,505,519</td>
<td>8,203,191</td>
</tr>
</tbody>
</table>

#### 4 Depreciation

Depreciation of property, plant and equipment comprises:

<table>
<thead>
<tr>
<th>Depreciation</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>1,220</td>
<td>1,207</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>263,919</td>
<td>271,057</td>
</tr>
<tr>
<td>Plant and equipment – major component parts</td>
<td>153,781</td>
<td>176,729</td>
</tr>
<tr>
<td>Leasehold land and buildings</td>
<td>846</td>
<td>820</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>3,830</td>
<td>1,984</td>
</tr>
<tr>
<td>Waste management assets</td>
<td>3,085</td>
<td>2,254</td>
</tr>
<tr>
<td><strong>Total depreciation</strong></td>
<td>426,681</td>
<td>454,051</td>
</tr>
</tbody>
</table>

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87
### Segment Information

<table>
<thead>
<tr>
<th></th>
<th>Australia/Pacific $’000</th>
<th>Asia $’000</th>
<th>Eliminations $’000</th>
<th>Total $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group and joint ventures</td>
<td>10,247,933</td>
<td>1,643,556</td>
<td>–</td>
<td>11,891,489</td>
</tr>
<tr>
<td><strong>Segment revenue</strong></td>
<td>8,604,268</td>
<td>1,369,069</td>
<td>–</td>
<td>9,973,337</td>
</tr>
<tr>
<td><strong>Interest revenue</strong></td>
<td>37,955</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>10,011,292</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Segment result</strong></td>
<td>415,774</td>
<td>52,044</td>
<td>–</td>
<td>467,818</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>584,096</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(128,860)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>455,236</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

### Primary Segment – Geographical

<table>
<thead>
<tr>
<th></th>
<th>Australia/Pacific $’000</th>
<th>Asia $’000</th>
<th>Eliminations $’000</th>
<th>Total $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group and joint ventures</td>
<td>8,349,445</td>
<td>1,684,149</td>
<td>–</td>
<td>10,033,594</td>
</tr>
<tr>
<td><strong>Segment revenue</strong></td>
<td>7,164,718</td>
<td>1,337,859</td>
<td>–</td>
<td>8,502,577</td>
</tr>
<tr>
<td><strong>Interest revenue</strong></td>
<td>17,128</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td>(25,557)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>371,153</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>
</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.*

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**Notes continued**

Details of total revenue including the Group’s share of joint ventures’ revenue is provided as additional information.
6 Dividends

<table>
<thead>
<tr>
<th>Year</th>
<th>Cents per share</th>
<th>$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007 final dividend</td>
<td>65.0</td>
<td>180,757</td>
</tr>
</tbody>
</table>

Subsequent to reporting date the Company announced a final dividend in respect of the year ended 30 June 2007 50% franked at a tax rate of 30%. For non-resident and corporate shareholders the unfranked component of the dividend will include 32.5 cents per share conduit foreign income. The dividend is payable on 28 September 2007. This dividend has not been provided for in the balance sheet. The declaration and subsequent payment of this dividend has no income tax consequences for the Company.

Dividends recognised in the reporting period

To 30 June 2007

- 2007 interim ordinary dividend unfranked paid on 30 March 2007 | 45.0 | 125,136 |
- 2006 final ordinary dividend 50% franked at a tax rate of 30% paid on 29 September 2006 | 41.0 | 113,997 |

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 |

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 2007, only those persons who are registered as Noteholders at the opening of business on 1 November 2007 (“Record Date”) shall be entitled to receive the payment. 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 2007 at the rate of 8.01% pa in respect of the period from 31 May 2007 to 29 November 2007 (both dates included). For the 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 2007 (“Record Date”) shall be entitled to receive the payment.

9 Events Subsequent to Balance Date

Subsequent to reporting date, the Consolidated Entity declared a final dividend of 65.0 cents (50% franked) per share (note 20) and acquired a 45% interest in Al-Habtoor Engineering, which operates in the Gulf Region, for $870 million. The investment was funded $350 million from cash reserves and $520 million from non-recourse debt funding secured against the shares in Al-Habtoor.
Gold Coast desalination project alliance, Queensland. Contractor: John Holland Group.
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 2007, set out on pages 82 to 89:
(a) has been derived from or is consistent with the full financial report for the year; and
(b) complies with Accounting Standard AASB 1039 Concise Financial Reports.
Dated at Sydney this 3rd day of September 2007.
Signed in accordance with a resolution of the Directors:

D A Mortimer AO
Chairman

W M King AO
Chief Executive Officer

Independent auditor’s report to the members of Leighton Holdings Limited
The accompanying concise financial report of Leighton Holdings Limited (the “Consolidated Entity”), comprising Leighton Holdings Limited (the “Company”) and its controlled entities comprises the balance sheet as at 30 June 2007, the income statement, statement of recognised income and expenses and cash flow statement for the year then ended and related notes 1 to 9, derived from the audited financial report of Leighton Holdings Limited for the year ended 30 June 2007. The concise financial report does not contain all the disclosures required by Australian Accounting Standards.

Directors’ responsibility for the concise financial report
The directors of the Consolidated Entity are responsible for the preparation and presentation of the concise financial report in accordance with Australian Accounting Standard AASB 1039 Concise Financial Reports and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility
Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit in accordance with Australian Auditing Standards, of the financial report of Leighton Holdings Limited for the year ended 30 June 2007. Our audit report on the financial report for the year was signed on 3 September 2007 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free of material misstatement.

Our procedures in respect of the concise financial report include testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Australian Accounting Standard AASB 1039 Concise Financial Reports.

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

Auditor’s opinion
In our opinion the concise financial report of Leighton Holdings Limited and its controlled entities for the year ended 30 June 2007 complies with Australian Accounting Standard AASB 1039 Concise Financial Reports.

KPMG

S Gatt
Partner

Sydney, 3 September 2007
### 5-Year Statistical Summary

#### Summary of Financial Position

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>480,988</td>
<td>479,744</td>
<td>421,851</td>
<td>421,851</td>
<td>414,798</td>
</tr>
<tr>
<td>Total equity</td>
<td>1,350,473</td>
<td>1,102,901</td>
<td>893,207</td>
<td>844,267</td>
<td>856,312</td>
</tr>
<tr>
<td>Total equity attributable to equity holders of the parent</td>
<td>1,354,599</td>
<td>1,103,269</td>
<td>894,495</td>
<td>855,915</td>
<td>870,644</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>3,390,603</td>
<td>2,700,019</td>
<td>2,111,197</td>
<td>1,888,968</td>
<td>1,291,882</td>
</tr>
<tr>
<td>Total assets</td>
<td>4,745,202</td>
<td>3,803,288</td>
<td>3,005,692</td>
<td>2,744,883</td>
<td>2,162,526</td>
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#### Summary of Financial Performance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue – Group and joint ventures</td>
<td>11,891,489</td>
<td>10,033,594</td>
<td>7,607,344</td>
<td>6,003,824</td>
<td>5,620,236</td>
</tr>
<tr>
<td>Profit before finance costs and tax</td>
<td>618,351</td>
<td>396,710</td>
<td>325,732</td>
<td>179,476</td>
<td>231,824</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>584,096</td>
<td>371,153</td>
<td>299,380</td>
<td>161,358</td>
<td>222,540</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>128,860</td>
<td>93,764</td>
<td>82,176</td>
<td>39,296</td>
<td>71,565</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>455,236</td>
<td>277,389</td>
<td>217,204</td>
<td>122,062</td>
<td>150,975</td>
</tr>
<tr>
<td>Profit for the year attributable to members of the parent entity</td>
<td>450,042</td>
<td>276,069</td>
<td>215,191</td>
<td>110,031</td>
<td>140,014</td>
</tr>
</tbody>
</table>

#### Financial Statistics

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends per ordinary share</td>
<td>110.0¢</td>
</tr>
<tr>
<td>Earnings per ordinary share</td>
<td></td>
</tr>
<tr>
<td>– basic</td>
<td>162.3¢</td>
</tr>
<tr>
<td>– diluted</td>
<td>162.0¢</td>
</tr>
<tr>
<td>Return on equity attributable to equity holders of the parent</td>
<td>33.3%</td>
</tr>
<tr>
<td>Return on total assets</td>
<td>9.5%</td>
</tr>
<tr>
<td>Profit before finance costs and tax to total revenue</td>
<td>5.2%</td>
</tr>
<tr>
<td>Profit for the year attributable to members of the parent entity to total revenue</td>
<td>3.8%</td>
</tr>
<tr>
<td>Dividend times covered</td>
<td>1.5</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>67.8%</td>
</tr>
<tr>
<td>Interest times covered</td>
<td>18.1</td>
</tr>
<tr>
<td>Net tangible assets per ordinary share</td>
<td>$4.56</td>
</tr>
<tr>
<td>Current ratio</td>
<td>1.0</td>
</tr>
<tr>
<td>Total equity to total assets</td>
<td>28.5%</td>
</tr>
<tr>
<td>Total equity to total liabilities</td>
<td>40.0%</td>
</tr>
<tr>
<td>Gross borrowings to total equity</td>
<td>26.7%</td>
</tr>
<tr>
<td>Number of employees</td>
<td>27,834</td>
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</tbody>
</table>
CONCISE ANNUAL REPORT 2007 SUPPLEMENT

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. Leighton Holdings provides an umbrella framework of corporate governance, ensuring the highest standards of behaviour are adopted. We actively encourage the autonomy of our operating companies, enabling them to cultivate long-term relationships in the markets and regions they each serve.
our values aren't just framed on a wall

Leighton Holding Limited
Concise Annual Report 2007 Supplement
our values
frame
how we do business
each day
Our values are at the heart of understanding who we are and what we do, beyond the single year focus of an annual report. Respected Australian financial journalist, John Arbouw, explores the significance of the core values and what Leighton Holdings’ CEO Wal King AO describes as the Group’s ‘Rules of Racing’. The rules are backed by more detailed policies, guidelines and systems to provide the glue that binds the Leighton Group together.

We hope that the following series of articles provides some interesting insights into how our values shape the behaviour and performance of our Group companies, while also creating an enduring framework for the future.
Our core values drive the Rules of Racing

1. Value 1: Be commercially competitive. “We do not apologise for being commercially competitive and that we want to produce a commercial result both in the short and long term for shareholders and for the well being of the people working within the corporation as a whole.”

2. Value 2: Provide a safe and healthy workplace. “We also want to have a safe and healthy workplace environment that goes beyond the moral or regulatory requirements. We have an enormous focus on safety regardless of where we work in the world.”

3. Value 3: Act with integrity and fairness. “We expect to treat people with respect. We need to treat people with fairness throughout the organisation and it doesn’t matter whether it is Australia, India or Vietnam. We are not hierarchical and I spend a lot time going around the organisation to ensure we do not have a master servant relationship. A truck driver is just as important as a project manager. We should strive to be an egalitarian organisation.”
EVEN PUBLICLY LISTED COMPANY has corporate governance policies, workplace behaviour rules, and often statements dealing with ethics, the environment and corporate social responsibility. For some it may be simply a ‘tick the box’ exercise. Across the Leighton Group we not only believe our rules of corporate behaviour – we live them. Our values are practical and concise. They provide clear guidance to all employees on how we aspire to work every day, now and into the future. The Leighton Group’s core values and Wal King’s ‘Rules of Racing’ provide the glue that binds the Group together. “These corporate values are not just aspirational rhetoric nor are they implemented from the top down. They are the values that individuals within the company have to take ownership of. We revisit these values every year and if there is a particular need to change them we will,” says King.

Value 4
Create a fun, challenging and performance driven culture.
“There is a lot of angst about this statement within the organisation, especially the word fun. Our business is a very serious business but it doesn’t have to mean that you sit around like you are attending a funeral. I know some boards where you are not allowed to laugh at a board meeting. I have always encouraged a level of informality. We are all here to make profits and have fun. A fun culture produces enthusiasm as well as driving performance and the desire to win. It is no use being in a game or on a team if you do not want to win. We are certainly performance-driven.”

Value 5
Protect the environment.
“We interact with the environment on many levels everyday. In the scale of our operations we have had very few incidents and that is part of our values.”

Value 6
Recognise the needs of the community.
“In the early 80s we began to clearly understand that working with the community was vital but that it also has its challenges. When we did the original M5 motorway it was the first job where we dedicated people to interacting and dealing with the community. This also worked well when we constructed the Sydney Casino which was located in a very busy urban community setting. We now take the same approach whether it is in Australia or a village in Indonesia or the Philippines.”

Value 7
Encourage innovation and technological leadership.
“The company has always encouraged innovation. If anyone comes to us with an idea that has merit and is worth investing in we will have a serious look at it.”
IN A BUSINESS environment where financiers create new and often exotic expressions to describe the process of lending money and companies can easily be captured by management consultants espousing the need for diverse revenue streams, Leighton Holdings continues to be unfashionably successful by doing what it knows best.

And, by remaining true to its engineering origins and the corporate culture that has been built upon it, the Leighton Group has evolved from an Australian construction and engineering company to become a major global player in the infrastructure and project development space.

This is not to say that since its beginnings as a family company in the post war construction boom of the late 1940s, Leighton hasn’t been tempted now and again by the siren call of corporate fashion.

The attempt at establishing an American presence in the 1980s was a financial embarrassment created by poor planning and naive assumptions. It was a common mistake made by almost all blue chip Australian companies which at the time had ambitions to enter the US market.

As well, the idea that Leighton should buy and sell properties was seriously questioned with the 1987 stock market crash, unsustainable interest rates and the resulting slump in the property market.

But success and failure is part of the process of taking corporate risks without which companies cannot grow or prosper. It is the management of that risk, based on identifiable internal values and processes, that ultimately makes or breaks a company.

And the making of Leighton, from a construction company sweating on thin profit margins, to a Top 50 ASX blue chip that announced a 63% increase in net profits to A$450m for the year ending June 2007 is, by any measure, a remarkable story.

It is a story well understood by Leighton Holding’s loyal band of mum and dad shareholders who have bought into the company precisely because it stays true to its origins. It is also a story that owes much to its chief articulator, Leighton CEO Wal King.
It is the natural inclination of King to speak plainly and tell the story, for better or worse, in a manner that the market, the shareholders and employees can easily understand, that sets Leighton apart. For King, Leighton is today still very much a family company complete with the values and shared goals that characterise family endeavours. The only difference is that Leighton is now a family of companies.

“We have differentiated ourselves by having a family of companies which have an enormous amount of autonomy in terms of freedom to operate and individual responsibility,” says King. “I believe that this has created enormous initiative and has allowed our Group to be intelligent in that individual companies have to be very inventive to take their business forward.

“It is not a hierarchical structure. One of my issues is that when people either inside or outside talk about the enterprise it is not simply the holding company, it is several enterprises that have their own freedom and culture.”

So how do you balance this initiative, competitiveness and rivalry without obvious acrimony? What is the glue that binds this family of companies together? As King admits it is a delicate balance and can only work if everyone believes in, and adheres to, a common set of rules.

While the architecture of the Group is the family of companies, ultimately it is the listed parent company – Leighton Holdings – that provides the leadership, the corporate values and the business expectations which King likes to describe as the rules of racing.

“The rules of racing are merely the rules of the game. We set the rules but do not race ourselves. Leighton Holdings provides a constructive overview but we are not like an anxious parent at a school sporting event running up and down the sidelines shouting advice,” says King.

“We are there to provide guidance. I don’t believe that centralisation of power is the way to go because it stifles initiative.”

While the rules of racing cover safety in the workplace, protection of the environment, community responsibility and the encouragement of innovation and leadership, they are also about ensuring that Leighton collectively and individually remains profitable. The Group companies, for example, will continue to compete fiercely with one another. Each of the companies in the family operate independently of each other in the market place, within their own business plan. But in typical King fashion he bemoans long winded and overly complex business plans.

“Look, you could probably cut 20 pages out of this,” he says pointing to the Leighton Group business plan.

“When it comes to the operating companies the business plan rules are very, very simple. It sets out geographic boundaries of the business, it gives the financial criteria, safety expectations and an organisational chart.

“For instance, Leighton Contractors has a two to three page business plan and this is for a business that has a $4 billion turnover.

“Our strategy is really based on three or four components. It is based on geography in terms of which countries we work in, it is based on markets in terms of the type of work we are involved in and it is based on delivery systems.”

But has Leighton heard the latest business fashion siren call? Will the company, like so many of its contemporaries, go down the path of owning infrastructure assets as well as building them, and put these assets into an infrastructure fund and publicly list them?

“We have certainly looked at the model of owning infrastructure assets and putting them into special purpose funds but it is not in our immediate focus. We believe that the model of turning our money over quickly and having high rates of return is a better way to go. We are currently returning around 35% on shareholder funds.

“As well, you need a big balance sheet to do this and you need completely different skill sets. We don’t want to confuse people in a conglomerate sense.

“In my view conglomerates do not succeed in the long term. An investor has to decide whether to invest in a construction company or an asset owner.

“Every business is always a better business. We have always said that our business is a great business if you do it properly. If you are a football team and you have the physical attributes and you practise, then you have a good chance of becoming a winning team. What you can’t do is play football one day and tennis the next and expect to be a champion in both.”

According to King, his philosophy is that if you are going to diversify then you diversify with new products in your home base. It is why John Holland has branched out into an engineering-related business by buying the former Ansett aircraft maintenance facility in Melbourne.

“It is one of the largest aircraft maintenance facilities and has done a deal with Tiger Airways to maintain their aircraft. This is potentially a $400 – 500 million turnover per year business.

“Why do that? Well, it is a services business close to our home. Our strategy is organic growth in our home markets and diversification into closely aligned industries. We also diversify geographically in our core areas. And we will look for bolt on acquisitions.

“We now have more opportunities than we can possibly deal with. Our biggest threat is that we take the company beyond our ability to resource and manage projects.”
A tunnel project or a toll road is easily identifiable as a structure. What is less evident is the level of confidence and trust that has been built up with the client. It is success in this area that has forged the Group’s reputation regardless of which of the operating companies wins the project.

The Commercial Equation between price and value is much discussed and often misunderstood. As negotiations during a deal progress, it is the tangible benefits to either party that dominate but it is the intangible benefits that endure long after the project or deal is completed.

While accountants will always try to quantify intangible benefits, they remain stubbornly elusive at any attempt to include them on a balance sheet.

But a deal isn’t simply about price, it is about relationships. In Asia, a deal happens only after the two parties have created a personal relationship that encompasses mutual understanding of what each party hopes to achieve, beyond the fine print in the contract.

It is building relationships rather than simply signing a contract that is the key to long-term success. No contract can ever accurately reflect the intentions and aspirations of the parties to the deal.

It is why reputation, based on successful long-term relationships between Leighton Group companies and their clients, is the single most important criteria for corporate success and its value to clients, shareholders and employees immeasurable.

The ability to build long-term relationships with clients is no more evident than in the public private partnership (PPP) model of infrastructure and project delivery. While all projects involve a partnership arrangement of some type, the PPP model is a more formal arrangement over a 25 or 30 year time frame.

Such relationships have to be earned in terms of project performance and commitment to ensuring the environment is not affected and the community in which these projects are undertaken over a 50 month period using a combination of two custom designed double-shield tunnel boring machines and a number of road headers. The project is expected to open to traffic in 2010, with the roadside operations being undertaken by a special purpose company owned 50:50 by Leighton Contractors and Bilfinger Berger Services.

The project is being designed and constructed by a joint venture between Leighton Contractors, Baulderstone Hornibrook and Bilfinger Berger Civil under a fixed price, fixed time, design and construct contract. Construction will be undertaken over a 50 month period using a combination of two custom designed double-shield tunnel boring machines and a number of road headers. The project is expected to open to traffic in 2010, with the roadside operations being undertaken by a special purpose company owned 50:50 by Leighton Contractors and Bilfinger Berger Services.

It is a project that is the launching pad for more than $10 billion worth of PPP projects in Brisbane and Queensland. It is also a complex project in terms of multiple relationships. Since the project is being financed by the private sector, there is the relationship with the lending consortium, and the requisite understanding of risk during the construction phase and the post-construction phase.

There is also the relationship and partnering with the other companies in the sponsor consortium that are responsible for the construction. This is no simple task and it is absolutely vital to ensure that there is common ground and agreement in dealing with the environment, the community, the government and workplace health and safety.

And, it is the first PPP project ever attempted by the Brisbane City Council; the largest municipal council in Australia and one of the largest in the world.

It is essential to get this right if one of the Group’s operating companies hopes to win the $2.5 billion Airport Link/Northern Busway project, which will be developed jointly by the Brisbane City Council and the Queensland State Government.

A tunnel project or a toll road is easily identifiable as a structure. What is less evident is the level of confidence and trust that has been built up with the client. It is success in this area that has forged the Leighton Group’s reputation, regardless of which of the Group’s companies wins the project.
Gain without the Pain
Leighton shows the right amount of caution with the business and that makes people even more positive about the outlook.

**many happy returns**

**WARREN BUFFET**, CEO of the mega billion Berkshire Hathaway company in the US, is famously known as the Oracle of Omaha (BH’s headquarters) for his ability to pick investments and predict market trends. The Berkshire Hathaway AGM is commonly described as Woodstock for capitalists.

Had you put US$10,000 into Berkshire Hathaway when Buffett bought control of it in 1965, you’d have more than US$5,500 million today, compared to the just under US$500,000 you’d have if you’d invested in the US Standard & Poor’s 500 stock index.

Investors love a winner but what Buffet has done in the notoriously fickle world of share investing is earn the trust of the mums and dads who have put their faith and their dollars into a mutual future.

In Australia, more than 60% of the population either individually or collectively through their super funds invest in shares and we are recognised as a global leader in that respect.
While the criteria of a fund manager may be somewhat different to the self-funded retiree, the selection process is remarkably similar. A fund manager may want a rising share price and liquidity while retail investors prefer the franked dividend but the reason they both invest in the same company is a question of trust, confidence, track record and future prospects.

And this comes down to the accuracy of the story that the company tells the market and investors at any one point in time. If the froth and bubble message of hope over reason disguises the tepid waters underneath, investors of every description lose confidence very quickly.

The business papers may wax and wane on the outlook of a company based on quarterly or half-yearly reports but the reality is that investors are far more discerning than they are often given credit for by the commentators.

Part of the reason for this is that companies are now judged on a range of issues beyond the profit results. It is a more holistic approach that takes into consideration a range of factors such as the attitude to the environment, the community, the relationship with its employees and the manner in which it does business and is judged by its peers.

It also comes down to investors understanding the business the company is involved in. In the pre-resources boom of the early 1990s, a number of mining companies suddenly went into the IT business to ride the dot.com boom. It ended in tears for those companies and investors.

There is a growing view that an Annual General Meeting of shareholders and the Annual Report should become virtual affairs, where physical paper and a physical presence is replaced by the ubiquitous computer mouse in terms of access and information. It may be the way of the future but shareholders, whether institutional or retail, still like to see the white of the people in charge of their money. It is not simply about profits.

What is more important is the trust factor that applies both to the company as an entity and to the people who run it. Gaining investor trust and confidence is not axiomatic to becoming a listed company. It is gained through hard work, through good and bad times, and the implicit understanding that there is a common purpose built on identifiable values.

For Leighton shareholders, their trust and confidence has been well rewarded financially while they have received an extra dividend in terms of pride from watching an Australian construction and project management company become a global leader.

Leighton Holdings and its family of operating companies have had a consistent story to tell for their entire existence. They provide project development and contracting services – such as mining, construction or operations and maintenance – for infrastructure, property or resources-based projects, and make a profit doing so.

It is a business that investors understand, including its exposure to economic activity and downturns. But with a number of companies operating in that business space, the question of differentiation comes into play.

As one analyst noted earlier this year, Leighton shows the “right amount of caution with the business and that makes people even more positive about the outlook”. It is a caution tempered not only by business and economic conditions but also by the realisation that there are operational risks in doing business both domestically and internationally.

The requirement that companies report on areas beyond the profit result to include environmental and social factors (triple bottom line) makes caution a virtue. The resources and infrastructure boom that is a feature of the Australian market, and the economic boom throughout Asia and the Middle East, augur well for the prospects of the Leighton Group over the next five years or more.

The Leighton AGM may not be the Australian version of Woodstock for capitalists but the mums and dads who regularly attend its annual meetings have a pride in a company that responsibly builds things that last.
Taking responsibility for your actions is as much a sign of personal maturity as it is a vital life sign of the health of a company. It is also a test of how wide the gap is between what is said and what is done; an opportunity to show your true colours.
THERE IS AN OLD SAYING that success has many fathers but failure is an orphan. It explains in part the reason that no company, no government, and no individual will easily own up to the mistakes they have made.

The doctrine of infallibility may be a religious concept but its application in the normal course of human endeavour on all levels is a commonplace feature of modern life. It is why there is a rush to the exits marked ‘not my fault or responsibility’ when things go wrong. But taking responsibility for your actions is as much a sign of personal maturity as it is a vital life sign of the health of a company. It is also a test of how wide the gap is between what is said and what is done.

The equation for a company is simple – the wider the gap between what is said and what is done, the bigger the loss of trust. All companies hope they never have to confront this gap, but that is not the reality of corporate life and failure to deal with these gaps has the potential to make or break a business.

Leighton Holdings had to confront this issue when Thiess and John Holland, two of the companies in the Lane Cove Tunnel toll road consortium, were faced with a disaster when an apartment block partially collapsed due to subsidence from tunnel construction activity in 2005.

The $1.1 billion Lane Cove Tunnel project is a greenfield toll road in Sydney, financed entirely through the capital markets.

The potential collapse of the apartment building put a completely new meaning into construction risk and created political risk for the end owner, the Roads and Traffic Authority – already under pressure because of Cross City Tunnel problems.

It also provided a real risk to the people living in the apartment block because the cracked building, located above a 10 metre by 10 metre crater near the Pacific Highway’s southbound exit ramp in Lane Cove, was very unstable.

As one resident, who bought one of the two-bedroom ground floor units for his daughter to give to her on her 21st, said at the time: “It looks like I’ll be giving her the deeds to a huge hole.”

For Thiess and John Holland, who make their living from digging dirt and building things, this was a situation where the stated values in terms of commitment to the environment, the safety of employees and responsibilities to the community, would be put to the test.

What was at stake was whether the market, investors, shareholders and employees perceived any gap between words and deeds. A hole in the ground can be fixed but the perception that a company is not living up to its stated values is irreparable. When events such as this occur during project construction, it is like having to put out several fires at the same time. There is the media, keen for a tragedy story and someone to blame. There is the client, worried about the implications on several levels. There are the lenders and equity providers to the project, worried about their money and, most importantly, there are the people directly affected by the incident.

This kind of pressure is very hard for a company to deal with and there is often a natural tendency to shift the blame and responsibility.

Whether this was realised or not within the Leighton Group, the manner in which it responded to this highly public event will serve as a benchmark for other companies faced with similar problems.

The physical repairs for a construction company are fairly straightforward. What are harder are the psychological and practical problems of people displaced from their homes. Inevitably, this means spending money.

Thiess’ CEO, David Saxelby, put the issue in perspective at the time when he told the media: “we are keen to help as many residents as possible return to their normal everyday lives and we will do everything that is within our power to make this happen. No one will be worse off as a result of this incident. We will assist any residents who wish to move to find alternative accommodation. We will continue to pay for their accommodation until we can finalise fair and equitable compensation for all those affected.”

“We are also talking with owners of the damaged units to understand their individual positions and how we can come to a fair and equitable settlement with each of them as soon as possible.”

“Our team has been working to ensure that everything is ready for residents who want to return to their units. This has included engaging electricians to check the power services, and cleaners to ensure units are fully habitable. We have already helped residents clean out their fridges and will continue to assist them in any way possible,” Saxelby said.

It is two years since the collapse occurred and in that time all owners wishing to sell to Thiess and John Holland have been given the opportunity to do so. Further, all tenants in the buildings affected have been relocated to alternative accommodation by the joint venture. John Holland has just been awarded the potentially controversial Sydney desalination project, which will have its own community dynamics but the award is an indicator of the NSW Government’s confidence in the company’s ability to deal with complex issues.

Most importantly, it was a test of the Leighton Group’s value system in practice, which it passed with flying colours.
The employee value proposition which creates an environment that allows the individual to grow and prosper as a company grows and prospers is now a competitive advantage in the war for talent. It has also created a winning culture and it is the reason the Leighton Group keeps racing ahead of its competitors.
a winning culture