Leighton

2000

Leighton Group
Concise Annual Report

Construction is a core skill. But our ability to deliver growth to shareholders is driven by our success in developing new businesses and assets, responding to the outsourcing needs of our clients and offering total solutions to the community.

More than just construction

Who are we?
Leighton Holdings limited is the parent company of Australia's largest project development and contracting group. Founded in Victoria in 1949, the organisation has grown from a small, privately owned civil engineering firm into a dynamic group which includes Thiess, Leighton Contractors, Leighton Asia, John Holland, Leighton Properties and Technical Resources. With over 12,500 employees, the Group's operations are spread all around the Asia-Pacific region on projects in Australia, Hong Kong, Indonesia, the Philippines, Thailand, Malaysia, Vietnam, China, New Zealand and Papua New Guinea. The Group has also established a presence in South America to provide services to clients in the mining and resources sector. Leighton Holdings is listed on the Australian Stock Exchange and has its head office in Sydney.

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

Why "more than just construction"?
Construction of buildings and engineering infrastructure is the most obvious and visible aspect of the Group's business in Australia and Asia. Construction is the Group's core skill and accounts for over 50% of its revenue. However, we have diversified into new industries and developed skills and services that sit either side of the construction process. We develop business concepts, arrange financing, provide sponsor equity and manage design, regulatory and community issues. After a business has been established and a facility has been built, we also offer long-term operation and maintenance. Other services we provide, such as operating a coal mine, installing Pay-TV in a home or collecting and recycling waste, often have no traditional construction component. While construction remains a core activity, what we offer today is more than just construction.

02/03

Corporate Report

Leighton Holdings Limited ACN 004 482 982
ABN 57 004 482 982
Notice of Annual General Meeting 2000
To: The Shareholders

Notice is hereby given that the Annual General Meeting of the members of Leighton Holdings Limited will be held at the Regent Hotel, 199 George Street, Sydney, on Thursday 2 November 2000, at 10.00 am.

A separate Notice of Meeting and Proxy Form is enclosed.

During the course of the meeting, a short presentation on the Group's operations will be given by Wal King AM, Chief Executive Officer. All present are invited to join the Directors for light refreshments after the meeting.

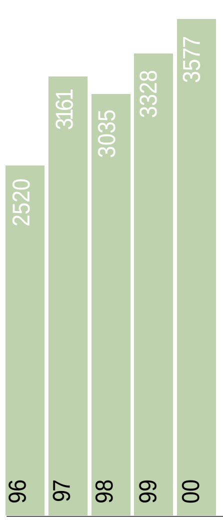
Contents

04/05

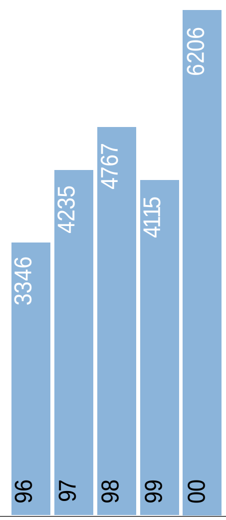
The Year in Review

- Operating profit after tax up 10% to $134 million
- Return on average shareholders' funds remains high at 21%
- Dividend up by 10% to 33 cents
- Work in hand up more than 50% to $6.2 billion
- Strong balance sheet, net cash $250 million
- Good result due to diversity of industry, service and geography
- Good results expected to continue

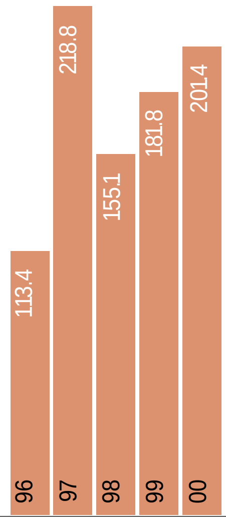
Total Revenue $million



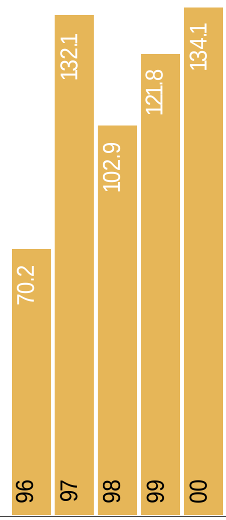
Work in Hand $million



Operating Profit Before Tax $million



Operating Profit After Tax $million

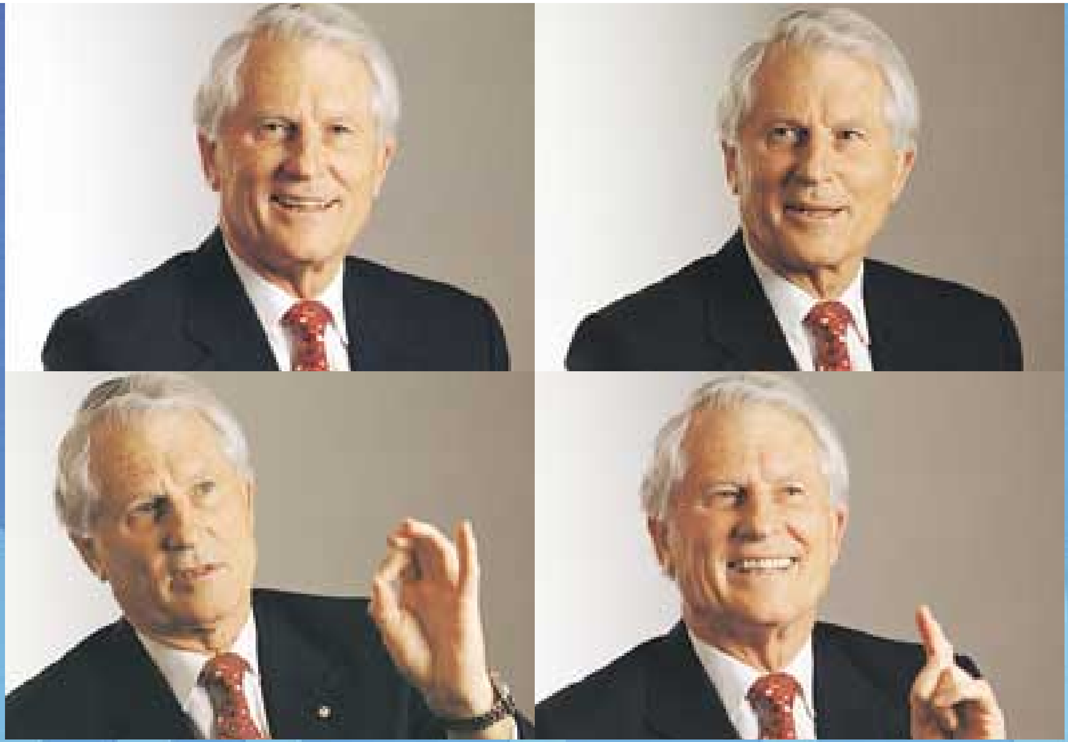


Total Assets $million

	2000 $'000	1999 $'000	% Change
Total Revenue	3,577,364	3,327,878	+7.5
Operating Revenue	3,445,349	3,220,545	+7.0
New Contracts, Extensions & Variations	5,363,011	2,541,050	+111.1
Value of Work in Hand	6,205,920	4,115,048	+50.8
Value of Uncompleted Management Contracts	568,038	321,653	+76.6
Operating Profit Before Tax	201,374	181,818	+10.8
Income Tax	(43,371)	(50,424)	–14.0
Operating Profit After Tax	134,080	121,809	+10.1
Dividends	86,685	78,511	+10.4
Total Capital and Reserves (excluding minorities)	660,580	612,339	+7.9
Total Assets	1,729,321	1,575,994	+9.7
Net Cash	250,250	271,094	–7.7
Undrawn Facilities	167,500	176,000	–4.8
Earnings per Ordinary Share	51.1¢	46.6¢	+9.7
Dividends per Ordinary Share	33.0¢	30.0¢	+10.0

06/07

From the Chairman



"An excellent result for shareholders with a strong platform for future growth."

MA (Tim) Besley AO Chairman

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

Associate Directors
M C Albrecht, J Faulkner,
R J Merkenhof, R S Trundle,
V A Vella, W J Wild

Secretary
A J Moir

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

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

Ethics Committee
M A Besley AO Chairman
G J Ashton, I R Johnson

Executive Committee
W M King AM Chairman
D S Adamsas, M C Albrecht,
J Faulkner, R J Merkenhof,
A J Moir, R S Trundle, V A Vella,
W H West, W J Wild

Remuneration Committee
M A Besley AO Chairman
W M King AM, A Drescher,
H-P Keitel

Leighton Holdings Board
Top to bottom:
Dr Hans-Peter Keitel
Deputy Chairman
Rod Wylie OBE
Deputy Chairman
Wal King AM
Chief Executive
Dieter Adamsas
Geoff Ashton

Top to bottom:
Geoff Dixon
Achim Drescher
Ian Johnson
Dr Busso Peus
David Mortimer
David Robinson

The Leighton Group ends the financial year in excellent shape, maintaining momentum and with an increased level of profit. Dividends per share were increased by 10% to 33 cents, although this and the next payment will be unfranked. We again demonstrated a return on shareholders' funds that ranks us in the top Australian stockmarket performers. Return on average equity continues to be exceptional at 21%, maintaining an average of 20.8% over the last five years.

The year's developments

The excellent result was due to the Group's stategy of diversifying by industry, service and geography. Improved results from Asia and good results from our telecommunications, mining and environmental services business offset reduced returns from the construction tender market in Australia.

In January Leighton Holdings acquired 70% of John Holland from Janet Holmes à Court's Heytesbury Group and is currently working to strengthen the company with financial support and focus. John Holland's excellent skills base and great reputation will be a valuable addition to the Leighton Group.

The Group successfully managed any potential Y2K problems and the introduction of the Goods and Services Tax. We foresee no significant difficulties from this first step in the reform of the Australian taxation system.

Governance and the Board

A priority for the Board was to maintain the effectiveness and relevance of the Group's Corporate Governance Policy. The full detail of the Policy is set out on pages 52 to 53.

Nine scheduled Board meetings were held during the year and Directors also attended various company briefings on significant ongoing operational and planning issues affecting the company. These included the John Holland acquisition, the prevailing market conditions in Australia and Asia, and a two day review of the Group's business planning strategies.

Directors attended two scheduled Board meetings in Brisbane and one in Hong Kong. In addition to the Board meetings, site visits were organised in these locations as well as in Sydney. Regional Board meetings and site visits enhance the Directors' understanding of operational issues and encourage interaction with management and employees.

The Board pays close attention to environmental issues and occupational health and safety. The Group continually strives to reduce the long-term accident frequency rates, with close attention to safety being an ongoing priority for all members of the Group.

The Board continued its process of self-evaluation as a means of measuring performance and identifying areas for improvement. The skills mix of Directors is well balanced with a range of complementary experience spanning the construction, transport, mining, finance, manufacturing and tourism industries. The Board also reviewed and updated the succession plans for Directors and senior executives within the Group.

The ethics committee was restructured during the year and is now comprised entirely of non-executive directors, with the managing director and other senior executives attending by invitation.

The Group's corporate governance processes are continuously reviewed to ensure compliance with changes to the Corporations Law and other legislation that affects Group companies. In line with reporting and continuous disclosure requirements the company made 42 announcements to the Australian Stock Exchange.

We continue to work closely with our major shareholder HOCHTIEF and look forward to pursuing new business opportunities with them in Asia. HOCHTIEF may seek to marginally increase its shareholding in the Group but if this does occur there will be no significant impact on the operation of the Leighton Group.

Outlook

I anticipate another good year ahead with 1999/2000 delivering a strong platform for future growth and increased profits. The Leighton Group has a collective momentum that will carry it well into the future, with a strong order book and some exciting opportunities.

The Australian economy is expected to grow at around 3%, presenting numerous growth opportunities alongside the new levels of work secured in Asia.

The Group awaits a Federal Government commitment on 'Speedrail', the very fast train project between Sydney and Canberra, for which Leighton Contractors remains preferred contractor. Speedrail represents a visionary commitment to transport infrastructure in Australia and I urge the Government to support it.

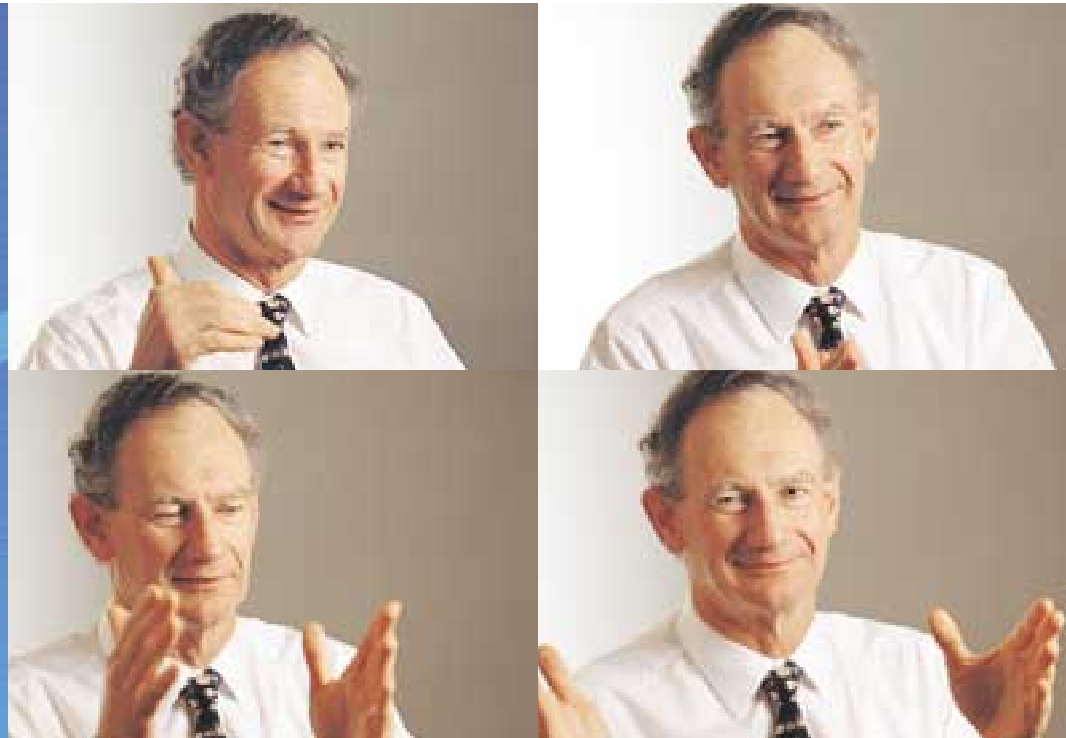
I thank my Board colleagues for their counsel over the past year. I also sincerely thank our shareholders for their loyalty during a period in which our share price has fluctuated significantly. In my view the market's judgement of the Group has been unnecessarily harsh, given Leighton's diversity, balance sheet strength, record order book and very low exposure to Olympic-related work levels in NSW.

We continue to look forward to providing shareholders with excellent returns on their equity and remain confident in our ability to grow the Leighton Group.

M A (Tim) Besley AO
Chairman

08/09

Chief Executive's Report



"We are uniquely positioned to continue to grow through our diversity of operations." **Wal King AM** Chief Executive

Leighton Holdings Limited
Corporate Management
W M King AM Chief Executive Officer
D S Adamsas Director, Finance and Administration
A J Moir Company Secretary
W H West General Manager, Operations
P Bingham-Hall General Manager, Corporate Affairs
G E McOrist General Manager, Treasury
T G Young General Manager-Controller, Financial Services
P C Janu Group Taxation Manager
C M Mendes Group Chief Accountant
A J Blake Commercial Development Manager
J M Grogan Manager, Investor and Media Relations
A T Mason Manager, Corporate Relations
K L Schulze Manager, Public Affairs
T G Stewart Treasury Manager

Martin Albrecht

Thiess Management Change
Our focus on succession planning will ensure a smooth transition of key management positions at Thiess. The Managing Director of Thiess, Martin Albrecht, retires at the end of October after 15 years at the helm. Martin has led the company through a period of tremendous growth and diversification. I thank him for his vision, contribution, support and friendship through the years. Roger Trundle, who will assume the role of Managing Director, has been with Thiess for 20 years and most recently was General Manager of Thiess' largest business unit, based in Queensland.

Overview of the year

The new millennium has commenced well for Leighton. We ended the year with work in hand up more than 50% to over $6 billion and some exciting major prospects. Total revenue increased 7.5% and profit after tax was up by 10.1%.

Thiess had an excellent year in both Australia and Indonesia and remained the largest contributor to the Group's result. Improved returns from Asia, telecommunications work, contract mining and environmental services offset lower returns from the competitive construction market in Australia.

We continued our successful strategy of selective acquisitions that will grow our contracting operations. The 70% investment in John Holland Australia did not contribute to profitability but is expected to provide a modest contribution next year. A number of other acquisitions within Thiess, Leighton Contractors and Leighton Asia boosted our workload and market position.

Strategic direction

The Leighton Group is distinctively positioned through its diversified market presence and range of services. This diversity and flexibility enable us to capitalise on changing market conditions and to develop new opportunities for growing the business.

Our scale and financial strength are key elements of our overall strategy, as is our decentralised corporate structure which allows authority to be delegated and results in strong brand identity for the individual operating companies.

Profitability in Australia and in Asia varies across industry sectors and geographic location, mainly due to the type of service on offer. The Group seeks to add value for both clients and shareholders by offering alternatives to traditional hard tender construction. These include strategic alliances with clients, operation and maintenance, and development projects, where we involve technical and financial partners and take a sponsorship equity position.

Review of operations

A key highlight was undoubtedly the new work won in Asia. Leighton Asia's presence was greatly expanded through $600 million of new work in Malaysia and the acquisition of John Holland Asia's coal mining operations in Indonesia and a large rail maintenance contract in Thailand.

Thiess' 10-year relationship with BHP in Indonesia resulted in the awarding of a major whole-of-mine contract for two coal mines in Kalimantan. In South America, Thiess secured its first small project from BHP as a platform for further investigating the region's contract mining potential.

In Australia, the mining and resources sector remained a strong contributor with Thiess sustaining an excellent level of work, particularly in the coal industry. New contracts at a number of mines were supplemented by the acquisition of Hunter Valley Earthmoving.

Telecommunications continues to be an emerging business for the Group and all operating companies recorded good performances in this area. Leighton Contractors is developing two large-scale privatised telecommunications infrastructure projects and is evolving to provide different services as new technology is introduced. Telecommunications has the potential to become one of our largest markets over the next few years.

An outstanding highlight in the engineering sector was the early completion of the Eastern Distributor tollroad, in Sydney. However, the overall engineering and building construction markets remained tough due to reducing levels of new work. In the property market we continue to focus on a number of smaller developments in alliance with our institutional and property partners.

Thiess Environmental Services continued to expand and made a good contribution to the result. Further acquisitions where made during the year to support and grow this business.

Employees, community and environment

Our performance is driven by our financial resources and our people. A comprehensive remuneration and bonus scheme provides incentives for individual performances and last year, over 2,000 Group employees were each issued with $1,000 worth of shares in the company, at no cost to the employee.

Occupational health and safety, and environmental management, remain a primary focus for the Group in both Australia and Asia. Our safety record in Asia at least equals our performance in Australia which is a great achievement. We also exceed local environmental regulatory requirements in Asia and aim to adopt the highest standards wherever possible.

Good relations with the broader community is also a core value. We have dedicated community relations managers on projects and actively consult with the communities within which we operate. The Group also supports various community organisations in areas such as education, health, conservation and the environment through our sponsorship program.

Information technology

The exponential growth in the electronic transfer of information is at the forefront of our technological and management systems development.

We are concentrating on improving our IT capability to enhance our competitive edge, increase productivity and support growth. This involves having the best technology platforms which will enable improvements across the business process. We are also taking an active role in the development of an Australia-wide industry portal on the internet to provide business to business, or B2B, services.

Looking forward

The outlook remains very positive with the record level of work in hand maintaining our momentum.

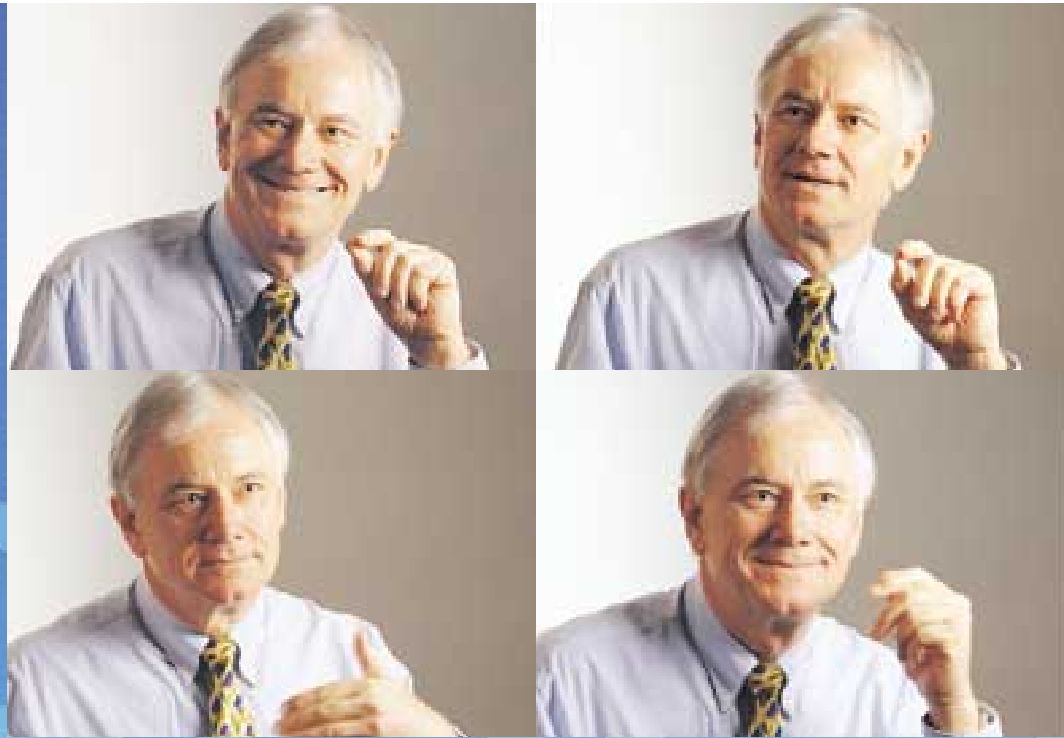
The Group remains clearly focused on organic growth in Australia and Asia, while maintaining a watching brief for complementary acquisitions offering further diversity.

A good level of cash has been maintained in preparation for further investment in growing our business, including the facilitation of major infrastructure projects. Several large-scale projects are currently being pursued in Australia which have the potential to further add to our impressive workload. In Asia, our priority remains to successfully manage the large volume of work won.

Overall, the Group has a great base that should lead to improving levels of revenue and profit.

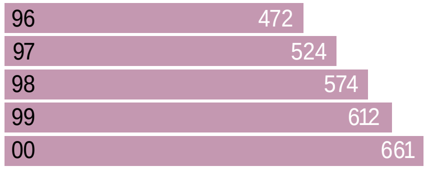
Wal King AM
Chief Executive Officer

Financial Management

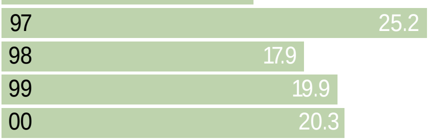


“The Group’s financial strength is a key component of our strategy.” **Dieter Adamsas** Director, Finance and Administration

Shareholders' Equity Attributable to Members of the Company $million

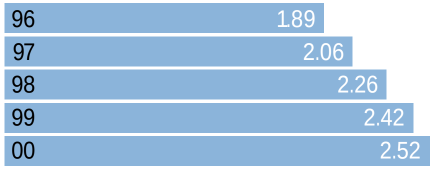


Return on Shareholders' Equity Attributable to Members of the Company %

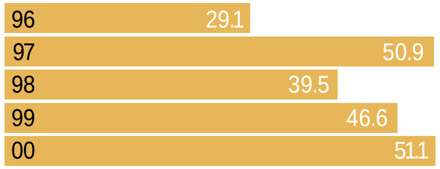


Total Shareholders' Equity to Total Assets %

Net Tangible Assets per Ordinary Share $

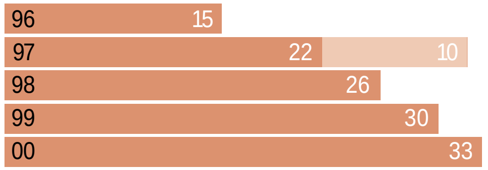


Earnings Per Ordinary Share ¢



Dividends Per Ordinary Share ¢

Ordinary Dividend ■ Special Dividend ■



Overview

The continued improvement in the Group's financial performance was a very satisfactory outcome given the expectation of difficult market conditions. Our broad financial objectives this year were to at least maintain our return on shareholders' funds, and to maintain a sound balance sheet. The return on average shareholders' funds was again excellent at 21%, while shareholders' funds as a percent of total assets remained around 40%. Earnings per share improved by 10% to 51.1 cents.

Balance sheet

The Group's strong BBB+ credit rating continues to recognise our stability and financial strength. A strong balance sheet is essential for the provision of around $600 million of guarantees and bonds to support projects undertaken by the Group. Our financial strength also enables us to pursue investment opportunities with confidence, fund large-scale projects and take a sponsorship role.

We will continue to back profitable business sectors and support growth in areas demonstrating solid long-term promise. Looking forward, some of our current cash reserves are likely to be invested in a number of major privatised projects such as Nextgen and Speedrail.

The Group is well placed to borrow significantly to fund investment if required. However, we anticipate that gearing will not exceed 50% of shareholders' funds. Continued investment of our cash resources in the business to support long-term growth means that we have no present intention of embarking on a share buy-back.

The major investment category for the Group is likely to remain plant and equipment, particularly supporting our contract mining businesses. The Group also holds property investments of $191 million and we continue to closely monitor our exposure to that sector. We expect that over time a greater proportion of the Group's assets will be invested in various infrastructure developments as we utilise our financial strength to facilitate projects.

Investments and acquisitions

We have continued to make selective acquisitions that will grow the contracting business and to take facilitating equity positions in projects. Acquisitions have been made in the resources, telecommunications, environmental services, construction and maintenance industries. The total cost of these acquisitions and investments was $105 million.

Risk management

Our project audit system continues to be an important pillar of our risk-management strategy. We regularly audit procurement of work and its ongoing delivery. In addition to tracking projects against Leighton Holdings and operating company financial objectives, they are assessed on a monthly basis mitigating against surprises over the course of the contract or at completion.

GST

Preparation for the introduction of the GST was comprehensive in terms of administration as well as understanding the potential effects on profitability and cash flow. Having sailed through Y2K, we expect the introduction of GST to unfold without major incident.

Shareholder communications

The financial markets continue to be volatile. After the market's infatuation with the so-called 'new economy', investors are returning to the performing side of the 'old economy'. Leighton is a strong performer in this old economy, but for some years now has been moving strategically and successfully into 'new economy' sectors such as telecommunications – an area that is growing rapidly under the influence of technological change. However, we still struggle to gain recognition for our performance outside the traditional construction areas.

Our strategy also requires us to spread risk and achieve growth by operating broadly across a number of industries and geographic locations. Communicating this provides challenges for our investor relations program; to ensure the Group's strengths are fully understood by stakeholders. We are meeting that challenge by taking a more proactive and lateral approach to our external communications.

The company's website is currently undergoing a comprehensive upgrade which will emphasise that the Group is "more than a construction company".

Information technology

The Group has continued to implement strategies developed to achieve its vision for Information Technology adopted during the previous year. The objective is to enhance the overall level of IT capability, provide a solid platform from which to develop applications to enhance the competitive edge of the Group, and support growth.

Dividend franking

Leighton Holdings' final dividend payment for 1999/2000 of 20 cents per share will be unfranked and we expect that the next interim dividend will also be unfranked. We wish to ensure that all of the appropriate deductions are taken up at the most effective tax rate allowed, given recent changes to the tax regime. Following the payment of these unfranked dividends we anticipate returning to franking as preferred by our shareholders, subject to the level of our overseas earnings.

Outlook

With a record level of work in hand, good cash reserves and no net borrowings we expect to maintain growth and a strong balance sheet over the next 12 months.

We anticipate further opportunities, in particular, in project sponsorship and investment. Our strong financial resources will be allocated to both contracting and investment initiatives presenting promising medium- to long-term returns.

Dieter Adamsas
Director, Finance and Administration

Leighton is often perceived as solely ‘a construction company’. With a proud 50-year history in construction, the Group today is far more diverse than most people realise. We offer a range of services across diverse industry sectors and locations through a number of different companies.

About us

Leighton Holdings is the parent public company of the Leighton Group, an entity comprised of a number of multi-disciplined operating companies delivering assets, services and businesses to both the public and private sectors.

Core values provide the framework
At the heart of understanding who we are and what we do, are the Group's core values. These core values provide a common framework for the Group's companies to operate within and are aimed at maintaining our integrity without compromising our ability to compete. Our overriding objective is to create shareholder wealth and provide a keen focus on bottom-line performance and good corporate governance. Our core values encompass our commitment to providing a safe and healthy workplace, employee incentives for individual performance, standards of ethical behaviour, efficient management systems, and our approach to environmental management and social responsibility.

Leighton Holdings provides strategic direction and planning, sets financial and operating standards for each division and is responsible for developing mechanisms to encourage performance. It is also responsible for investor and government relations, and the development of policies on issues as diverse as community relations, ethics, and estimating and tendering. Leighton Holdings monitors the Group's adherence to a responsible code of conduct.

Diversity has shaped us
Perhaps the most important thing to understand about the Group is that it provides a wide range of services, has expertise across a number of key industries, operates across a number of select geographic locations, and does this through a number of distinctly different brands.

Construction has been the Group's core skill; either engineering construction or building construction, but the ability to construct is not what makes the Group unique. Construction is, however, the most obvious and visible aspect of the Group's business as Group companies have delivered some of the country's major assets.

Over time the Group's involvement within its various industry sectors has shifted and core construction skills have become part of a wider spectrum of services that sit either side of construction. When a project has been built, we also offer operation and maintenance services which increasingly provide us with steady long-term work.

We have acquired the skills and people needed to develop business concepts and manage relationships with communities, adapted skills and equipment to new situations, and financed, and sometimes invested in, projects.

Partnerships and alliances with like-minded companies have lead to greater input and the ability to more readily control our destiny. The most recent expression of the desire to participate more fully in the business spectrum has seen the Group involved in sponsored projects – quite a long way from simple contracting.

Diverse markets strengthens earnings
Group companies are involved across a number of key markets, many of which are by their very nature cyclical. While all of them can never be 'on the boil' all of the time, the diversity of the markets the Group is involved in helps to offset issues of industry volatility. By diversifying into new industry sectors like telecommunications and environmental services, Leighton Holdings has sought to achieve a distinct capability and reputation across a spread of industries to ensure an overall 'flattening' of the cycles that occur naturally in each.

Added to this is the Group's strategic geographic spread. Operating conditions in Australia and Asia – though relatively close in proximity – can be worlds apart in economic terms. In much the same way that Australia differs from one State to the next, the same can be said for the Asian region but on a far more complex and subtle scale. No two regions are alike, even when those regions are in the same country. Ethnic origins, religion and economic performance shift from country to country and all of these factors influence business decisions. Again, diversity of operating location serves to insulate the Group from economic fluctuations in the individual countries where it conducts business.

Unique structure, distinct brands
The number and diversity of the Leighton Group's operating companies also support the desire to spread risk and flatten out peaks and troughs in performance. Like the industries and economies they operate in, Group companies also have their own cycles of growth and maturity.

Each has a unique corporate culture and a depth of management that supports autonomy and competition across a variety of markets. The companies offer a total value-added service to clients supported by the financial strength of the Group.

Leighton Holdings' decentralised structure allows its group of competing members to determine their destinies by developing their markets and clients, acknowledging that their progress and success is not always evenly reached. As one company develops a new area of expertise – costs may be high and revenue low – another may have won, or be in the process of delivering a significant project. The overall effect is improved results and sustainable, long-term performance from a Group perspective.

Our size and strength
Leighton Holdings, from its solid financial base, is now able to take an equity position in selected projects to kick-start the traditional construction and engineering process.

This demonstrates commitment, and ensures a level of control. Additionally, Leighton Group companies are able to own and share the operating risk on completed projects. The Group has also continued to make selective acquisitions to grow the core contracting businesses.

The Group's approach is to extend itself gradually, gaining more skills and expertise, which in turn support further growth of capabilities. Leighton Holdings is about building a longer, stronger value chain that benefits a variety of clients and stakeholders.

The Leighton Group has a broad sphere of operations, working in Australia, Asia and more recently, South America. This geographic spread is a key part of the Group's strategy to diversify its earnings base and insulate itself from the downturns in any one location.

Geographic Spread

Our broad geographic footprint has been gained through our ability to take the skills and expertise learnt in one country or region, and adapt and apply them in another. The Group's philosophy has always been to establish and maintain offices in locations that present significant opportunities or potential. Expansion into new countries or regions is always a carefully considered and controlled process as, overall, it must enhance the Group's reputation and boost its bottom-line.

The Group believes that markets can be managed effectively only when there is an office 'on the ground'. This philosophy was first applied and tested when Leighton moved into the Hong Kong market in the mid-70s. Since then, expansion into surrounding regional markets has been well researched before long-term operations have been established.

Leighton Group companies have adaptable and experienced staff committed to these markets, which means they are close to clients and able to respond to their needs. This allows Group companies to grow with their clients and better manage the risk inherent in new ventures. A decentralised structure ensures that Group companies are empowered to make decisions in response to local conditions.

Australia

Since 1949, the Leighton Group has been a market leader within its fields of operation in Australia. Its solid reputation and wealth of experience have come about due to the number of diverse projects undertaken by the various operating companies. The Group's knowledge of Australian markets is unparalleled and as a result it is able to apply this knowledge quickly across the country in a wide range of locations.

The Group has a proven track record of undertaking projects in the heart of urban areas, such as in the CBD of major capital cities like Sydney, Brisbane, Melbourne and Perth. Experience in undertaking comprehensive community relations campaigns and operating flexibly to keep disruption to a minimum during peak business hours are skills that help ensure positive results are reached on inner-city projects.

In outback Australia, the sheer size and remoteness of the country presents another set of unique challenges. Methodologies and work practices that may suit operations along the eastern seaboard and in the city are often not suited to those needed in areas such as the remote parts of Western Australia or far north Queensland. The ability to undertake projects in even the remotest of regions has been an underlying factor in the Group's Australian success. Our ability to mobilise nationally is also an advantage especially for clients who operate around Australia.

Group companies have extensive experience operating in remote areas throughout Australia, often under difficult conditions. Their considerable expertise in remote area logistics has played an important role in a number of mining and transport infrastructure projects. It has also played a major role in our ability to operate in remote locations throughout Asia by learning the skill of adapting and applying ourselves to new environments.

Asia

With the expansion and diversification of its skills it was inevitable that the Group would branch out into new markets and further grow and develop itself outside of Australia.

The Leighton Group's controlled geographic spread began 25 years ago with the move into Asia and the formation of Leighton Asia. Despite general Australian attitudes to doing business in Asia being less than enthusiastic at that time, the Group established a pioneering presence there, recognising the potential value. It has since built an enviable reputation as one of the region's top performers.

A key factor in the success of the Group in the Asian market is the fact that it realised and understood that the Asian region is made up of individual markets. Each has its own unique customs and cultures, and almost all are at different stages of development. To be successful in the region, Group companies have had to adopt a flexible approach and learn to understand the nuances of each country and in many cases, the different areas within a country.

Building long-standing relationships and showing commitment to the region during the harshest economic times has enabled Group companies like Leighton Asia and Thiess to prosper and expand their interests in the region. The development of local staff, supported by expatriate managers who bring Leighton Group culture, values and systems to business ventures and projects has been a key and on-going strength. This identifiably Leighton Group behaviour has given us a good reputation, excellent performance and strong prospects, especially of late.

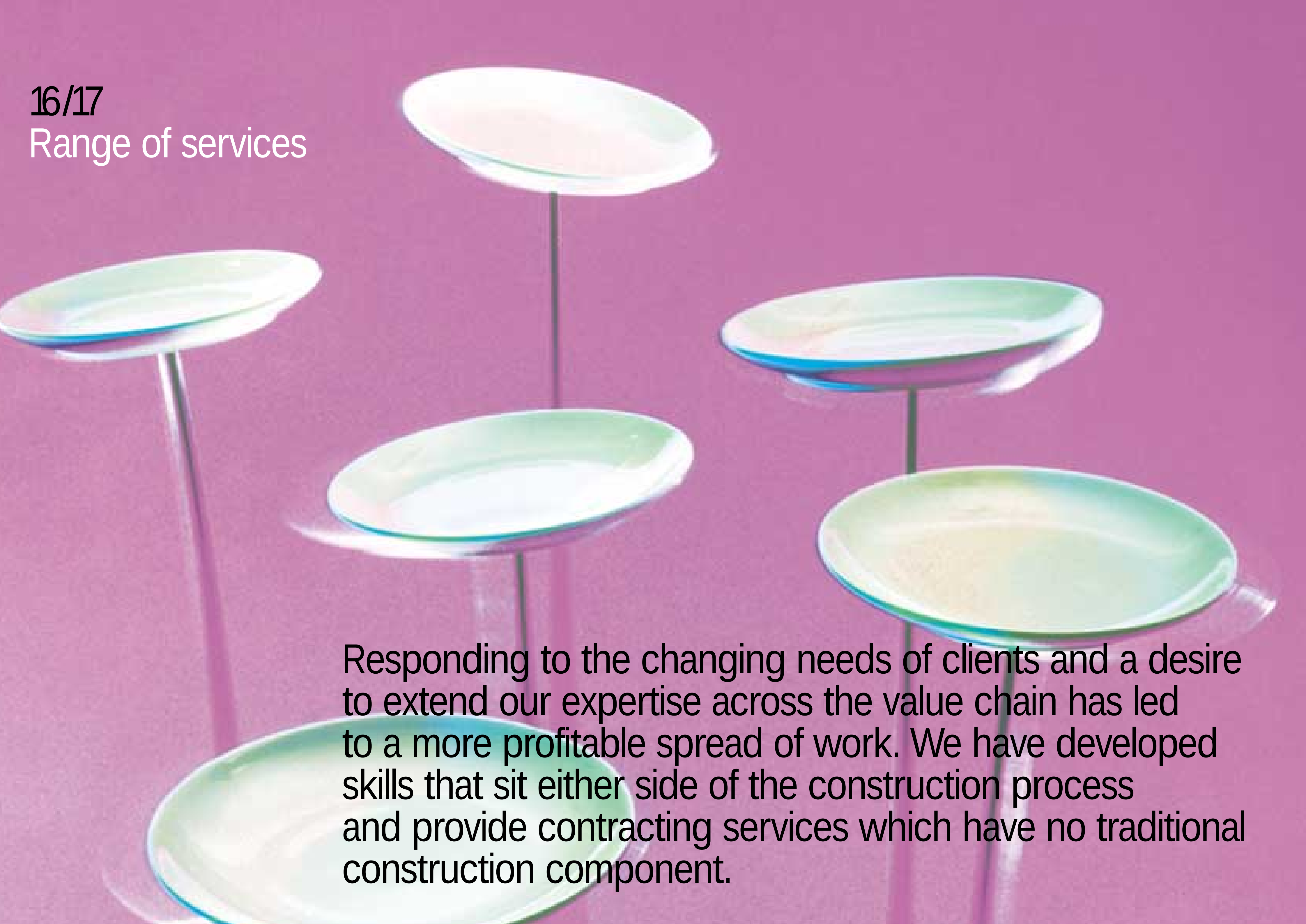
South America

The methods Thiess used to expand into Indonesia are now being followed to establish operations in South America. Thiess' long history of mining, both in Australia and in Indonesia, has led to the development of strong relationships with mining companies. Thiess' commitment to offering clients a whole-of-business approach and support to their global operations will form the platform for its new operations in South America.

The future

The Group has achieved growth and a degree of security from geographic expansion both nationally and internationally. As such, it is – and will continue to be – a major element of the Group's operating strategy. The Leighton Group sees the potential to further expand and grow geographically, in a controlled manner, in the future. As many of its clients have international interests, and as the trend to globalisation continues, our ability to develop new locations and grow with these clients will provide additional opportunities.

Range of services



Responding to the changing needs of clients and a desire to extend our expertise across the value chain has led to a more profitable spread of work. We have developed skills that sit either side of the construction process and provide contracting services which have no traditional construction component.

Range of services

From constructing roads, dams and bridges, to complex health and entertainment facilities, to operating mines and telecommunications networks, the Leighton Group has provided more than pure construction skills. Over the years it has developed into a diversified entity employing its expertise in a range of sectors, developing a strong reputation in the process. Today, the Leighton Group is a lot more than just a construction company.

But it is not just a shift into new niche markets that provides the opportunity to develop new skills and services. Although diversification has been a constant factor in the Group's performance throughout the years, even within the construction sector the Group does more than simply 'build'. From turnkey solutions to owning, operating and transferring ownership of completed facilities, the Group offers a total package of skills. Through this involvement and activity it has generated the experience, financial strength and industry standing that enable it to tackle projects that are often beyond the capabilities of rival companies.

The first diversification occurred when the Group began to design the buildings and structures that it constructed. This allowed the Group to give clients a more rounded and complete service. Allied to this growth in the services it offered within the construction sector, the Group also expanded its interests in the mining and resources sector – demonstrating the Group's ability to shift to new sectors by using and adapting its expertise in existing core markets. From solely supplying mine infrastructure, Group companies took a more active and participative role in their operations and development, offering contracted services such as the mining and processing of coal and ore at mines both in Australia and overseas, as well as its haulage and loading.

From simply designing and constructing projects, the Group developed a more widespread capability; property development was quickly followed by property management, operation and maintenance services, infrastructure development, investment, short-term ownership of facilities, acquisition of businesses, and project facilitation and sponsorship.

While the Group has made a name for itself through the many competitive tenders for projects it has won over the years, today it places a greater emphasis on adding value and developing projects in alliance with clients. By taking a greater role in the development of a project, the Group is taking greater responsibility and therefore greater risk. Our response to risk has been to manage it. Managing risk requires a thorough understanding of what's involved and at stake, clear agreement of roles and responsibilities, and the application of robust systems and processes. Our ability to manage risk provides a valuable service for clients and a point of difference for us. Also, as risk increases, so too do the rewards. Again, balance through diversity is the key.

A spread across the levels of service enables the Group to spread risk and pursue quality earnings. At the 'bread and butter' end of the service spectrum are competitive tenders, hard dollar construction, contract mining and waste management services, which are often fiercely competitive and based on 'lowest price wins'. Projects at this end of the scale offer little opportunity for big reward: the client wants a straightforward service, to a time/cost/quality specification. These projects keep the pencil sharp and enforce the disciplines and systems which are the base of the Group's value chain.

However, to improve earnings and move up the value chain, the Group has developed business skills apart from those needed in construction. To better service clients, we have had to better understand their needs, which means understanding their businesses and what drives them.

At this next level, the ability to package services and demonstrate the benefits to the client is required. Here, a more integrated role in the project process, and a greater level of responsibility on our behalf, benefits both the client and us. When operation and maintenance is added to construction of an asset it allows the client to quarantine an area of its business, confident that the specified output will be achieved. From our point of view, the ability to think outside construction to "how does this need to work and could it be designed to work better?" produces a better result for both parties.

A range of additional skills was developed in order to provide these types of services. Early contracts such as Darling Harbour and the M5 Motorway provided impetus for seeing new opportunities to add value to clients' businesses, and taking on larger and more complex projects.

The early development of this wide range of skills has enabled the Group to diversify the nature of its earnings and build its solid financial base. This in turn has allowed it to look towards acquisitions and select companies that enabled it to access new skills and new industry sectors.

The next level of operation required significant commitment, knowledge and resources. As the Group grew in size, the strength of the balance sheet – the healthy cash reserves – has become an essential asset. In an opportunistic market, quick access to cash reserves gives the Group an edge. It also allows us to attract quality project partners, make strategic acquisitions and provide the seed capital to kick-start projects.

The ability to finance projects and manage the development risk provides significant levels of reward. Projects of this nature can take time and other resources to 'prove up', which is the period where risk is often greatest. They are also usually of significant size and complexity that can mean they are long in the delivery, and correspondingly, they may require years for the profits to be realised. However, the profits are usually worth the wait, and if there is an ongoing operation component to the project, they are long-term earnings.

The Group is in the unique position of being able to offer a wide range of services. We spread our risk, remain competitive, and develop long-term earnings, which offset the cyclical nature of earnings from project activity. Our ability to provide added-value through a whole-of-business approach benefits both our clients and stakeholders.

Diverse industry expertise

We were there at the start of deregulation in the Australian telecommunications industry nearly 10 years ago. Today the Group is at the forefront of providing services to a growth industry experiencing constant technological change and demanding fast, innovative solutions to infrastructure needs. And we're about to take those skills into Asia.

Telecommunications

The telecommunications sector of today is a fast-paced industry that has undergone enormous change during the last decade. Until then, Telstra was the sole telecommunications provider in Australia, enjoying a virtual monopoly in an industry with an engineering and infrastructure focus.

Times have changed. Australian and international telecommunications markets have been deregulated. New network operators, such as Optus and Vodafone, have become household names in this country. As a result, high levels of productivity growth within the sector have been recorded since the early 90s and new avenues of opportunity have been opened, particularly in network infrastructure. Currently, industry turnover is expected to grow from the $17 billion generated in 1994/95 to more than $36 billion in 2003/04.

Private sector involvement in telecommunications has jumped dramatically since 1992/93, and Group companies such as Leighton Contractors, Thiess, John Holland and, more recently, Vytel, are today at the forefront of the Group's involvement in this industry. Through Vytel Asia the Group is now looking to export the telecommunications skills and services it has grown in Australia to the Asian market.

Leighton Contractors initiated the Group's telecommunications infrastructure capability in a strategic partnership with Optus in 1992. The first project, construction of Optus' national fibre-optic cable network, utilised its already proven engineering and construction skills. The successful delivery of over 9000km of fibre-optic cable and switching centres led to additional contracts to rollout Optus' pay TV network and to the development of the Reef Network, a privately owned, fibre-optic network linking Brisbane to Cairns.

As the necessary skills were developed, and reputation was gained, the desire to expand to more technically demanding projects needed people with different technical skills to join the Group.

The acquisition of Visionstream from Telstra in 1996 expanded the skills-base in Leighton Contractors and brought specialist knowledge in network design into the Group. Since then, other acquisitions have allowed the Group to employ and develop a highly skilled team capable of working within a variety of sectors within the telecommunications industry including network design, infrastructure development, and operation and maintenance.

The growth of telecommunications as a significant revenue stream has prompted a number of structural changes within Group companies. The recent formation of Vytel Pty Ltd by Leighton Contractors consolidates its telecommunications assets, companies and projects, into a single focused entity. This specialist telecommunications company will be the first multi-disciplined service provider in Australia's telecommunications market offering cable and wireless expertise, as well as project development and investment. Vytel will also conduct operations in Asia in joint venture with Leighton Asia through Vytel Asia.

However, Leighton Contractors is not the only Group company to have carved a niche for itself in the telecommunications industry. Thiess has acquired a 50 percent share of Silcar Maintenance Services with global technology giant Siemens. Silcar will maintain, procure, design and construct Telstra's National Telepower Network across Australia, further enhancing Thiess' reputation as an integrated engineering services provider. The relationship strengthens its presence in the sector and brings Thiess firmly in touch with world class technology providing the impetus for the development of a specialist capability. Thiess has consolidated its telecommunications activity under Thiess Services. This will allow the company to further develop its expertise in network design, network relocation, telecommunication system construction and installation, as well as repair and maintenance.

John Holland, responsible for more than half of Vodafone's antennae network rollout, has also bolstered its standing in the market with recent formation of joint venture, Infratek Networks. The company has been formed with ALSTOM and Sinclair Knight Merz to design and construct fibre-optic and digital transmission technology for Telstra's Inter Exchange Network (IEN) and marks a new era of development for the company.

The continuing demand for new, faster telecommunications services and networks, coupled with the increase in Internet usage across Australia, is expected to provide the impetus for future growth within the sector. Over the next few years some major new growth markets – in particular, mobile telephony – will mature. Broadband networks are expected to provide new and increasing revenue streams and cater for rapid growth in data traffic. The Group is well placed to capitalise on this with interests and capabilities in this specialist field already developing.

An example of this is Nextgen Networks, an $850 million transcontinental fibre-optic venture, which will be developed by Leighton Contractors and its project partner Macquarie Bank. Utilising the very latest optic-fibre technology from Lucent Technologies, the network will stretch from Brisbane to Perth via Sydney, and the launch demonstrates just how far Leighton Contractors has progressed within this industry. The network, some 8400km long is a major development for Leighton and will allow it to demonstrate its abilities in not only constructing the necessary infrastructure, but also managing the completed network.

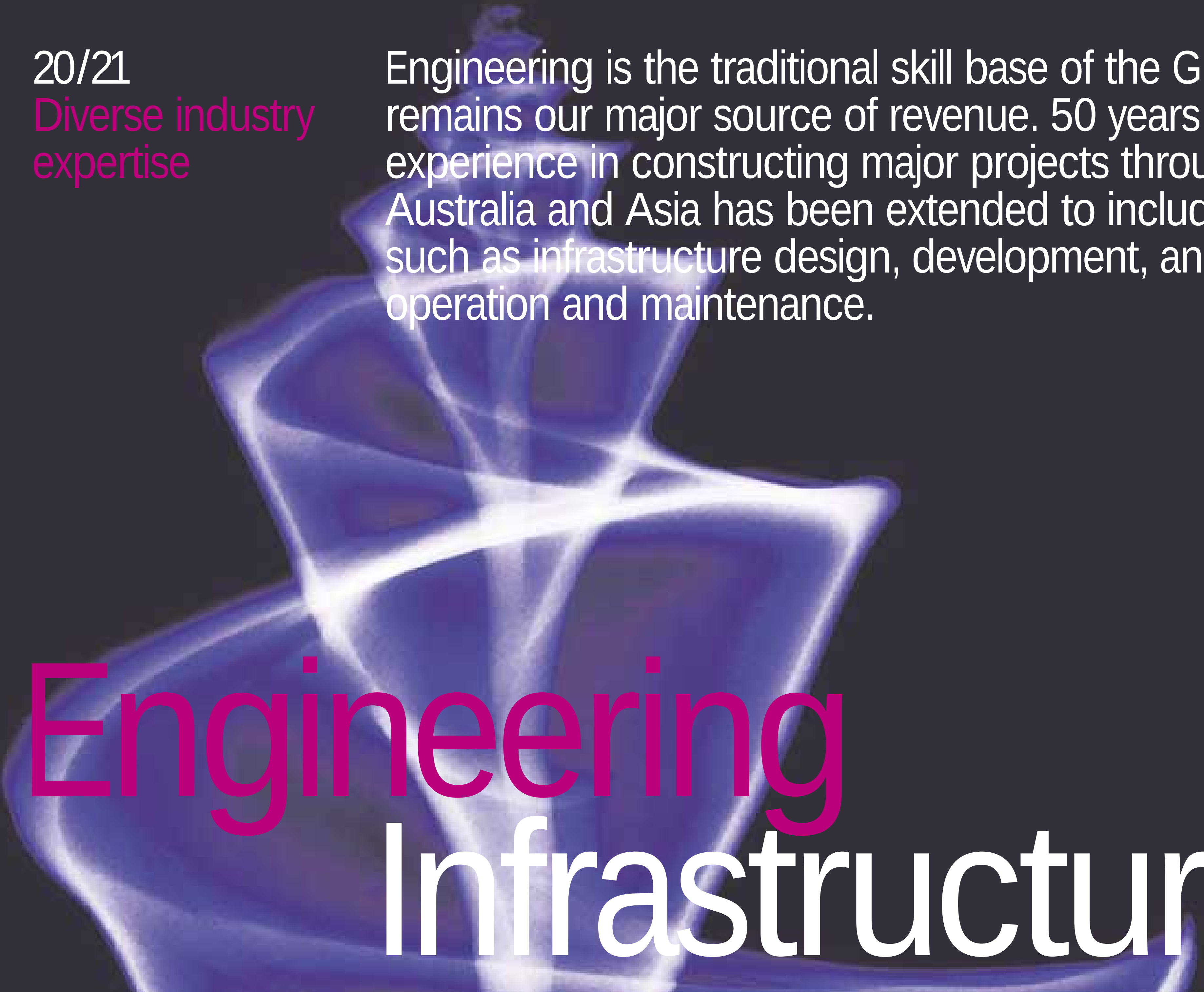
Activity within the telecommunications industry broadens the Group's sources of revenue, protecting its financial base against the cyclical nature of activity and earnings over the range of markets in which it operates. At the same time it generates significant revenue – almost 10 percent of the Group's total operating revenue to June 2000 – which is expected to grow to around 20 percent with the demand for faster, better access for customers. Leighton Holdings' financial strength allows Group companies to seek out opportunities within the sector that are often out of reach of competitors. This, coupled with the Group's proven core skills, enables it to take on projects over a wide spectrum, often establishing specialist entities to do so.

In an industry sector where change is a constant phenomenon and innovation is a key to success, the Leighton Group sees many opportunities for its continued growth and increased market share. The future of telecommunications will undoubtedly involve wireless technology. So-called third generation mobile phones use this technology to transmit and receive – at high speeds – voice, fax and e-mail messages and offer constant Internet connectivity.

Through the operating companies' diversification and strategic, well-timed acquisitions, the Group has secured a position at the forefront of providing services to the telecommunications industry.

Diverse industry expertise

Engineering is the traditional skill base of the Group and remains our major source of revenue. 50 years of experience in constructing major projects throughout Australia and Asia has been extended to include services such as infrastructure design, development, and operation and maintenance.



Engineering Infrastructure

Infrastructure is the backbone of a country, essential for sustained economic growth and national development. Roads, bridges, tunnels, ports, railways, airports, as well as pipelines, oil and gas terminals, electricity generators, and water and sewage plants, are all vital components of everyday life. Without infrastructure, businesses and society would fail to perform even the most basic of tasks.

The engineering infrastructure market within Australia has expanded rapidly during the latter half of the 1990s. This expansion reflected the trend towards private ownership of projects formerly within the public sector and the fact that public sector authorities increasingly sought to outsource operations.

The privately funded share of the total engineering infrastructure market rose from 27 percent in 1992/93 to 48 percent in 1998/99. The value of work done by private firms has risen from 47 percent to 58 percent over the same years. As a result, the public sector share of funding and value of work done has fallen. Group companies have been well placed to tap into this growing market and in doing so, have become some of the country's largest engineering infrastructure entities.

Throughout their respective histories Leighton Contractors, Thiess, Leighton Asia and John Holland have been heavily involved in engineering infrastructure projects within Australia and Asia. The sector continues to be the Group's largest source of revenue in Australia and gives the Group an impressive portfolio of successfully completed developments that are testament to its expertise and capabilities.

Leighton Holdings' strong financial base has resulted from the success of the operating companies. Currently, the Group has operating revenues of $3.45 billion, with over $1 billion of that figure coming from engineering infrastructure. Road projects make up the largest proportion of this work and the Group has a solid reputation in this vital sector. Rail maintenance has emerged as another important sector of the infrastructure market and here again, Group companies have a highly skilled workforce and proven expertise allowing them to tackle even the most logistically demanding of projects.

The skills gained from working on such massive projects as the Snowy Mountains scheme and the North West Shelf in Australia, along with major land reclamation and site formation projects in Hong Kong, have helped to elevate the Group to the forefront of the industry. In addition, this early expertise has allowed the Group's operating companies to work on recent high profile projects. These include Sydney's Eastern Distributor and Olympic Park Railway Station; the Wandoo B offshore oil platform off Australia's North West shelf; Hong Kong Airport's Aviation Fuel Supply facility and Route 3 Lantau fixed crossing; and the Manjung Power Station in Malaysia.

A combination of skill and size has allowed the Group to tender for and win large government-driven infrastructure projects both in Australia and Asia. Much of the 'bread-and-butter' work in this sector is won by competitive tender, where a keen price will secure work, and margins are naturally tight. However, in this competitive market it is our ability to provide clients with additional levels of service that sets us apart. Our ability to add value by taking more responsibility for, and therefore more of the risk inherent in, large infrastructure projects has enabled us to participate at a much higher and more profitable level.

One of the largest in scale, and most recent examples of this, is the Speedrail very high-speed rail link between Sydney and Canberra. Leighton Contractors, along with its project partner ALSTOM, is the preferred proponent for the development. Our ability to put together a viable financial package, manage community relations, attract quality project partners and invest in this project is as important as the practical issue of construction. To some extent, the ability to construct the infrastructure is not the main issue, rather, what matters is our ability to manage the many wider issues associated with delivering a project of this size and scale.

Delivering a total package of service enables Group companies to take more responsibility on the client's behalf. The value of the service is far greater as a result. A range of responsibility across the projects in this sector ensures the Group has a balanced and more profitable portfolio of projects than its competitors.

Our ability to provide operation and maintenance services takes us beyond purely delivering a new asset. John Holland is demonstrating its expertise in the rail sector with a $210 million contract for the maintenance and rehabilitation of 4000km of trackwork for Westrail in Western Australia. At the same time, Thiess is confirming its reputation with $206 million in contracts for maintenance and renewal of electrified infrastructure for the Swanston Tram and Bayside Train Networks in Melbourne. Leighton Asia, meanwhile, continues to meet the infrastructure needs of the Asian region. Currently it has rail construction and rehabilitation projects worth over $200 million in Hong Kong and Thailand.

Other sectors of the engineering and infrastructure market also hold promise for Group companies particularly in the transport, water and sewage, and oil and gas pipeline sectors, all of which boast a number of potentially attractive contracts.

The future in the transport infrastructure sector looks promising despite a general decline in the market over the past couple of years. Massive road projects are planned for New South Wales and include the $400 million Cross City Tunnel, the $700 million Lane Cove Tunnel and the $800 million plus Western Sydney Orbital, which relies on Commonwealth funding. Many of these projects will be won not just on the basis of engineering skill or the lowest price: they offer opportunities to tailor a total solution.

Engineering infrastructure is an area that has been the traditional base of the Group's skill and capability and as the Group develops new industry expertise, these skills will remain integral to the development and maintenance of future assets. Our competitive edge will come from our willingness to add value and deliver more than just engineering solutions.

Diverse industry expertise

Contract mining was one of the Group's earliest diversifications from construction. Mining and engineering expertise has evolved into a whole-of-business approach to resources development with a strong focus on enhancing productivity and generating efficiency gains for clients.

Mining & Resources

Traditionally mining has been a vital industry to the Australian economy. Coal was Australia's very first export commodity, sold to a visiting American ship in 1792. Today, black coal continues to be a major revenue earner for the country, consistently Australia's biggest single export, earning $9.3 billion in 1998/99.

Over recent years the mining and resources sector worldwide has undergone significant change. Production cost pressures and industry rationalisation, has meant that today the mining and resources sector is more competitive than ever before. As a result, after a period of general decline, opportunities for gains in the market are now on the rise as is investor confidence in the sector.

As with all exports, the strength of the Australian dollar, together with global energy prices, plays an important role in determining the competitiveness of the mining and resources sector. This year has seen moderate increases in world metals prices being offset by declining energy prices. This has led to a strong increase in Australian mine production over the past year which is expected to continue in the near future.

Despite commodity price fluctuations and a drop off in investment in the mining and resources industry over the past couple of years, the Leighton Group sees the sector as one with continuing potential and is fully committed to it.

The resurgence of the Asian economies after their crash in 1997 has resulted in increased electricity demand in the region. This is a reflection of renewed economic growth and increases in incomes. It has led to a number of new coal fired power station projects coming, or about to come, on-line. Likewise, there is a stronger Asian demand for iron ore and Australia's share of iron ore exports to Asia is expected to rise in 2000 and 2001. Contract mining is also expected to continue to expand as a result of the sector's ongoing rationalisation.

Leighton Group companies have been involved in the mining and resources sector since the 40s. In recent years, Thiess has developed a market-leading reputation as a supplier and contractor to the national and international coal industry. Partnering and alliancing agreements with notable mining and resources companies have enabled Thiess to work on projects such as the Mount Owen coal mine in New South Wales and the Lihir Gold Mine in Papua New Guinea.

Over the past couple of decades, Leighton Contractors has also been heavily involved in the mining sector, predominantly in gold and iron ore. Leighton performed civil and contract work on the Paddington Mine in Western Australia for 14 years, and currently has ongoing involvement at the Yarrie Nimingarra iron ore mine, also in Western Australia. Leighton's experience in the west is now being put to use in Queensland at the Coppabella Coal Mine.

The Group's work within this sector goes far and beyond that of simply the design and construction of engineering infrastructure. Contract mining is a core skill and one in which both Thiess and Leighton have a solid track record. These companies have often managed and operated mines for their lifetime. They have been involved in developing new skills to conduct mining, processing, haulage and train load-out operations.

Thiess has demonstrated its commitment to the sector by taking a 5% investment in the Burton Coal Mine with its client, Portman Mining, in1995.

Strategic investments and acquisitions such as Hunter Valley Earthmoving and Quantum Explosives has consistently strengthened Thiess' core skills base in this sector over the years. In turn it also reflects the Group's commitment to the industry and our ability to offer a complete range of services within the field and across a number of geographic locations.

The skills and project expertise learnt in Australia have been vital assets used when pursuing opportunities in the mining and resources sector overseas. As a result Thiess has made a name for itself in Indonesia and is currently involved in a number of major mining and resources projects in the region. Currently, Thiess is involved in a development, mining and haulage contract at Kideco coal mine in Kalimantan and an integrated service contract for coal mining at the Senakin and Satui mines. In the same way that skills learnt in Australia have been adapted to fit Asia, new expertise gained in this region is now being used in South America where Thiess is actively pursuing opportunities with its long-standing client BHP.

Leighton Asia's recent acquisition of PT John Holland Constructions Indonesia has introduced them to that country and brought with it two important mining contracts. This move sees Leighton Asia build upon its earlier mining projects in Malaysia and the Philippines.

The Leighton Group is well placed to respond to future mining and resources demands, and will utilise its experience and expertise to further enhance productivity and generate efficiency gains for clients.

Diverse industry expertise

As early as the 1950s the Group's operating companies were making a name for themselves following their building of drive-in theatres across the country and work on sites used for Melbourne's 1956 Olympic Games. Further forays into the sector followed, with defence work being carried out by Leighton Contractors at the Holsworthy Army Camp.

Within a matter of years, Leighton had firmly established itself as one of the major construction enterprises in the country, and its achievements have been as numerous as the facilities its companies have built and managed. Since then, the non-residential building and property sector has remained a steady and consistent economic performer, averaging around 15 percent of Australia's GDP over any given year and providing the impetus for the country's growth over the past 40 years. During that time, Australia's eastern seaboard has become home to the vast majority of the country's population. Offices and factories, hospitals and schools, defence establishments, and entertainment and sporting venues have all been built to service the needs of an ever expanding population that has come to expect the very best in services and standards.

We are in the midst of a slowdown in the sector in Australia, in the main associated with the completion of many of the Olympic-related projects. Economic analysts point out that there are no indications of a major downturn although it is anticipated that the market will continue to contract for at least the next two years.

In Australia, Group companies Leighton Contractors, Thiess and John Holland have primarily operated in the non-residential market which includes commercial, manufacturing and processing, health, retail, hotels, entertainment and sporting facilities. Over the years there have been many projects. For Leighton Contractors these have included Sydney's Maritime Plaza, Darling Harbour and Star City casino, and Brisbane's Convention and Exhibition Centre, and the Museum of Tropical Queensland in Townsville. Leighton was also responsible for the CSL blood fractionation facility in Melbourne; a unique building because of the clean-room standards it required. Leighton Contractors has developed a strong reputation in the health sector having delivered many health facilities including the Albury, Blacktown, Bankstown and St Vincents hospitals in New South Wales, and the Peel Health Campus in Western Australia.

Thiess' reputation in the tourist leisure sector has been secured through their ability to develop resorts in logistically difficult and environmentally sensitive locations like Green Island, Hayman Island and Lindeman Island.

Some of Thiess' other building projects include Sydney's Olympic Exhibition Halls, Ansett Domestic Air Terminal, the Royal Prince Alfred Hospital upgrade and Melbourne's Multi-Purpose Venue. In Queensland the company's portfolio includes St Vincent's Hospital at Robina and the ongoing Capricornia Correctional Facility.

John Holland also has a significant history of involvement in the sector having successfully completed the Great Southern Stand at the MCG, 530 Collins Street, the ABC Centre and the King's Gardens Office Park in Melbourne as well as the Sydney Entertainment Centre and Parliament House in Canberra. More recent projects include the Sydney Showgrounds at Homebush Bay and Subiaco Oval in Western Australia.

For many years, Group companies have been involved in the construction and development of factories for the manufacturing industry where growth is projected to be amongst the most significant over the next few years. Investor sentiment in the Australian manufacturing segment is recovering following the pick-up in demand from Asian economies. There are also signs of a shift in manufacturing production to Western Australia and Queensland, which may provide a number of industrial construction opportunities in these States.

In 1972, Leighton Properties was formed to focus on property development and project management services for clients. The Group's construction expertise, allied with its development and management capabilities, uniquely positions it within the property market, allowing it to take on significant development projects: Star City casino, Maritime Plaza, Societe Generale House and 80 Pacific Highway in Sydney; Jetset House in Melbourne; and the Nexus office park in Brisbane. More recently, Leighton Properties has developed two technology parks in Victoria – com.park@Mulgrave and com.park@Thomastown, both of which presented complicated management, development and construction issues. Today, Leighton Properties provides tailored solutions for tenants, partners, investors and owners, with the Group's financial strength able to provide the equity necessary for larger commercial and industrial developments.

The Group's activity in building and property is not limited to projects undertaken in the Group's traditional base of Australia. The skills and capabilities developed at home were put to use in the Asian region in the early 70s and today Leighton Asia has near record high levels of work thanks to its skill and reputation, the regional government initiatives and the revitalisation of businesses following the Asian economic down-turn of 1997. Leighton Asia has been involved in the construction of residential building projects since 1978 and since then has built hospitals and commercial offices, and more recently, refurbished a fort into a museum commemorating the region's defence against the Japanese invasion of 1941 – the Lei Yue Mun Museum at A Kung Nam in Hong Kong.

In Thailand, there have been major commercial property projects like the Electrolux Building and the Muang Thong Bangna residential project in Bangkok. In the Philippines the massive Rockwell Retail Centre in Manila has boosted the company's building activity levels and should lead to more projects in the future.

Hong Kong has embarked on a new stage of infrastructure development, which will see some $50 billion being spent on various projects including schools and hospitals. This should provide Leighton Asia with considerable opportunities, as will renewed spending in countries such as Indonesia, the Philippines and Malaysia.

With its years of experience, its innovative culture and positive approach to alliances and client relationships, the Leighton Group is firmly placed to capitalise on further opportunities in this traditional sector as improvements in activity occur in the coming years.

Building & Property

The Group offers a wealth of expertise in building and property markets. Our approach to large and traditionally cyclical markets in both Australia and Asia is to look for niche opportunities where we can add value and offer particular expertise.

Diverse industry expertise

The Green Revolution of the early 80s provided impetus for the development of an environmental services market. Social conscience and interest in topics like the ozone layer and toxic waste forced a massive shift in expectation from governments and businesses alike. Environment-friendly companies, operating in a clean and socially acceptable way, are now a community expectation.

Environmental protection agencies at State and Federal government level have been established over the past 20 years and with them have come rigorous guidelines governing many aspects of business operations and responsibility for the environment.

Corporate environmental reporting standards have also been continually developed by businesses both at home and abroad, not only detailing working procedures and limitations, but also the responsibilities, duties and obligations of directors when it comes to environmental practice. In addition, international standards such as the Kyoto Protocol, and the development of greenhouse gas statutes have also altered the way in which businesses around the world operate and measure environmental impact.

As a result of the focus on environmental responsibility, and the lasting damage bad practices can have on the planet, opportunities to develop whole businesses around waste collection and management, landfill construction and operation, remediation of contaminated sites, and recycling services, have come about. These have had an impact on the national economy over the past decade, with the rate of growth in the environmental services industry averaging 4 percent annually. It is expected to continue to grow faster than the national economy over the next five years.

The increased demand for domestic garbage and recycling services due to the growth in the number of households and the growth in domestic waste generated per household is set to ensure the continued growth in this sector over the coming years. Further rationalisation within the industry is also expected to occur in the near future which should present increased opportunities. The outlook for industrial waste management is forecast to be stronger than that expected for household waste in the longer-term. While industrial production and building work is projected to slow down – resulting in a reduction in the levels of waste produced – analysts predict an increase in these sectors after 2000/01 and this will result in an increased demand for waste management services.

For 20 years, Thiess has been tapping into this market, anticipating and reacting to ever changing demands and opportunities along the way. Initial projects in the early 1980s saw the company perform landfill operations for Brisbane City Council. Waste management remains the company's steady long-term base of environmental services work, particularly domestic and commercial waste management and recycling services.

Over the past decade, the Environmental division of Thiess Services has spearheaded the Group's involvement in this sector. Conducting domestic and industrial waste collection and disposal services in the ACT, NSW and Queensland, Thiess generates around $200 million per year. The company is also actively involved in waste recycling, quarantine and pathological waste disposal by high temperature incineration, and the remediation of contaminated industrial sites.

Skills developed and learnt from other operating fields have been fine-tuned and adapted to meet the needs of clients in this sector. Fleet management and logistics skills have been adapted to waste collection services. Earthmoving and mining skills are adapted to site remediation and the creation of landfills.

Thiess has identified and committed itself to a growth industry and has accordingly grown its skills and market share over the years. The ability to provide not only services but also solutions to clients, and respond to their specific requirements, provides a competitive advantage.

Key to understanding the market is understanding and developing relationships. Thiess has formed and maintained partnerships with such companies as South East Water in Melbourne and the Brisbane City Council in Queensland. In addition, the company has developed links with other companies that are world leaders in waste technology to ensure current state-of–the-art practices are available to clients and suitable to Australian standards. More recently Thiess has strategically diversified into utilities management, a field that promises much for the future, as further rationalisation within the industry promises to bring about significant opportunities.

Environmental services demonstrates how core contracting skills can be developed and applied to a new market allowing the provision of services like site remediation and waste water treatment, domestic waste collection and recycling.

Thiess' continually evolving approach to this sector will prove to be a valuable asset in the future, as the Group looks to expand its activities in this sector and consolidate its reputation to realise increased potential revenues.

Environmental Services

Thiess has spearheaded the Group's involvement in environmental services applying core contracting skills to a new growth market. A long-term base of waste collection contracts is being enhanced by the development of landfill operations, site remediation projects and field maintenance work for government utilities.

The Group's Companies

"Each Group company has a unique corporate culture and depth of management that supports autonomy and competition across a variety of markets."

	Focus and Activities	Location	Highlights	Management & Key Statistics	Operating Companies, Developments & Investments
Leighton Holdings	Publicly listed parent company of the Leighton Group specialising in: – Strategic direction and planning – Financial management – Market positioning – Corporate and public affairs	Head Office Sydney Operates through Group companies across Australia, Asia, near-Pacific region and South America www.leighton.com.au	– Operating profit after tax up 10% – Record level of work in hand – Returns on shareholders' funds maintained at 20% – Dividend up 10% to 33 cents – Strong balance sheet maintained	 Chief Executive Wal King AM Total Revenue $3,577m Total Operating Revenue $3,445m Major Shareholder HOCHTIEF 49.8% No. of Group Employees 12,688 Listed on ASX 1962	
Thiess	Multi-disciplined contractor specialising in: – Mining and resources development – Engineering – Building – Environmental services – Maintenance services – Telecommunications services	Head Office Brisbane Operates in Australia, Indonesia, near-Pacific region and South America www.thiess.com.au	– Record level of work in hand – Largest ever contract for BHP in Indonesia – Silcar acquisition boosts telecommunications presence – Strong performance in mining and resources – Expansion into South America	 Managing Director Roger Trundle (from 30 Oct 2000) Operating Revenue $1,673m# Work in Hand $3,651m# Percentage Ownership 100% No. of Employees 6,865 Established 1935 A member of the Leighton Group since 1983	Operating Companies PT Thiess Contractors Indonesia Thiess Services Thiess South America Hunter Valley Earth Moving Co Quantum Explosives Investments Portman Mining (15% interest) Burton Coal Mine (5% interest) Silcar Maintenance Services (50% JV with Siemens)
Leighton Contractors	Multi-disciplined contractor and developer specialising in: – Telecommunications services – Infrastructure development – Engineering – Building – Contract mining	Head Office Sydney Operates in Australia www.leightoncontractors.com.au	– Work in hand up 15% on last year – Early completion of Eastern Distributor – Launched telecommunications arm, Vytel – Initiated Reef Networks fibre-optic cable network – Secured Brisbane's Inner City Bypass project	 Managing Director Bob Merkenhof Operating Revenue $883m Work in Hand $896m Percentage Ownership 100% No. of Employees 1,762 Established 1949	Operating Companies Vytel Visionstream LSE Technology Nextgen Networks Investments Airport Motorway (11% interest)ø Reef Networks (30% interest)

Leighton Asia

Multi-disciplined contractor specialising in:
- Civil, marine and foundation engineering
- Building
- Contract mining
- Rail

Head Office Hong Kong
Operates in Hong Kong, Malaysia, the Philippines, Thailand, Vietnam, Indonesia, and other selected countries in Asia
www.leightonasia.com
(launching early 2001)

- Revenue up by 26% on last year
- Work in hand more than doubled
- Acquired selected John Holland contracts
- Major wins in Malaysia
- Celebrated 25 years of operation in Asia

Managing Director
John Faulkner
Operating Revenue $524m#
Work in Hand $1,235m#
Percentage Ownership 80%*
No. of Employees 2,798
Established 1975

Operating Companies
Leighton Contractors (Asia)
Leighton Contractors (Malaysia)
Leighton Contractors (Philippines)
Thai Leighton
Vina Leighton (Vietnam)
PT John Holland Constructions, Indonesia

John Holland

Construction and maintenance contractor specialising in:
- Civil and process engineering
- Building
- Rail
- Telecommunications services

Head Office Melbourne
Operates in Australia and Pacific region
www.johnholland.com.au

- LHL acquired 70% of John Holland Australia
- Completed Malampaya project in Philippines
- Westrail maintenance project extended
- Member of consortium awarded preferred tender status for Alice Springs-Darwin rail line

Managing Director
Bill Wild
Operating Revenue $262m°
Work in Hand $424m
Percentage Ownership 70%‡
No. of Employees 1,177
Established 1949
A member of the Leighton Group since January 2000

Operating Companies
Defence Maintenance Management (50% JV with Multiplex)
Infratek Networks
(45% JV with Alstom 45% and Sinclair Knight Merz 10%)

Leighton Properties

Provides specialist services in:
- Property development
- Development risk management

Head Office Sydney
Operates along the east coast of Australia
www.leightonproperties.com.au

- Completed and leased 80 Pacific Hwy
- Took 33% stake in Macarthur Chambers project
- Finalising leasing pre-commitment secured for 383 Kent Street project
- Expanded presence in technology park sector

Managing Director
Vyril Vella
Operating Revenue $82m
Percentage Ownership 100%
No. of Employees 19
Established 1972

Major Property Developments
80 Pacific Highway, North Sydney
417 St Kilda Road, Melbourne
Macarthur Chambers, Brisbane (33.3% interest)
Bayview, Noosa Heads (50% interest)
com.park, Mulgrave, Victoria
com.park, Thomastown, Victoria

Other Investments
Star City Casino Management Company (15% interest)

Technical Resources

An in-house consultancy for Leighton Group companies specialising in strategic advice and services in:
- Communications
- Engineering
- Technical computing systems
- Project management

Head Office Sydney
Operates in Australia, Indonesia, Asia-Pacific region
www.technicalresources.com.au

- Undertook due diligence review of John Holland
- Completed 21 major project reviews
- Staged rollout of computer aided tendering system
- Facilitated improvements in safety management for Leighton Contractors
- Published book commemorating Leighton's 50 years of operation
- Project Review Group involvement in selected projects in Asia

Manager
Iain Scoular
Percentage Ownership 100%
No. of Employees 24
Established 1980

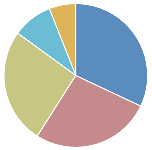
Includes minority interests
* 20% owned by HOCHTIEF
° six months revenue
‡ 30% owned by Heytesbury Pty Ltd

ø Refer page 30/31 Airport Motorway Limited

Operations Analysis

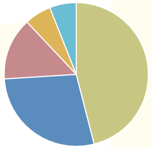
Leighton Holdings

Group Operating Revenue 2000 $3445 million



by Market Segment		00	99	98	97	96
32%	Engineering & Infrastructure	1099	1070	841	665	819
27%	Building & Property Development	927	841	695	974	700
26%	Mining & Resources	907	939	972	775	564
9%	Telecommunications	307	229	283	292	121
6%	Environmental Services	205	142	116	91	68
–	Other	–	–	–	130	127
	Total $ million	3445	3221	2907	2927	2399

Group Work in Hand 2000 $6206 million

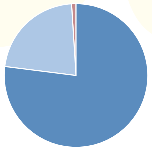


by Market Segment		00	99	98	97	96
28%	Engineering & Infrastructure	1752	803	1091	1186	617
14%	Building & Property Development	869	729	1015	643	1018
46%	Mining & Resources	2808	2164	2411	2029	1509
6%	Telecommunications	385	162	24	151	–
6%	Environmental Services	392	257	226	226	202
	Total $ million	6206	4115	4767	4235	3346

Group Total Revenue 2000

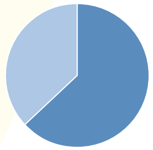
97%	Total Operating Revenue	$3445m
3%	Other Revenue	$132m
	Total	$3577m

Group Operating Revenue 2000 by Geographic Area



77%	Australia	$2659m
22%	Asia	$765m
1%	Americas	$21m
	Total	$3445m

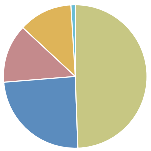
Group Work in Hand 2000 by Geographic Area



63%	Australia	$3898m
37%	Asia	$2303m
0%	Americas	$5m
	Total	$6206m

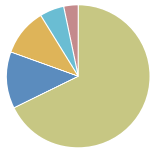
Thiess

Operating Revenue 2000 $million



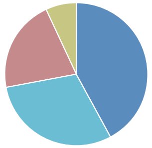
50%	Mining & Resources	$827m
24%	Engineering & Infrastructure	$407m
13%	Building & Property Development	$220m
12%	Environmental	$203m
1%	Telecommunications	$16m
	Total Operating Revenue	$1673m

Work in Hand 2000 $million

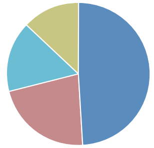


68%	Mining & Resources	$2472m
13%	Engineering & Infrastructure	$466m
3%	Building & Property Development	$122m
11%	Environmental	$392m
5%	Telecommunications	$199m
	Total Work in Hand	$3651m

Leighton Contractors

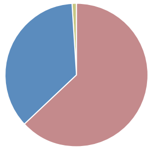


42%	Engineering & Infrastructure	$371m
30%	Telecommunications	$269m
21%	Building & Property Development	$185m
7%	Mining & Resources	$58m
	Total Operating Revenue	$883m

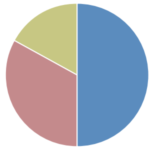


49%	Engineering & Infrastructure	$437m
16%	Telecommunications	$143m
22%	Building & Property Development	$202m
13%	Mining & Resources	$114m
	Total Work in Hand	$896m

Leighton Asia

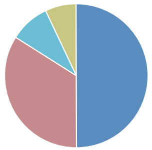


63%	Building & Property Development	$329m
36%	Engineering & Infrastructure	$190m
1%	Mining & Resources	$5m
	Total Operating Revenue	$524m

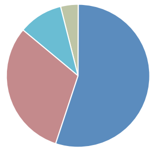


33%	Building & Property Development	$413m
50%	Engineering & Infrastructure	$616m
17%	Mining & Resources	$206m
	Total Work in Hand	$1235m

John Holland



50%	Engineering & Infrastructure	$131m
34%	Building & Property Development	$90m
9%	Telecommunications	$22m
7%	Mining & Resources	$19m
	Total Operating Revenue	$262m*



55%	Engineering & Infrastructure	$233m
31%	Building & Property Development	$132m
10%	Telecommunications	$43m
4%	Mining & Resources	$16m
	Total Work in Hand	$424m

*6 months revenue

Investments

Airport Motorway Limited

Leighton Contractors has an 11% stake in Airport Motorway Limited which holds the concession for Sydney's Eastern Distributor. Leighton Contractors has entered into a Memorandum of Understanding with Macquarie Infrastructure Group for the sale of its stake in the Airport Motorway Group.

Burton Coal Mine

Thiess maintains a 5% investment in Burton Coal Mine in Queensland. The other 95% is owned by the RAG Group.

Portman Mining Limited

Thiess holds 27.6 million shares in Portman valued at $20 million, which includes 11 million shares acquired through a rights issue during the period.

Reef Networks Pty Limited

Leighton Contractors held an 80% investment in Reef Networks, the developer of a Brisbane-Cairns fibre-optic cable network. In June, 50% was sold to Macquarie's Global Infrastructure Fund for $5 million. Leighton Contractors retains 30% of Reef Networks with ABN Amro holding the other 20%.

Renewable Energy Corporation (formerly Tanganyika Gold)

Thiess holds 2.5 million convertable preference shares acquired for $2 million.

Tabcorp Holdings Limited

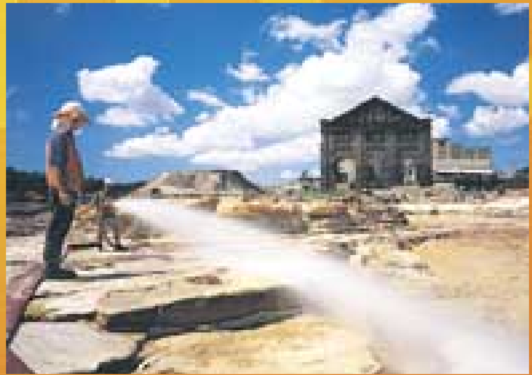
37.45 million options in Star City Casino were converted to 4.68 million ordinary shares in Tabcorp Holdings Limited and then sold in December to Deutsche Bank for $49.3 million. Leighton entered a separate equity swap transaction with Deutsche Bank. Leighton continues to hold a 15% share in the Star City management company.

Review of Operating Company Activity

Contents

Multi-purpose Venue stadium
Melbourne, Victoria

Mortlake rehabilitation
New South Wales



Infrastructure maintenance for Bayside Trains and Swanston Trams
Melbourne, Victoria

Kwinana Freeway interchanges and extension
Perth, Western Australia

Satui coal mine
Indonesia

"We are committed to a whole-of-business, triple bottom line approach that delivers integrated engineering solutions."

Martin Albrecht Managing Director

Board
R M Wylie OBE Chairman
M C Albrecht Managing Director
D S Adamsas, D J Argent, E F F Finger AO,
R J Flew, A C Hardy, Hon R J Kelly, W M King AM, R S Trundle
Associate Directors
B J Campain, N N Jukes, D K Saxelby, D G Stewart
Secretary
D J Argent

Senior Executives
M C Albrecht Managing Director (retires 30th October 2000)
R S Trundle Managing Director (elect)
D J Argent Director, Finance & Administration
B J Campain Associate Director, General Manager, Thiess Services
N N Jukes Associate Director, Executive General Manager, Operations
D K Saxelby Associate Director, General Manager, NSW/ACT
D G Stewart Associate Director, General Manager, International
D E Bettess General Manager Quantum Explosives
N G Bowra Manager, Process Engineering
E P Buratto General Manager, WA
D A Clark General Manager, Vic/Tas/SA/NZ
M L Fox General Manager, Qld/NT/Pacific
I H Irwin Group Manager, Human Resources
B H Kenny Group Plant Manager
R F McTavish Area Manager, South America
B A Munro President Director, Indonesia
I D Wade Group Manager, Information Systems
R H Wilson General Manager, Development & Technical Services

Overview

The record level of capital investment in new business opportunities and plant, creates a solid platform to sustain our growth. Improved profit and an all time record level of work in hand endorses our commitment to being an integrated service provider of first choice. Our focus is on 'whole-of-business' solutions, making the fullest use of our unique capabilities to produce superior value and outcomes for clients.

Our dedication to servicing repeat business clients culminated in the award of our largest-ever contract in Indonesia and our first contract in South America with BHP. In the future, Thiess will be less defined by geographical boundaries in order to support clients like BHP in their need for our services to be delivered across various regions.

We aim to source over 30% of our work from overseas markets. We recognise that both in Australia and internationally, clients are seeking contractors who are able to offer a wide range of integrated services, with a greater acceptance of risk in delivery. Our ability to drive life-cycle efficiency gains with our asset management and facilities maintenance services gives us a continuing work stream, and the opportunity to add substantially greater value than previously possible.

The year in review

The award of an $800 million coal mining contract at BHP's Senakin and Satui mines in Indonesia was our largest ever, and a major milestone. This contract for integrated service delivery, ranging from mine planning to product loadout, epitomises our 'whole-of-business' approach. This project also commits Thiess to a wider and deeper corporate social responsibility at a time when we seek a new balance between business, government and society in a rapidly changing global environment.

Our first South American contract was also secured with long-standing client BHP, this time in Peru. With three small contracts at their Tintaya Mine we are now positioned to participate in BHP's planned expansion.

In New South Wales, the recently acquired Hunter Valley Earthmoving business contributed positively to the Business Unit's overall strength. Ansett's Sydney Terminal Redevelopment was successfully completed for a very long-standing business partner, and good progress was made at the Royal Prince Alfred Hospital.

Our Environmental Services business is rapidly transforming into a multi-utilities service business and continues to grow. Securing the Rochedale contract in Brisbane was a major milestone giving us a strong regional position as a fully-integrated waste management service provider. Our utilities business expanded in Melbourne with the award of the Multinet gas maintenance contract and a five-year extension to the existing South East Water contract.

Telecommunications is the fastest growing market sector. Thiess' acquisition of a 50% stake in Silcar, a joint venture with Siemens, is a significant strategic expansion in the range of our process engineering services. Silcar recently secured Telstra's $500 million National Telepower contract for the design, construction and maintenance of power supply to 36,000 installations.

The recently awarded rail maintenance works in Victoria was an equally significant contract. The value of this contract could be up to $1 billion in work over 12 years. We also completed Melbourne's new Multi-purpose Venue at Flinders Park.

Overall performance of the Queensland/NT/Pacific Business Unit, led by Managing Director elect Roger Trundle, was outstanding with all disciplines contributing to an all time record year.

In Western Australia we commenced the $128 million Kwinana Freeway extensions and that Business Unit is now well positioned to take advantage of major infrastructure projects in the coming year.

Occupational health and safety remains integral to the Thiess culture. This year's challenge was to maintain continuous improvement while absorbing large numbers of employees and subcontractors from new business acquisitions, ensuring they quickly embrace the high safety standards which are core to our business.

Our strategic five-year alliance with the University of Queensland has extended with the development of a successful work experience program for under-graduate mining and minerals processing students. We plan to expand the alliance in the year ahead.

Management changes

With my retirement pending late this calendar year, succession planning and management development has been high on the agenda. I am pleased to confirm that Roger Trundle has been appointed as my successor. His wealth of over 20 years experience, and support throughout the company, auger well for him to lead Thiess and build on our remarkable history.

As a result of this change, and the growth in our business, we have made a number of senior management appointments both here and overseas to maintain the strength of the management team.

Outlook

Thiess' customers have global interests and our international presence enables us to support their growth plans. Our technology, equipment and process-engineering partners similarly have international interests and accordingly, globalisation is a profound factor for our future.

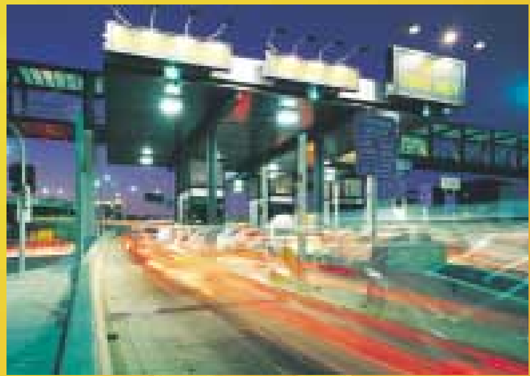
The business is strong and healthy, with exceptionally dedicated staff and resources with an absolute customer focus. Thiess is focused like never before on sustaining growth into the future with the real seeds for future growth lying in the use of the Group's strong balance sheet and strategic equity investments.

There are some exciting possibilities ahead in the resources area. We see further opportunities in coal mining in both Queensland and New South Wales and will look at further investment possibilities in Indonesia.

Thiess will continue to supply clients with integrated services and solutions. We have a solid platform to build on and the focus and energy to drive forward.

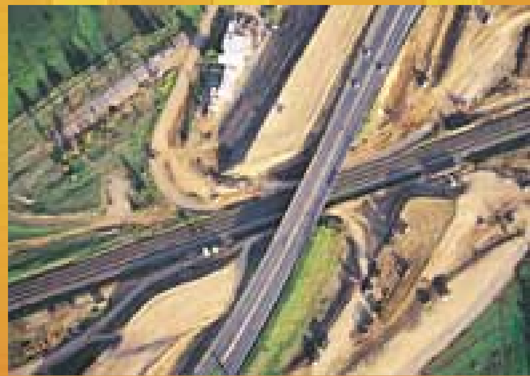
Leighton Contractors

Eastern Distributor maintenance and operation
Sydney, New South Wales

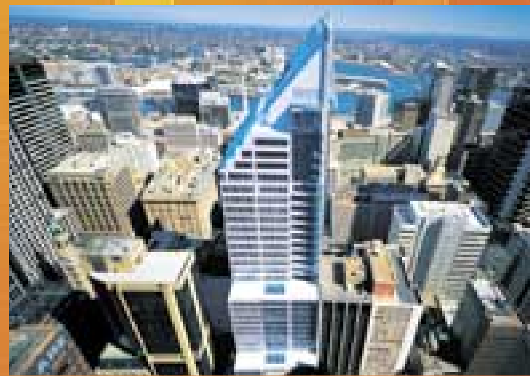


Optus Mobile Digital Network
New South Wales

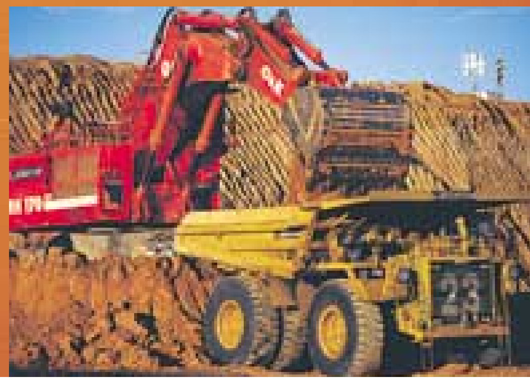
Geelong freeway
Victoria



Angel Place
Sydney, New South Wales



Coppabella coal mine
Queensland



"Our strength in transport infrastructure and telecommunications is aligned to a number of exciting opportunities." **Bob Merkenhof** Managing Director

Board
W M King AM Chairman
R J Merkenhof Managing Director
D S Adamsas, C H Clark, J J Dunkley, R G Gussey, R L Hawkins, I M Luck, R F Morris, R P Turchini, L W Voyer,
Secretaries C H Clark, K J Steen

Senior Executives
R J Merkenhof Managing Director
J J Dunkley General Manager, WA
I M Luck General Manager, Vic, SA & Tas
R P Turchini General Manager, NSW & ACT
L W Voyer General Manager, Qld & NT
B A Bowman Manager, Information Systems
D R Boyling National Plant Manager
C H Clark National Manager, Financial Services
R G Collins Manager, Contractual Services
M G Delaney Manager, Central Engineering Services
R L Hawkins National Manager, Development
J D McNab National Estimating Manager
R F Morris General Manager, Land Transport
K J Steen National Administration Manager
J T Walshe Manager, Employee Relations and Environment
D E Wilson General Manager, Engineering

Vytel Pty Limited
P R Cooper Managing Director
B T J de Boer Operations Director
D Phizacklea Commercial Manager
B M Faulks Business Development Director

Overview

Leighton Contractors put in a solid year's performance, with revenue of $883 million and work in hand up by 15% from the previous year.

The company spent much of the last two years finalising the delivery of significant building and infrastructure projects. During that time, it also began analysing its business in anticipation of the downturn in the Australian construction industry. This review culminated in a strategic restructure of the business and the introduction of a number of key initiatives.

The company's rapidly expanding telecommunications capability has been consolidated with the formation of Vytel Pty Ltd. Vytel, a focused telecommunications company, will co-ordinate the activities of Visionstream and LSE Technology – a recently acquired specialist wireless and microwave radio contractor. Vytel will also manage our investments in Reef Networks and Nextgen, and our off-shore joint-venture activity with Leighton Asia.

Emphasis is also being placed on industries with strategic fit, such as oil and gas, defence and process engineering. Central functions and support across the commercial and financial, engineering, HR and business development areas have been rationalised.

Safety performance continues to improve and we are compiling our own data to complement available insurance and industry data to drive our continual improvement program to the highest standards.

Victoria was very strong on the back of our Geelong freeway contracts. New South Wales performed well, with the undoubted highlight being the delivery of the Eastern Distributor eight months ahead of schedule. Queensland significantly increased its workload, particularly in transport infrastructure and looks forward to a number of prospects in oil and gas. West Australia, however, had a difficult year, with modest levels of civil engineering and infrastructure work.

The year in review

In December, Reef Networks and our long-term client Cable and Wireless Optus jointly commenced a privatised $80 million, 1,820 km Brisbane to Cairns fibre-optic cable. The Reef project is being constructed and maintained by Visionstream, with equity being funded by Leighton Contractors and ABN Amro who are also underwriting the long-term finance.

LSE was acquired during the year to expand our skills into wireless and microwave radio technology. The acquisition broadens our expertise within telecommunications and is fundamental to the company's long-term strategy to maximise opportunities in this hi-tech, growth industry.

Engineering infrastructure activity focused on the delivery of major road projects. Scheduled for completion before the Sydney Olympics, the December 1999 opening of the Eastern Distributor was an outstanding achievement. Its staged completion saw the last William Street ramps open in July 2000. We are contracted to carry out the operations and maintenance of the tollroad. This 48-year contract concludes in 2047.

In Queensland, the $130 million contract to construct a section of the Pacific Motorway was completed ahead of schedule and we secured a two-year, $205 million contract for construction of Brisbane's Inner City By-pass. The successful environmental management and community consultation undertaken on Sydney's Eastern Distributor and Perth's Narrows Bridge was a significant factor in the award of the Inner City Bypass.

In Victoria, we were awarded a $116 million contract for two sections of the Melbourne-Geelong freeway upgrade.

Work continues at the Yarrie Nimingarra iron-ore mine in Western Australia for BHP and has assisted our diversification into the coal-mining sector, with the award of a $43 million contract at Coppabella coal mine, some 125km south-west of Mackay in Queensland.

In building, new management contracts in Sydney include the $95 million St Vincents Hospital upgrade and the construction and fit-out of a $109 million new building for the Australian Broadcasting Corporation. A $70 million contract to manage the upgrade of the Royal Australian Air Force's Townsville base represents a strategic return for us to defence industry contracting.

Future outlook

Despite the current construction downturn, we forecast a better year ahead as we capitalise on some excellent emerging opportunities where we can add substantial value and focus on fostering client relationships.

Vytel's expanding telecommunications capabilities and industry relationships should enable it to take advantage of further infrastructure developments and technological change. Numerous opportunities exist in this sector as new carriers enter the market and new technologies are developed.

We see opportunities in New South Wales for transport projects such as the Cross City Tunnel, the Parramatta-Chatswood rail link, and further ahead, the Lane Cove tunnel and Western Orbital.

There are a significant number of resource projects due to come on stream in the near future, particularly in Western Australia where there are promising signs of activity in the oil, gas and iron ore sectors.

As government discussions and feasibility studies progress, the Leighton Contractors-ALSTOM consortium remain the preferred developer for the $4.8 billion Speedrail project, the high speed train link between Sydney and Canberra. Prospects are promising for this massive project, where our size, experience and ability to deliver major infrastructure is an advantage.

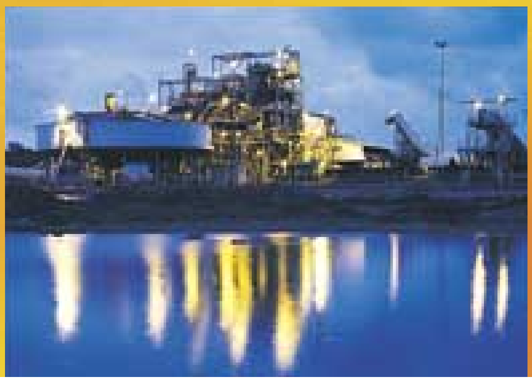
Leighton Asia

Tin Shui Wai housing development
Hong Kong

Aqueducts, Tai Po to Butterfly Valley
Hong Kong

Tseung Kwan O railway station and tunnels
Hong Kong

Sebuku coal mine
Indonesia



Teachers' Housing project
Malaysia

"In our 25th year in Asia, our record level of work across different industries and countries promises sustainable future growth."

John Faulkner Managing Director

Board
N K Chan Chairman
J Faulkner Managing Director
Dr H M Bästlein, D C Bray, R F Grosvenor, W K Hamilton, A L Jacobs, W M King AM, P J McMorrow, Dr K Rönnberg
Secretary M Wong

Senior Executives
J Faulkner Managing Director
A L Jacobs Director, Finance & Administration
D Pestridge Group Commercial Manager
M Wong Group Financial Controller
M Chan Personnel Manager
C I Gordon Corporate Communications Manager
B Cunningham Business Development Director, Australia/Asia

Hong Kong, China, Philippines
P J McMorrow Director & General Manager
J Dujmovic Executive Director, Civil Engineering
R F Grosvenor Executive Director, Hong Kong Building & China
M J Plummer Executive Director, Major Projects
S Chau Executive Director, Special Works
P F Gomm Country Manager, Philippines
J F Nash Executive Director, Engineering and Estimating
P G Pollard Financial Controller
B R Gillon Manager, Petrochemical & Process Engineering
R R Sowter Business Development Manager, China
I Lam Manager, Safety

Thailand and Indochina
W K Hamilton Director & General Manager
P E Gibney Finance & Administration Manager
J P Leslie Construction Manager, Civil
S Despotidis Business Development Manager
L Thornton Estimating Manager
G Francis Country Manager, Vietnam

South-East Asian Region
D Savage Director & General Manager
J S Holland Corporate Manager, Finance & Administration
C O Aspinall Area Manager, East Malaysia & Brunei
K G Plumbe Projects Director
R W Glover Commercial Manager
M J Cuell Estimating Manager
E O Wardle Operation Manager, Malaysia & Singapore
T McGuire Quality & Safety Manager

PT John Holland Constructions Indonesia
R D Hodgson President Director
Tjoeng Hing Kok Director and Business Development Manager
J Russell Finance & Administration Manager
J McBreen Operation Manager, Mining
R F Logan Commercial Manager

Overview

In an excellent year our revenue climbed to record levels, up some 26% from 1998/99, while work in hand stands at $1.2 billion, a record for year end. This new level of work across various countries and markets promises to deliver sustainable future growth.

Our success is due in part to the market's appreciation of our stability and resilience through Asia's economic crisis, when many competitors scaled back their operations. This year was Leighton Asia's 25th anniversary and record levels of work and revenue are a testament to our long-term commitment to the region. We have won some exciting new contracts, expanded our geographic presence and entered new market sectors, taking the company to new levels of activity.

During the year we selectively purchased some of John Holland Asia's businesses. The projects involved have launched us into rail rehabilitation in Thailand and re-established our regional presence in contract mining.

The year in summary

Hong Kong again contributed the bulk of our profit, with Malaysia the outstanding performer in winning new work. Malaysia now has the largest current workload of all our divisions. Most prominent of Malaysia's new work is the project to build 10,000 apartments for teachers' accommodation across the country.

The other significant Malaysian win this year has been a series of civil and building contracts associated with a new 2,500 MW power station at Manjung, in the State of Perak.

In Hong Kong work continues to be driven by government or quasi-government bodies. We finished two major housing developments during the year, the $140 million development at Fanling and the $224 million Tsz Oi project in Kowloon. Work is progressing well on the $176 million Tin Shui Wai development in the New Territories.

Our rail track laying and station construction projects in Hong Kong are progressing well and will continue to run through to 2002.

Work levels in Thailand have been boosted by the acquisition of John Holland's share of a joint-venture rail track rehabilitation project with a local Thai company for the State Railway of Thailand. We now have a strong presence in rail infrastructure in that country and are well placed to compete for further rail opportunities.

In the Philippines, the $98 million Rockwell retail centre in Manila will be completed at the end of 2000. This project is setting new standards in quality and safety in the Philippines. We also successfully completed a petroleum and LPG handling jetty at Bataan for Total.

We now have two new Indonesian contract mining projects as a result of our acquisition of PT John Holland Constructions Indonesia. We will continue to operate as John Holland in Indonesia where that company has a 25-year history and a solid reputation.

Our strong environmental and health and safety orientation continues to enhance our reputation across Asia. The Rockwell retail centre reached six million man-hours without a lost time accident – an all-time record. We continue to maintain our ISO14001 environmental certification for Hong Kong and are the first construction company to achieve this rating in the Philippines.

Outlook

Leighton Asia's performance this year has provided an excellent platform for future growth. We have won large, profitable projects and will start the coming year with record levels of work and several very good prospects.

We are observing increased economic activity in the region as countries continue to emerge from the 1997 financial crisis. Malaysia, the Philippines, Hong Kong and now Indonesia, should perform well for us this year.

Rail opportunities will be the key civil engineering focus in Hong Kong with tenders for the Kowloon-Canton Railway Corporation's East Rail extension expected to be awarded by the end of the financial year.

On the back of the SRT rail contract, Thailand will have a good year and we continue to seek opportunities in that country's rail sector.

In Malaysia our prime focus is on profitably undertaking our current workload and closely monitoring our performance following a significant increase in new work which will now carry us forward for several years.

In the Philippines, we are the preferred contractor on the Tagaloan power station and we await the finalisation of the client's power purchase agreement with the Government. We anticipate the client's funding for the North Luzon Expressway will be in place by year end.

Capital expenditure continues to remain at low levels, however further expansion into mining through John Holland may moderately increase our need for plant and equipment. We finalised the sale of our Hong Kong foundation engineering business during the year.

We are assessing new geographical regions and new disciplines and are reviewing opportunities to utilise HOCHTIEF's experience. We are also looking at penetrating Asia's telecommunications markets under a joint-venture arrangement with Vytel, a Leighton Contractors subsidiary. This arrangement will allow us to capitalise on the dot com economy by utilising Australian telecommunications experience.

Clients are increasingly searching for contractors who demonstrate a professional approach to all aspects of construction. Our stability, coupled with our extensive experience in the region and our ultimate focus on project delivery is providing us with an important competitive advantage.

Our primary focus in the next year will be to profitably handle the large volume of new work that we've secured.

John Holland

Vodaphone base stations
Homebush Bay, New South Wales

Subiaco Oval redevelopment
Western Australia

Ryde Aquatic Leisure Centre
New South Wales

Malampaya CGS
Palawan, Philippines

Pacific Motorway
Yatala, Queensland

"The financial backing and support of the Leighton Group will allow John Holland to achieve its potential."

Bill Wild Managing Director

Board
J L Holmes à Court Chairman
W J Wild Managing Director
D A Adamsas, I R Johnson, D Karpin,
W M King AM, A Mairs
Secretary G W Coffey

Senior Executives
W J Wild Managing Director
R A Barton General Manager, Qld
R J Bennetto General Manager, Southern Region
V J Chudacek General Manager, Special Projects
G W Coffey General Manager, Commercial & Investment
D W Golightly General Manager, Regional & Corporate Services
S J Holden General Manager, NSW/ACT Region
J C Horsley General Manager, Administration & Accounting
R S Mickle General Manager, Western Region
D R Tasker General Manager, Rail

Overview

In February 2000, Leighton Holdings finalised the acquisition of a 70% interest in John Holland, from Janet Holmes à Court's private family company, Heytesbury. John Holland is one of Australia's oldest and most respected engineering contractors and it was identified as a complementary addition to the Group. It holds very strong positions in the defence, health, process engineering and rail maintenance sectors and is developing capabilities in telecommunications and maintenance and facilities management.

The acquisition has combined the reputation and skills of John Holland with the financial backing of Leighton, to enable what is fundamentally a strong business to achieve its potential.

In line with short-term expectations, John Holland delivered a break-even result for the six month period. A number of steps have been taken to reposition the company to leverage its reputation as a solid engineering specialist. These include the correction of the funding imbalance identified during the due diligence process, the introduction of proven Leighton Group financial and reporting systems, and strengthening of the existing management by the addition of several key personnel. Mitigating any destabilising effects of the acquisition, and maintaining the separate identity, culture and knowledge-base of the company, were of prime concern. However, the reaction to the ownership changes by both the John Holland staff and the market generally has been extremely positive. Janet Holmes à Court's continued role in the company has been particularly beneficial.

Over the past year the telecommunications sector has performed very well and its results have exceeded forecasts, as has rail maintenance. Building construction performed to expectations, while civil engineering was disappointing. Industrial and process engineering did not contribute in this financial year.

The year in review

The most significant project completed during the year was the $210 million concrete gravity structure for the Shell Malampaya project in the Philippines. The completion of this major component of the Shell gas field development, three months ahead of the original completion date, will further enhance John Holland's reputation in the oil and gas and process engineering sectors.

In rail, the $210 million Westrail Maintenance project was extended for an extra year and the Hillside Trains maintenance contract with ALSTOM was commenced. John Holland improved its penetration of the industry with the acquisition of the Mechanised Maintenance Group operations from the Victorian Public Transport Commission and the Australian railway maintenance business of the American Loram company.

The Asia Pacific Transport Consortium of which John Holland is a 20% shareholder was awarded preferred status for the construction of the $1.4 billion Alice Springs to Darwin Railway Line. Award of this contract will provide a sizeable boost to the company.

Building activity was concentrated on health, defence and sporting facilities. In Queensland, work on the new $124 million Townsville Hospital continued and in New South Wales the Allandale aged care facility in Cessnock was completed. Work commenced on the new Alice Springs hospital. As a number of projects for the Department of Defence in Darwin and at the Williamstown Airbase were completed, new defence work commenced at Williamstown and Amberley. The new grandstand at Subiaco Oval in Western Australia was completed as were the Aquatic Centres at Nunnawading in Victoria and Ryde in New South Wales.

John Holland's telecom business continued to expand, with significant additional work with Vodafone. Infratek Networks, the joint venture company John Holland has with ALSTOM and Sinclair, Knight Merz won several InterExchange Network contracts from Telstra and is well placed to win other contracts.

Our reputation for comprehensive engineering experience and long-term staff focused on client satisfaction, has resulted in a good record of repeat business. Integral to our approach is the high value we place on occupational health and safety, environment and quality. The company is widely recognised for its long-standing focus on safety issues.

At year end the John Holland-EDI-INVAP consortium won the contract to design and construct the replacement research reactor at Lucas Heights, in Sydney. Worth around $85 million to John Holland, construction work will not commence until early 2002.

Outlook

Over the last 12 months, project wins have generally been modest, reflecting the company's previous inability to finance major projects. However, the current consolidation phase will lay the foundation for our near- to medium-term goal of improving prospects, revenue and the profit-base towards the levels set by Leighton Holdings. We expect to be profitable in 2001, confident that by focussing on profitability, and fine-tuning management processes and controls, we will enhance our performance.

Although the construction market has turned down and market pricing is tighter in some areas, the company is not significantly exposed in any one sector. Winning even a moderate amount of work in these traditional areas will complement our other growth opportunities and improve the business.

We have identified and penetrated telecommunications, rail and other maintenance sectors – markets with the potential to be strong businesses over the next decade.

While underperforming in recent years, John Holland is a strong business, with excellent people and a solid base of experience to build on. Our reputation and traditional expertise in process and heavy industrial engineering are bolstered by the strength of the Leighton Group. By leveraging our collective strengths we aim to regain a pre-eminent position in the Australian market place.

Leighton Properties

Mulgrave redevelopment
Victoria

80 Pacific Highway
North Sydney, New South Wales

“Carefully selected commercial and industrial developments continue to provide good opportunities going forward.”

Vyril Vella Managing Director

Board
V A Vella Managing Director & Chairman
D S Adamsas, A W Beck, R H Borger, B W Clark, J C Elvy, M C Gray, W M King AM, D P Robinson
Secretary B W Clark

Senior Executives
V A Vella Managing Director
J C Barrett Manager, Corporate Services
R H Borger Manager, Queensland
B W Clark Commercial Manager
M C Gray Manager, New South Wales
A W Beck Manager, Victoria

Overview

Whilst Leighton Properties did not reach its target for the year it recorded an improved performance, with an increased profit and comparable sales and development income over the previous year.

The investment property market has become uncertain over recent months with many factors including the introduction of GST, volatile equity markets and uncertainty of interest rate movements influencing major property investors.

Whilst these market conditions have slowed down prospects on the sale of our property at 80 Pacific Highway, North Sydney, we anticipate that a sale will be completed later in the year.

The tenancy and commercial leasing market was exceptionally strong in comparison with the preceding year. Commercial and industrial markets remain relatively buoyant across the cities of our focus. Sydney shows the highest activity levels, following by Melbourne and Brisbane respectively.

Maintaining the existing level of development activity is currently our main focus as we identify and follow through on a number of opportunities. Geographically, Queensland and Victoria performed well but New South Wales was below expectations.

The year in review

The 80 Pacific Highway office development, is fully leased. US software company Siebel Systems signed up as a tenant for two floors and leading internet networking equipment and network management supplier, Cisco Systems, is leasing the balance of the commercial component of the building. There are only minor retail spaces outstanding in the development.

Our business requires us to carry significant investment in properties on our balance sheet and at the close of this financial year we hold some $191 million. This is at a level which is within our constraints and which is forecast to significantly reduce with the anticipated sale of 80 Pacific Highway, North Sydney.

During the year we took a one-third investment stake in the high profile Macarthur Chambers project in Brisbane’s CBD. The first stage of this $93 million development will include apartments, a carpark and retail precinct. We are close to securing a retail anchor tenant before commencing construction.

Brisbane’s leasing market has been relatively strong and we anticipate that construction of the second-stage office tower will commence in mid 2001. The development will be a Brisbane CBD landmark with an estimated final value of between $180 and $200 million.

Our presence in the Melbourne industrial market was expanded through the acquisition of an existing office complex occupied by Comalco Research Laboratories in Thomastown. Comalco leased back their premises for ten years, and this component of the site was sold in early July 2000. The remainder of the site will be developed as pre-commitments are negotiated.

We have also secured Hitachi as a new tenant at our Mulgrave location following development work and the leasing of some of the existing buildings. This major complex is now a top-quality location suitable for e-commerce, technology-oriented companies and when fully developed will have a value in excess of $70 million.

A development application is now on public exhibition for the $180 million Noosa resort and leisure development being progressed in a 50/50 joint venture with Ariadne. It is anticipated that this development should proceed in the first half of 2001.

Financial institutions are increasingly seeking development partners to take on development risk. We have strengthened relationships with several major institutions where we seek to assume the development on large-scale projects.

Our 383 Kent Street development in Sydney for property owner Diversified Property Trust should commence construction in October 2000. We are finalising a 25% level of leasing pre-commitment. This $100 million office project involves redevelopment of the lower level carpark before construction of the office tower.

Outlook

We believe that the commercial and industrial markets still have further expansion in this cycle. We anticipate that both of these targeted markets will continue to present good opportunities over the next few years.

In the industrial sector, our expansion in Melbourne will continue steadily, whilst we are looking at some good opportunities in Brisbane.

Our main challenge in pursuing an enhanced profit result is to convert new opportunities in the relatively strong commercial development markets of Sydney, Melbourne and Brisbane. There are also some commercial opportunities in North Sydney, where we enjoy a good presence.

Our growth strategy is founded on fostering existing relationships with joint venture partners such as Ariadne in Queensland, where that company has strong local knowledge and relationships. We plan to sell our 80 Pacific Highway, North Sydney development and, in due course, our industrial property at Thomastown in Melbourne.

Technical Resources

"We continue to develop and apply our specialist skills to add value and enable the Group to deliver quality services."

Iain Scoular Manager

Senior Executives
I A Scoular Manager
G R Andrews Manager, Technical Computer Systems
J M Clark Engineering Adviser
M K McAuley Manager, Communications
N A Sallustio Manager, Engineering
E M Ferguson Senior Analyst Programmer
J M Malouf Group Information Manager
J R Randall Corporate Design Manager
P B Williams Project Review Manager

Overview

As the Group's specialist in-house company, Technical Resources had an active and successful year. Maintaining a focus on its core disciplines – project services, technical computing systems, communications and engineering – the company also extended its depth of expertise in these areas.

This strategic consolidation has been undertaken in parallel with the Group's steady expansion over the year and allows us to continue to provide the Group with the type and depth of service necessary to maintain competitive edge.

Technical Resources conducted a number of detailed project reviews in Australia and Asia throughout the year. These reviews require specialist experience in project management and project delivery and are part of our risk-management programme aimed at establishing or improving the level and quality of project delivery and reporting.

Our continuing role in researching and developing the very best in Information Technology (IT) helps to ensure that the Group is well placed to capitalise on the latest developments in this sector. We play a key role in Leighton Holdings' IT Issues Group and have further developed the standard-setting computer aided tendering system, CATS, over the year.

Communications activity is increasingly focused on developing expertise in web-based information systems through its work on Internet and intranet products. The demand for skill in sourcing and creating content for these systems is a factor driving this section's development.

Involvement in major projects

We played a vital role during Leighton Holdings' acquisition of John Holland in late 1999, mobilising an experienced project management team to undertake due diligence reviews of current and recently-completed projects. The objective was to identify and understand issues that may have impacted on the transaction.

Project reviews confirm the operating company's confidence in a project's execution, management and progress, as well as providing pointers to warning signs which enable early remedial action to be taken.

Ongoing research into safety management, and the development of concepts and procedures for its improvement, has been a strong focus. We initiated a number of research projects including a comprehensive study on the location and management of buried services – such as electrical cables and high-pressure gas mains – for Leighton Contractors. The guidelines and recommendations were widely distributed using the company's intranet.

Participation in regular Project Review Groups (PRG) on significant projects is a valuable contribution to Group performance. Developing strong working relationships with project staff, ensuring that effective communications procedures are in place, and that appropriate planning and controls exist, are vital parts of the PRG process.

The development of industry-specific IT software and strategies continues to be high on our agenda. CATS, the new Windows-based version of the computer aided tendering system, is now in the process of being rolled-out. CATS is a radically enhanced version of the original system developed and managed by Technical Resources since 1983. Its ongoing development demonstrates our commitment to furthering the Group's use of tailored, industry-specific technology, ensuring performance is improved and market leadership is maintained.

Communications activities are a significant part of our business. Strengthening our reputation as a specialist communications provider, we established a corporate writing section which is closely tied to our increasing emphasis on knowledge capture, and knowledge and content management.

The self-published commemorative book, *Leighton: 50 years of achievement 1949-1999* provided an opportunity for the section to demonstrate its proven ability to develop and deliver large-scale communications projects. Other projects undertaken during the year included working closely with Leighton Contractors to develop a comprehensive community relations management plan for their Inner City Bypass project in Brisbane.

As the Group continues to grow, establishment of our own website was a symbolic and necessary step toward strengthening our profile and highlighting our range of services to our clients. The website is also planned to provide access to our extranet project sites. Currently in development, these virtual project sites will provide a central information exchange point between ourselves and our clients with access restricted to team members.

During the year we continued to provide general corporate governance support and services to the Group and conducted a detailed review for Leighton Asia on its IT and information management status and future requirements.

Outlook

We anticipate another busy year, in part due to the continued growth of the Leighton Group, and the need for project management, content management, knowledge management and IT expertise. We will be looking to further our activity in these sectors in the year ahead.

We will be expanding training and skills development in Australia and Asia and be promoting the value of further involvement in sponsored research.

In the year ahead, our focus will clearly be on those areas that add value to operating companies' businesses as their needs evolve, and to ensure our activities benefit the Group and its shareholders.

Financial Report

Contents

Directors' Statutory Report

The Directors of Leighton Holdings Limited present their report for the financial year ended 30 June 2000 in respect of the Consolidated Entity constituted by the Company and the entities it controlled during the financial year (referred to in this report as either the 'Consolidated Entity' or the 'Group'). This report has been prepared in accordance with the requirements of Division 1 of Part 2M.3 of the Corporations Law.

Review of operations

A review of the operations of the Consolidated Entity during the financial year and of the results of those operations is contained on pages 1 to 45 of this Concise Annual Report.

Significant changes

Significant changes in the state of affairs of the Consolidated Entity during the financial year were as follows:

- the acquisition of a 70% interest in the John Holland Group Pty Limited from Heytesbury Holdings Limited. While no financial consideration was involved in the purchase price, Leighton Holdings is providing the business with working capital and supplying guarantees and bonds. (pages 7, 9, 40 and 41)
- Leighton Asia paid $7.2m to acquire selected contracts and assets from John Holland Asia.(pages 9 and 39)
- Thiess acquired 100% of the issued capital of Hunter Valley Earthmoving Co. Pty. Limited for $48m. (page 35)
- Thiess through its wholly owned subsidiary Quantum Explosives acquired the assets of Total Energy Systems for $16m. (page 23)
- Leighton Contractors acquired 100% of the issued capital of LSE Technology Pty Limited for $15m. (page 37)
- Thiess Environmental Services acquired a 6 year contract with extension options for the operation of transfer stations and a landfill at Rochedale in Brisbane from Pacific Waste. (page 35)
- through a rights issue Thiess acquired an additional 11 million shares in Portman Mining Limited for $8m. (page 31)
- Thiess acquired a 50% interest in Silcar Maintenance Services from Simon Engineering for $8m. (page 35)

Financial results

Total revenue for the Consolidated Entity for the financial year was up by 7.5% to $3.6 billion. Operating profit after tax attributable to members of the Company increased by 10.1% to $134.1 million.

Dividends

An unfranked final ordinary dividend of 20 cents per share was announced on 17 August 2000 and will be paid on 29 September 2000. Together with the interim ordinary dividend of 13 cents per share, fully franked at the 36% corporate tax rate, which was paid on 31 March 2000, the total dividend payment out of the profits for the financial year will be 33 cents per share and will amount to $86.7 million.

The final fully franked dividend of 18 cents per share referred to in the Directors' statutory report for the financial year ended 30 June 1999 and payable out of the profits for that financial year was paid on 30 September 1999.

Principal activities

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

Events after end of financial year

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

Future developments

Likely developments in the operations of the Consolidated Entity in future financial years and their anticipated results are referred to in pages 6 to 9. Further information on likely developments in the operations of the Consolidated Entity, including the expected results of those operations in future financial years, would in the Directors' opinion result in unreasonable prejudice to the Company and has therefore not been included in this report.

Environmental Regulation

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

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

As part of the Group's internal reporting processes, operating management is required to report the numbers of environmental incidents occurring and what has happened to resolve such incidents, regardless of whether they infringe any regulations. At the commencement of this year the Directors reviewed and upgraded the criteria upon which the environmental performance achieved by Group companies is measured and reported to the Board each quarter. The environmental performance reported below reflects the implementation of this revised criteria which were adopted to further reinforce the requirement for all levels of management to be aware of environmental performance and of the need to act where performance does not meet Group expectations.

The following reporting categories are those adopted by the Group and show examples constituting such incidents.

Incident Classification:

Class 1: refers to pollution or degradation of the environment which:

- has a high short-term impact on the quality of the environment;
- is irreversible;
- is on a wide scale off-site.

Class 2: refers to pollution or degradation of the environment which:

- has a measurable short-term impact on the quality of the environment;
- is reversible;
- is contained on-site.

Class 3: refers to pollution or degradation of the environment which:

- has no measurable impact on the quality of the environment;
- affects the ability of people off-site to enjoy their normal environment, e.g. minor noise disturbance;
- may result in Class 1 or 2 damage if it continues to occur.

During the financial year the Group's Australian operations recorded and reported on the following environmental incidences:

Class 1	Class 2	Class 3
0	38	156

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

Directors and Directors' interests

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

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

*Non-beneficially held

Details of Directors' qualifications, experience, special responsibilities and interest in shares in the Company are set out on pages 49 and 51 of this Concise Annual Report.

Directors' and Senior Executives' emoluments

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

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

Executive Directors and senior executives may receive annual and deferred bonuses based on the achievement of specific operational and financial goals.

In addition, executive Directors and senior executives have the opportunity to qualify for participation in the Leighton Executive Share Options Plan which currently provides share option incentives where specified performance criteria are met. Non-executive Directors do not receive any performance related remuneration.

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

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

Directors' and Executives' Benefits

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

Consolidated and Company	Remuneration Package (a)	Performance Based Bonuses	Superannuation Contributions	Retirement Benefits	Other Benefits (b)	Total Remuneration
Executive Directors						
W M King AM	1,581,412	1,700,000	100,098	–	–	3,381,510
D S Adamsas	1,022,365	1,100,000	213,291	–	–	2,335,656
Non-executive Directors						
M A Besley AO	192,196	–	–	–	–	192,196
G J Ashton	71,194	–	6,100	–	–	77,294
A Drescher	68,000	–	6,800	–	–	74,800
I R Johnson	80,993	–	6,800	–	–	87,793
H-P Keitel	94,000	–	9,400	–	–	103,400
D A Mortimer	68,000	–	6,800	–	–	74,800
B Peus	68,000	–	6,800	–	–	74,800
D P Robinson	72,000	–	7,200	–	–	79,200
R M Wylie OBE	129,000	–	–	–	–	129,000
G Dixon	58,860	–	5,886	–	–	64,746
Senior Executives						
J Faulkner	950,098	534,188	103,543	–	324,205	1,912,034
M Albrecht	931,616	800,000	124,026	–	–	1,855,642
R Trundle	454,525	550,000	76,500	–	–	1,081,025
P McMorrow	496,795	299,145	76,923	–	182,445	1,055,308
R Merkenhof	695,946	170,000	52,031	–	–	917,977

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

(b) Options to acquire shares in the Company were granted to employees during the year under the Leighton Executive Share Option Plan (LESOP) which are exercisable in accordance with the Plan rules at the market price at date of issue. The exercise price of $5.84 was higher than the market value at 30 June 2000 of $5.38. Details of the terms under which the options were issued under LESOP are set out on page 50.

Directors' Meetings

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

	No. of Directors' Meetings		No. of Audit Committee Meetings		No. of Remuneration Committee Meetings		No. of Plan Committee Meetings		No. of Ethics Committee Meetings	
Director	Attended	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended	Held*
D S Adamsas	9	9	5	5	–	–	–	–	–	–
G J Ashton	9	9	–	–	–	–	–	–	2	2
M A Besley AO	9	9	–	–	2	2	2	2	2	2
G J Dixon (appointed 19 August 1999)	7	8	–	–	–	–	–	–	–	–
A Drescher	9	9	–	–	–	–	–	–	–	–
I R Johnson	9	9	–	–	–	–	–	–	1	1
H-P Keitel	2	9	–	–	2	2	–	–	–	–
W M King AM	9	9	4	5	2	2	2	2	1	1
D A Mortimer	9	9	–	–	–	–	–	–	–	–
B Peus	4	9	–	–	–	–	–	–	–	–
D P Robinson	9	9	5	5	–	–	–	–	–	–
R M Wylie OBE	9	9	5	5	–	–	2	2	–	–

*Reflects the number of meetings held during the time the Director held office during the financial year.

Directors' Statutory Report continued

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:

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

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

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

The current Directors and Secretary of the company are named at page 6 and the Company's current auditors are KPMG.

Deeds of Indemnity

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

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

Directors Deed

During the financial year, the Company entered into a Deed of Indemnity, Insurance and Access ("Directors Deed") with each current Director of the Company. These Deeds formalised 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 each of those Directors. Under each Directors 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 of 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 Directors Deed the Board relied on the resolution approved by shareholders at the Annual General Meeting of the Company on 4 November 1999 and on section 195(1)(d) and section 212 of the Corporations Law.

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

Insurance for Group Officers

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

Under the above mentioned Deeds of Indemnity 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 insured by the insurance contracts and the amount of the premiums.

Share options

Leighton Staff Equity Participation Plan ("LSEPP")

The total number of options over unissued ordinary shares in the Company outstanding under LSEPP at the date of this report is 3,411,750 with each option having an exercise price of $5.41 and an expiry date of 24 October, 2001.

Since 1 July 1999 under LSEPP:

(i) 647,950 shares have been issued on exercise of options at an exercise price of $5.41 each and 55,000 options have lapsed;

(ii) no options have been granted.

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

Leighton Executive Share Options Plan (LESOP)

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

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

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

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

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

Since 5 August 1999 140,000 of the options issued under LESOP have lapsed and the total number of options over unissued ordinary shares in the Company outstanding under LESOP at the date of this report is 6,825,000. Each of these options has an exercise price of $5.84 and each will expire on 5 August 2004 except where they lapse automatically prior to that date on the occurrence of certain events specified in the Plan Rules including the Executive's termination of employment (other than on account of death, total and permanent disability, normal retirement age and certain other special circumstances mentioned in the Plan Rules).

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

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

Names	No. of options granted
D S Adamsas	400,000
W M King AM	600,000

The following five most highly remunerated officers of the Company were also granted options under LESOP:

Names	No. of options granted
M C Albrecht	300,000
J Faulkner	300,000
R J Merkenhof	200,000
R S Trundle	100,000
V A Vella	100,000

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

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

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

Rounding off of amounts

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

Signed at Sydney this 1st day of September 2000 in accordance with a resolution of the Directors.

M A Besley

M A Besley AO
Chairman

W M King AM
Chief Executive Officer

Directors' Resumes

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

M A (Tim) Besley AO, (73)
BE(Civil), BlegS, FTSE,
FIEAust, FAIM
A graduate of the University of New Zealand and Macquarie University. A Non-executive Director since 1989. Elected Chairman February 1990. Former Chairman of The Commonwealth Bank of Australia. Chancellor Macquarie University and President of the Australian Academy of Technological Sciences and Engineering.

W M King AM, (56)
BE, MEngSc, Hon.FIEAust, CP Eng, FAICD, FAIM, FAIB, FTSE
A graduate of the University of NSW. An Executive Director since 1975. Appointed Chief Executive in 1987. A civil engineer who joined Leighton Contractors in 1968 and became Managing Director of that company in 1977. Appointed Deputy Managing Director of Leighton Holdings in 1983. Participates in construction industry affairs and is the President of the Australian Constructors Association. Director of the Board and Member of the Business Council of Australia. Honorary Fellow of the Institution of Engineers and Fellow of the Australian Institute of Company Directors, the Australian Institute of Management, the Australian Institute of Building and the Academy of Technological Sciences and Engineering.

D S Adamsas, (57)
BComm, FAICD
A graduate of the University of NSW. An Executive Director since 1988. Joined the Company in 1971 and has held various senior accounting and commercial positions within the Group. Appointed Associate Director in 1985. Responsible for overall Group management reporting, statutory accounting, auditing, treasury, taxation and insurance. Member of the Financial Executives Institute of Australia. Fellow of the Australian Institute of Company Directors.

G J Ashton, (62)
FAICD, FAIM
A Non-executive Director since 1996. A Director of Evans Deakin Industries Limited, the NSW State Transit Authority and the Australian National Training Authority. Former Managing Director of Clyde Industries Limited and Monier Limited. National President of the Australian Industry Group.

G J Dixon, (60)
Appointed a Non-Executive Director on 19 August 1999. Deputy Chief Executive Officer and member of the Board of Directors of QANTAS Airways Pty Ltd responsible for all the Airline's commercial activities. Before joining QANTAS held senior commercial positions with both Australian Airlines and Ansett Airlines, and has served on the Commercial Board of the International Air Transport Association. A Director of Air Pacific Ltd, Fiji Resorts Ltd, Mission Australia (Sydney City Mission) and the Starlight Foundation.

A Drescher, (60)
BEc
A graduate in economics from Hamburg University, Germany. A Non-executive Director since 1996. Managing Director of Columbus Line Australia Pty Limited and Chairman of Otto Plastics Pty Limited. Non-executive Director of Austal Limited, Liner Shipping Services Limited and of the Australian Chamber of Shipping Limited. He was founding Director of the German Australian Chamber of Industry and Commerce in 1977 and the Chamber's Chairman from 1986 to 1993. In 1997 Mr Drescher was awarded the "Cross of the Order of Merit" by the Federal Republic of Germany.

I R Johnson, (59)
BSc(Hons), FAICD
A graduate of the University of New England. A Non-executive Director since 1997. Chairman of Newcrest Mining Limited. Director of Email Limited. Former Group Executive of CRA Limited.

Dr H-P Keitel, (53)
Dr. – Ing.
A graduate in studies on civil engineering at Technical University: Stuttgart and on business administration and economics at Technical University Munich, Germany. A Non-executive Director since 1992. Elected Deputy Chairman in November 1998. Joined HOCHTIEF AG in 1988 as Director to the Board responsible for international business. Became a member of the Board of Executive Directors in 1990 and was appointed Chairman of the Board of Executive Directors of HOCHTIEF AG in 1992. Other directorships include Pilkington PLC, Ballast Nedam NV and The Turner Corporation. A Director of HOCHTIEF Limited.

D A Mortimer, (55)
BEc(Hons), FCPA
A Non-executive Director since 1997. Chairman of Ci Technologies Group Limited, Medical Imaging Australasia Limited and The Sydney Airports Corporation Limited.
A Director of FH Faulding and Co Limited, Adsteam Marine Limited, Petsec Energy Limited and Macquarie Infrastructure Investment Management Limited.
Former Managing Director and Chief Executive Officer of TNT Limited.

Dr B Peus, (58)
Dr of Law
Studied at the Universities of Münster, Lausanne and Berlin. Graduated and awarded Doctorate of Law from the University of Münster. A Non-executive Director since 1994. Joined HOCHTIEF in 1977 and is a member of the Board of Executive Directors with responsibility for central departments (legal, audit, insurance, investment controlling, mergers and acquisitions) and international subsidiaries and associates. A member of the Supervisory Board of Ballast Nedam NV, Amstelveen, Netherlands, President of HOCHTIEF Inc., Wilmington, Delaware, USA and HOCHTIEF Canada Inc., Toronto. A Director of ARMBRO Enterprises Inc., Toronto and HOCHTIEF Limited.

D P Robinson, (44)
BEc, FCA
A graduate of the University of Sydney. A Non-executive Director since 1990. Alternate Director from 1987 to December 1990. A chartered accountant and partner with the firm of Harveys Chartered Accountants in Sydney. Responsible for business development services within that firm. Participates in construction industry affairs. A Director of HOCHTIEF Limited.

R M Wylie OBE, (72)
BComm, BA, FCA, FAICD, D.Univ (Griffith)
A graduate of the University of Queensland.
A Non-executive Director since 1985. Elected Deputy Chairman in February 1990. A chartered accountant, formerly senior partner in the Queensland practice of Peat Marwick Mitchell & Co. Chairperson of the Queensland Competition Authority. Former Chairman of the Queensland Branch Council and Federal Councillor of both the Institute of Chartered Accountants and the Institute of Directors in Australia.

Corporate Govenance Policy

1

The Board

The Leighton Board is responsible to shareholders for the Group's overall corporate governance. The Board's responsibilities include:

– reviewing and determining strategic direction and policy;
– establishing goals for Management and monitoring the achievement of those goals;
– appointing, monitoring and rewarding senior Managers; and
– reporting to shareholders.

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

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

The Board is balanced in its composition with each current Director bringing to the Company a range of complementary skills and experience, as set out on page 51 under the heading 'Directors' Resumes'.

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

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

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

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

2

Appointment and Retirement of Non-executive Directors

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

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

3

Compensation Arrangements for Directors and Senior Executives

The Board has established a Remuneration Committee whose principal functions include:

– review and approve the remuneration of executive Directors and other senior executives of the Group;
– review and make recommendations to the Board regarding:
  – the remuneration policies and practices for the Group generally including participation in the incentive plan, share scheme and other benefits; and
  – superannuation arrangements.

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

As Chief Executive Officer, Mr King absents himself from the meetings before any discussion by the Committee in relation to his own remuneration.

The remuneration of non-executive Directors is determined by the executive Directors having regard to the level of fees paid to non-executive Directors by other companies of similar size and stature.

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

Under the policy approved by shareholders at the 1996 Annual General Meeting, retiring non-executive Directors who have held office for three years or more are permitted to receive a retiring allowance which rises with the length of their service. The maximum allowance is payable in the case of a non-executive Director who has held office for at least ten years and in such a case the allowance is an amount equal to the Director's total fees during the last five years before retirement.

4

Business Risk Management

Areas of significant business risk to the Group are highlighted in the Business Plan presented to the Board by the Chief Executive Officer each year.

The Board reviews and approves the parameters under which such risks will be managed before adopting the Business Plan.

Arrangements put in place by the Board to monitor risk management include:

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

The Board has also adopted reporting and other procedures which allow it to monitor Group performance regarding:

– the Company's compliance with the continuous disclosure requirements of the ASX Listing Rules; and
– health and safety, environment and trade practices.

5

Audit Review

An Audit Committee was established by the Board in June 1990. The functions of this Committee include:

– assist the Board in the discharge of its responsibilities in respect of the preparation of the Group's financial statements and the Group's internal controls;
– recommend to the Board nominees for appointment as external auditors;
– review the scope of the audit, the level of audit fees and the performance of the external auditors;
– provide a line of communication between the Board and the external auditors; and
– examine the external auditors evaluation of internal controls and management's response.

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

6

Board Committees Generally

It is the Board's policy that Committees of the Board dealing with corporate governance matters should:

– be chaired by a non-executive Director;
– generally be constituted with at least half the membership being persons who are non-executive Directors;
– be entitled to obtain independent professional or other advice at the cost of the Company; and
– be entitled to obtain such resources and information from the Group, including direct access to employees of and advisors to the Group, as they may require.

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

7

Annual Review by the Board

It is the Board's policy that the Board should at least annually:

– review the performance of the Board, the Group and Management; and
– review the allocation of the work of the Group between the Board and Management.

8

Directors' Access to Independent Professional Advice

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

9

Equity Participation by Directors

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

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

10

Ethical Standards

Leighton recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. The Group intends to maintain a reputation for integrity. To this end the Board established an Ethics Committee in November, 1998 whose principal function is to review and make recommendations to the Board regarding the maintenance of ethical standards and practices generally within the Leighton Group.

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

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

– comply with the law;
– act honestly and with integrity;
– not place themselves in situations which result in divided loyalties;
– use Leighton's assets responsibly and in the best interests of Leighton;
– be responsible and accountable for their actions.

The Code and its implementation are reviewed each year.

A copy of the Code of Ethics is available to shareholders on request.

Shareholdings

Information as to shareholdings on 24 August 2000 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:

Name	No. of Shares
HOCHTIEF Limited	130,870,304

The following companies hold a relevant interest in these shares.

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

Number of Shareholders

Number of Shareholders Of ordinary shares which have equal voting rights*	17,507

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

Distribution Schedule

Category	No. of Shareholders
1–1,000	7,240
1,001–5,000	8,082
5,001–10,000	1,355
10,001–100,000	756
100,001 and over	74
	17,507

There were 114 shareholders with less than a marketable parcel (77 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 73.53% and their names and numbers of shares are as follows:

Name	Number	% of Total Share-holdings
HOCHTIEF Limited	130,866,439	49.83
Westpac Custodian Nominees Limited	15,965,921	6.08
National Nominees Limited	8,168,106	3.11
Chase Manhattan Nominees Limited	7,667,071	2.92
Queensland Investment Corporation	4,044,912	1.54
AMP Life Limited	2,934,213	1.12
MLQE Nominees Pty Limited	2,650,000	1.01
Citicorp Nominees Pty Limited	2,401,922	0.91
Westpac Life Insurance Services Limited	2,081,860	0.79
MLC Limited	1,950,221	0.74
ANZ Nominees Limited	1,898,612	0.72
Westpac Financial Services Limited	1,788,016	0.68
AMP Nominees Pty Limited	1,641,918	0.63
GIO Personal Investment Services Limited	1,589,927	0.61
NRMA Nominees Pty Limited	1,548,302	0.59
Government Superannuation Office	1,475,162	0.56
Tower Life Australia Limited	1,221,238	0.47
Permanent Trustee Australia	1,217,076	0.46
Commonwealth Custodial Services Limited	1,114,343	0.42
Commonwealth Life Limited	885,304	0.34
	193,110,563	73.53

Contents

Profit and Loss Statement

for the year ended 30 June 2000

	Consolidated 2000 $'000	1999 $'000
Operating Profit before Income Tax	**201,374**	181,818
Income Tax (Expense)/Benefit Attributable to Operating Profit	**(43,371)**	(50,424)
Operating Profit after Income Tax	**158,003**	131,394
Outside Equity Interest in Operating Profit after Income Tax	**(23,923)**	(9,585)
Operating Profit after Income Tax Attributable to Members of the Company	**134,080**	121,809
Retained Profits at the Beginning of the Financial Year	**247,166**	203,299
Total Available for Appropriation	**381,246**	325,108
Dividends provided for or paid	**(86,685)**	(78,511)
Aggregate of Amounts Transferred to Reserves	**(2,079)**	569
Retained Profits at the End of the Financial Year	**292,482**	247,166

The profit and loss statement is to be read in conjunction with the discussion and analysis and the notes to the financial statements set out on pages 59 to 60.

Discussion and Analysis of Profit and Loss Statement

The Consolidated Entity delivered an improvement in both revenue and profits in the financial year ended 30 June 2000:

– Total revenue increased by 7.5% to $3.6 billion.

– Operating profit before tax increased by 10.8% to $201.4 million.

– Australian/Pacific operations contributed $112 million profit before tax and after minorities from revenue of $2.8 billion. Increased revenue compared to the prior year came primarily from civil engineering, building construction and telecommunications.

– Asian operations contributed $55 million profit before tax and after minorities from operating revenue of $772 million.

– The Consolidated Entity's effective tax rate for the year was below 36% primarily due to the recoupment of capital tax losses of prior years not previously recognised and overseas income tax rate differential.

– Financial performance measures showed continued improvement compared to the prior year:
  – Return on revenue (operating profit attributable to members on total revenue) remained at 3.7%
  – Return on total assets (operating profit attributable to members on total assets) increased from 7.7% to 7.8%
  – Return on equity (profit attributable to members on shareholders' equity attributable to members) increased from 19.9% to 20.3%.

Profit and Loss

Balance Sheet

as at 30 June 2000

	Consolidated 2000 $'000	1999 $'000
Current Assets		
Cash	**348,029**	364,262
Receivables	**506,173**	369,997
Inventories	**186,593**	98,251
Other	**38,279**	27,615
Total Current Assets	**1,079,074**	860,125
Non-Current Assets		
Receivables	**16,950**	23,930
Investments	**33,469**	14,921
Inventories	**23,181**	86,872
Property, Plant and Equipment	**468,757**	480,140
Intangibles	**23,060**	—
Other	**84,830**	110,006
Total Non-Current Assets	**650,247**	715,869
Total Assets	**1,729,321**	1,575,994
Current Liabilities		
Accounts Payable	**684,729**	572,508
Borrowings	**28,433**	20,247
Provisions	**110,787**	118,881
Other	**2,598**	496
Total Current Liabilities	**826,547**	712,132
Non-Current Liabilities		
Accounts Payable	**17,446**	14,574
Borrowings	**69,346**	72,921
Provisions	**131,092**	143,489
Total Non-Current Liabilities	**217,884**	230,984
Total Liabilities	**1,044,431**	943,116
Net Assets	**684,890**	632,878
Shareholders' Equity		
Share Capital	**363,891**	361,884
Reserves	**4,207**	3,289
Retained Profits	**292,482**	247,166
Shareholders' Equity Attributable to Members of the Company	**660,580**	612,339
Outside Equity Interest in Controlled Entities	**24,310**	20,539
Total Shareholders' Equity	**684,890**	632,878

The balance sheet is to be read in conjunction with the discussion and analysis and the notes to the financial statements set out on pages 59 to 60.

Discussion and Analysis of Balance Sheet

The Consolidated Entity's net assets increased during the year by 8.2% to $685 million. Net tangible assets per ordinary share increased during the same period from $2.42 to $2.52.

Total assets increased from $1.58 billion to $1.73 billion following various business aquisitions by the Consolidated Entity. The continued expansion in the activity of the Consolidated Entity resulted in an increase in the level of receivables. The Consolidated Entity's investment in property, plant and equipment remained stable at $470 million. During the year, there were changes in the expected timing of the sale of inventories, comprising development properties, resulting in the reclassification of certain properties between current and non-current assets.

The net level of cash (cash less borrowings) held by the Consolidated Entity at 30 June 2000 was $250 million compared to $271 million at 30 June 1999.

Other significant movements in balance sheet items include:
- an increase in accounts payable in line with the expansion in the activity of the Consolidated Entity.
- an increase in intangibles (goodwill) resulting from the aquisition of businesses.
- the assets increased due to consolidation of $240,728 in assets of acquired businesses, mainly John Holland Group Pty Ltd.

Statement of Cash Flows

for the year ended 30 June 2000

	Consolidated 2000 $'000	1999 $'000
Cash Flows From Operating Activities		
Cash receipts in the course of operations	**3,637,367**	3,121,174
Cash payments in the course of operations	**(3,327,005)**	(2,758,666)
Interest received	**12,256**	12,154
Borrowing costs paid	**(10,741)**	(6,976)
Income taxes paid	**(59,073)**	(67,622)
Net cash provided by operating activities	**252,804**	300,064
Cash Flows From Investing Activities		
(Increase) in investment in controlled entities and businesses	**(86,314)**	(6,150)
Payments for property, plant and equipment	**(178,253)**	(289,649)
Proceeds from sale of non-trading assets	**117,313**	49,570
(Increase) in investment in other entities	**(18,197)**	(1,160)
Decrease in investment in other entities	**—**	35,993
(Loans to)/repayments by executives and staff shareholders	**78**	(377)
Net cash used in investing activities	**(165,373)**	(211,773)
Cash Flows From Financing Activities		
Proceeds from share issues	**2,007**	3,196
Proceeds from borrowings	**183,667**	
Repayment of borrowings	**(207,440)**	(19,675)
Dividends paid	**(81,296)**	(70,571)
Net cash provided by/(used in) financing activities	**(103,062)**	(87,050)
Net increase/(decrease) in cash held	**(15,631)**	1,241
Net cash at the beginning of the financial year	**363,704**	368,368
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the year	**(44)**	(5,905)
Net cash at the end of the financial year	**348,029**	363,704

The statement of cash flows is to be read in conjunction with the discussion and analysis and the notes to the financial statements set out on pages 59 to 60.

Discussion and Analysis of Cash Flow Statement

Net cash inflows from operations was $253 million compared to $300 million in the previous year. Receipts from customers increased from $3.1 billion to $3.6 billion, primarily reflecting the growth in revenue in the current year.

During the year the Group's cash requirements included plant expenditure of $178 million and investments of $105 million. These were largely self-financed from the sale of assets and cash provided by operating activities, however some short term borrowings were required.

The Group had a net repayment of borrowings of $23 million in the year which was in accordance with the loan agreements entered into with third parties.

1

Basis of Preparation of Concise Financial Report

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

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

2

Revenue

	Consolidated 2000 $'000	Consolidated 1999 $'000
Revenue from operating activities		
Construction, mining and telecommunications contracts		
– Consolidated Entity	**3,105,789**	3,001,216
– Joint Venture Entities	**31,728**	12,770
Other contracting services	**205,315**	141,656
Property development	**102,517**	64,903
Interest		
– Related Parties	**46**	50
– Other Parties	**12,530**	12,154
Proceeds from sale of Non-Current Assets	**119,439**	95,129
	3,577,364	3,327,878

3

Segment Information

Industry	Contracting & Project Management $'000	Property Development $'000	Unallocated $'000	Total $'000
2000				
Total Revenue	**3,462,271**	**102,517**	**12,576**	**3,577,364**
Operating Profit/(Loss) Before Tax	**169,870**	**10,856**	**(3,209)**	**177,517**
Total Assets	**1,297,088**	**195,877**	**236,356**	**1,729,321**
1999				
Total Revenue	3,245,702	64,903	17,273	3,327,878
Operating Profit/(Loss) Before Tax	169,098	5,495	(3,006)	171,587
Total Assets	1,154,736	178,603	242,655	1,575,994

Geographic	Australia/ Pacific $'000	Asia $'000	Americas $'000	Total $'000
2000				
Total Revenue	**2,785,202**	**771,630**	**20,532**	**3,577,364**
Operating Profit Before Tax	**112,094**	**55,033**	**10,390**	**177,517**
Total Assets	**1,242,709**	**486,612**	**–**	**1,729,321**
1999				
Total Revenue	2,614,143	693,119	20,616	3,327,878
Operating Profit Before Tax	111,537	48,055	11,995	171,587
Total Assets	1,187,970	366,165	21,859	1,575,994

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

		Consolidated	
		2000 **$'000**	1999 $'000
4			
Earnings Per Share			
Basic (cents per share)		**51.1¢**	46.6¢
Diluted (cents per share)		**50.7¢**	46.1¢
5			
Dividends			
Dividends provided for or paid by the Company are:			
Interim Dividend			
A fully franked interim dividend of 13 cents per share, (1999: 12 cents per share) was paid on 31 March 2000. Franked at 36%		**34,187**	31,402
Final Dividend			
An unfranked final ordinary dividend of 20 cents per share, (1999: 18 cents per share fully franked at 36%) will be paid on 29 September 2000.		**52,498**	47,109
		86,685	78,511

The number of ordinary shares on issue at the end of the year was 262,491,867 (1999 - 261,716,620). During the year 775,247 ordinary shares were issued

6

Events Subsequent to Balance Date

Since 30 June 2000, Leighton Contractors Pty Limited has entered into a Memorandum of Understanding with Macquarie Infrastructure Group to sell its 11% stake in Airport Motorways Limited

Statutory Statements

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 2000 set out on pages 56 to 60:

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

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

Signed in accordance with a resolution of the Directors.

M A Besley AO
Chairman

W M King AM
Chief Executive Officer

Dated at Sydney this 1st day of September, 2000.

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

Scope

We have audited the concise financial report of Leighton Holdings Ltd and its controlled entities for the financial year ended 30 June 2000 as set out on pages 56 to 60 in order to express an opinion on it to the members of the Company. The Company's Directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Leighton Holdings Limited and its controlled entities for the year ended 30 June 2000.

Our audit report on the full financial report was signed on 1 September 2000 and was not subject to any qualification.

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

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

Audit Opinion

In our opinion the concise financial report of Leighton Holdings Limited and its controlled entities for the year ended 30th June 2000 complies with AASB 1039 "Concise Financial Reports".

KPMG
Chartered Accountants

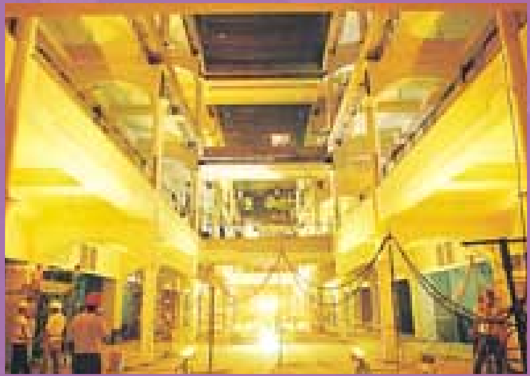
John H Richardson
Partner

Dated at Sydney this 1st day of September, 2000.

Statutory Statements

Telstra Customer Access Network
National, Thiess

Rockwell Retail Centre,
Makati City, Philippines, Leighton Asia



Sydney Aquatic Centre expansion
Homebush, New South Wales, Leighton Contractors

Inner City Bypass
Brisbane, Queensland, Leighton Contractors

2000 Financial Report

A copy of the Group's 2000 Financial Report, including the independent Audit Report, is available to all shareholders, and will be sent to shareholders without charge upon request. The Financial Report can be requested by telephone from our Group Information Manager on (02) 9925 6612 and is available from the Leighton Internet site www.leighton.com.au

Enquiries

If you have any questions about your shareholding, dividend payments, tax file number, change of address etc, you should contact the Company's Shareholder Enquiry Line at ASX Perpetual Registrars Limited by phone on (02) 9285 7111 or by fax on (02) 9261 8489.

Or write to:
ASX Perpetual Registrars Limited
Locked Bag A14
Sydney South Post Office
Sydney NSW 1232

Dividend payment

The final dividend of 20 cents per share will be paid on 29 September 2000 and will be unfranked for Australian tax purposes.

Direct dividend deposit into bank accounts

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

Application forms are available from our share registrar, ASX Perpetual Registrars Limited.

If you subsequently change your bank account, please promptly notify the registrar in writing quoting your old bank account number as an added security check.

Tax file numbers

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

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

Stock exchange listing

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

Share information

Information regarding Substantial Shareholders, the 20 largest holders and shareholding distribution is on page 54.

Audit Committee

As at 1 September 2000, the Company has a formally constituted Audit Committee of the Board of Directors.

Share Buy-back

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

Other available publications

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

Commemorative Book

As part of Leighton's 50th year celebrations, Leighton Holdings is pleased to offer shareholders a complimentary copy of the special commemorative book "*Leighton: 50 years of achievement 1949-1999*". Copies can be obtained by contacting the Group Information Manager on (02) 9925 6612 or via email at leighton@leighton.com.au

Removal from Annual Report mailing list

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

Financial Calendar*

2000	
4 September	Shares begin trading ex Dividend
8 September	Books close for Final Dividend
29 September	Final Dividend paid
2 November	Annual General Meeting
31 December	Half year end
2001	
20 February	Half Year Results announced
12 March	Shares begin trading ex Dividend
16 March	Books close for Interim Dividend
30 March	Interim Dividend paid
30 June	Year end
16 August	Preliminary Final Results announced
10 September	Shares begin trading ex Dividend
14 September	Books close for Final Dividend
28 September	Final Dividend Paid
8 November	Annual General Meeting

*Note timing of events can be subject to change

Statistical Summary

	2000 $'000	1999 $'000	1998 $'000	1997 $'000	1996 $'000
Summary of Balance Sheets					
Share Capital	**363,891**	361,884	130,563	129,714	129,676
Shareholders' Equity Attributable to Members	**660,580**	612,339	573,803	524,306	472,032
Total Shareholders' Equity	**684,890**	632,878	590,594	542,897	489,745
Non-Current Liabilities	**217,884**	230,984	245,994	249,121	274,245
Current Liabilities	**826,547**	712,132	670,315	685,775	549,926
Non-Current Assets	**650,247**	715,869	666,346	656,711	717,381
Current Assets	**1,079,074**	860,125	840,557	821,082	596,535
Total Assets	**1,729,321**	1,575,994	1,506,903	1,477,793	1,313,916
Summary of Profit and Loss Statements					
Total Revenue	**3,577,364**	3,327,878	3,034,546	3,161,180	2,519,644
Operating Profit Before Interest and Income Tax	**206,827**	188,497	163,017	235,186	136,602
Operating Profit Before Tax	**201,374**	181,818	155,148	218,805	113,430
Income Tax Expense	**43,371**	50,424	44,981	80,202	37,688
Operating Profit after Tax	**158,003**	131,394	110,167	138,603	75,742
Operating Profit Attributable to Members	**134,080**	121,809	102,852	132,112	70,213
Financial Statistics					
Earnings per Ordinary Share					
– basic	**51.1¢**	46.6¢	39.5¢	50.9¢	29.1¢
– diluted	**50.7¢**	46.1¢	39.5¢	50.9¢	29.1¢
Dividends per Ordinary Share	**33.0¢**	30.0¢	26.0¢	32.0¢	15.0¢
Return on Shareholders' Equity Attributable to Members	**20.3%**	19.9%	17.9%	25.2%	14.9%
Return on Total Assets	**7.8%**	7.7%	6.8%	8.9%	5.3%
Operating Profit Before Interest and Tax to Total Revenue	**5.8%**	5.7%	5.4%	7.4%	5.4%
Operating Profit Attributable to Members to Total Revenue	**3.7%**	3.7%	3.4%	4.2%	2.8%
Dividend Times Covered	**1.5**	1.6	1.5	1.6	1.8
Dividend Payout Ratio	**64.7%**	64.5%	66.0%	62.8%	55.3%
Interest Times Covered	**18.7**	28.2	20.7	14.4	5.9
Net Tangible Assets per Ordinary Share	**$2.52**	$2.42	$2.26	$2.06	$1.89
Current Ratio	**1.3**	1.2	1.3	1.2	1.1
Total Shareholders' Equity to Total Assets	**39.6%**	40.2%	39.2%	36.7%	37.3%
Total Shareholders' Equity to Total Liabilities	**65.6%**	67.1%	64.5%	58.1%	59.4%
Gross Borrowings to Total Shareholders' Equity	**15.8%**	14.7%	20.2%	32.1%	40.0%
Net Borrowings to Total Shareholders' Equity	**(35.0%)**	(42.8%)	(42.2%)	(45.8%)	6.1%
Number of Employees	**12,688**	10,502	11,970	12,160	10,633

Directory and Offices

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

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

Associate Directors
Martin Carl Albrecht
John Faulkner
Robert John Merkenhof
Roger Stewart Trundle
Vyril Anthony Vella
William Joseph Wild

Secretary
Ashley John Moir

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

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

National Australia Bank Limited
255 George Street
Sydney NSW 2000

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

Share Register Office
C/– ASX Perpetual Registrars Limited
Level 8, 580 George Street
Sydney NSW 2000
Tel. (02) 9285 7111

Leighton Contractors
Head Office
472 Pacific Highway
St Leonards NSW 2065
Tel. (02) 9925 6666
Fax. (02) 9925 6004
www.leightoncontractors.com.au

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

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

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

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

Thiess
Head Office, & Process Engineering
Thiess Centre
179 Grey Street
South Bank QLD 4101
Tel. (07) 3002 9000
Fax. (07) 3002 9009
www.thiess.com.au

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

Queensland, Northern Territory/Pacific
Level 5, Thiess House
40 McDougall Street
Milton QLD 4064
Tel. (07) 3368 0200
Fax. (07) 3368 0250

Victoria
Level 2, 493 St Kilda Road
Melbourne VIC 3004
Tel. (03) 9864 8888
Fax. (03) 9864 8811

Western Australia
Level 6, East Tower
The Capital Centre
256 St Georges Terrace
Perth WA 6000
Tel. (08) 9214 4200
Fax. (08) 9214 4244

PT Thiess Contractors Indonesia
Jl.T.B. Simatupang Kav. 12
Pondok Pinang
Jakarta 12310 Indonesia
Tel. (62-21) 7599 9999
Fax. (62-21) 7599 9800

Thiess Environmental Services
69 Grindle Road
Rocklea QLD 4106
Tel. (07) 3346 1500
Fax. (07) 3346 1522

Hunter Valley Earthmoving
Rutherford Administration
Lot 10, New England Highway
Rutherford NSW 2320
Tel. (02) 4932 5955
Fax. (02) 4932 4311

Quantum Explosives
7 Baroona Road
Milton QLD 4064
Tel. (07) 3368 9700
Fax. (07) 3368 9777

Silcar Maintenance Services
885 Mountain Highway
Bayswater VIC 3153
Tel. (03) 9721 7575
Fax. (03) 9721 7916

Leighton Asia
Head Office
Leighton Contractors (Asia)
49th Floor Hopewell Centre
183 Queen's Road East
Wanchai Hong Kong
Tel. (852) 2823 1111
Fax. (852) 2529 8784

Leighton Contractors (China)
49th Floor Hopewell Centre
183 Queen's Road East
Wanchai Hong Kong
Tel. (852) 2823 1111
Fax. (852) 2529 8784

Leighton Contractors (Philippines)
9th Floor, Insular Life Building
6781 Ayala Avenue
Makati City 1226
Philippines
Tel. (632) 841 0998
Fax. (632) 811 0158

Leighton Contractors (Malaysia)
14th Floor
Menara Multi-Purpose
No 8 Jalan Munshi Abdullah
50100 Kuala Lumpur
Malaysia
Tel. (603) 292 2388
Fax. (603) 293 5388

Leighton Contractors (Malaysia)
Lot B701, 7th Floor
Wisma Merdeka Phase II
Jalan Tun Razak
88000 Kota Kinabalu
Sabah Malaysia
Tel. (6088) 268 311
Fax. (6088) 251 311

Thai Leighton
6th Floor, SPC Building
1 Soi Chaemchan
Sukhumvit 55 Road
Bangkok 10110 Thailand
Tel. (662) 381 3344
Fax. (662) 391 4503

Leighton Contractors (Laos)
Km 18 Tha Ngone Road
PO Box 5086
Vientiane Lao PDR
Tel. (856 21) 752 015-16
Fax. (856 21) 752 017

Vina Leighton,
Viet Thiess Constructors
Joint Venture Company,
Hai Van Thiess Constructors and Consulting
Level 2, 123 Le Loi Street
District 1, Ho Chi Minh City
Vietnam
Tel. (848) 821 5524
Fax. (848) 821 0637

PT John Holland Constructions Indonesia
5/F Santosa Building
Jl. H.R. Rasuna Said Kav. B-6
Kuningan
Jakarta 12910 Indonesia
Tel. (6221) 520 1139
Fax. (6221) 520 9864

Leighton Asia (Australia/Asia)
Level 2, 472 Pacific Highway
St Leonards NSW 2065
Australia
Tel. (612) 9925 6618
Fax. (612) 9925 6951

John Holland Group
Head Office
70 Trenerry Crescent
Abbotsford VIC 3067
Tel. (03) 9934 5209
Fax. (03) 9934 5275
www.johnholland.com.au

South Eastern Region
New South Wales and Australian Capital Territory
Level 6, 235 Pyrmont Street
Pyrmont NSW 2000
Tel. (02) 9552 4288
Fax. (02) 9660 0410

Southern Region
70 Trenerry Crescent
Abbotsford VIC 3067
Tel. (03) 9934 5209
Fax. (03) 9934 5265

Queensland
Level 4, John Oxley Centre – South Tower
339 Coronation Drive
Milton QLD 4064
Tel. (07) 3368 3144
Fax. (07) 3368 4028

Western Region
Perth
Level 11
Durack Centre
263 Adelaide Terrace
Perth WA 6000
Tel. (08) 9223 2323
Fax. (08) 9221 1270

Darwin
110 Coonawarra Road
Winnellie NT 0820
Tel. (08) 8984 3322
Fax. (08) 8947 2175

Rail Division
Level 10
Durack Centre
263 Adelaide Terrace
Perth WA 6000
Tel. (08) 9225 4777
Fax. (08) 9325 7024

Leighton Properties
Head Office & NSW Branch
Ground Level
472 Pacific Highway
St Leonards NSW 2065
Tel. (02) 9925 6666
Fax. (02) 9925 6003
Fax. (02) 9925 6152 (NSW)
www.leightonproperties.com.au

Leighton Properties (Vic)
Level 50, Rialto
525 Collins Street
Melbourne VIC 3000
Tel. (03) 9228 7032
Fax. (03) 9228 7036

Leighton Properties (Qld)
Level 14, Central Plaza One
345 Queen Street
Brisbane QLD 4000
Tel. (07) 3229 8938
Fax. (07) 3220 2273

Technical Resources
Level 2, 472 Pacific Highway
St Leonards NSW 2065
Tel. (02) 9925 6666
Fax. (02) 9925 6002
www.technicalresources.com.au

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