Leighton Group Annual Report

Corporate Report

Review of Operating Companies

Additional Information

Financial Statements

‘For the **Leighton Group**, 1996 was a year of strong
improved significantly with construction and mining operations
unprecedented level of work in
ahead and will continue to focus on adding value for the

Leighton Holdings Limited
ACN 004 482 982

Notice of Annual General Meeting 1996

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 Friday, 1 November 1996, at 10.00 am.

A separate Notice of Meeting and Proxy Form is enclosed.

After the meeting, a short presentation on the Group's operations will be given by Wal King, the Group's Chief Executive Officer, following which all present are invited to join the Directors for light refreshments.

Leighton Holdings Limited

performance. Our financial position has
in Australia and Asia achieving good results. We also have an
hand. The Group is ready to capitalise on the opportunities
benefit of all stakeholders.’

The Year in Review

Record revenue and profit for the third consecutive year.

Work in hand at historically high level of $3.35 billion.

Leighton Contractors continued to deliver excellent results.

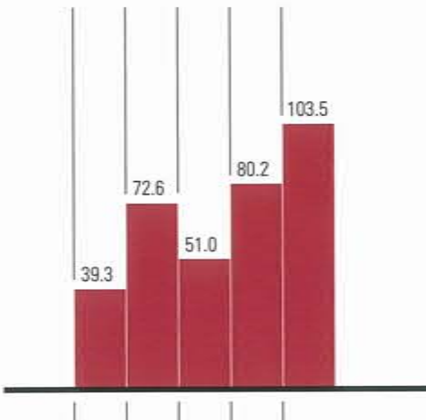
Leighton Asia returned increased profit on reduced revenue base.

Thiess secured record levels of contract mining work, especially in the coal industry.

A 10% private placement in February 1996 raised $90.3 million.

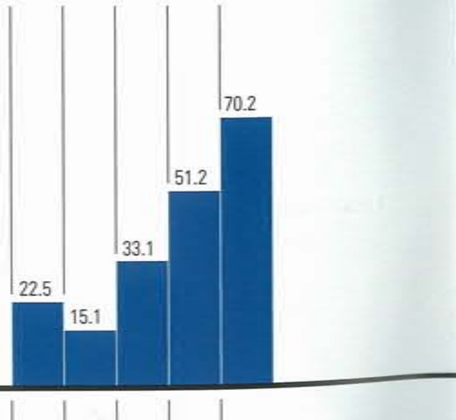
Strongest balance sheet in the Group's history.

All major Australian markets showing good prospects.



Operating Profit before Tax and Abnormal Items $Million

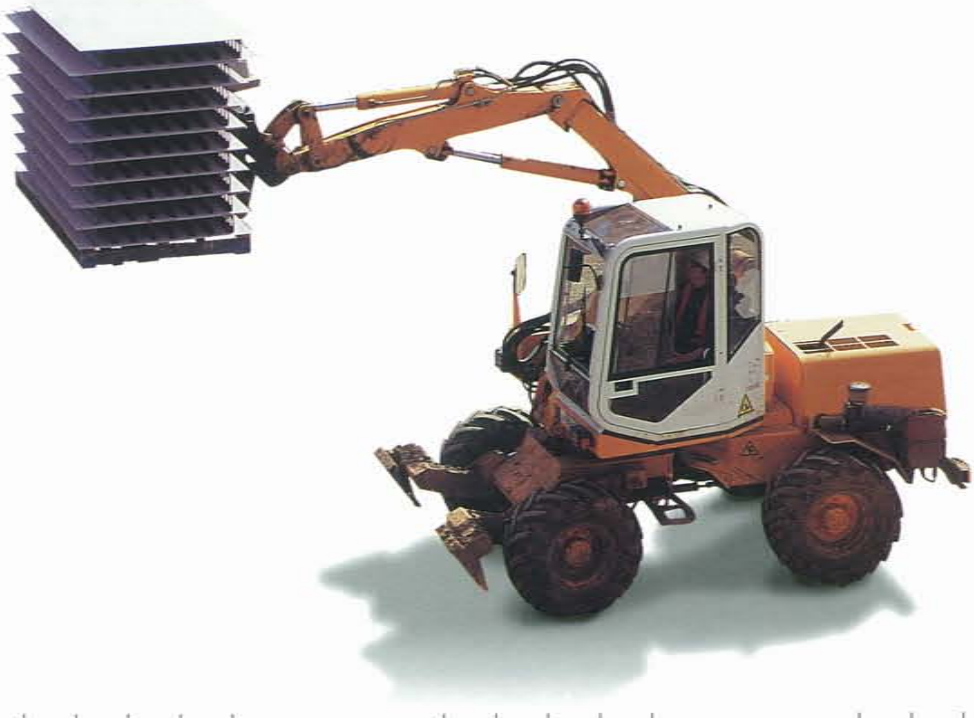
Profit before tax and abnormals exceeded internal forecasts.

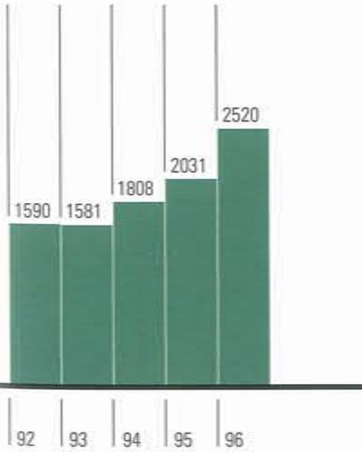


Operating Profit after Tax and Abnormal Items $Million

The inclusion of an abnormal profit of $5 million boosted after tax profit.

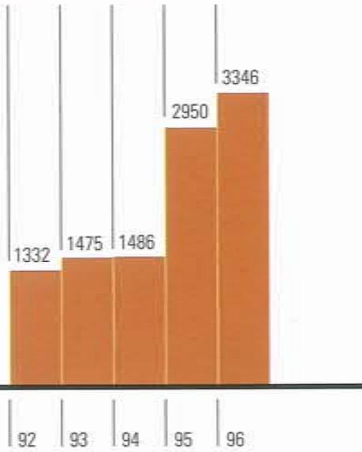
	1996 $'000	1995 $'000	% Change
Total Revenue	**2,519,644**	2,031,377	+24.0
Value of Uncompleted Work in Hand	**3,345,864**	2,949,929	+13.4
Value of Contracts Awarded	**2,042,179**	3,147,424	–35.1
Operating Profit Before Tax and Abnormal Items	**103,528**	80,215	+29.1
Income Tax Applicable to Operations	**(32,734)**	(24,757)	+32.2
Operating Profit After Tax	**65,265**	50,508	+29.2
Abnormal Items After Tax	**4,948**	726	N/A
Total Profit After Tax and Abnormal Items	**70,213**	51,234	+37.0
Dividends	**38,824**	27,648	+40.4
Total Capital and Reserves (including minorities)	**489,745**	358,049	+36.8
Total Assets	**1,404,769**	1,189,296	+18.1
Net Tangible Assets per Ordinary Share	**189¢**	154¢	+22.7
Earnings per Ordinary share	**29.1¢**	22.4¢	+29.9
Dividends per Ordinary share	**15.0¢**	12.0¢	+25.0





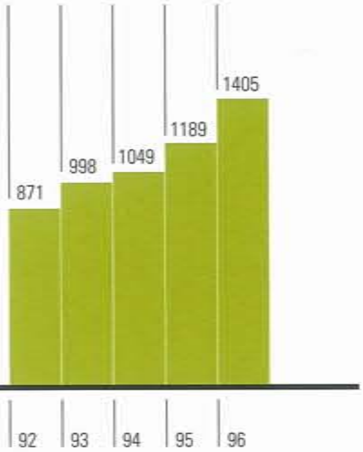
Total Revenue $Million

Good performances from Australian operations provided further revenue growth.



Uncompleted Work in Hand $Million

The Group's forward order book is at its highest ever level, with significant long term contracts.



Total Assets $Million

Assets continued to rise as a result of increased turnover and new plant purchased to undertake resources related work.

Operations Overview

Leighton Holdings Limited is the parent public company of the Leighton Group and provides strategic direction and planning, financial management, market positioning and communication.

Founded in 1949 in Victoria as a small privately owned civil engineering company, Leighton was listed on the Australian Stock Exchange in 1962. Leighton became one of the first Australian construction companies to set up operations in Asia in the early 1970s and established a regional headquarters in Hong Kong in 1975. This was followed in 1983 by a series of acquisitions including Thiess Contractors, which introduced HOCHTIEF as the Group's major shareholder.

The Group has over 10,500 employees and its business is now clearly concentrated in Australia and Asia. The principal sources of revenue are civil engineering and infrastructure, non-residential building and contract mining. Business activities include design and construction; project management; infrastructure development, operation and maintenance; property development; environmental services and construction material supply. The Group also invests in selected companies and financial vehicles to facilitate the development of major projects, where appropriate.

LEIGHTON CONTRACTORS	LEIGHTON ASIA
Operating Revenue# $1,055m **Work in Hand** $943m **Percentage Ownership** 100% **No. of Employees** 2,795 **Head Office** Sydney **Established** 1949 **Managing Director** Keith Bennett	**Operating Revenue#‡** $369m **Work in Hand‡** $542m **Percentage Ownership** 80% **No. of Employees** 3,765 **Head Office** Hong Kong **Established** 1975 **Managing Director** John Faulkner
Key Activities – Civil engineering – Building – Contract mining	**Key Activities** – Civil engineering – Building – Marine and reclamation – Foundation engineering
Location Australia	**Location** Hong Kong, Thailand, Malaysia, Vietnam, China, the Philippines and other selected countries in Asia
Performance – Excellent profit contribution – Revenue highest ever level – Sydney Casino extension negotiated – Wandoo Alliance performed well – Gained Environmental Certification – Further work in telecommunications	**Performance** – Record profit from reduced revenue – More private clients in Hong Kong – Growth in Vietnam continues – Malaysia awarded major highway contract – Thailand performed well in tough market – New office established in the Philippines – Minimal impact from stronger Australian dollar
Future – Strong resources growth forecast – Sydney Olympics to boost infrastructure – Flow-on to tourism and other amenities – More alliancing and negotiated work	**Future** – Hand-over of Hong Kong to China likely to have little immediate impact – Focus on new work to remain selective – Good prospects in Vietnam, Malaysia, and the Philippines – Increased revenue expected for 1996/97

% Operating Revenue#

‡ Including minority interests.

#**Note:** Operating Revenue excludes other revenue of $121 million

THIESS CONTRACTORS

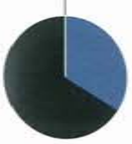
Operating Revenue#‡ $811m
Work in Hand‡ $1,800m*
Percentage Ownership 100%
No. of Employees 3,575
Head Office Brisbane
Established 1935
Managing Director Martin Albrecht

Key Activities
- Civil engineering
- Building
- Contract mining
- Environmental services

Location
Australia, Indonesia, near Pacific region

Performance
- Won record new work
- Significant rise in revenue
- Achieved good penetration of coal market
- Civil work boosted by mining activity
- New contracts for environmental division
- Indonesia performed well
- Renewed focus on occupational health and safety

Future
- Work in hand at new high mark
- Good levels of building and mining work
- Continued focus on transport infrastructure
- Pursuing further work in Indonesia



‡ Including minority interests.
* Excludes long term waste $58 million and long term mining $178 million.

LEIGHTON PROPERTIES

Operating Revenue# $37m
Work in Hand $61m
Percentage Ownership 100%
No. of Employees 21
Head Office Sydney
Established 1972
Managing Director Vyril Vella

Key Activities
- Property development
- Development risk management

Location
Australia

Performance
- Operating losses reduced
- Temporary Sydney Casino opened on time and budget
- Strong interest in retail space and apartments for Permanent Casino
- Preferred developer for retail complex at Beenleigh, Qld

Future
- Commercial property market shows signs of recovery
- Should produce a profit next year

WELDED MESH

Operating Revenue#* $127m
Percentage Ownership 90%
No. of Employees 390
Head Office Sydney
Established 1984
Managing Director John Hicks

Key Activities
Manufacturer of:
- Processed bar and rod
- Welded fabric
- Hard drawn wire

Location
Australia

Performance
- Production over 110,000 tonnes
- Good progress made in supplying resources sector
- New products developed
- Negotiating national supply agreements
- Export markets identified

Future
- Should benefit from higher resources activity
- Building and infrastructure to increase up to year 2000
- Overseas market potential

* 100% Welded Mesh values.

TECHNICAL RESOURCES

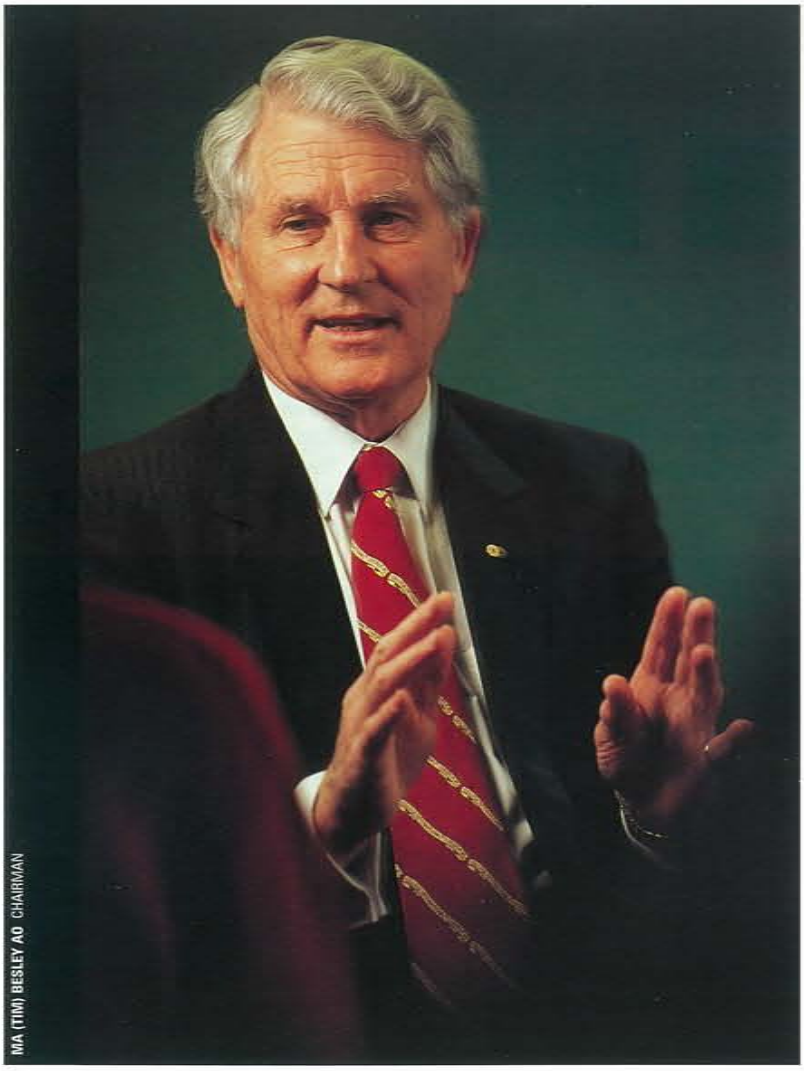
Percentage Ownership 100%
No. of Employees 43
Head Office Sydney
Established 1980
General Manager Robert Hawkins

Key Activities
- Business development
- Technology transfer
- Strategic guidance
- Communications

Location
Australia, Asia-Pacific region

Performance
- Consolidated process engineering relationship with Leighton Contractors
- Provided controls engineering on Thiess' coal projects
- Provided financing expertise on privatised projects
- Developed environmental management system for Leighton Contractors
- Mutual benefit study on Sydney Casino project

Future
- Develop new technology applications
- Focus on continuous improvement
- Deliver competitive advantage to Group companies



This has been a year of excellent results and strong growth for Leighton Holdings. With annual revenue of $2.5 billion and more than 10,500 employees, Leighton is the largest construction and contract mining group in Australia and has continued to expand in the Asia-Pacific region.

The Group won a substantial amount of new work during the year. Work in hand now stands at an all-time high of $3.35 billion, which includes long term contracts in the mining sector in Australia and Papua New Guinea. The Group's profit after tax and abnormal items of $70 million is also a record, representing an increase of 37% over last year.

Earnings per share increased during the year by 30% to 29.1¢, and the return on shareholders' funds remained steady at 14.34% on the expanded shareholders' equity. This has enabled the Board to recommend a 25% increase in the fully franked dividend from 12 cents last year to 15 cents for the 1995/96 year. The Group's total dividend for the year is $38.8 million which represents a pay-out ratio to total net profit of 55%. This is consistent with our long term commitment to increasing shareholder wealth.

From the Chairman

‘Leighton has again delivered improved profits and excellent work, the Board predicts even better

ROD WYLIE OBE DEPUTY CHAIRMAN

WAL KING CHIEF EXECUTIVE

DIETER ADAMSAS

GEOFF ASHTON

A significant proportion of the Leighton Group's work is in Asia, particularly in Hong Kong, Thailand, Indonesia, Malaysia and Vietnam. We have formed productive working relationships in these countries, building on our 25-year track record in the region. We are also looking further afield, for example at the Philippines, which is emerging as a growth market thanks to a more stable political and economic environment.

We are cautiously optimistic about the Australian economy, although recent positive growth statistics may be overly optimistic. The process of recovery is continuing, but is still patchy. Serious obstacles remain, including a poor balance of payments position, a weak savings ratio and over regulation of the economy. However, the new Federal Government shows encouraging signs of coming to grips with these problems.

During the 1996 Federal election campaign, the present Government made it clear that it will address the high level of regulation in the labour market. It is also holding an inquiry into the de facto re-regulation of the financial market over recent years.

We welcome both initiatives, which in our view will lead to a more fair and vigorous business environment.

People are the key to success in any business, and the Group is proud of its people. There is a strong sense of enthusiasm across all operating companies, and a clear commitment to handling major jobs efficiently, on time and on budget. It is a commitment, in short, to be the best in our industry.

People deserve to feel that they belong to an ethical and responsible organisation. We point with pride to the very high priority given to safety and environmental issues by the Group's management.

The Board takes a keen and active interest in these issues, and backs up that interest by frequent site visits. Board members have toured a number of projects this year, including the Sydney Casino project, gold mines in Western Australia, and various sites in Hong Kong, Indonesia and Vietnam. Our safety and environmental records are better than industry norms and improving, though we are acutely aware that vigilance on these matters can never be relaxed.

The prospects for the Group are excellent as economic confidence in Australia returns. The Olympics will trigger a number of major civil, building and infrastructure projects in and around Sydney, and we have already been successful in securing some of this work. The Games will also give rise to a new and positive atmosphere, especially in the tourism and hospitality industries, which we believe will stimulate the nation as a whole. The outlook for the resources sector is also positive.

The Leighton Group is a marvellous organisation to work with. I would like to thank our team of loyal staff and management for their efforts in making this an especially successful year, and my fellow members of the Board for their constant support and advice. I also thank our shareholders for their ongoing support.

MA (Tim) Besley AO / *Chairman*

returns for shareholders. Thanks to very high levels of forward results in 1996/97.’

KEITH BENNETT

DR HANS-PETER KEITEL

PETER NORTH

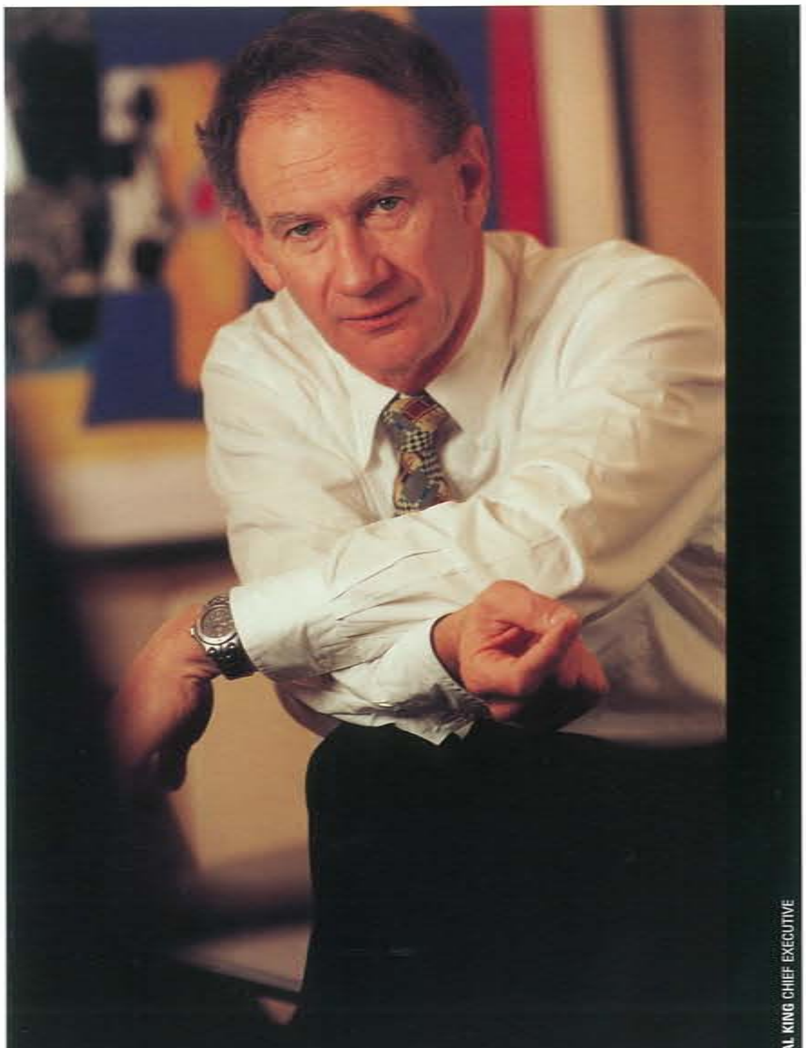
DR BUSSO PEUS

MARK RAYNER

DAVID ROBINSON

Chief Executive's Report

❛Profit, revenue and work in hand all reached internal forecasts. In Australia the outlook is positive with good economic



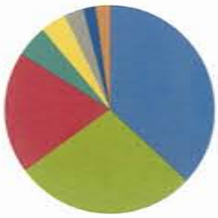
By any standard, 1995/96 was a remarkable year. It was the third consecutive year of record profits, revenue and work in hand for the Group. This is a particularly good achievement for a company that operates in highly cyclical and competitive industries.

We surpassed internal forecasts with a 29% rise in operating profit after tax, reaching a new record of \$65.2 million. Profit before tax was up 29% to \$103.5 million. An abnormal profit of \$4.9 million boosted the overall result to a total net profit after tax and abnormal items of \$70.2 million.

This result was achieved on total revenue of \$2.5 billion, a 24% increase on last year and a new high mark. Group revenue from civil engineering was up 16% to \$897 million, building rose an impressive 54% to \$663 million, and contract mining lifted by 25% to \$467 million. For the first time in well over a decade, Leighton's three major Australian market segments are growing in volume simultaneously.

The Group also recorded another significant increase in work in hand, which rose over 13% to \$3.35 billion. In addition we had \$232 million of uncompleted management contracts, and the portion of long term waste and mining contracts extending past 2001 totalled \$236 million.

Operating Revenue By Market Segment 1996 $Million



	92	93	94	95	96
37% Civil Engineering	633	529	706	773	**897**
28% Building	308	410	365	431	**663**
19% Contract Mining	333	332	351	375	**467**
5% Construction Material Supply	62	66	86	106	**127**
4% Mechanical Engineering	85	74	45	67	**97**
3% Environmental Services	34	52	66	65	**68**
2% Foundation Engineering	50	27	34	80	**43**
2% Property Development	51	27	40	51	**37**
Total	1556	1517	1693	1948	**2399**

Operating Revenue by Geographic Area $Million

record levels in 1995/96, exceeding our opportunities in all market sectors. In Asia we expect strong growth to continue for the foreseeable future.’

In Australia, high activity levels produced a good result in a market that experienced a number of flat spots. The Queensland and Federal elections of early 1996, and the change of government in New South Wales in 1995, led to a loss of economic momentum. Nevertheless, Australian operations accounted for $1.91 billion of Group revenue, or 80% of the total. A contributing factor was the sharp rise in resources related activity, especially in civil engineering which produced 54% more revenue than the previous year. Revenue from the building and contract mining sectors also improved.

The overall amount of new work won decreased as Leighton and Thiess concentrated on managing large amounts of work in hand in patchy economic conditions. However, the volume was sufficient to boost work in hand in Australia to over $2.6 billion, thanks to a strong underlying base of long term contracts. The bulk of the forward work is in the mining sector, which recorded a 91% increase during the year. Civil engineering work in hand decreased, and non-residential building was also slightly down.

Leighton Contractors once again made an outstanding contribution to Group profit. Thiess Contractors recorded a satisfactory result and secured record volumes of new work, particularly in coal mining. Welded Mesh performed strongly in a price sensitive market place and Leighton Properties achieved a significant reduction in holding costs.

Another strong result from our Asian businesses can be attributed to our flexibility and willingness to diversify – and to the commitment of our people on the ground. Revenue from operations in Asia in 1995/96 was slightly down on the previous year at $489 million, but returned an increased profit. The level of building and mining work undertaken was higher, while civil engineering and foundation work decreased.

Hong Kong continued to dominate revenue from Asia. Around 70% of our workload there is derived from the private sector with a far greater proportion of building work. Much of the earthmoving and reclamation work associated with the Chek Lap Kok airport is nearing completion, resulting in lower civil engineering revenues. However, we did secure the $194 million Aviation Fuel Service Facility, the largest contract undertaken on our own in Hong Kong, which will begin to flow through to the bottom line next year.

Operations in Thailand performed better, and the Group won its 11th contract in Vietnam since establishing operations over four years ago. We were also awarded a major joint venture contract in Malaysia, and we are looking to expand operations in China and the Philippines. Our business in Indonesia made another good contribution to revenue and profit.

During the year we secured a number of major civil engineering and building contracts, driving up work in hand in Asia by 33% to $672 million. We have achieved a reasonable geographic spread of work across the region where Leighton Asia and Thiess continue to perform well.

Leighton remains the largest construction and mining group in Australia, with more extensive Asian operations than any of its Australian competitors. We have reached this position by building a strong balance sheet, sticking to a disciplined strategy of adding value through innovation and performance, and only pursuing projects where we can derive an acceptable return.

The Group is not driven by the need to maintain revenue, to bid the lowest price, or to build monuments. Our goal is to increase shareholder wealth. We are very careful that the projects we take on are suited to the Group in terms of our financial, technical and operational skills. As a matter of policy we match

risk with return, and avoid speculative developments in favour of long term, high quality projects.

More and more, our work is negotiated with clients rather than won at open tender. Projects worth more than $1 billion were negotiated during the 1995/96 year by Group companies, often in the form of partnering or alliancing agreements which feature design and construct delivery methods.

This level of negotiated work is a remarkable result in our industry and reflects an evolutionary change. However, we will continue to participate in the open tender market because it remains an important source of new work, and it helps us to keep in touch with price and performance benchmarks.

The Leighton Group is prepared to take a modest sponsorship role in projects, such as the M5 Motorway, to get them off the ground. Such investments are not intended to be long term, and we prefer to keep our balance sheet liquid in order to take advantage of new opportunities as they arise.

The maturity and stability of the Leighton Group's workforce continues to play a crucial role in our success. The depth of management talent within the Group allows us to promote from within at all levels. This makes succession planning easier, a point recently illustrated within Leighton Contractors. The Managing Director, Keith Bennett, announced he would retire from that position in August 1997. His replacement will be Phil Cooper, currently Operations Director. In another management change, Ed Young, General Manager Western Australia, is also retiring next year to be replaced by Bob Merkenhof, previously Branch Manager New South Wales.

A significant percentage of employees has been with the Group for 10-20 years. Their skill and experience gives us the 'critical mass' necessary to undertake a wide range of projects at any given time, and to respond rapidly to the demands of the market. This is unusual in the construction industry, where turnover of staff tends to be high, and we take great care to see that the performance of our people is recognised and rewarded.

Our productivity per employee is well ahead of industry averages and is improving. Employee relations were particularly good during 1995/96 and occupational health and safety continues to be one of the Group's highest priorities.

The Leighton Group also places a high priority on ethics and accountability to the community. We make every effort to comply with relevant laws and regulations to ensure that our obligations to clients, employees, the community and the environment are fulfilled. Environmental policy is now firmly integrated with management systems at an operational level.

We expect good growth to continue for the Leighton Group in the medium term. The outlook for the Australian economy is positive overall, and we expect that our three major markets – civil engineering and infrastructure, non-residential building, and contract mining – will continue to offer numerous opportunities.

In Australia, the hesitancy of the last six months is being replaced by enthusiasm. The approach of the Sydney Olympics in the year 2000 is certain to generate new infrastructure projects, and the Group has already had some success in this area with the award of the Homebush Bay rail link. However, it remains to be seen whether governments and industry can successfully manage predicted labour shortages and wages pressure over the next four years.

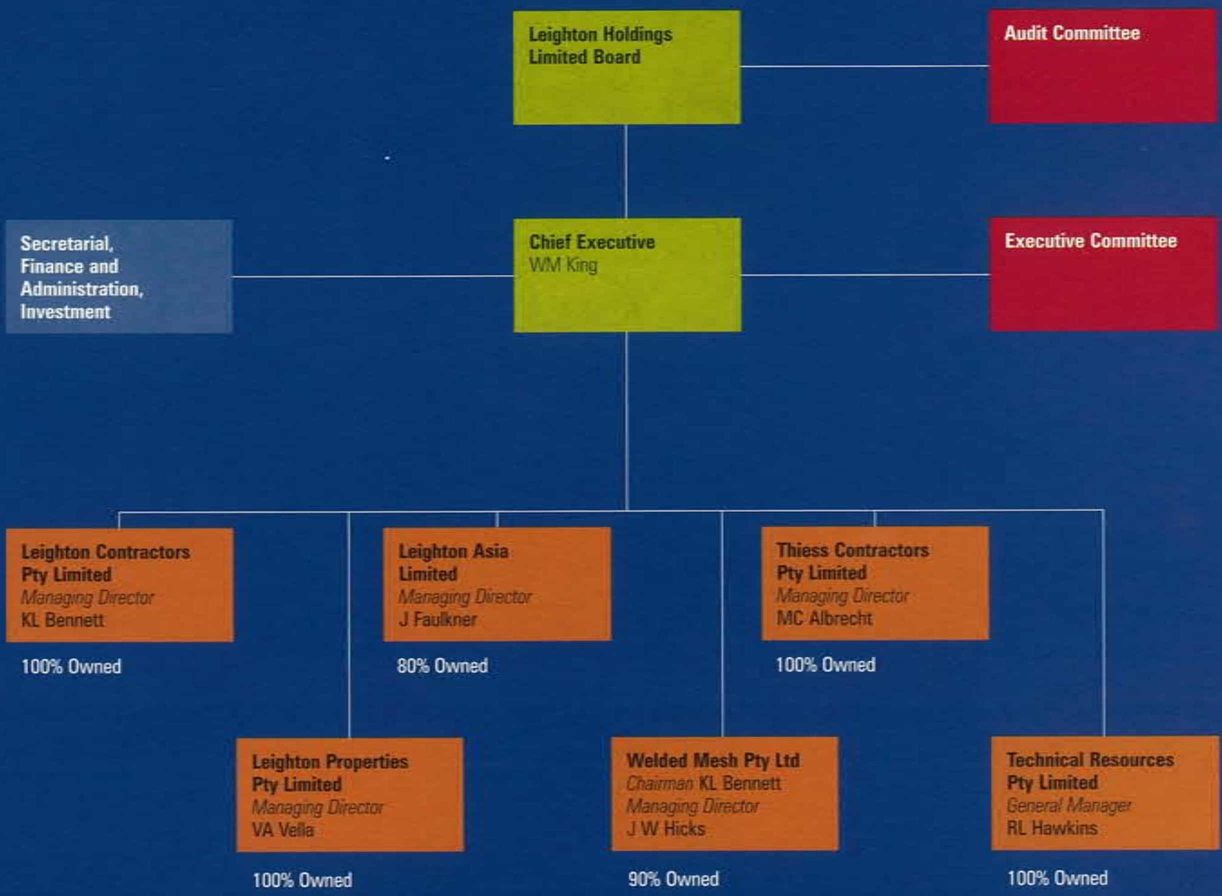
The Group has been active in Asia for more than 25 years and we have the local knowledge, expertise and financial strength to undertake virtually any kind of project. However, we remain selective about the work we bid for in Asia, where conditions vary widely between different countries.

Regional economic growth has been strong for some years and is expected to continue. Transport infrastructure, water and power services, and waste management are all assuming a higher priority in Asian countries as their economies move forward and their populations achieve higher levels of urbanisation. While the hand-over of Hong Kong to China in 1997 will cause some readjustments, we believe this development could well create new opportunities for the Group.

The 1995/96 result caps another stage in the development of the Leighton Group. The healthy outlook for the economies in which we work, and our unprecedented level of work in hand, give us every confidence that the year ahead will be even better.

Wal King *Chief Executive*

Corporate Structure



Leighton Holdings Limited Board
M A Besley AO
Chairman
R M Wylie OBE
Deputy Chairman
W M King
D S Adamsas
G J Ashton
K L Bennett
H-P Keitel
P J North
B Peus
M R Rayner
D P Robinson

Associate Directors
M C Albrecht
P R Cooper
J Faulkner
V A Vella

A J Moir *Secretary*

Audit Committee
R M Wylie OBE
Chairman
D S Adamsas
W M King
D P Robinson

A J Moir *Secretary*

Executive Committee
W M King *Chairman*
D S Adamsas
M C Albrecht
K L Bennett
P R Cooper
J Faulkner
R G Gussey
R L Hawkins
A J Moir
V A Vella
W H West

Leighton Holdings Limited Corporate Management
W M King BE, MEngSc, FIEAust, CPEng, FAIM, FAIB
Chief Executive Officer

D S Adamsas BComm
Director, Finance and Administration

R G Gussey CPEng, FIEAust, MICE, MNZIPEng, MAIB, AAIArb
General Manager, Engineering

A J Moir FCPA, FCIS
Company Secretary

W H West BSc(Tech), MIEAust
Manager, Investment

P Bingham-Hall BA(Ind Des)
General Manager, Corporate Affairs

G E McOrist FCPA
General Manager, Treasury

T G Young BBus, DipTech(Comm), CPA, FTIA, FCIS
General Manager-Controller, Financial Services

C H Clark BBus, ACA, ACIS
Chief Accountant

P C Janu BEc, LLB, ACA, FTIA
Group Taxation Manager

Financial Management

6 Good performances from our operating
have combined to produce the strongest balance sheet in the

The Leighton Group is in a very solid financial position as a result of sound strategy and good performances over the past few years. Our balance sheet is stronger than ever with the significant financial indicators showing major improvement.

Shareholders' funds rose 37% to $490 million and return on average assets increased to 5.4%. Gross borrowings decreased to $196 million, or 40% of total equity, which represents a considerable advance on last year. Net debt decreased significantly to $30 million and the ratio of net borrowings to total equity was 0.06:1. Interest cover improved to 5.64 times, and the Group's ability to service and repay debt has never been more sound.

Strong profit growth led to an improved level of dividends per share, rising by 25% to 15 cents. Retained earnings increased by 37%.

Liquidity remained sound. Cash on deposit and at bank increased to $166 million and the level of undrawn facilities now stands at $234 million. Capital expenditure was $253 million. Expenditure was primarily on new plant and equipment, particularly for the Group's contract mining operations. We also made plant and property sales of $51 million during the year.

The Group's strategy in recent years has been to build steadily on the most positive aspects of our business, to phase out less profitable and non-core activities, and to reduce debt.

Leighton Holdings' balance sheet was further strengthened by a share placement in February 1996. The 10% placement of 23.5 million ordinary shares at $3.85 per share was quickly taken up by the market and raised $90.3 million. Following the placement and the good operating performance during the year, we are in a very strong cash position.

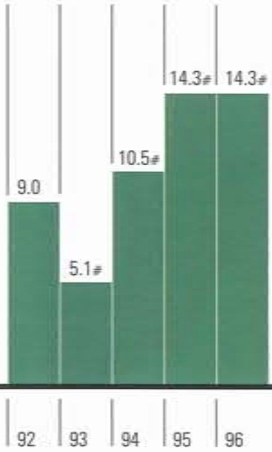
A portion of this capital has been used initially to retire debt, and will be invested over the next 12 months in plant and equipment for the Group's new contract mining projects. Notable among these are the Mt Owen coal mine in New South Wales, the Lihir gold mine in Papua New Guinea, and the Burton coal mine in Queensland.

Plant and equipment now account for some $461 million on our books while our total property portfolio in Australia and the USA has been reduced to $177 million. Our investment in property is at its lowest for many years. We expect this figure to drop still further over the next year, and we are now approaching an appropriate level of property investment.

The Group's decentralised structure is one of its greatest strengths. Each operating company functions as an independent profit centre, with its own balance sheet. While each has its own risk management procedures, it is ultimately our responsibility at Leighton Holdings to see that all risks are properly evaluated and monitored. We set strict risk management policies which operating companies put into place. We also conduct regular project audits, where teams from Technical Resources examine the risk characteristics of ongoing projects.

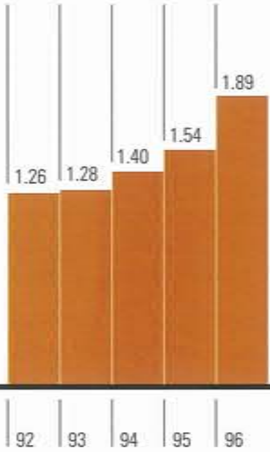
The Group is a cautious risk manager, but does not seek to impose inflexible controls which stifle flair and creativity. These qualities are the hallmark of the Leighton Group's success.

We maintain an active communications programme to keep the investment community fully informed of Group developments. This community includes shareholders, stockbrokers and bankers, and we have developed close relationships with all these stakeholders. The exchange of information between the Leighton Group and the market flows more smoothly and

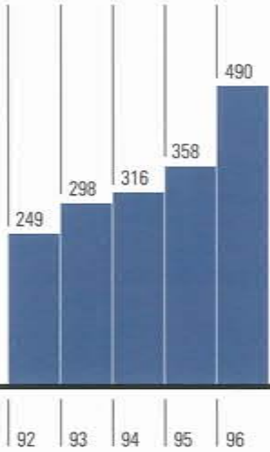


Return on Shareholders' Funds %

After Abnormal Items



Net Tangible Assets per Ordinary Share $



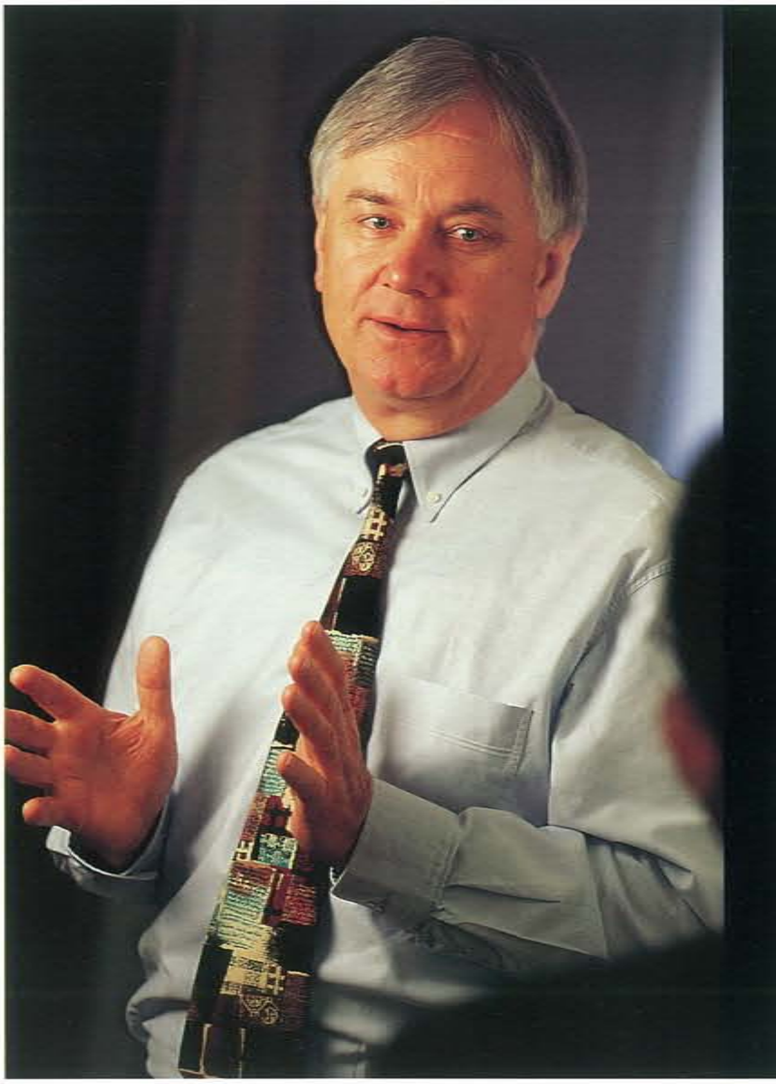
Total Shareholders' Equity $Million

companies, asset sales and a 10% share placement Group's history.’

rapidly than ever before, thanks largely to a comprehensive upgrade of the Australian Stock Exchange's electronic reporting systems. We will ensure that the Group's reporting systems keep pace with new technologies, such as on-line TV news services, which are being introduced to the financial markets.

Financial discipline continues to be a key factor in the Group's success. Our clear goal now is to use our financial strength to help the organisation as a whole to win and maintain exciting levels of work.

Dieter Adamsas *Director, Finance & Administration*



DIETER ADAMSAS DIRECTOR, FINANCE & ADMINISTRATION

Corporate Governance

The Leighton Board has the responsibility for ensuring the Leighton Group is properly managed so as to protect and enhance shareholders' interests in a manner which is consistent with the Group's responsibility to meet its obligations to all parties with which the Group interacts. To this end the Board has adopted the following policies and practices.

1. The Board

The Leighton Board is responsible for the overall corporate governance of the Leighton Group including determining strategic direction, establishing goals for management and monitoring the achievement of those goals. Information about each present member of the Board is set out on page 48 under the heading "Directors' Resumes".

The Company has presently eight non-executive Directors and three 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.

It is the Board's policy that the Chairman and Chief Executive Officer should assess and make recommendations to the Board regarding the membership of the Board, including proposed new appointments (including appointments proposed by HOCHTIEF Limited).

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.

3. 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.

4. 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 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.

5. Review of Compensation Arrangements
The principal functions of the Remuneration Committee established by the Board include:
- review and approve the remuneration of the Chief Executive Officer and other senior executives who report directly to the Chief Executive Officer;
- review and make recommendations to the Board regarding:
  - the remuneration policies and practices for the Group generally including participation in the incentive plan, share scheme and other benefits; and
  - superannuation arrangements.

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

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

The allocation of individual remuneration for non-executive Directors out of the total amount approved by shareholders is determined by the executive Directors.

The Company's present policy is to pay retirement allowances to non-executive Directors within the limits permitted under the Corporations Law.

6. Identification and Management of Significant Business Risk
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 the management of areas of significant risk include:
- regular monthly reporting to the Board in respect of operations, the financial position of the Group and new contracts;
- 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 the risk and details of the measures which are either in place or can be adopted to manage or mitigate those risks; and
- any Director may request that operational and project audits be undertaken by the Company's subsidiary, Technical Resources Pty Limited.

7. 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 regularly to the Board.

8. Annual Review
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.

9. Equity Participation by Non-Executive Directors
The Articles require Directors to hold at least 1000 shares in the Company but additional shareholdings by Directors are encouraged.

A policy has been adopted which restricts the times and circumstances in which Directors and senior executives can buy or sell shares in the Company. These are for specified short periods after announcements are made to the Stock Exchange 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.
The Board has 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. A key element of that Code is the requirement that officers and employees act in accordance with the law and with the highest standards of propriety. The Code and its implementation are to be reviewed each year.

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

It is no longer enough to construct projects focused only on the technical issues of time and cost. Contracting organisations need to understand how projects will impact on the community, the environment, clients and their own staff. Issues have to be reviewed from internal and external perspectives and appropriate systems put in place to manage them successfully. The challenge then is to integrate the new systems with existing management philosophies and practice.

Leighton Group companies dedicate significant resources to managing issues such as quality, occupational health and safety, community relations and the environment to ensure they become a fundamental part of the way we go about our work.

Management Issues

People

People are an integral part of the Leighton Group's success. We believe in rewarding skill and loyalty at all levels. Identifying good performance, and recognising it, is crucially important to maintaining the commitment which distinguishes our workforce. Leighton aims to develop the full potential of its employees through career development, training and education programmes. We are committed to a policy of equal opportunity.

Each operating company has responsibility for its own employee relations. Industrial relations is managed at branch level, allowing issues to be identified and resolved quickly. As a result, the Group has a good record of effective and equitable industrial relations.

Occupational health and safety

The Board takes a close interest in occupational health and safety issues. Incident rates within Group companies are among the lowest in our industry. Both Leighton Contractors and Thiess Contractors received safety awards from the Federal Government's MBA-Workcover body during the year, and both were commended for safety initiatives by industry bodies nationally and internationally. Leighton Asia was again commended by the Government of Hong Kong for its on-site safety record during 1995/96.

Community relations

Leighton Group companies realise that wherever they work, they are a part of the local community. Group companies implement community awareness programmes for projects that impact significantly on residents, commuters or end users. These programmes are aimed at keeping the public fully informed not only on the progress of the work, but on all issues relating to the way the project will affect the community.

Leighton also participates in wider community issues through a sponsorship and donation programme. In Australia, we are major sponsors of the Warren Centre Underground Space Project based at Sydney University, and of the National Trust of Australia (NSW). We also make significant contributions to the Royal Botanic Gardens and the Royal Hospital for Women.

At home and in Asia, the Leighton Group actively supports medical research, charitable and community organisations, youth and education projects, disadvantaged groups, and initiatives to help protect the environment.

The environment

Environmental policy is part of the management systems of each operating company within the Leighton Group. Our approach to environmental management is among the most progressive in the Australian construction industry. We use our expertise in the field to help support our clients' activities, advising them on the environmental aspects of their projects and helping them to find solutions to environmental problems.

During the year we won a number of awards and commendations for our environmental work. Leighton Contractors became the first construction company in Australia to achieve third party certification to international ISO standard for its environmental management practices. The company also won the 1996 National Earth Award for environmental excellence on the Bing Bong Wharf project in the Northern Territory, as well as commendations from the Queensland Government for its recycling work on the Brisbane Convention Centre project. Thiess Contractors also won several environmental awards, notably for its sensitive treatment of the Green Island

Resort development near Cairns in Queensland. Thiess' Environmental Services division won a major award for vehicle design in the international World Wastes Design Contest of 1995.

Innovation, technology and value

Focusing on continuous improvement in management systems, project controls and construction technologies helps the Leighton Group maintain its competitive edge. Each operating company invests in research and development, maintains links with technology specialists, and draws on the expertise of the Group's Technical Resources division.

At the same time, each operating company strives to develop and maintain flexible and accountable management systems that result in better ways of managing projects for clients.

This aspect of the way we do business is becoming increasingly important as operating companies negotiate a greater proportion of work. Innovation, technology and value are competitive and commercial benefits we can bring to the bargaining table.

Client relationships

Group companies are becoming involved with their clients in the early stages of project design and development in order to maximise their contribution. That requires us to develop detailed knowledge of our clients' business objectives, their markets and the specific needs of their project.

Our success in winning our clients' respect has led to record volumes of negotiated work. Such work can take many forms and often involves us in partnering or alliancing arrangements. Where appropriate, the Leighton Group will make investments in particular projects as a further demonstration of its commitment.

We take pride in the close client relationships we have built over the years with some of the leading organisations, public and private, in Australia and Asia.

The Leighton Group is made up of a number of distinct operating companies. These companies have a high degree of autonomy, although Leighton Holdings provides direction, support, financial control and operating policies.

The Group's present structure had its origins in 1983 when Leighton Holdings acquired Thiess Contractors. This introduced HOCHTIEF, a large German construction company, as our major shareholder. The addition of Thiess to the Leighton Group also necessitated changes in our approach to the market.

Prior to 1983, Leighton's construction business in Australia and Asia was regarded as one entity, operating through different divisions with their own branch office networks. The acquisition of Thiess paved the way for a new structure under which separate operating companies would have considerable independence.

In Australia, we encouraged Sydney-based Leighton Contractors and Brisbane-based Thiess Contractors to maintain separate identities, each with its own advisory board and with responsibility for its own financial and operational performance. A third company, Leighton Asia, which was established in 1975, handled work in the Asian region from a head office in Hong Kong. Today, these three companies account for over 90% of our total revenue. In addition there are three smaller companies within the Group - Leighton Properties, Welded Mesh and Technical Resources, all based in Sydney.

Each operating company has a strong individual corporate culture and a distinct market position. Each decides the direction of its own business development under guidelines established by Leighton Holdings.

Market Strategies & Outlook

Thailand

Malaysia

Australia

Maintaining a balance between geographic diversity and market segmentation is a constant challenge for the Leighton Group. In Australia, Leighton Contractors and Thiess Contractors both target three core markets of civil engineering and infrastructure, non-residential building, and contract mining. A division of Thiess also competes in the waste management and environmental services markets. Leighton Properties is active in property project management and development, and Welded Mesh supplies steel reinforcing products right across Australia.

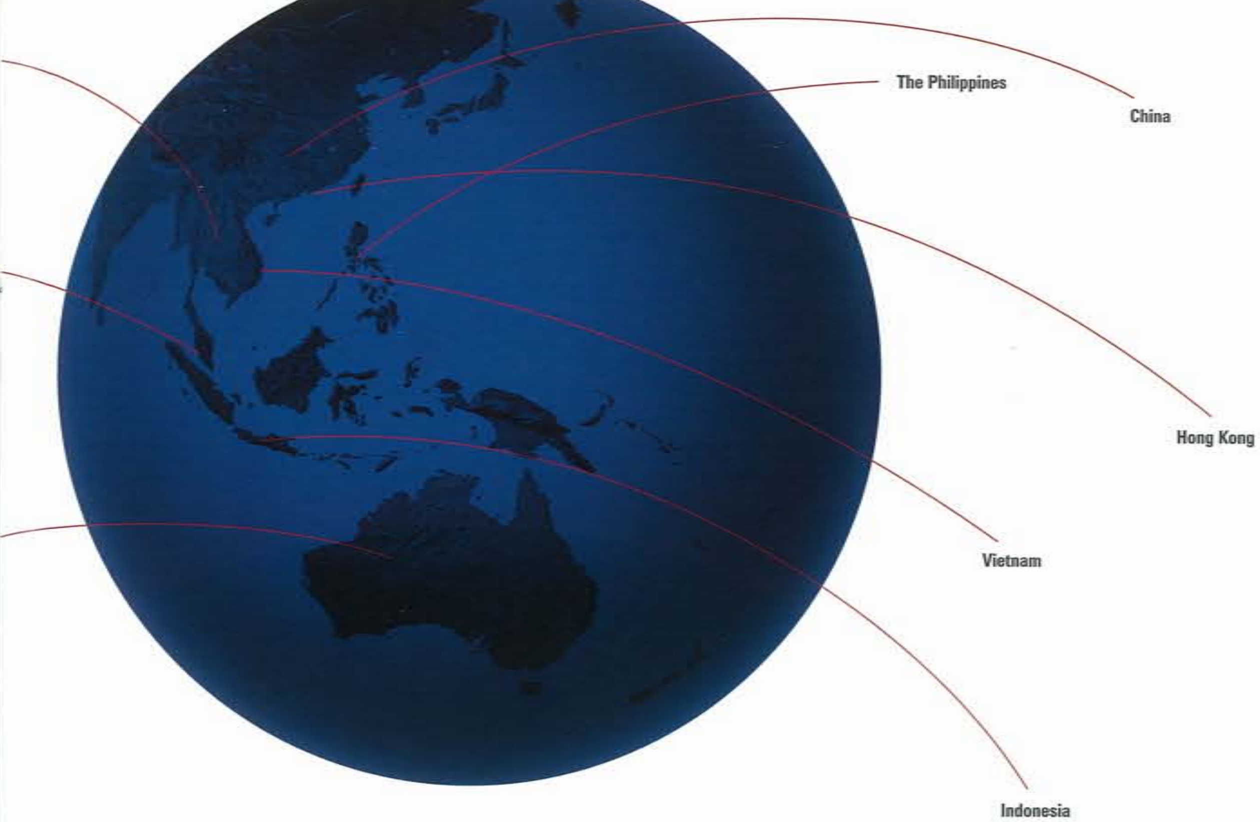
The Australian construction market has grown steadily since its low point in the early 1990s. The 1995/96 year saw estimated growth of 17% and forecasts suggest a further jump of over 9% to $21 billion in 1996/97*. This will surpass the previous high level set in the late 1980s.

As a result, the Australian construction market will become even more competitive. Pressure on wages, materials costs and resources will be even more intense in the run-up to the Sydney Olympics. Increasingly, both Leighton Contractors and Thiess Contractors are entering into alliance agreements and pursuing negotiated work to offset the competitive tender market. They are also moving towards larger, long term projects to help secure future revenue streams.

Australian civil engineering and infrastructure recorded an estimated 25% increase to $8.5 billion in 1995/96*. Roads and heavy industry remained the largest sectors. Civil engineering and infrastructure work is forecast to rise by 14% in 1996/97*, with a significant boost from projects related to the Sydney Olympics.

The impact of micro-economic reform on industries such as energy supply, resources and telecommunications should provide new opportunities and stimulate investment. Leighton Group companies must remain flexible to respond to changing markets, clients and government regulation. The ability to co-ordinate massive infrastructure projects on a national scale, such as Leighton Contractors' management of the Optus rollout, will become more important to client organisations.

Non-residential building in Australia continues to show signs of recovery. The total value of work undertaken in 1995/96 is estimated to have risen over 11% to approximately $11 billion. A further 5% growth is forecast for 1996/97*. The market is no longer dominated by commercial office construction. Factories/warehouses is currently the most dominant segment of



the building market and should continue to provide a good source of work for Group companies.

Significant opportunities exist for constructing the Olympic facilities, although the Leighton Group has been very selective and did not bid for the main stadium or athletes' village. However, Group companies are involved in proposals for smaller, less time-critical projects. The tourism sector should also benefit from the Games. Hotels, resorts, airport terminals and related infrastructure are expected to come on line in the next few years.

The commercial property market is continuing its recovery and Leighton Properties is well positioned to capitalise on renewed investment. The company has a number of sites in the Sydney region which are drawing interest from tenants and potential buyers.

Meanwhile, the trend towards contract mining in Australia continues, especially for major greenfield developments. Resources related projects under construction rose from $9.8 billion to $14.9 billion between June 1995 and June 1996#. We expect good opportunities over the next few years in gold, coal, nickel and iron ore mining operations and related infrastructure.

The broadening of the contract mining market into the coal industry in the eastern states offers great potential.

In Asia our markets are approached on a geographic basis. Leighton Asia handles predominantly building, engineering and infrastructure construction work. Its head office is in Hong Kong, but it has significant operations in Thailand, Malaysia and Vietnam, and is pursuing new work in China and the Philippines. Thiess Contractors undertakes contract mining and civil engineering work in Indonesia and Papua New Guinea with some activity in Malaysia.

Hong Kong continues to be our major market in Asia. Health care facilities, industrial buildings and commercial office developments now present the majority of opportunities. More traditional government work, such as foundation engineering, site formation and earthworks, road, rail, marine and pipeline projects, are still being generated.

The construction business in Thailand is extremely competitive, with most work selected by Leighton related to commercial office developments, condominiums and tourist facilities.

Vietnam is still an emerging market, but we have won 11 contracts there over the last four years with several more in negotiation or at tender. We have scored some notable successes in Malaysia during the year, and expect that country will develop into a much more significant market for us in the future.

Thiess has developed a solid operation in Indonesia. The growing demand for infrastructure work for resource development projects, and for civil works as part of integrated residential land developments, is providing good opportunities.

Transport infrastructure, water and power services, and waste management are all assuming high priority in Asian countries as their economies move forward and their people become increasingly urbanised. We expect to benefit from the demand for higher living standards and community infrastructure.

Resources development in Asia is also gaining momentum as world commodities markets strengthen. While our best opportunities for contract mining are currently in Indonesia, there is considerable potential for gold and coal mining work elsewhere in the Asia-Pacific region, such as Vietnam, Malaysia and the Philippines. Projects of this sort remain on the agenda of most multinational resource companies, and we are well placed to win a share of this work.

Source:
* Access Economics ABS Catalogue 8752.0 & 8762.0 and Federal Government's Construction Forecasting Committee
# Pacific Power and Access Economics Investment Monitor – June 1996

SPECIAL FEATURE

AS WE MOVE TOWARD THE NEW MILLENNIUM, INAPPROPRIATELY LABELLED "SOFT" ISSUES SUCH AS OCCUPATIONAL HEALTH AND SAFETY (OH&S), HUMAN RESOURCES, ENVIRONMENT AND COMMUNITY RELATIONS ARE NO LONGER DISMISSED AS IRRELEVANT TO THE CONSTRUCTION PROCESS. THEY ARE INSTEAD AT VARIOUS STAGES OF INTEGRATION WITH THE "HARD" ENGINEERING ISSUES INVOLVED IN PROJECT PLANNING AND DELIVERY.

attitude metamor

Twenty years ago some of the subjects that were being taught at university arts departments prompted one Professor of Engineering to label them as exercises in "finger painting". What that engineer was concerned about was that the nation was not encouraging its young men and women to study subjects such as engineering and science.

He was articulating a view that engineering and science subjects, and the skills which they represented, were by implication more useful than the less scientific humanities subjects being studied in arts courses. In short, during the 1970s the nation needed builders.

This attitude toward "hard" and "soft" subjects was not merely flippant rhetoric. It was ingrained in the ethos and culture of university engineering departments around Australia during the 1960s and 70s, and it manifested itself in the way engineering graduates perceived and dealt with non-engineering issues on the job site.

Since then, engineering attitudes have undergone a metamorphosis as the "soft" issues began to impact on the bottom line. Today's engineering graduates are just as likely to have taken some subjects in psychology and human resources - and they have more than a passing knowledge of OH&S and environmental engineering.

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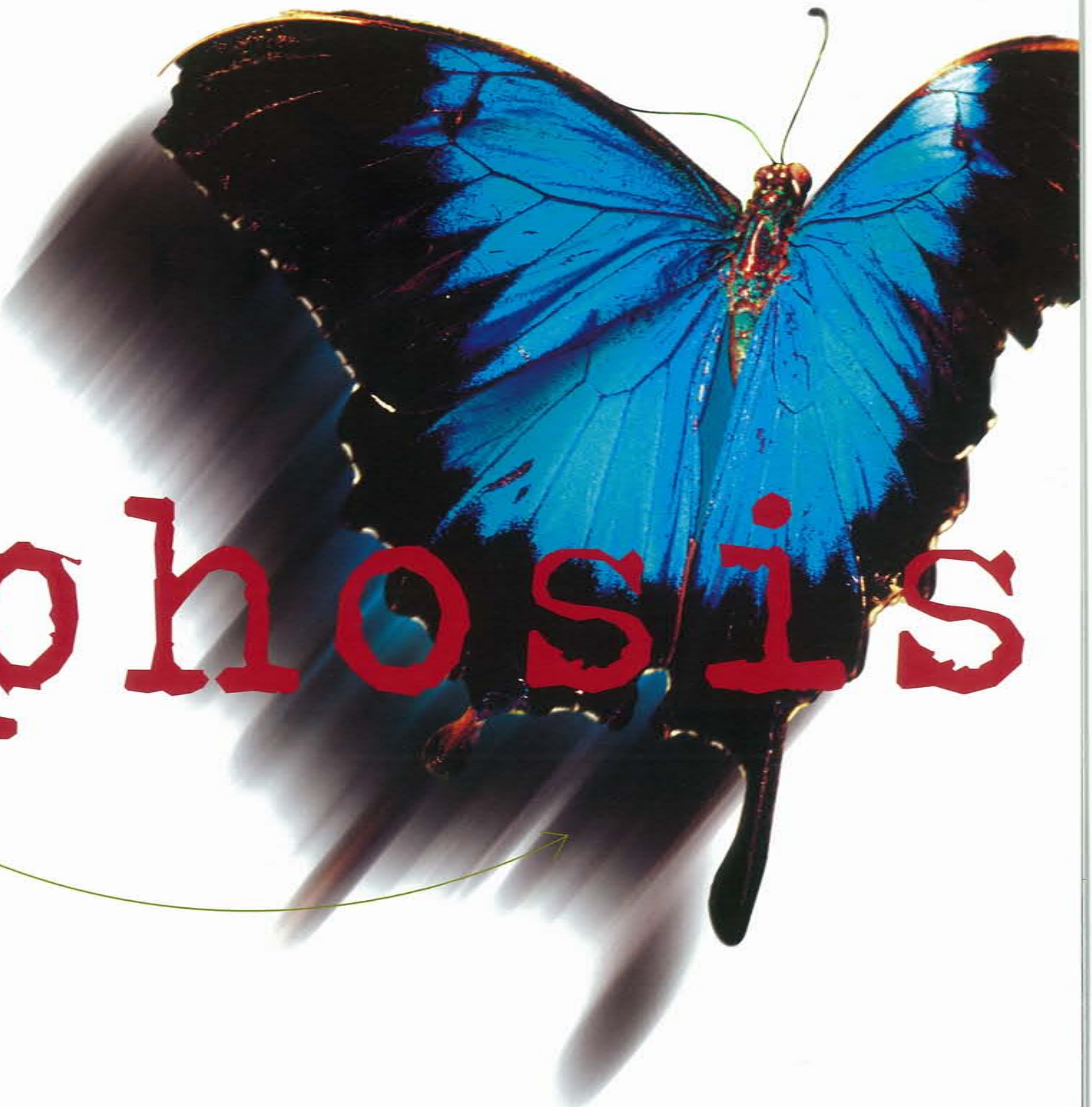


In the current commercial climate two rival contractors can be evenly matched on engineering skills, the ability to complete projects on time and even the price of their respective bids. The winning difference from Leighton's viewpoint is that attention to detail regarding issues other than time and cost has paid dividends far beyond simply winning the contract.

No shareholder wants to own part of a company which continually flaunts environmental regulations, where the employees' health and safety is at risk and whose projects create a storm of controversy and adverse community reaction.

Similarly, no government agency and few private clients will award a contract to a company which may be able to finish a project on time and within budget but leaves in its trail a litany of community complaints, possible environmental problems and union disputes over safety.

While commonsense dictates that many of these issues can be handled in the first instance through proper planning procedures, it is the ability and determination to move beyond compliance, regulation and legislation that provides the benchmark for success in the contracting industry of the 21st century.

The managers of the various business units within the Leighton Group are judged by their ability to produce a positive bottom line. However, their ability to incorporate OH&S, environment and community relations issues into the engineering planning process is not only adding value to their clients' projects, but it has also provided a major cornerstone of competitive advantage.

The view that engineering projects could somehow be built and operated in a separate context from what was happening in society had its origins in the post-war civil engineering construction boom which occurred in Australia between the 1950s and the 1980s.

The nation needed vital infrastructure if it was going to compete in a post-war economy and projects were awarded by governments to private contractors on the basis of lowest price.

How could "soft" issues such as human resources, environment, community relations and even to some extent OH&S compete with such a national imperative?

Engineers achieved unparalleled recognition and status within Australian society. State-owned public works, roads, water and electricity businesses became all powerful. Construction contractors such as Leighton and Thiess made their reputation from fulfilling these government contracts on time and within budget.

It wasn't as if the "soft" issues were totally ignored; OH&S on the job site has traditionally been a trigger point for disputes between unions and management.

A construction contractor who refused to deal realistically and adequately with safety issues on the job site could not expect to be in business for too long because the unions would black ban the site and clients could not afford the costly delays.

It was community pressure that moved OH&S from being a peripheral issue to a mainstream issue which companies ignored at their peril.

More importantly, engineers learned to deal with OH&S not as an extraneous part of the job but as an integral element of the project which required as much planning with a systematic approach as any design function.

What had been a "soft" issue at one time had now become an accepted part of the planning process with the added benefit that a company whose safety record was exemplary was also perceived to have a commercial advantage over its competitors.

While OH&S has been integrated into engineering management systems for some time, it has taken issues such as the environment, human resources and community relations a little longer to make the transition.

It was the environmental dispute over the damming of the Franklin River in Tasmania which provided the catalyst for the environment to move to the top of the planning agenda.

Instead of being praised for their skills and their projects, engineers were condemned for trying to destroy a river and its natural environment to build a dam which was arguably unnecessary.

The dispute not only provided the basis of a new political party, which is now a strong influence at both state and federal level, but it also galvanised public opinion to the point that community concern about the environment is on a par with unemployment and the economy.

The concern about our environment is not exclusively Australian. It is part of the shift in values which reflects quality of life issues central to all families in the western world as well as the newly developing countries of Asia.

Leighton Holdings' Chief Executive, Wal King, says:

"It is no longer enough for us just to build projects. We need to understand how these projects will impact on the environment and the views of both the local community and the public at large.

"When I was a young engineer and joined Leighton in 1968, our focus was almost totally on the technical issues of time and cost. Since that time there has been a steady evolution in community attitudes and their influence on the public policy agenda as well as the role of engineers and project proponents."

The ability to integrate diverse elements into management systems has been a feature of the Group throughout its history. The formation of Technical Resources as a specialised intellectual skills unit within the Group is a recognition that not only are there issues other than the time and cost equation, but that in reality many of these issues can be systemised and incorporated in the overall management systems.

Engineering methodology and systems are now being applied to non-engineering issues and as a result the perception gap between "hard" and "soft" issues has narrowed considerably. What has developed in parallel is an understanding and appreciation of how these "soft" issues can be quantified to fit into a traditional cost to benefit ratio.

It is a transition which has seen the Group move from the traditional tendering system to more negotiated work offering a multi-disciplined range of skills and technical expertise. This diversity has not only added value to the Group's original skills, but it has become a commercial advantage in its own right.

By moving up the intellectual skills ladder, Leighton has become a proponent and equity provider in tollroads such as the M5 and the Eastern Distributor. It is also a minor equity player in the development of the Sydney Casino.

But high profile and often controversial projects such as toll roads and casinos bring with them an imperative to develop new community relations skills within the Group.

By any definition the M5 Motorway was a successful project which required not only clever engineering to bring it in within budget and ahead of schedule, but also a communications strategy that dealt responsibly with the concerns of local residents.

Consultation with community groups resulted in measures such as a special truck washing facility to minimise dust and mud on public streets and the redesign of the Georges River Bridge spans to protect the mangrove swamps which were a popular local fishing spot.

These are not issues which would have found their way in the management plan and systems of any contractor or government authority 50 years ago.

"What has changed is the way we look at these issues," says Leighton Contractors' Branch Manager in Western Australia, Bob Merkenhof.

"The Leighton philosophy is not to treat issues such as OH&S, the environment or community relations as stand-alone issues. These issues are an essential part of our design planning, construction planning, procurement and completion planning.

"We have actually achieved independent certification for our systems from various statutory authorities. However, we have also made the decision to move beyond compliance with regulations and to be one or two steps ahead. We viewed it initially as our responsibility as one of Australia's leading contractors but we are finding that our clients view it as one of our competitive advantages."

The General Manager of Leighton Asia's Hong Kong and China operations, Bill Wild, would certainly agree. Leighton Asia took a quantum leap in respect of site safety procedures more than five years ago by adopting standards far more demanding than those required by the Hong Kong Government or which were in common industry practice in Asia.

"We gained enormous recognition in the industry both from a client perspective and from our competitors. If you asked who has led the construction industry safety improvement in Hong Kong, they will all say Leighton Asia," says Wild.

"In Hong Kong most jobs are won on price and the competition is fierce. However, there are now very strict pre-qualification criteria and our safety record has got us on the bid list.

"The other issue where we are well in front of our competitors is the environment. We are building the Aviation Fuel Service Facility for the new airport and that involved building a jetty into a part of the harbour in which there is a colony of white dolphins.

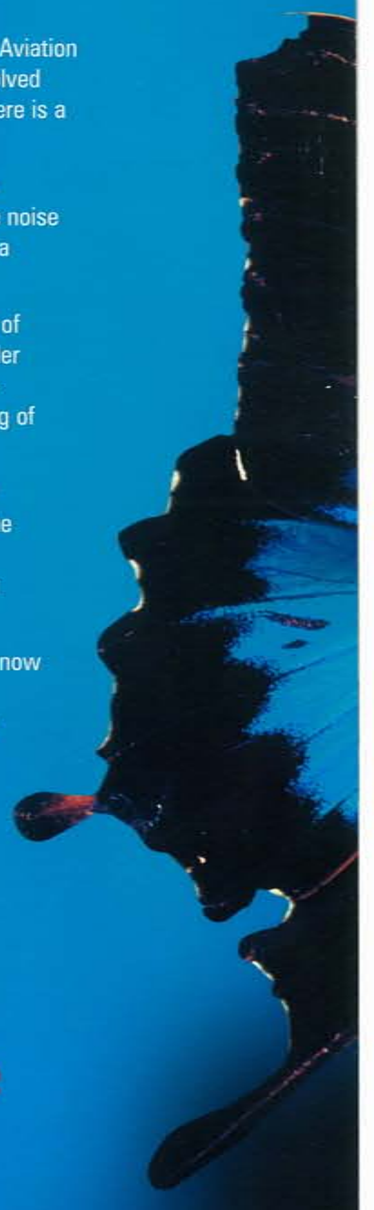
"To minimise the effect of pile driving on the dolphins we built a system of bubble screens to cut down the noise which could disturb them. It was the first time such a system has been used in the world."

The progress of civilisation is measured in a number of ways. In Asia, a nation's ability to progress from under developed to newly developed status is measured in economic terms and this is reflected in the well-being of its citizens.

As a developed country, Australia has already made the economic transition and the future progress of the country will not simply be measured by what we as a nation can build but rather the manner in which we build it.

It means that those "finger-painting" exercises have now become a key element in delivering sustainable developments which the community, as the primary stakeholder, will embrace with pride.

attitude



Overview

- Profit contribution again strong
- High civil engineering revenue assisted by resources related projects
- Building and contract mining revenue up
- Focused on disciplined management
- Pursue selective opportunities in growing market

Leighton Contractors

'Leighton Contractors has achieved revenue and increased, reflecting our continued focus on client service.'

Leighton Contractors has again achieved good results through discipline, control and commitment. Revenue increased to $1.06 billion in 1995/96, up 46% on last year. Operating profit was well above Group guidelines. Work in hand has dropped slightly to $943 million as a number of projects were completed, but it remains at historically high levels.

Capital expenditure for the 1995/96 year, at $160 million, has increased by 32%. This reflects investment in new plant and equipment for the large volume of work which came on stream during the year. It is company policy to use the most modern equipment and to replace it regularly.

Profit and revenue remained fairly evenly spread across our three major industry sectors. Leighton Contractors' revenue from civil engineering was up 82% to $470 million, due to the high level of work associated with resources related projects. Building was up 28% to $301 million, although this figure is distorted by the size of the Sydney Casino contract. Contract mining was $284 million, a rise of 23%.

The company performed well in every state, with all branches performing ahead of business plan objectives. New South Wales recorded the highest revenue, boosted by the Sydney Casino contract. Across each state, profitability was fairly evenly distributed against turnover.

Leighton Contractors continued to improve its services to clients during the year. Our competitive advantage is that our strengths complement those of our clients.

A significant proportion of our work is repeat business, and an increasing share of it is negotiated work, rather than contracts won at tender. This demonstrates the high degree of confidence which clients place in Leighton Contractors, and we worked hard to maintain that confidence.

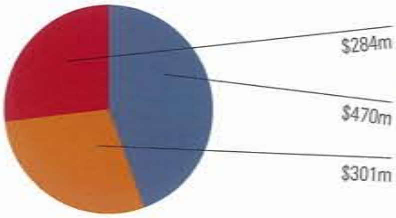
A key factor in our success is that we only take on work which we are competent to handle, and for which we have available management capacity. We analyse every potential project carefully with these criteria in mind. Leighton Contractors focuses on satisfying its clients' business objectives, not simply on working to a brief. This leads us increasingly into partnering or alliancing contracts with clients.

Our biggest single building contract remains the $650 million Sydney Casino project. The contract involves construction of a permanent gaming facility, hotel and entertainment complex for Sydney Harbour Casino, and work is progressing well. Through close co-operation with the client, we were able to identify the significant benefits that would occur by finishing the job early. We are now on track for completion in November 1997, some six months ahead of our original schedule.

During the year the company handled large volumes of construction work in the process engineering field. The $332 million sawmill and medium density fibreboard plant for CSR at Oberon is the biggest process related contract we have undertaken. CSR is also a major supplier to the Casino project, and useful synergies are developing with this company. Another significant process related contract under construction is a $51 million recycling plant for Australian Paper in Victoria.

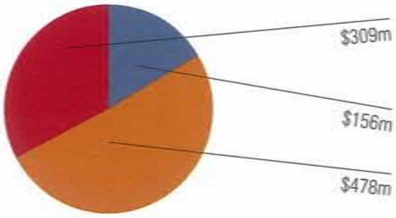
We continued to perform well in contract mining services. In Western Australia we installed new plant at the $326 million Mt Keith nickel mine project for WMC. Production at this mine significantly increased during the year as a result. Work to extend the Paddington gold mine for Pancontinental continued under contracts totalling $82 million. We also won a new $45 million contract at Arimco's Mt McClure gold mine in Western Australia during the year.

Operating Revenue $Million
1996 Total $1,055m



		92	93	94	95	**96**
Civil Engineering	■	307	209	230	258	**470**
Building	■	142	160	148	236	**301**
Contract Mining	■	122	148	204	231	**284**

Work in Hand $Million
1996 Total $943m

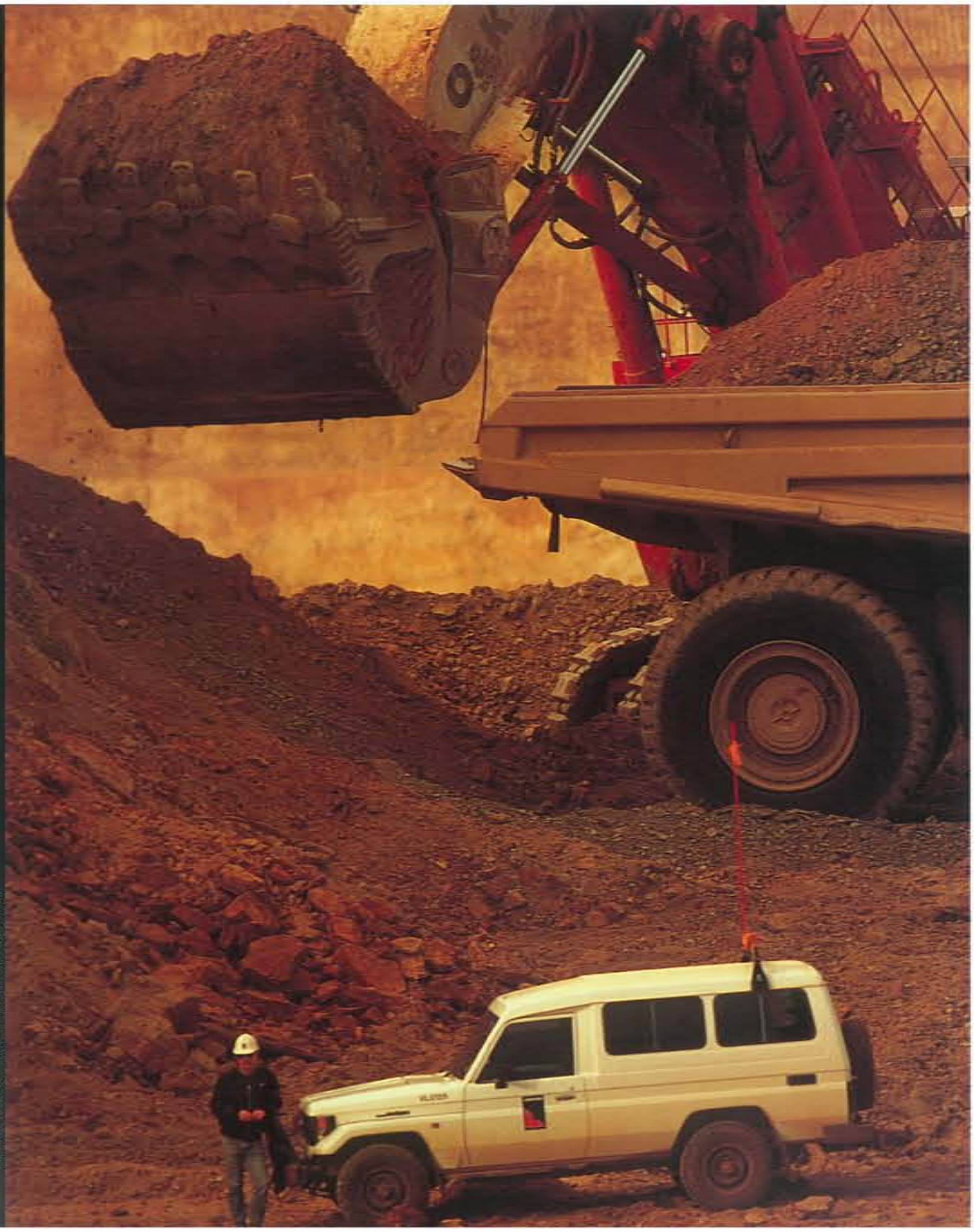


		92	93	94	95	**96**
Civil Engineering	■	123	174	139	411	**156**
Building	■	126	146	109	655	**478**
Contract Mining	■	126	217	231	327	**309**

KEITH BENNETT MANAGING DIRECTOR

profit above Group guidelines. The level of negotiated work has

MT KEITH NICKEL MINE, WESTERN AUSTRALIA

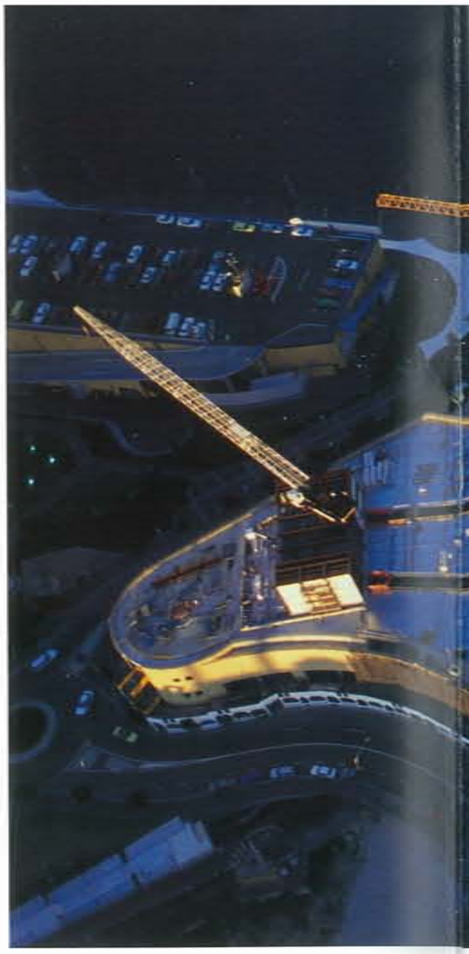


Board
W M King *Chairman*
K L Bennett *Managing Director*
D S Adamsas, P R Cooper, T R J Cooper,
J T Dunkley, R G Gussey, I M Luck, R J Merkenhof,
R P Turchini, L W Voyer, E E Young
Associate Director W A C Service
Secretaries T R J Cooper, K J Steen

Senior Executives
K L Bennett BE(Civ), FIEAust *Managing Director*
P R Cooper BTech(Eng) *Operations Director*
R P Turchini MIEAust
General Manager, NSW & ACT
E E Young BE(Civ), MNZIE, MIEAust
General Manager, WA
R J Merkenhof BEng
Branch Manager, WA
J T Dunkley DipCE *Civil Manager, WA*
I M Luck BTech(CivEng), MIEAust
Branch Manager, Southern Region
L W Voyer Assoc CivEng, FIEAust
Branch Manager, Northern Region
B A Bowman *Manager, Information Systems*
D R Boyling MIEAust, CPEng
National Plant Manager
R G Collins BEng(Hons), CEng, MIEAust, MICE, AIARBA
Manager, Contractual Services
T R J Cooper FCPA, FCIS, FAICD
General Manager, Commercial
M G Delaney FIEAust, MAusIMM
Manager, Central Engineering
R L Maxam BJuris, LLB(UWA), LLM(Syd)
Company Solicitor
J D McNab BE, MIEAust *Estimating Manager*
R F Morris BSc(Maths), BE(Civ), MEngSci, MIEAust
Manager, Special Projects
W A C Service BSc, BE, FIEAust, CPEng, FAIB, MNZIOB
Design Director
K J Steen ASA *National Administration Manager*
J T Walshe MSc, DipIndPsych
Manager, Employee Relations

LEIGHTON

AUSTRALIAN PAPER RECYCLING PLANT, VICTORIA



SPLICING CABLE FOR OPTUS VISION, NEW SOUTH WALES

LAKELANDS GOLF COURSE, QUEENSLAND

Good progress was made on the $87 million civil engineering contract to construct an offshore oil production platform base for Ampolex in Western Australia. Leighton Contractors is part of the Wandoo Alliance formed specifically to undertake the project, and this approach to the contract proved successful. Wandoo is the biggest civil engineering project we have tackled in Western Australia for 15 years.

Leighton Contractors is well advanced on its contract to install aerial cabling for Optus Vision in the eastern states, a project worth over $100 million in total and now approximately 66% complete. In Victoria we secured a $27 million contract to design and build bridge works as part of Melbourne's Western Ring Road, and made good progress on our $67 million contract for work on the city's South East Arterial freeway.

In Queensland we won a $21 million contract to build bridges on the Gold Coast Railway between Nerang and Robina. In the Northern Territory our Bing Bong Wharf project was completed ahead of schedule and won the 1996 National Earth Award for environmental excellence.

The $50 million Enfield Marshalling Yard in New South Wales was successfully completed for the State Rail Authority. The professional execution of this contract has resulted in the award of similar work in the 1996/97 financial year. Leighton Contractors is currently constructing the $50 million Homebush Bay rail link to the Olympic Stadium in Sydney.

We continued to make progress in occupational health and safety during the year, and our efforts have created safer sites. Our safety record compares very favourably to the industry average, and is improving continuously. This track record is becoming a competitive advantage for us as clients recognise the value of working with a company which takes these issues seriously.

The same is true of our record in environmental protection. In October 1995, Leighton Contractors became the first Australian construction company to achieve third party certification to international ISO standard for its environmental management practices in New South Wales and the Australian Capital Territory. Subsequently, operations in Victoria, South Australia and Tasmania also received certification and we expect Queensland, the Northern Territory and Western Australia to achieve certification by June 1997.

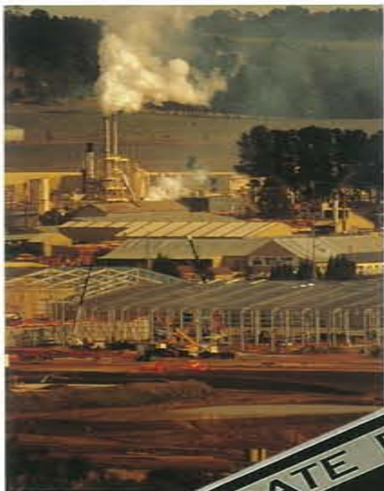
SYDNEY CASINO PROJECT, NEW SOUTH WALES

In our view the level of economic activity in Australia is at a steady, sustainable level and has been since the early 1990s. We expect that situation to continue for the immediate future, though the build-up to the Olympics will see increased activity in New South Wales where the State Government is committed to providing improved infrastructure. This was highlighted in August 1996, when it was announced that the Airport Motorway consortium was selected as the preferred proponent for the $600 million Eastern Distributor tollroad project. Leighton Contractors will be responsible for the design and construction as well as operation and maintenance.

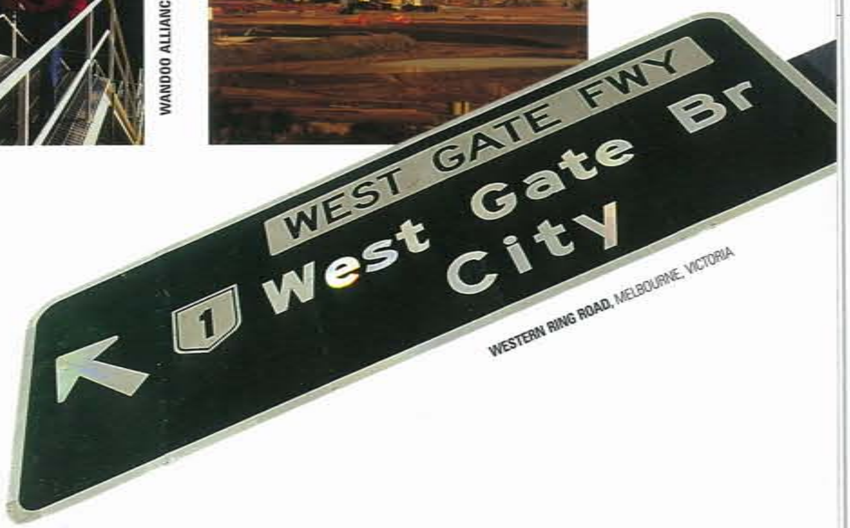
We have maintained an essentially conservative strategy during 1995/96 with good results. Our goal for the year ahead is to refine and improve the services we offer to our clients in ways that complement their business, without changing the fundamentals of our own business. We will maintain tight control and management focus, and with these in place we look to the future with confidence and optimism.

Keith Bennett *Managing Director*

WANDOO ALLIANCE, CONCRETE GRAVITY STRUCTURE, WESTERN AUSTRALIA



CSR MDF PLANT, OBERON, NEW SOUTH WALES



WESTERN RING ROAD, MELBOURNE, VICTORIA

Leighton Asia secured a record level of new work, pushing work in hand to a high of $542 million. Profit was up on a reduced revenue base of $369 million, despite the negative impact of the strengthening Australian dollar. Revenue for 1996/97 is expected to be at least 40% higher as the new work flows through to the bottom line. This will result in increased profits.

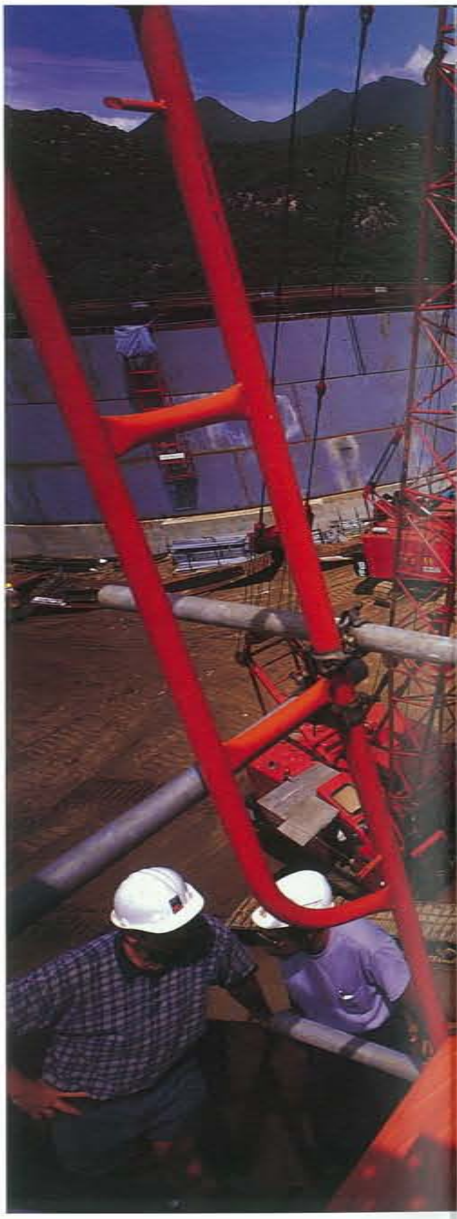
Building remains one of our strongest performing business sectors, accounting for 59% of total revenue, mostly from Hong Kong. We expect it to hold up well, though the sector is increasingly competitive. International construction companies, attracted to Hong Kong by the airport project, are beginning to seek work in the mainstream building market.

The level of civil engineering and infrastructure work dropped off during the year as we completed a number of major contracts associated with the Chek Lap Kok airport development in Hong Kong. The foundation engineering division's business also decreased in 1995/96. However, the division played a key role in helping Leighton Asia to secure several major building contracts.

Hong Kong continues to be our primary source of business, accounting for nearly three quarters of total revenue. As recently as two years ago, most of Leighton Asia's Hong Kong projects were undertaken for the government. Today, some 70% of our work in Hong Kong is for private consortia or companies.

Among these is Leighton Asia's largest ever project undertaken on our own in Hong Kong, the $194 million contract for the engineering, procurement and construction of the Aviation Fuel Service Facility on Hong Kong's new airport at Chek Lap Kok. This involves design and construction of an offshore jetty, five kilometres of undersea pipeline, another five kilometres of onshore pipeline, and storage tanks to feed a hydrant system from which aircraft will refuel.

Also at Chek Lap Kok, we were awarded a $60 million contract to design and construct a three-storey in-flight catering facility for LSG Lufthansa Services Skychefs. This job came to us after an intensive "value engineering" exercise during which we worked with the client to redesign the project and produce significant time and cost savings. The value engineering approach, calling for Leighton Asia's involvement at the most fundamental design stage, is proving to be rewarding for us and our clients.

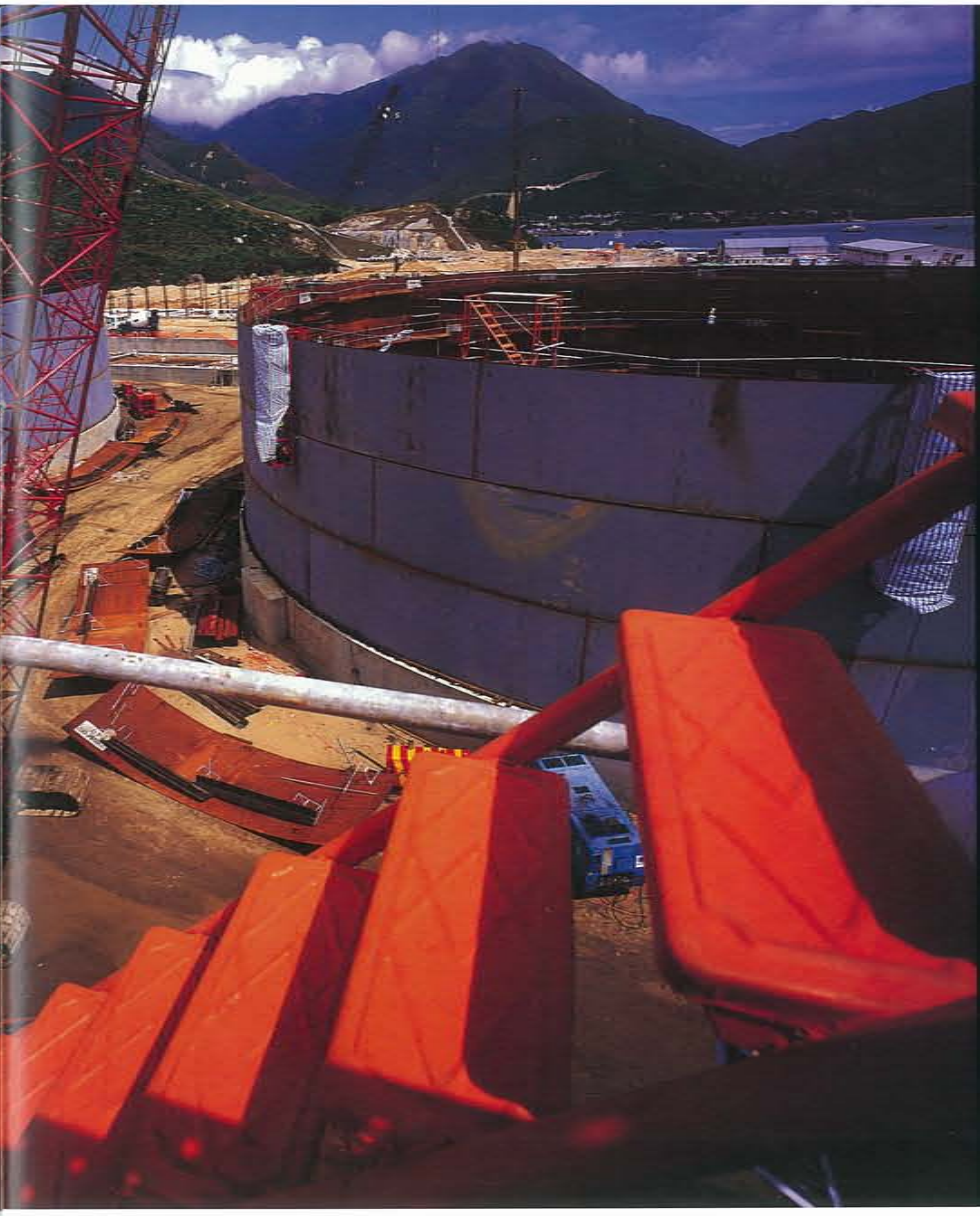


Leighton Asia

❛ Operations in Hong Kong continued to dominate revenue, The hand-over of Hong Kong to China in 1997 is likely to make

Overview

- Strong profit contribution
- Higher level of private clients in Hong Kong
- Won 11th contract in Vietnam
- Secured major project in Malaysia
- Thailand remained competitive
- New office opened in the Philippines
- Strong level of work in hand



AVIATION FUEL SERVICE FACILITY, CHEK LAP KOK, HONG KONG

Board
Sir Gordon Macwhinnie *Chairman*
J Faulkner *Managing Director*
D C Bray, N K Chan, A L Jacobs, W M King, P J North, Dr W Leichnitz, Dr K Rönnberg, W J Wild
Secretary M Wong

Senior Executives
J Faulkner *Managing Director*
A L Jacobs BCom, FASCPA *Director, Finance & Administration*
M Wong AHKSA, ACCA *Corporate Financial Controller*
M Chan BA *Personnel Manager*
K M Reede BA (Comm) *Communications Manager*
B Cunningham BE, MIEAust, CPEng *Business Development Director, Australia/Asia*

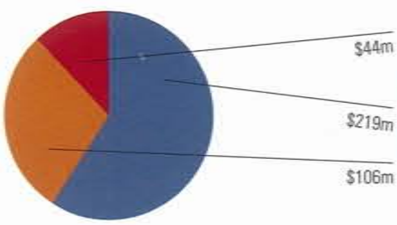
Hong Kong
W J Wild BE(Civ), MEngSc, MIEAust, CPEng, MHKIE *Director & General Manager*
J F Nash BA(Hon), MEng(Civ) *Manager, Engineering & Estimating*
P J McMorrow Assoc CEng *Executive Director, China & Philippines*
R J Bennetto BEng(Civil) *Executive Director, Civil Engineering*
R F Grosvenor Dip Bldg *Executive Director, Building*
M J Plummer BE *Director, Foundation Engineering*
P G Pollard ASCPA, ACIM *Financial Controller*
F S Lam BSC(Hon), Msc, MHKIE, MICE, CEng, ACIArb *Director, Foundation Engineering*
N M Hodge BSc(CEng), MIEAust *Project Director*
P Blennerhassett *Plant Manager*

Thailand
W K Hamilton BE(Civ) *Director & General Manager*
P E Gibney BBus, MBA *Finance & Administration Manager*
J V Barlass *Construction Manager, Building*
J P Leslie BE(Civ) *Construction Manager, Civil & Foundation*
S Despotidis BE(Civ) *Construction Manager, Eastern Seaboard*
T Meesomklin BE(Civ) *Business Development Manager*
L Thornton MCIOB *Estimating Manager*

Asia Regional
A V Atkinson BTech(Bldg) *Director & General Manager, Malaysia & Vietnam*
B Budden BSc, CEng, MICE, MHKIE *Contracts Manager*
B Munro BE(Civil)(Hons) *Area Manager, Indochina*
G Francis BSc(Civil)(Hons) *Director General, Vietnam*
G Hutchinson BEc, ACA *Corporate Manager, Finance & Administration, Indochina*
H G Tyrwhitt BEng(Civil), MIEAust, CPEng *Manager New Projects, Malaysia*
K G Plumbe BSc, CEng, MICE, MIHT *Projects Director*

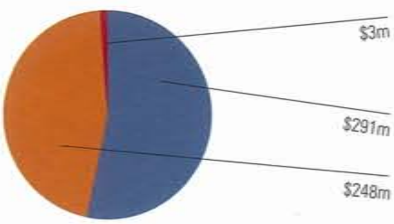
although contributions from other markets are growing steadily. little immediate difference and could lead to new opportunities.’

Operating Revenue $Million
1996 Total $369m



		92	93	94	95	**96**
Building	■	55	132	114	100	**219**
Civil Engineering	■	78	109	202	249	**106**
Foundation Eng	■	50	27	34	80	**44**

Work in Hand $Million
1996 Total $542m



		92	93	94	95	**96**
Building	■	163	183	93	222	**291**
Civil Engineering	■	131	140	213	78	**248**
Foundation Eng	■	11	16	54	36	**3**

JOHN FAULKNER MANAGING DIRECTOR

AUSTRALIAN EMBASSY, HANOI, VIETNAM

SOUTH CHINA MORNING POST, HONG KONG

ADRIATIC PALACE HOTEL COMPLEX, JOMTIEN BEACH, THAILAND

Among other important Hong Kong contracts for the company in 1995/96 was a $41 million project to design and construct a major waste transfer facility for South China WMI Transfer.

Elsewhere in Asia, we strengthened our established positions and consolidated new operations. We secured a $19 million contract from Hainan Asia Pacific Brewery Company (Heineken) to construct a brewery in Haikou, China. We have also extended our joint venture arrangements with China State Construction Company to bid for specialised projects on the mainland.

In Thailand, we won an $18 million contract for the construction of the 40-storey U Chu Liang office building in Bangkok for Uahwattanasakul & Co Limited. Work progressed well on the $26 million Supalai Park condominiums in Bangkok and the $13 million Adriatic Palace hotel complex at Jomtien Beach neared completion.

Leighton Asia also had a major success in Malaysia this year, winning a $194 million joint venture contract to design and construct the elevated highway from Jalan Tun Razak to Ampang Point in Kuala Lumpur, covering a total length of six kilometres, with five interchanges. There is considerable scope for more civil and resources work in Malaysia, which continues to develop at a rapid pace.

New work in Vietnam in 1995/96 included a $25 million joint venture contract for a major resort hotel for Furama in Danang and a $31 million contract to build "The Metropolitan", a prestige office complex in Ho Chi Minh City.

Leighton Asia has also opened an office in the Philippines and is actively pursuing civil and resources contracts.

One of Leighton Asia's strengths is its decentralised structure. We give operations in each country as much autonomy as possible, which allows each operation to build its own profile and local knowledge. We are well aware that Asia is a multitude of nations with different languages, cultures and business practices. We want our operations to be regarded, as far as possible, as local organisations in each country.

We employ predominantly local people, which enables us to use our own employees for much of the work which would otherwise be subcontracted out. This approach gives us tight control over safety, quality, timing and resources.

It is a key part of Leighton Asia's risk management policy to remain tightly focused on construction work and related activities. We stick closely to our core competencies and do not deviate into peripheral activities. We fully understand the jobs we target. We do not bid for every project, but only for those where we are confident we can produce a first-rate outcome for the client and an appropriate return for our shareholders.

We have in place rigorous internal estimating and risk management procedures. Our most important risk management safeguard, however, is the experience of our people, most of whom are long term Leighton employees. This brings a high level of competence to Leighton Asia, and encourages an atmosphere in which potential problems are identified and dealt with quickly.

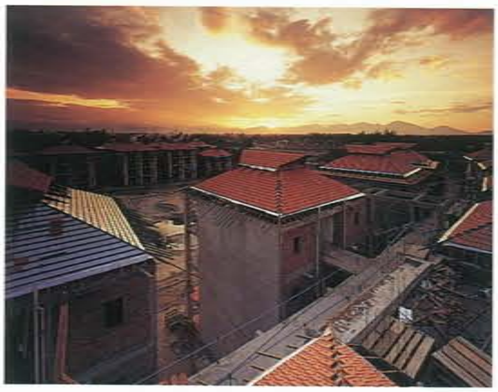
Growth in the Asian economies was generally strong during the year and we expect it to remain so. We are excited about prospects in Malaysia and the Philippines, where we will continue to build a presence by tendering for work in our usual selective manner. Prospects in Vietnam also are good, although the outlook for Thailand remains tough and competitive.

In our view, the hand-over to China next year is likely to make little immediate difference to commercial life in Hong Kong. Leighton Asia has operated in Hong Kong for over 20 years, where it is ranked among the major engineering and construction houses there and has become an integrated local company. There are a number of very large projects planned for the future, including the extension of rail services to unserviced parts of the New Territories and beyond, and we will compete aggressively for some of these.

The hand-over could well lead to wider opportunities for Leighton Asia as Hong Kong's influence spreads north into mainland China. With the economy growing at around 10% per annum, we expect China to emerge as a major market for us in its own right and we are watching developments carefully.

John Faulkner *Managing Director*

THAIOIL REFINERY PIPE TRESTLE JETTY, THAILAND



THE FURAMA RESORT, DANANG, VIETNAM

NESTLÉ DAIRY FARM FACTORY, HONG KONG

Overview

- Improved revenue
- High level of mining work secured
- New infrastructure projects, health and correctional facilities
- Indonesian operations produced good profit
- Received design and safety awards
- Record level of work in hand

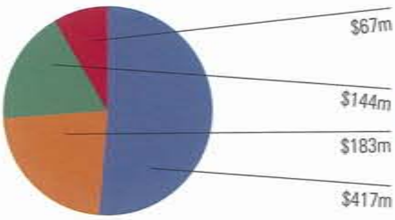
Thiess Contractors

‘Thiess Contractors won record levels of new work
of our work than ever before is repeat business negotiated

EGG SHAPED DIGESTERS, BUNBURY, WESTERN AUSTRALIA

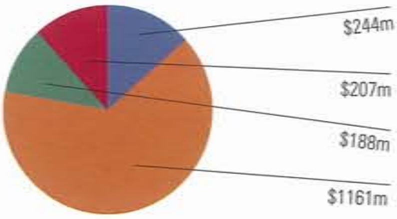
MARTIN ALBRECHT MANAGING DIRECTOR

Operating Revenue $Million
1996 Total $811m



		92	93	94	95	**96**
Civil/Mech/Eng	■	252	251	311	333	**417**
Contract Mining	■	218	183	147	145	**183**
Building	■	120	124	103	95	**144**
Environmental	■	34	53	66	64	**67**

Work in Hand $Million
1996 Total $1,800m



		92	93	94	95	**96**
Civil/Mech/Eng	■	192	206	204	352	**244**
Contract Mining	■	268	188	251	546‡	**1161**Ω
Building	■	75	62	51	74	**188**
Environmental	■	72#	137*	53†	153°	**207**¥

Excluding long term waste contracts valued at:
$84 million#, $74 million*, $87 million†, $73 million°, $58 million¥
Excluding long term mining contracts valued at:
$209 million‡, $178 millionΩ

and was particularly successful in the resources sector. More with long term clients.’

It has been a year of satisfactory achievement for Thiess Contractors during which the company won a record $1.17 billion in new work. Revenue reached $811 million, substantially up on last year's $630 million. Profit was below budget expectations, mainly due to poor first half trading conditions. However, performance in the second half was better. Some outstanding commercial issues also held back the profit contribution.

Work in hand at $1.8 billion, excluding long term waste and mining contracts, is a new record for Thiess. Capital expenditure rose to $80 million over the year as we geared up for the major resources projects now coming on stream.

Over 60% of the new business won in the last two years came from the resources sector. Notable among new contracts in 1995/96 was the Lihir gold mine joint venture in Papua New Guinea, of which our share will total $250 million. Another major win was the $287 million Burton coal mine in Queensland for Portman Mining. Both are major long term contracts extending for several years. We also won a series of contracts totalling $48 million for BHP Australia Coal's South Walker mine and an initial $50 million contract at MIM's Collinsville coal mine, both in Queensland.

Work on the Mt Owen coal mine in New South Wales, won in 1994/95, is progressing well and will continue over the life of the mine, estimated to be at least 15 years. The first six years of mining operations are valued at $537 million.

Thiess' full service approach was the key to securing these and other valuable resources contracts. We are able to give the mine owner complete certainty that the start-up costs of the mine are fixed. We do so by tackling every aspect of mine development, from feasibility study to infrastructure development, processing and full mine operation. Our involvement over a long term contract helps to make the development of a particular mine a bankable proposition for the owner. This has given us a considerable edge, particularly in the highly competitive coal mining sector.

Though the non-residential building market remains competitive, we won several important projects during the year. Thiess is building Australia's largest privately run prison at Sale in Victoria, valued at $49 million, which will have 600 beds. We were also awarded a $75 million contract to build a new clinic and carpark at the Prince of Wales Hospital in Sydney.

Board
R M Wylie OBE *Chairman*
M C Albrecht *Managing Director*
D S Adamsas, D J Argent, B J Campain, E Finger, A C Hardy, W M King, G S McDonald OBE
Secretary **D J Argent**

Senior Executives
M C Albrecht BTech, (CivEng) *Managing Director*
D J Argent BComm, CPA, FCIS
Director, Finance & Administration
B J Campain BE(Civ), MIEAust
Executive Director, Operations/Services
N N Jukes BE(Civ) *General Manager, Operations*
R A Logan DipCE, BE(Civ), MEngSc
General Manager, South East Asia, Process Engineering
R S Trundle BE(Civ), MIEAust, CPEng
General Manager, Qld, NT, Pacific
R H Wilson BE(Hons), MS, PhD, MIPENZ, MASCE
General Manager, Development & Technical Services
D A Clark BE(Civ) *Manager, VIC, Tas, SA*
D Hume *Manager, Process Engineering*
B H Kenny *Group Plant Manager*
D K Saxelby BE(Civ) *Manager, NSW*
D G Stewart BSc, BE(Civ) *Manager, Indonesia*
J F Trio CPEng, MIEAust *Manager, WA*
J Fellows BA(Hons) *Group Manager, Human Resources*

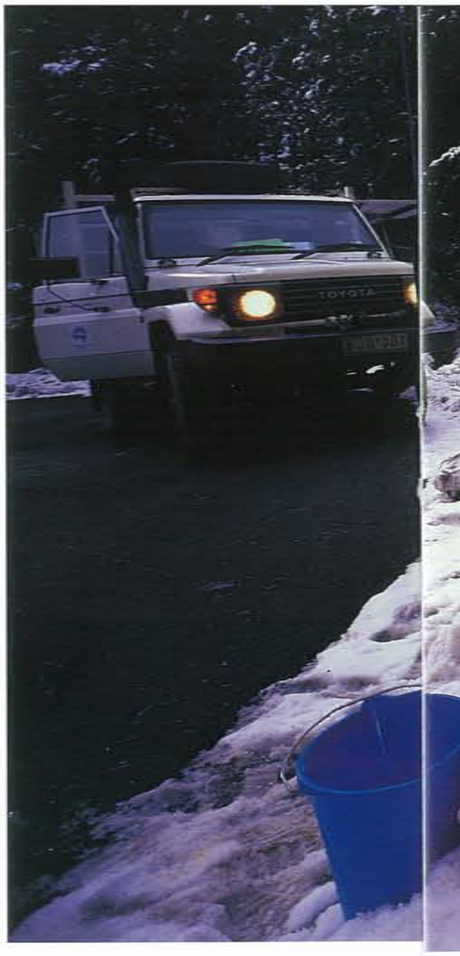
MT OWEN COAL MINE, HUNTER VALLEY, NEW SOUTH WALES

PRINCE OF WALES HOSPITAL, RANDWICK, NEW SOUTH WALES

FULHAM PRISON, SALE, VICTORIA

TEEMBURRA DAM, QUEENSLAND

WAYANG WINDU GEOTHERMAL, INDONESIA



In Perth, the Colonnade Building won a major design award during the year, and in Queensland the company secured four new contracts totalling $54 million to extend and renovate terminals at Cairns Airport.

We were also awarded important new infrastructure contracts during the year. Thiess' reputation as one of Australia's leading road builders helped us to secure two new highway contracts in 1995/96. One is a $31 million project for a new road north of Canberra, and the other a smaller contract for highway reconstruction in mid New South Wales.

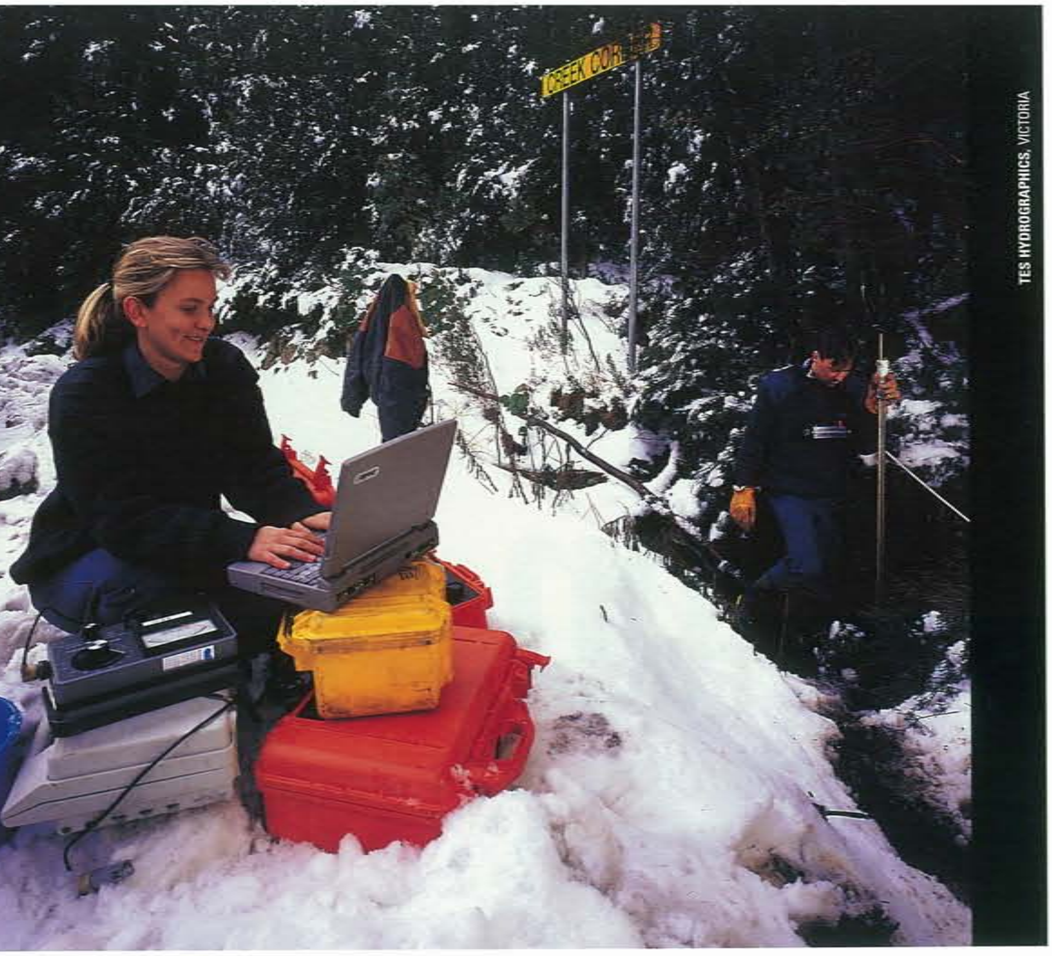
Currently, work is progressing well on the $56 million Southern Brisbane Bypass. Thiess expects strong transport infrastructure growth in Queensland, where the State Government is committed to a major expansion of its road building programmes. In the Northern Territory, work has commenced on the $24 million joint venture contract to build the main wharf for Darwin's new port facility.

We continue to move ahead rapidly on the two largest dam projects under construction in Australia – the Torrumbarry Weir on the Murray River in Victoria, and Teemburra Dam near Mackay in Queensland. Both of these projects are nearing completion.

Thiess Environmental Services won a significant new contract from the Federal Government during the year for site remediation work at Maralinga in South Australia. The project is worth some $18 million. We also secured a $60 million five-year extension to our contract with Melbourne Water. Under this contract we operate and maintain water, stormwater and sewerage facilities in three of Melbourne's seven water districts.

Ongoing waste contracts in New South Wales and the Australian Capital Territory are progressing well. These include a long term contract to operate the wastewater treatment plant for BHP Steel at Port Kembla, New South Wales. Thiess' own internal environmental policy is now incorporated into our management plan and is being implemented at site level.

Indonesia remains the primary focus of our offshore activity. During 1995/96, Thiess won a $30 million share in a joint venture to design and construct the Musi Pulp Mill in South Sumatra. We won a smaller contract for mining and construction work on Sulawesi for PT International Nickel Indonesia. Our ongoing contract for mining work at the large Senakin Coal Mine, Kalimantan, is moving ahead well.



Thiess' occupational health and safety record has shown continuous improvement over the past decade. Safety ranks ahead of production for Thiess, and this commitment is a priority in our contractual arrangements. During the year the company became one of the inaugural recipients of the Minex Award for excellence in occupational health and safety in the mining industry.

The priority we give to industrial relations in general is reflected in the success of our full service approach to resources developments. Clients are confident that we are able to manage our industrial relations over the long term. We maintain an effective and constructive dialogue with the unions, and see no need to step outside the framework of existing industrial relations agreements.

We continued to extend training programmes for our employees during the year, and achieved quality accreditation for all of our business units in Australia.

We take pride in staying close to our people, identifying problems and acting on them before they can develop.

Thiess' strong relationship with its customers forms the foundation of its success as one of Australia's leading construction, mining and environmental contractors. Over 80% of our business is repeat business, which we regard as a vote of confidence in our expertise and management systems. We expect improved results in 1996/97 which we intend to achieve through commitment to first rate performance at every level. As part of that commitment we will be constantly renewing our focus on the needs of our existing customers.

We recognise that their trust and confidence is critical to our success, particularly as partnerships and alliances are becoming a preferred way of doing business.

Martin Albrecht *Managing Director*

BURTON COAL MINE, QUEENSLAND

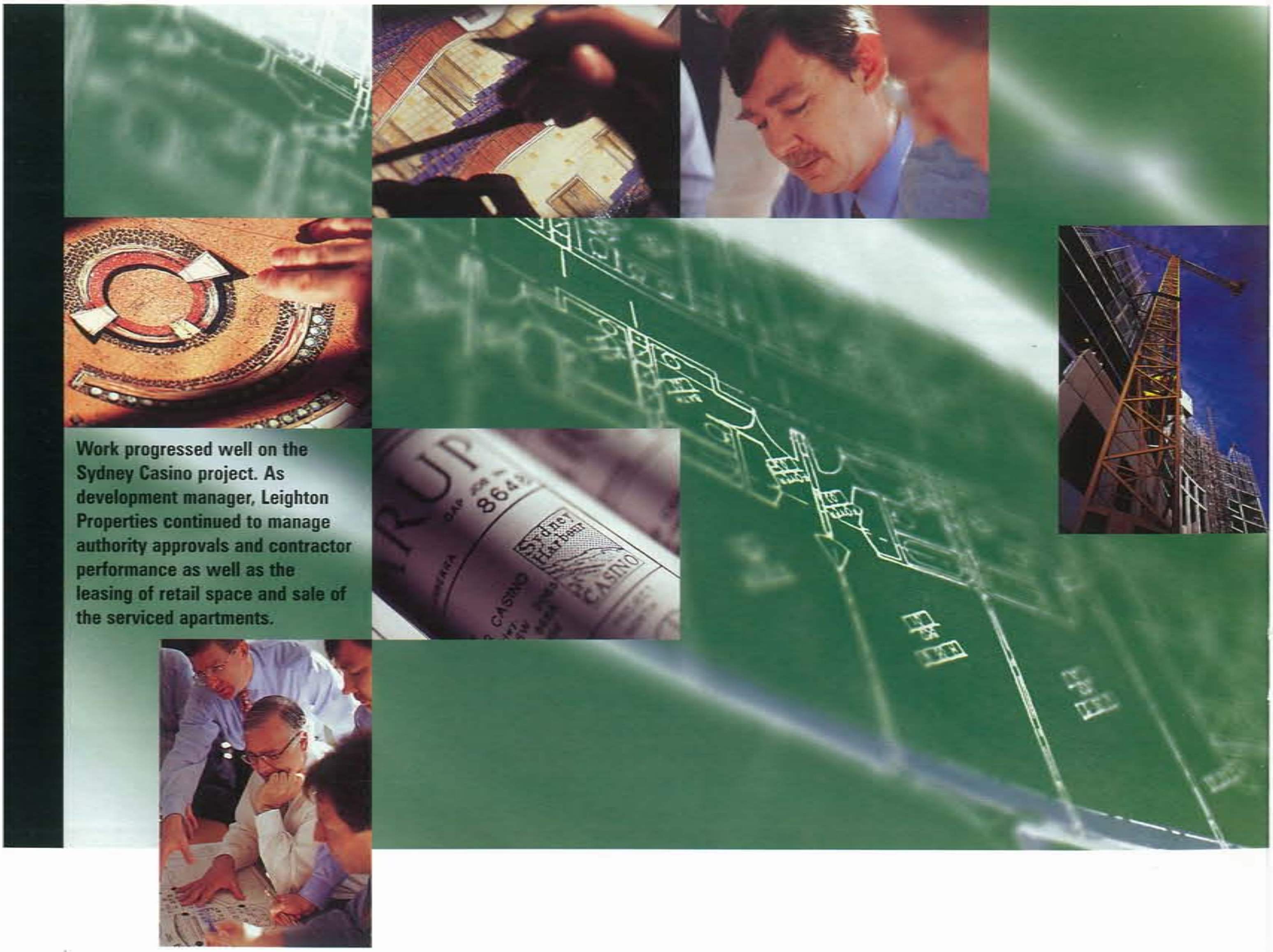
Overview

- Operating losses and holding costs reduced
- Temporary Sydney Casino opened on schedule and permanent facility progressed well
- Growing interest in our commercial properties
- Negotiating lease pre-commitment for 80 Pacific Highway
- Good level of residential sales

Leighton Properties

'Holding costs were further reduced and w

Australian property market.'



Work progressed well on the Sydney Casino project. As development manager, Leighton Properties continued to manage authority approvals and contractor performance as well as the leasing of retail space and sale of the serviced apartments.

VYRIL VELLA MANAGING DIRECTOR

Management Committee
V A Vella *Managing Director*
D S Adamsas, B W Clark, W M King, D P Robinson
Secretary B W Clark

Senior Executives
V A Vella BSc, BE(Hons) MEngSc
Managing Director
J C Barrett ARICS, AVLE (Val)
Development Manager, Victoria
R H Borger ASLE
Development Manager, Queensland
B W Clark ASA, DipTech(Acct)
Commercial Manager
M C Gray BSc(Arch), BArch(Hons)
Manager, NSW Projects
A C Jolly BE(Chem), MBA
Casino Development Manager

ve are well placed to take full advantage of the strengthening

Leighton Properties produced a better performance in 1995/96. The value of investment properties in Australia still on the balance sheet stands at nearly $151 million. In a pleasing result, losses decreased by over 50% to $4 million and our performance and profitability were within budget.

The Australian property market's recovery in 1995/96 was again patchy. While there was a considerable pick-up in commercial activity, the residential property market was lacklustre until after the Federal election in March 1996. Since then it has gained momentum.

New South Wales remains our primary focus and has been the best revenue producer for Leighton Properties. Queensland's population growth and rising activity levels offer considerable potential for us, while business confidence has picked up markedly in Victoria.

Development work on the Sydney Casino project was once again the focus of our activity. We continued to manage authority approvals and contractor performance for Sydney Harbour Casino, and we are also responsible for the leasing of retail space and the sale of apartments in the Casino complex. Leasing and sales will not go ahead until 1997, but over 200 expressions of interest were received for the retail space and there should also be strong interest in the apartments. We are pleased to report that the temporary Casino was completed ahead of schedule and on budget in September 1995 despite some very tight deadlines.

Leasing of the first stage of the Edgeworth David Commercial Centre in Hornsby, north of Sydney, is now complete. There have been several expressions of interest concerning commercial development of our remaining land at Hornsby. There is growing evidence of a stronger market for quality space in North Sydney and we are currently negotiating a lease pre-commitment prior to developing our 80 Pacific Highway site.

Leighton Properties was nominated as preferred developer for several significant new projects during the year. These include a major retail complex at Beenleigh in southeastern Queensland, and a corporate park in Brisbane. Units in the Interlink Business Park development at Milton in Brisbane are now all sold or contracted at better than book value.

The carpark component of our Cosmopolitan Centre development in central Adelaide was leased to a leading carpark operator. The company's major property in St Kilda Road, Melbourne, remains fully leased at a competitive rent.

Activities in the residential market made good progress. Apartments in our Waitara development in northern Sydney, which was completed this year, are now attracting more interest. Sales at Eden's Landing, our residential subdivision between Brisbane and the Gold Coast, continued to move ahead. The entire development should be completed and sold by the end of 1997.

We are confident that opportunities in property investment will continue to improve. Leighton Properties is well positioned to benefit from the situation as confidence returns to business and residential sectors of the market. We expect a return to profitability in the year ahead.

V Vella

Vyril Vella *Managing Director*

A MINE MESH CONSIGNMENT LEAVING THE WOLLONGONG SERVICE CENTRE FOR KEMBLA COAL & COKE'S WESTCLIFF MINE STORE

Welded Mesh firmly established its position during the year as a national supplier with operations across Australia. The company won an increased share of the Australian market during 1995/96. Sales of reinforcing steel products, bar and mesh, topped 110,000 tonnes during the year, with revenue at a record $127 million. Profit is fractionally higher than last year. The figure was depressed by a sharp market downturn leading up to the Federal election, and by the costs of the Queensland operation trading in a highly competitive market.

We now have four of the most efficient and modern manufacturing plants in Australia, all accredited to international standard ISO9002. We installed new equipment, or upgraded existing equipment, in all our factories during the year. This has allowed us to develop new products, including ultra fine meshes, and a new safety mesh for the mining industry which could set a national industry standard. We refined new materials handling techniques for these products, which should prove valuable to us in other applications.

Welded Mesh takes great pride in the cleanliness and safety of all its plants. The company's safety record is ahead of industry averages. We insist on high environmental standards for all new equipment, particularly for the control of noise and dust.

Welded Mesh

‘Now a recognised national supplier, we again ir
increase in building and infrastructure activity which will p

Overview
Increased market share
Sales topped 110,000 tonnes
Revenue a new record
All state operations performed well
Queensland price war cut into profits
Negotiating national supply agreements
Established export markets

Operations in all states performed well this year, despite increased pressure on prices and margins. The Western Australian plant responded well to the challenges of servicing the massive Wandoo Alliance project, producing some 1,200 tonnes of product per month - more than three times normal production levels.

Victorian operations came in well ahead of budget, underpinned by work on the casino project in Melbourne and by a stable state economy. The Melbourne plant has been expanded to 9,000 square metres during the year.

Business in New South Wales was somewhat depressed as a result of a flat housing market, although this picked up following the 1996 Federal election. The Sydney Casino continued to be a major source of work during the year. We expect a rapid turnaround in New South Wales in the year ahead as new projects - many of them related to the Olympics - enter the construction phase.

The Queensland operation increased its output but was involved in a price war during the year which affected profit levels. However, the operation is now solidly established and we expect the market in Queensland to return to reality this financial year with a consequent upturn in profits.

Welded Mesh secured a small but growing export market during 1995/96. In the face of international competition we won a $2 million contract to supply 29 kilometres of steel fencing as part of the new airport project in Hong Kong. That contract is now complete, and we are tendering for more work in Hong Kong.

Welded Mesh is also shipping product worth approximately $100,000 to Pacific island markets every month. There are promising signs that new markets in the Pacific could double the company's business there.

Welded Mesh's management and workforce are both experienced and highly committed. This helps the company to achieve unusual flexibility in meeting demand, which is important in an industry which insists upon rapid response times. In addition, our equipment and facilities are state-of-the-art. The Group policy of maintaining a modern plant inventory suits our operations well.

We are confident about the future for Welded Mesh. According to various industry estimates, construction work worth over $7 billion is due to start in Sydney alone over the next few years, of which a significant amount is directly related to the Olympics. We expect construction activity to pick up in other states too. Queensland, with its high growth rate and rapid economic development, has the potential to grow into a market which is as important to us as New South Wales. Opportunities in Victoria and Western Australia are expected in the tourism, infrastructure and resources sectors.

Now that we are an established national supplier, we are able to negotiate national agreements with major clients which will consolidate our position in these competitive markets.

We expect a buoyant year ahead.

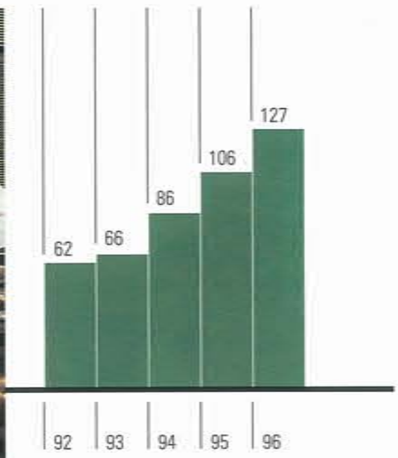
John Hicks *Managing Director*

ncreased market share. We stand to benefit from the expected
recede the Sydney Olympics.’

Board
K L Bennett *Chairman*
J W Hicks *Managing Director*
T R J Cooper
Secretary T R J Cooper

Senior Executives
J W Hicks *Managing Director*
J S Linstid *Chief Financial Controller*
P J Scott *NSW Manager*
G Murden *Victoria Manager*
C P VandePeer *WA Manager*
J R Shannahan *Queensland Manager*
D J Crestani *National Marketing Manager*

JOHN HICKS MANAGING DIRECTOR



Revenue Total Company Operations $ Million

WELDED MESH

Overview

- Continued involvement in privatised projects
- Controls engineering on Thiess' coal projects
- Process engineering on CSR Oberon
- Mutual benefit study for Sydney Casino project
- Developed prototype 'intranet'
- Management change

Technical Resources

‘By developing new systems, ideas a
contributes to the successful delivery of complex projects in i

Technical Resources continued to play a vital role supporting and adding value to the operations of the Leighton Group during 1995/96. As a multi-disciplinary consultancy, we advise the Group's operating companies on strategic planning, market trends, new technologies, and improved ways of doing business.

We also provide them with a range of specialised project services, public and community relations, graphic design and multimedia capabilities which help to add value to projects they undertake. At the same time, we use these projects to improve systems, services and technologies.

The Sydney Casino project again offered opportunities for us to contribute to the Group's success. The opening of the Temporary Casino in September 1995 was a milestone for Technical Resources. Our efforts in facilitating completion planning for the hand-over of the project helped Leighton Contractors and Leighton Properties get the job done to the satisfaction of the client, the authorities and the general public.

Another achievement during the year was a mutual benefit study conducted for Leighton Properties and Leighton Contractors on behalf of Sydney Harbour Casino. It helped define the bottom line benefits of fast-tracking the project for early completion. Leighton Contractors subsequently negotiated for the opening of the facility to be brought forward, which will deliver financial benefits to both Sydney Harbour Casino and Leighton.

We also contributed to the project's community relations programme by undertaking the design and production of a regular newsletter and developed links to trade and metropolitan media.

Our process engineering work on the CSR Oberon project helped to generate significant rewards for the Group. Technical Resources managed the process engineering works for the automated sawmill and medium density fibreboard plant, which is nearing completion.

By working closely with Leighton Contractors and their client, CSR, we were able to use controls engineering. This involves managing and reporting the cost, time and quality control to monitor the true status of that project. We also provided the project director and the technology rights for Leighton Contractors' de-inking project for Australian Paper in Victoria.

During the year, Thiess Contractors established themselves as the first large scale contracting organisation in the coal industry. With such a high volume of work in hand, it is important that the right systems and procedures be implemented to ensure an appropriate level of profitability is attained. Thiess has commissioned Technical Resources to provide controls engineering on the Mt Owen and Burton coal mine projects in addition to regular project planning and review services. We have conducted similar reviews on Thiess' projects in Indonesia, Malaysia and throughout Australia.

Thiess was successful in the privatised infrastructure arena with the award of the privatised men's prison at Sale, Victoria. Technical Resources provided project financing expertise and helped prepare the winning presentation.

Work undertaken for Leighton Asia was more strategic rather than project based. We assisted the development of business and marketing plans for Leighton Asia's Hong Kong operations, and provided design management advice for the Aviation Fuel Service Facility at Chek Lap Kok airport. The materials procurement for the Australian Embassy project in Vietnam was also undertaken by Technical Resources.

ADDING VALUE DURING THE PHASES OF THE PROJECT DELIVERY PROCESS

MARKET ANALYSIS
Identify Potential Partners
Strategic Planning
Market Surveys

IDENTIFY SECTORS/SEGMENTS
Strategic Alliances
Obtain Access to Technology

TARGET PROJECTS/CLIENTS
Market Research
Develop Project Strategies
Project Finance Advice

PROJECT AWARD
Commercial Advice
Specific Project Submissions
Graphic Design

DESIGN & CONSTRUCTION
Project Reviews/Controls Management
Issues Management
Community Relations
Process Engineering
Relationship Management
Construction Technology & Systems
Design Management Support

COMPLETION
Completion Planning
Publicity & Public Relations
Project Feedback


AUSTRALIAN PAPER RECYCLING


FULHAM PRISON


SYDNEY CASINO


AVIATION FUEL SERVICE


CSR MDF PLANT

nd technologies for Group companies, Technical Resources ncreasingly competitive markets.’

We are committed to assisting Group companies deliver a better standard of service through quality management. With our help, Leighton Contractors became the first Australian construction contractor to achieve third party certification to international ISO standards for environmental management. Work is now underway to develop their occupational health and safety systems for accreditation in the near future. We also restructured and simplified the quality management system within Leighton Contractors and rewrote it in plain English.

Technical Resources itself has become the first company in the Group to win quality accreditation for its own management and administration systems.

Another first was the introduction of a prototype "intranet" for internal communications which is now being tested. This latest form of computer networking is very similar to using the internet. We anticipate that our "intranet" will provide a major step forward in the transfer of systems and training information when used in conjunction with other technologies such as digital photography, document transmittal, 3D modelling and interactive multimedia – all of which are receiving our R&D attention.

Technical Resources' evolution within the Leighton Group has been guided for the last 11 years by Bob Gussey as Managing Director. On 1 April 1996, Bob Gussey moved to Leighton Holdings where he is now General Manager, Engineering. Bob has left behind a strong and competent team, built up over the years under his direction.

In the future we plan to help Group companies become even more customer focused in their pursuit of new projects and markets. Our goal is to ensure that the Group's operating companies maintain or improve their performance by building on their relationships with satisfied customers, and through the application of the latest systems and technologies.

Robert Hawkins

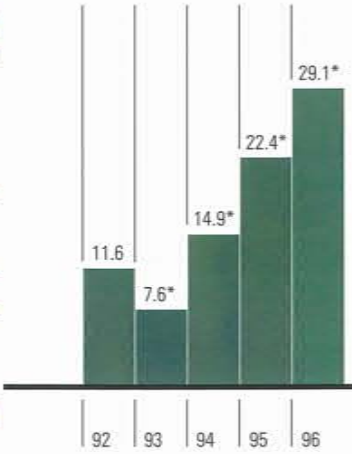
Robert Hawkins *General Manager*


ROBERT HAWKINS GENERAL MANAGER

Board
R L Hawkins *General Manager*
R E Alexander, P Bingham-Hall, R D F Hunter, W M King, N A Sallustio

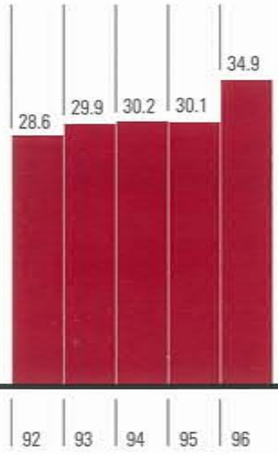
Senior Executives
R L Hawkins BArch(Hons), ARAIA, FAICD *General Manager*
R E Alexander BE(Hons), MEngSc, FIEAust *Director, Design Services*
R D F Hunter BArch, MSc(Bldg) *Director, Proposals & Design*
G R Andrews BE(Hons), MIEAust *Technical Computer Services Manager*
G S Donald BSc, BE PhD *Technology Manager*
D R Eagar BA *Market Development Manager*
J M Malouf *Group Information Manager*
M K McAuley BA(VisCom) *Corporate Design Manager*
K McGregor BCom *Project Finance Manager*
D A Robinson MCIOB, LicIQA, IRCA Lead Auditor *Management Systems Manager*
I A Scoular BE(Hons), MIAust, CPEng, MAIPM *Project Services Manager*
D R Stitt Dip(M&E)Eng *Industrial & Process Engineering Manager*

Shareholder Information

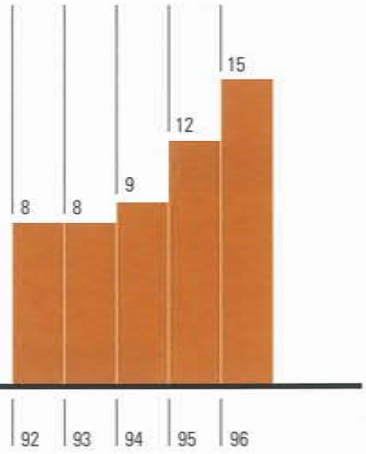


Earnings per Ordinary Share ¢

* After Abnormal Items



Total Shareholders' Equity to Total Assets %



Dividends per Ordinary Share ¢

Enquiries
If you have any questions about your shareholding, dividend payments, tax file number, change of address etc, you should telephone the Company's Shareholder Enquiry Line at Coopers & Lybrand on (02) 9285 7111.

Dividend Payment
The final dividend of 8.5 cents per share, if approved at the Annual General Meeting on 1 November 1996, will be paid on 4 November 1996. For Australian tax purposes the dividend will be fully franked at the 36% corporate tax rate. Overseas shareholders will benefit by having no Australian withholding tax deducted from their franked dividends.

Dividend Reinvestment Plan
In May 1996, after considering the current strength of the Company's balance sheet and the level of gearing, the Directors decided it would be appropriate to suspend the operation of the Dividend Reinvestment Plan for the time being.

Accordingly, until further notice, no future dividends payable by the Company may be reinvested under the Plan.

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, Coopers & Lybrand, Locked Bag A14, Sydney South Post Office, Sydney NSW 1232.

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
Details of share capital and issued shares are contained in Note 22 to the Accounts on page 61. Information regarding Substantial Shareholders, the 20 largest holders and shareholding distribution is on page 49.

Audit Committee
As at 9 September 1996, the Company has a formally constituted Audit Committee of the Board of Directors.

Other Available Publications
In addition to the Annual Report the Company distributes the Chairman's Address, the Half Yearly and Preliminary Final Reports, and quarterly Corporate Updates to all shareholders.

Newsletters are published bi-monthly and are available on request. Should you wish to be put on the mailing list, please contact the Group Information Manager on (02) 9925 6612.

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

Investments

Ipco International Limited

Ipco International, based in Singapore specialises in the development and turnkey construction of major infrastructure projects. Leighton has held a significant investment in the company for over 10 years.

During the year Ipco completed a number of major projects, and is currently negotiating the development of several significant opportunities in Asia and the Americas.

The company completed Stage 2 of the Cikarang Power Station for PT Cikarang Listrindo in Indonesia, and the Butanisation Projects in Nigeria for the Nigerian National Petroleum Corporation (NNPC). A contract to build a jetty and associated pipelines in Calabar in Nigeria for NNPC was also completed.

Work has commenced on the $74 million turnkey design and construct contract for a water supply system on the Malaysian island of Langkawi. The client is the State Government of Kedah, West Malaysia. Other projects under construction include the PTT Pipeline project for the Petroleum Authority of Thailand, and the Bonny Export Terminal for the NNPC in Nigeria.

Of the major international infrastructure opportunities under negotiation, two are now at an advanced stage. One of these is a tollway system in China, comprising a series of bridges over the Yangtze River and connecting tunnels and freeways. The other is a coal-fired thermal power station project in Colombia.

The carrying value of Leighton's 30% investment in Ipco has been written down by approximately $4 million.

Sydney Harbour Casino Limited

Sydney Harbour Casino Limited was successfully floated on the Australian Stock Exchange in June 1995. Leighton has a 5% interest in this company, comprising 25 million ordinary shares, as well as a 15% interest in the Casino management company. Both holdings are held in trust for Leighton by National Mutual Trustees, along with 37.45 million options excercisable in 1998 at $1.15. The company's 5% interest in Sydney Harbour Casino Limited is carried at $25 million representing 25 million shares at the original purchase price of $1 per share.

Interlink Roads Pty Limited

During the year, Leighton realised $60 million from the sale of its 50% interest in Interlink Roads, which holds the concession for Sydney's M5 Motorway. The proceeds from the sale to Macquarie Bank appear as the largest of several abnormal items in the 1995/96 balance sheet.

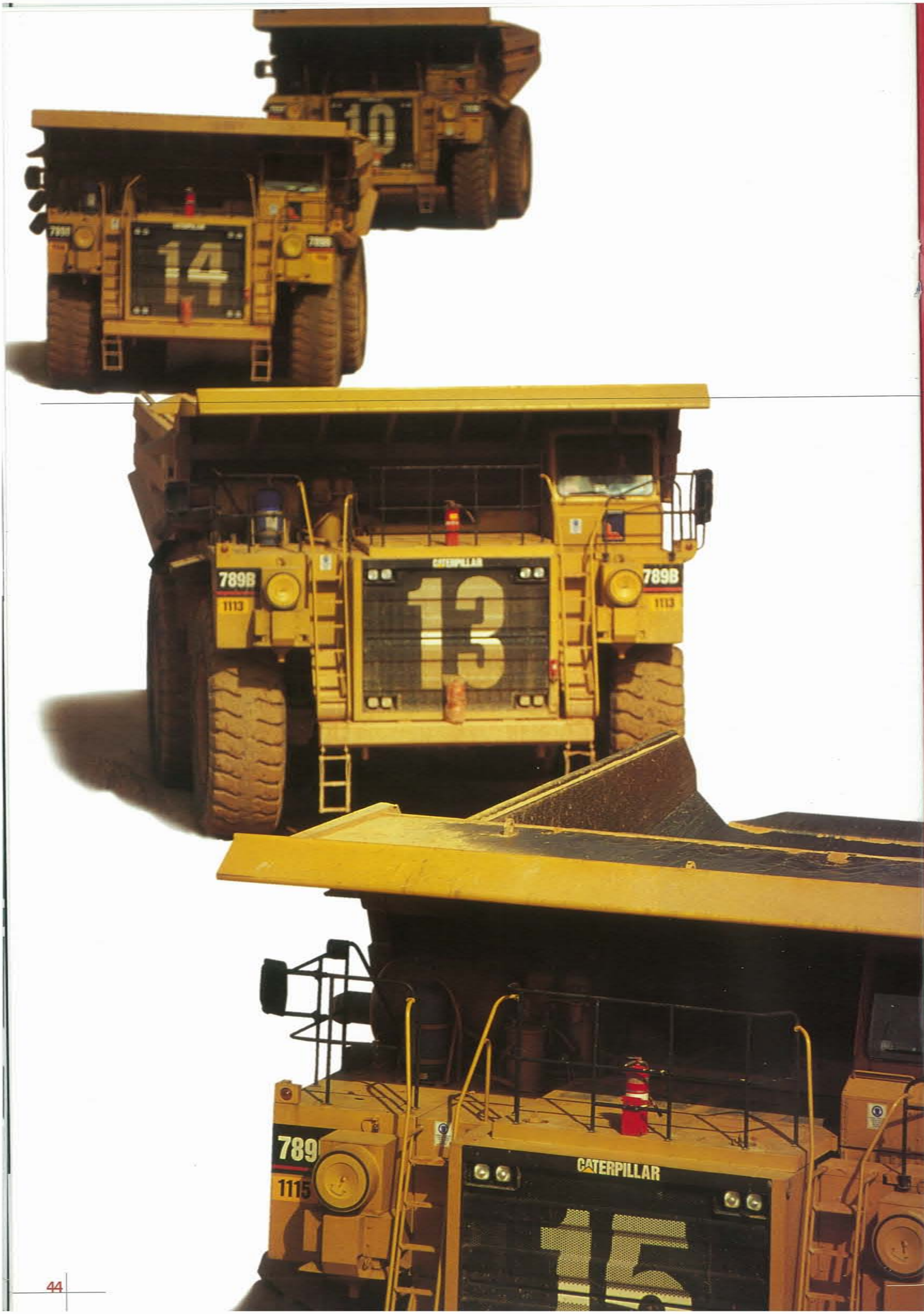
Green Holdings Inc.

Leighton entered the USA construction market in 1983 with a 50% shareholding in Green. In a competitive environment, the company's performance proved unsatisfactory. As part of the Group's strategy of cutting non-performing areas, steps were taken to exit this market in 1993.

Leighton has reviewed the carrying value of its advances to Green Holdings. The claims under the USA Government insurance agency, OPIC, for payment for bauxite mining work completed in Guyana, look to remain unresolved until 1998. As a result, Leighton has taken a prudent course of action and written down the receivables from Green Holdings by a further $26 million.

FINANCIAL CALENDAR

1996	
10 October	Shares begin trading ex Dividend
18 October	Books close for Final Dividend
1 November	Annual General Meeting
4 November	Final Dividend paid
31 December	Half year end
1997	
20 February	Half Year Results announced
6 March	Shares begin trading ex Dividend
14 March	Books close for Interim Dividend
31 March	Interim Dividend paid
30 June	Year end
14 August	Preliminary Final Results announced
6 November	Annual General Meeting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CATERPILLAR
15

Financial Statements

Contents

Directors' Statutory Report

The Directors of Leighton Holdings Limited present their report for the financial year ended 30 June 1996 in respect of the economic entity constituted by the Company and the entities it controlled during the financial year ('Economic Entity'). This report has been prepared in accordance with the requirements of Division 6 of Part 3.6 of the Corporations Law.

Review of Operations

A review of the operations during the financial year of the Economic Entity and of the results of those operations are contained on pages 1 to 43 of the Annual Report and form part of this report.

The Directors are not aware of any significant changes in the state of affairs of the Economic Entity during the financial year other than as disclosed in this report.

Financial Results

Total revenue levels for the Economic Entity for the financial year increased by 24% to a record $2.52 billion. Operating profit after abnormals and tax increased by 37% to $70.2 million.

Dividends

A final ordinary dividend of 8.5 cents per share, fully franked at the corporate tax rate of 36%, has been recommended for payment on 4 November 1996. Together with the interim dividend of 6.5 cents per share, fully franked at the 33% corporate tax rate, the total dividend payment out of the profits for the financial year will be 15 cents per share and will amount to $38.8 million.

The final fully franked dividend of 6.5 cents per share referred to in the Directors' statutory report for the financial year ended 30 June 1995 and payable out of the profits for that financial year was paid on 3 November 1995.

Principal Activities

During the financial year there were no significant changes in the nature of the Economic Entity's principal activities which were building, civil engineering construction, contract mining, 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 Economic Entity, its operations or results in subsequent financial years. In addition, the Directors are not aware of any specific developments, not covered generally in this report, that are likely to have a significant effect on the operations of the Economic Entity or its expected results.

Future Developments

Likely developments in the operations of the Economic Entity in subsequent financial years and their anticipated results have been reported as appropriate in this report. Further information on likely developments in the operations of the Economic Entity, including the expected results of those operations in subsequent financial years, would in the Directors' opinion result in unreasonable prejudice to the Company and has therefore not been included in this report.

Information regarding the Directors

(a) 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
Morrish Alexander Besley, AO	7,327
Wallace MacArthur King	6,075
Dieter Siegfried Adamsas	102,444
Geoffrey John Ashton	–
Keith Leslie Bennett	1,000
Hans-Peter Keitel	1,000*
Peter John North	10,216
	15,766*
Busso Peus	1,745*
Mark Richard Rayner	1,000
	9,000*
David Paul Robinson	1,250
Rodney Malcolm Wylie, OBE	42,197

* Non-beneficially held.

The following changes to the Board occurred during or since the financial year:

- K.L. Bennett was appointed an Executive Director on 16 August 1995;
- G.J. Ashton was appointed a Non-Executive Director on 14 August 1996.

Except for the interests disclosed in Note 39 to the Accounts and except for the interests in the insurance contracts mentioned below, no Director has declared any interest in a contract or proposed contract with the Company such as is required to be reported pursuant to Section 307(1)(c) of the Corporations Law.

Details of Directors' qualifications, experience, special responsibilities and interests in shares in the Company are set out on pages 46 and 48 of the Annual Report.

Directors' Benefits

During or since the financial year no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as disclosed in Note 31 to the Accounts) by reason of a contract made by the Company or any related or controlled entity with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Indemnity for Officers and Auditors

At the Annual General Meeting held on 3 November 1994 the Company's Articles of Association were amended to include indemnities in favour of persons who are or have been an Officer or auditor of the Company. To the extent permitted by law, the Company indemnifies every person who is or has been:

(a) an Officer against any liability to any person (other than the Company or related entities) 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.

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:

Director	No. of Directors Meetings		No. of Audit Committee Meetings		No. of Other Committee Meetings	
	Attended	Held*	Attended	Held*	Attended	Held*
D.S. Adamsas	10	10	4	4	3	3
K.L. Bennett *(Appointed August 1995)*	10	10			1	1
M.A. Besley	10	10	1	1	5	5
H.P. Keitel	2	10			3	3
W.M. King	10	10	4	4	4	4
P.J. North	9	10			1	1
B. Peus	4	10				
M.R. Rayner	8	10				
D.P. Robinson	9	10	4	4	1	1
R.M. Wylie	8	10	4	4	1	1

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

'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 11 and the Company's current auditors are KPMG.

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 of any controlled entity and includes any other person who is concerned, or takes part, in the management of the Company or of any controlled entity.

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

Share Options

During or since the financial year no options were granted by the Company or any controlled entity and no shares in the Company or any controlled entity were issued by virtue of the exercise of an option and as at the date of this report there are no unissued shares in the Company or any controlled entity under option.

Rounding off of Amounts

As the Company is a company of the kind referred to in subregulation 3.6.05(6) of the Corporations Regulations, the Directors have chosen to round off amounts in this report and the accompanying Accounts to the nearest thousand dollars in accordance with Section 311 of the Corporations Law and Regulation 3.6.05 of the Corporations Regulations, unless otherwise indicated.

Signed at Sydney this 9th day of September 1996 in accordance with a resolution of the Directors.

M A Besley

M A Besley AO
Chairman

W M King
Chief Executive Officer

Directors' Resumes

M A (Tim) Besley, AO (69)
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. Chairman of The Commonwealth Bank of Australia. Other directorships include Amcor Limited and Fujitsu Australia Limited. Chancellor Macquarie University. Councillor (NSW) and member of National Executive of the Metal Trades Industry Association of Australia.

W M King, (52)
BE, MEngSc, FIEAust, CP Eng, FAIM, FAIB.
A graduate of the University of NSW. An Executive Director since 1975. Appointed Chief Executive in 1987. A civil engineer who joined Leighton Contractors in 1968 and became Managing Director of that company in 1977. Appointed Deputy Managing Director of Leighton Holdings in 1983. A Director of Ipco International Limited. Participates in construction industry affairs and is the current inaugural President of the Australian Constructors Association. Member of the Business Council of Australia, Fellow of the Australian Institute of Building and Foundation Fellow of Australian Institute of Company Directors.

D S Adamsas, (53)
BComm.
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.

G J Ashton, (58)
FAICD, FAIM
Appointed a Non-Executive Director on 14 August 1996. A Director of Evans Deakin Industries Limited and the Australian National Training Authority. Former Managing Director of Clyde Industries Limited and Monier Limited. Deputy President of the NSW Branch and National Vice President of the Metal Trades Industry Association.

K L Bennett, (53)
BE(Civil), FIEAust.
A graduate of the University of Queensland. An Executive Director since 1995. A Fellow of the Institution of Engineers who joined the Company in 1970 and became Managing Director of Leighton Contractors Pty Limited in 1984. Participates in construction industry affairs within Australia and is a member of the Australian Constructors Association.

Dr H P Keitel, (49)
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. Joined HOCHTIEF AG in 1988 as Director to the Board responsible for international business. Became a member of the Board of Executive Directors in 1990 and was appointed Chairman of the Board of Executive Directors of HOCHTIEF AG and Member of the Board of RWE AG (Holding) in 1992. Other directorships include Pilkington plc and Ballast Nedam N.V. A Director of HOCHTIEF Limited.

P J North, (62)
BE, MBA, FAIM, FAICD
A graduate of the University of Sydney and Harvard University. A Non-Executive Director since 1981. Former chief executive in manufacturing industry and management consulting. Chairman of The Warren Centre for Advanced Engineering (University of Sydney) and Heggies Bulkhaul Limited and a Director of Leighton Asia Limited.

Dr B Peus, (54)
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 international subsidiaries and associates. A Director of HOCHTIEF Limited.

M R Rayner, (58)
BSc(Hons), ChemEng, FTSE, FAusIMM, FIEAust.
Graduate in Chemical Engineering from the University of New South Wales. A Non-Executive Director since 1995. Chairman of Pasminco Limited, Deputy Chairman of Comalco Limited and a Director of National Australia Bank Limited, Boral Limited and Mayne Nickless Limited. Past President of the Australian Mining Industry Council and a Member of the Companies and Securities Advisory Committee.

D P Robinson, (40)
BEc, ACA.
A graduate of the University of Sydney. A Non-Executive Director since 1990. Alternate Director for E F Vocke from 1987 to December 1990. A chartered accountant and partner with the firm of Harveys Chartered Accountants in Sydney. Responsible for management services within that firm. Participates in construction industry affairs. A Director of HOCHTIEF Limited.

R M Wylie, OBE (68)
BComm, BA, FCA.
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. Chairman of Q.U.F. Industries Ltd, a Director of Queensland Alumina Limited and a member of the Principal Board of the AMP Society. Former Chairman of the Queensland Branch Council and Federal Councillor of both the Institute of Chartered Accountants and the Institute of Directors in Australia.

Shareholdings

Information as to shareholdings on 28 August 1996 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	116,483,629
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.)	
Mercury Asset Management Group	25,774,949
J P Morgan Investment Management Australia Limited	13,984,319

Number of Shareholders

Of ordinary shares which have equal voting rights*	5,656

*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	1,489
1,001–5,000	2,806
5,001–10,000	693
10,001–100,000	569
100,001 and over	99
	5,656

There were 187 shareholders with less than a marketable parcel (100 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 80.58% and their names and numbers of shares are as follows:

Name	Number	% of Total Shareholdings
HOCHTIEF Limited	116,480,884	44.91
Westpac Custodian Nominees Limited	24,420,121	9.42
ANZ Nominees Limited	21,412,679	8.26
National Nominees Limited	11,474,052	4.42
The National Mutual Life Association of Australasia Limited	4,844,068	1.87
Australian Mutual Provident Society	4,797,325	1.85
Chase Manhattan Nominees Limited	4,412,536	1.70
Perpetual Trustees Victoria Limited	4,378,755	1.69
MLC Limited	3,093,302	1.19
Commonwealth Custodial Services Limited	2,690,507	1.04
Victorian Superannuation Board	1,482,545	0.57
Commonwealth Superannuation Board of Trustees No. 2	1,238,699	0.48
Commonwealth Life Limited	1,204,465	0.46
Permanent Nominees (Aust) Limited	1,139,857	0.44
Prudential Corporation Australia Limited	1,118,201	0.43
Westpac Securities Administration Limited	1,048,612	0.40
Tower Life Australia Limited	1,039,540	0.40
Permanent Trustee Australia Limited	982,941	0.38
Perpetual Trustees Victoria Limited	873,700	0.34
Transport Accident Commission	845,651	0.33
	208,978,440	80.58

Profit and Loss Statements for the year ended 30 June 1996

		Consolidated		Company	
		1996	1995	**1996**	1995
	Note	**$'000**	$'000	**$'000**	$'000
Operating Profit before Abnormal Items and Income Tax		**103,528**	80,215	**43,134**	18,655
Abnormal Items	5	**9,902**	(666)	**(23,168)**	4,251
Operating Profit	1,2,3	**113,430**	79,549	**19,966**	22,906
Income Tax (Expense)/Benefit Attributable to Operating Profit	4	**(37,688)**	(23,365)	**1,351**	(3,659)
Operating Profit After Income Tax	36	**75,742**	56,184	**21,317**	19,247
Outside Equity Interest in Operating Profit after Income Tax		**(5,529)**	(4,950)	**—**	—
Operating Profit After Income Tax Attributable to Members of the Chief Entity		**70,213**	51,234	**21,317**	19,247
Retained Profits at the Beginning of the Financial Year		**85,807**	64,133	**22,042**	27,440
Adjustment for adoption of AASB1028		**—**	(1,898)	**—**	(798)
Total Available for Appropriation		**156,020**	113,469	**43,359**	45,889
Dividends provided for or paid		**(38,824)**	(27,648)	**(38,824)**	(27,648)
Aggregate of Amounts Transferred (to)/from Reserves	23	**265**	(14)	**—**	3,801
Retained Profits at the End of the Financial Year		**117,461**	85,807	**4,535**	22,042

The profit and loss statements are to be read in conjunction with the notes to and forming part of the accounts set out on pages 53 to 74.

Balance Sheets as at 30 June 1996

		Consolidated		Company	
		1996	1995	**1996**	1995
	Note	**$'000**	$'000	**$'000**	$'000
Current Assets					
Cash	6	**166,147**	106,144	**8,131**	25,811
Receivables	7	**319,787**	218,272	**13,994**	20,801
Investments	8	**58,021**	22,192	**41,572**	7,362
Inventories	9	**48,733**	36,757	**—**	—
Other	10	**41,283**	37,111	**179**	481
Total Current Assets		**633,971**	420,476	**63,876**	54,455
Non-Current Assets					
Receivables	11	**1,360**	1,900	**1,360**	1,900
Investments	12	**50,266**	137,503	**708,466**	743,531
Inventories	13	**139,135**	162,716	**—**	—
Property, Plant and Equipment	14	**517,559**	418,273	**24,356**	23,269
Intangibles	15	**853**	1,473	**—**	—
Other	16	**61,625**	46,955	**22,651**	18,018
Total Non-Current Assets		**770,798**	768,820	**756,833**	786,718
Total Assets		**1,404,769**	1,189,296	**820,709**	841,173
Current Liabilities					
Creditors and Borrowings	17	**460,865**	359,733	**19,970**	22,523
Provisions	18	**100,619**	56,327	**28,523**	16,691
Other	19	**4,245**	2,067	**—**	—
Total Current Liabilities		**565,729**	418,127	**48,493**	39,214
Non-Current Liabilities					
Creditors and Borrowings	20	**203,196**	289,648	**395,893**	515,990
Provisions	21	**146,099**	123,472	**19,895**	14,451
Total Non-Current Liabilities		**349,295**	413,120	**415,788**	530,441
Total Liabilities		**915,024**	831,247	**464,281**	569,655
Net Assets		**489,745**	358,049	**356,428**	271,518
Shareholders' Equity					
Share Capital	22	**129,676**	115,942	**129,676**	115,942
Reserves	23	**224,895**	141,476	**222,217**	133,534
Retained Profits		**117,461**	85,807	**4,535**	22,042
Shareholders' Equity Attributable to Members of the Chief Entity		**472,032**	343,225	**356,428**	271,518
Outside Equity Interest in Controlled Entities	24	**17,713**	14,824	**—**	—
Total Shareholders' Equity		**489,745**	358,049	**356,428**	271,518

The balance sheets are to be read in conjunction with the notes to and forming part of the accounts set out on pages 53 to 74.

Statements of Cash Flows for the year ended 30 June 1996

	Note	Consolidated		Company	
		1996	1995	**1996**	1995
		$'000	$'000	**$'000**	$'000
Cash Flows From Operating Activities					
Cash receipts in the course of operations		**2,346,337**	1,936,556	**23,594**	15,916
Cash payments in the course of operations		**(2,038,903)**	(1,673,231)	**(43,599)**	(22,841)
Dividends received		**647**	320	**33,130**	16,736
Interest received		**4,892**	4,446	**495**	5,697
Interest paid		**(22,706)**	(24,452)	**(19,740)**	(19,525)
Income taxes paid		**(9,279)**	(16,757)	**(1,323)**	(9,250)
Net cash provided by/(used in) operating activities	40	**280,988**	226,882	**(7,443)**	(13,267)
Cash Flows From Investing Activities					
(Increase) in investment in controlled entities		**—**	—	**(22,000)**	(146,253)
Decrease in investment in contolled entities		**—**	—	**12,000**	—
Payments for property, plant and equipment		**(266,634)**	(200,628)	**(2,494)**	(508)
Proceeds from sale of non-trading assets		**53,386**	66,835	**103**	10,749
(Increase) in investment in other entities		**(24,512)**	(79,237)	**(19,927)**	(3,161)
Decrease in investment in other entities*		**20,878**	29,441	**—**	—
Loan repayments by executive and staff shareholders		**523**	262	**523**	262
Net cash (used in) investing activities		**(216,359)**	(183,327)	**(31,795)**	(138,911)
Cash Flows From Financing Activities					
Proceeds from share issues**		**90,719**	—	**90,349**	—
Proceeds from borrowings		**77,050**	110,498	**21,628**	92,584
Repayment of borrowings		**(148,793)**	(105,901)	**(79,683)**	(72,119)
Loans from related entities		**—**	—	**183,533**	322,513
Repayment of loans to related entities		**—**	—	**(162,008)**	(212,337)
Dividends paid**		**(21,193)**	(13,916)	**(19,785)**	(10,025)
Net cash (used in)/provided by financing activities		**(2,217)**	(9,319)	**34,034**	120,616
Net increase/(decrease) in cash held		**62,412**	34,236	**(5,204)**	(31,562)
Net cash at the beginning of the financial year	40	**105,673**	71,077	**13,755**	45,200
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the year		**(2,242)**	360	**(420)**	117
Net cash at the end of the financial year	40	**165,843**	105,673	**8,131**	13,755

The statements of cash flows are to be read in conjunction with the notes to and forming part of the accounts set out on pages 53 to 74.

*Net of receivable on sale of Interlink Roads $60,762

**Net of Dividend Reinvestment Plan of $12,067 (1995 – $13,745)

Statement of Accounting Principles and Methods

The accounting methods adopted by the Economic Entity are in accord with the accounting standards and disclosure requirements of the Australian accounting bodies, Urgent Issues Group, applicable Australian Accounting Standards and the requirements of law. The accounts have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. The carrying amounts of all non-current assets are reviewed to determine whether they are in excess of their recoverable amount and in assessing recoverable amounts net present value methods have not been used.

The accounts of the Chief Entity (Company) and the Economic Entity (Consolidated) have been prepared in accordance with the provisions of Schedule 5 of the Corporations Law and Regulations. Set out below is a summary of the significant accounting methods adopted.

(a) Consolidation

The consolidated accounts comprise the accounts of Leighton Holdings Limited, being the Chief Entity, and its controlled entities. These controlled entities are listed in note 36 to the accounts. Profits and losses of controlled entities are included in the consolidated profit and loss from the date control is obtained and excluded from the date the entity is no longer controlled. Transactions and balances between entities within the Economic Entity have been eliminated in full.

(b) Trade Debtors

Trade debtors includes all net receivables and includes the progressive valuation of work completed on construction contracts represented by amounts billed to and receivable from clients less cash received. The valuation of work completed is made after bringing to account a proportion of the estimated contract profits available and after recognising all known losses.

(c) Profit Recognition

(i) Profit is recognised on construction contracts on the basis of the value of work completed.

(ii) The whole of any expected loss on a construction contract is recognised in the accounts as soon as a loss has become apparent.

(iii) The Economic Entity recognises each year its proportion of revenue and profits from partnerships on the basis of the value of work completed. The whole of any expected loss is brought to account as soon as it becomes apparent.

(iv) Holding charges comprising rates, taxes and interest on properties under active development are capitalised. Holding charges on all other development properties are written off as incurred.

(v) Profits from property development, housing and land sales are recognised on settlement of the contracts.

(d) Property, Plant and Equipment

(i) Depreciation is calculated so as to write off the net book value of property, plant and equipment over their estimated effective working lives using in the case of:
freehold buildings – the straight line method;
major plant and equipment – the cumulative number of hours worked;
other equipment – the diminishing value method.

(ii) Leasehold properties and improvements are amortised over the terms of the leases.

(iii) Land and buildings are revalued at least every three years and any potential capital gains tax in relation to assets acquired after 19 September 1985 has not been taken into account as the Directors believe it is unlikely the Economic Entity will be liable for this tax on the basis there is no intention to sell the applicable properties.

(iv) Where fixed assets are acquired by means of finance leases, the present value of the lease rentals and residuals is included as an asset in the balance sheet and is depreciated over the expected effective working life of those assets. The net present value of future finance lease rentals and residuals is included in the balance sheet as a leasing liability. Operating lease rentals are charged to the Profit and Loss Account as incurred.

(e) Income Tax

The Economic Entity adopts the liability method of tax effect accounting in accordance with the Accounting Standard AASB1020 "Accounting for Income Tax (Tax-effect Accounting)".

(f) Foreign Currency

Overseas controlled entities' accounts, investments, loans and borrowings are translated in accordance with the Accounting Standard AASB1012 "Foreign Currency Translation".

(g) Inventories

(i) Development Properties
Development properties are carried at the lower of cost and net realisable value.

(ii) Trading Inventories
Finished goods and raw materials are carried at the lower of cost and net realisable value.

(h) Employee Entitlements

(i) Wages, Salaries, Annual Leave
The provisions for employee entitlements to wages, salaries and annual leave represent the amount which the Economic Entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at nominal amounts based on current wage and salary rates and include related on-costs.

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

(iii) Superannuation
Employee superannuation funds exist to provide benefits for eligible employees or their dependants. Contributions by members of the Economic Entity are charged against profits.

(i) Contract and Plant Maintenance

Members of the Economic Entity provide for maintenance on construction contracts and repairs and maintenance on plant and equipment over the estimated effective working life of the equipment.

(j) Bills Payable and Promissory Notes

The liability for bills payable and promissory notes is shown at face value.

(k) Goodwill

The excess of the purchase consideration for the acquisition of controlled entity operations over the net assets acquired is amortised using the straight line method over the period during which the benefits are expected to arise, which period at present does not exceed ten years (note 15).

(l) Mining Tenements

The tenements are capitalised at the lower of cost and recoverable amount and are amortised over the economic life of the investment from the commencement of mining operations.

(m) Investments

Interests in entities which are not controlled entities are shown in the accounts as investments and where applicable dividends are included in operating profit. The investment in associated companies includes those corporations in which significant influence is exercised. The investment in associated companies has been reviewed by the Directors at balance date and the associated companies are listed in note 26. Interests in partnerships are shown in the accounts at cost with the addition of the Economic Entity's proportion of retained profits and losses.

(n) Derivatives

Members of the Economic Entity from time to time are exposed to changes in interest rates and foreign exchange rates from their activities. Derivative financial instruments are utilised to reduce these risks. The policy of the Economic Entity is to not enter, hold or issue derivative financial instruments for trading purposes. Controls have been put in place to monitor compliance with this policy. Derivative financial instruments that are designated as effective hedges of underlying exposures are accounted for on the same basis as the underlying exposure. Refer to note 29.

(o) Rounding off of Amounts

As the Company is of the kind referred to in Regulation 3.6.05(6) of the Corporations Regulations amounts in the accounts and notes to the accounts have been rounded to the nearest thousand dollars in accordance with Section 311 of the Corporations Law and Regulation 3.6.05 of the Corporations Regulations, unless otherwise indicated.

(p) Comparative Figures

Comparative figures have been, where appropriate, reclassified so as to be comparable with the figures stated in the current year.

			Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
1	**Revenue**	Operating Revenue		**2,399,034**	1,948,181	**—**	—
		Other Revenue		**6,462**	5,653	**65,930**	50,020
		Proceeds from Sales of Non-Current Assets		**114,148**	77,543	**103**	10,749
		Total Revenue of the Economic Entity	30	**2,519,644**	2,031,377	**66,033**	60,769
2	**Operating Profit**	The operating profit before income tax is arrived at after:					
		Crediting as Revenue:					
		Profit on Sales of Non-Current Assets		**51,979**	18,080	**7**	4,255
		Dividends Received/Receivable					
		– Related Body Corporate		**—**	—	**32,483**	16,416
		– Related Entities	26	**647**	320	**647**	320
		Charging as Expense:					
		Depreciation and Amortisation					
		– Company Owned Assets and Leaseholds		**118,367**	86,982	**1,065**	862
		Operating Lease Rental Expense		**32,286**	37,673	**—**	—
		Bad Debts Written Off		**—**	1,587	**—**	—
		Auditors' Remuneration					
		– Amounts received or due and receivable for audit services by:					
		Auditors of the Company		**695**	642	**143**	186
		Other Auditors		**99**	108	**—**	—
		– Amounts received or due and receivable for other services by:					
		Auditors of the Company		**430**	449	**83**	108
		Other Auditors		**136**	123	**—**	—
		Loss on Sales of Non-Current Assets		**1,463**	1,876	**247**	24
		(Gain)/Loss on Foreign Exchange		**—**	—	**(13,872)**	5,886
		Goodwill Amortised and Written Off		**621**	1,533	**—**	—
		Abnormal Items					
		– Net Revaluation of Non-Current Investments	5	**29,860**	6,000	**23,168**	—
		Other Writedowns		**840**	3,799	**840**	—
		Gross Amount Charged to Provisions					
		– Employee Entitlements		**41,570**	26,116	**3,190**	1,644
		– Plant and Contract Maintenance		**99,594**	93,229	**221**	142
		– Doubtful Debts		**421**	29	**—**	—

		Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
3 Interest Expense and Income	The operating profit before income tax is arrived at after including:					
	Interest Expense					
	Other Corporations		**22,291**	23,268	**18,679**	20,112
			22,291	23,268	**18,679**	20,112
	Interest Income					
	Related Corporations		**—**	—	**31,087**	30,269
	Related Entities		**1,374**	1,156	**1,588**	674
	Other Corporations		**4,441**	4,178	**125**	2,341
			5,815	5,334	**32,800**	33,284
	Interest previously capitalised expensed against property sale proceeds		**431**	481	**—**	—
	Finance Charges					
	Finance Leased Assets		**450**	1,253	**—**	—
4 Income Tax Expense	Operating profit before income tax		**113,430**	79,549	**19,966**	22,906
	Prima facie income tax expense at 36% (1995 - 33%)		**40,835**	26,251	**7,188**	7,559
	The following items have affected income tax expense for the period:					
	– Entertainment and other non-allowable items		**1,576**	1,240	**512**	103
	– Depreciation and amortisation not allowable for tax		**647**	455	**149**	131
	– Revaluation and capital profits		**990**	(1,096)	**2,195**	90
	– Building and plant allowance		**(683)**	(3,855)	**(57)**	(47)
	– Income not subject to tax		**(497)**	321	**(13,135)**	(5,523)
	– Tax losses not previously recognised in the accounts		**(5,220)**	(569)	**(2,616)**	—
	– Overseas income tax rate differential		**(639)**	1,954	**5,574**	3,984
	Current period income tax expense/(benefit)		**37,009**	24,701	**(190)**	6,297
	– Under/(over) provision for prior year		**679**	218	**(1,161)**	(1,136)
	– Income tax rate change		**—**	(1,554)	**—**	(1,502)
	Total Income Tax Expense/(Benefit)		**37,688**	23,365	**(1,351)**	3,659
	Provision for Income Tax					
	Income tax expense		**37,688**	23,365	**(1,351)**	3,659
	Net timing differences		**2,475**	(9,289)	**7,341**	(2,409)
	Income Tax Payable	18	**40,163**	14,076	**5,990**	1,250

Future Income Tax Benefits

Included in future income tax benefit (note 16) is NIL (1995 – $13,019) attributable to operating and capital gains tax losses and $58,623 (1995 – $32,936) in provisions for employee benefits, contract maintenance, plant maintenance and provisions for asset writedowns not currently allowable as an income tax deduction. The unrecorded future tax benefit available to some members of the Economic Entity at 30 June 1996 in respect of tax losses at the applicable rates of tax was $5,123 (1995 – $13,954). The benefit of these tax losses will be utilised only if those entities earn sufficient profit in the future and continue to comply with the provisions of the income tax legislation relating to the deduction of carried forward tax losses.

The Company is taxed as a public company.

5 Abnormal Items (Net of Tax)

	Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
Investments					
Green – Revaluation		**(26,000)**	(6,000)	**(19,308)**	—
Tax Benefit		**9,360**	1,946	**6,951**	—
		(16,640)	(4,054)	**(12,357)**	—
Ipco – Revaluation		**(3,860)**	—	**(3,860)**	—
Tax Expense		**—**	—	**—**	—
		(3,860)	—	**(3,860)**	—
Total – Investments					
Included in operating profit		**(29,860)**	(6,000)	**(23,168)**	—
Tax Benefit		**9,360**	1,946	**6,951**	—
		(20,500)	(4,054)	**(16,217)**	—
Group Companies					
Ipco – Gain on sale of shares		**—**	4,251	**—**	4,251
Tax Expense		**—**	(197)	**—**	(197)
		—	4,054	**—**	4,054
Interlink Roads – Gain on sale of shares		**39,762**	—	**—**	—
Tax Expense		**(14,314)**	—	**—**	—
		25,448	—	**—**	—
Gain on sale of car park leases		**—**	1,083	**—**	—
Tax Expense		**—**	(357)	**—**	—
		—	726	**—**	—
Total – Group Companies					
Included in operating profit		**39,762**	5,334	**—**	4,251
Tax Expense		**(14,314)**	(554)	**—**	(197)
		25,448	4,780	**—**	4,054
Total Abnormal Items					
Included in operating profit		**9,902**	(666)	**(23,168)**	4,251
Tax Benefit/(Expense)		**(4,954)**	1,392	**6,951**	(197)
Net Abnormal Items		**4,948**	726	**(16,217)**	4,054

		Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
6 Current Assets – Cash	Funds on Deposit		**147,235**	98,425	**1,456**	25,564
	Cash at Bank and in Hand		**18,912**	7,719	**6,675**	247
			166,147	106,144	**8,131**	25,811

		Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
7 Current Assets – Receivables	Contract Debtors Receivable*		**210,432**	165,967	**—**	—
	Trade and Other Amounts Receivable#		**109,077**	52,044	**13,716**	20,540
	Loans – Secured		**278**	261	**278**	261
			319,787	218,272	**13,994**	20,801
	Contract Valuations					
	Progressive value of work completed at 30 June		**3,902,379**	3,214,527	**—**	—
	Progressive Receivable					
	Contract Receivables		**196,880**	145,677	**—**	—
	Retentions held by Clients		**13,552**	20,290	**—**	—
	Contract Debtors Receivable from Clients		**210,432**	165,967	**—**	—
	Cash received to date		**3,691,947**	3,048,560	**—**	—
	Total Progressive Value		**3,902,379**	3,214,527	**—**	—

*Thiess Contractors Pty Ltd has given a registered charge to Natwest Australia Bank over part of its revenue from a contract with BHP. Natwest Australia Bank has provided project funding for the project.

#After provision for doubtful debts of $2,145 (1995 - $1,899).

		Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
8 Current Assets – Investments	Interest in construction and property partnerships and trusts #*		**15,996**	14,770	**—**	—
	Associated Companies	26	**42,025**	7,422	**41,572**	7,362
			58,021	22,192	**41,572**	7,362

#Thiess Contractors Pty Ltd had given a registered charge in favour of Asia Securities Australia Pty Limited over shares in Cullen Bay Estates Pty Limited and units held in the Cullen Bay Unit Trust. This charge was finalised and discharged during 1995.

* Thiess Construction Ltd has given a registered charge in favour of National Australia Bank and Burton Coal over its share of revenue and assets in a mining joint venture with Burton Coal.

		Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
9 Current Assets – Inventories	**Development Properties**					
	Cost		**23,029**	13,941	**—**	—
	Development expenses capitalised		**25,908**	19,320	**—**	—
	Rates, taxes, interest, etc capitalised		**9,144**	3,662	**—**	—
			58,081	36,923	**—**	—
	Less: Property provisions		**20,097**	9,878	**—**	—
			37,984	27,045	**—**	—
	Trading Inventories					
	Finished Goods		**5,159**	5,050	**—**	—
	Raw Materials		**5,590**	4,662	**—**	—
			10,749	9,712	**—**	—
			48,733	36,757	**—**	—

Development properties are held at the lower of cost and net realisable value.

Trading Inventories represent finished reinforcing steel and raw steel stocks. The net realisable value of the trading inventories is expected to be not less than cost.

		Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
10 Current Assets – Other	Prepayments		**8,994**	13,020	**179**	481
	Plant and equipment held for sale		**32,289**	24,091	**—**	—
			41,283	37,111	**179**	481

		Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
11 Non-Current Assets – Receivables	Loans – secured		**1,360**	1,900	**1,360**	1,900
12 Non-Current Assets – Investments	**Controlled Entities**					
	Shares not quoted on a prescribed Stock Exchange – cost	36	—	—	**455,628**	471,324
	Amounts receivable from controlled entities		—	—	**250,431**	226,637
	Provision for diminution in value		—	—	**(2,917)**	(2,917)
			—	—	**247,514**	223,720
	Total Investment in Controlled Entities		—	—	**703,142**	695,044
	Other Entities*					
	Interest in Trusts					
	– Valuation June 1994		**221**	221	—	—
	Interest in Partnerships**					
	– Cost		**2,334**	2,174	**2,334**	2,167
	– Valuation June 1994		**2,490**	2,490	**2,490**	2,490
	Shares not quoted on a prescribed Stock Exchange					
	– Valuation June 1996		**513**	—	**500**	—
	– Valuation June 1994		—	1,344	—	1,344
	Listed shares quoted on a prescribed Stock Exchange#					
	– Cost		**25,000**	25,000	—	—
			30,558	31,229	**5,324**	6,001
	Associated Companies*	26				
	Listed shares not quoted on a prescribed Stock Exchange					
	– Valuation June 1994		—	42,486	—	42,486
	Unlisted Shares					
	– Cost June 1996		**761**	—	—	—
	– Valuation June 1995		**663**	729	—	—
	– Valuation June 1994		—	21,000	—	—
	Advances					
	– Valuation June 1996		**18,284**	—	—	—
	– Valuation June 1995		—	34,167	—	—
	– Valuation June 1994		—	7,892	—	—
			19,708	106,274	—	42,486
	Total Investments		**50,266**	137,503	**708,466**	743,531

*The values of all non-current investments were reviewed at 30 June 1995 and 1996 and decrements applied to certain investments.

**Leighton Holdings Limited had granted a registered charge over its interest in Australia's Wonderland to provide funding to the partners for the development. This charge was finalised and discharged during 1995.

#Quoted market value of shares listed on a prescribed Stock Exchange $43.8 million (1995 - $36.4 million).

			Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
13	Non-Current Assets – Inventories	**Development Properties**					
		Cost		**71,195**	86,319	**—**	—
		Development expenses capitalised		**93,068**	105,615	**—**	—
		Rates, taxes, interest, etc capitalised		**31,164**	36,439	**—**	—
				195,427	228,373	**—**	—
		Less: Property provisions		**56,292**	65,657	**—**	—
		Total Development Properties		**139,135**	162,716	**—**	—
14	Non-Current Assets – Property, Plant and Equipment	**Land**					
		Independent valuation – June 1995		**14,010**	14,683	**5,200**	5,200
				14,010	14,683	**5,200**	5,200
		Buildings					
		Independent valuation – June 1995		**37,572**	39,217	**16,192**	16,410
		At cost		**1,696**	—	**1,696**	—
				39,268	39,217	**17,888**	16,410
		Provision for depreciation		**(1,037)**	—	**(413)**	—
				38,231	39,217	**17,475**	16,410
		Leasehold Land and Building					
		Independent valuation – June 1995		**1,200**	1,200	**—**	—
		Provision for amortisation		**(25)**	—	**—**	—
				1,175	1,200	**—**	—
		Leasehold Improvements					
		Cost		**6,909**	5,376	**—**	—
		Provision for amortisation		**(3,561)**	(2,824)	**—**	—
				3,348	2,552	**—**	—
		Plant and Equipment					
		Cost		**773,039**	622,168	**7,266**	7,241
		Provision for depreciation		**(312,244)**	(261,547)	**(5,585)**	(5,582)
				460,795	360,621	**1,681**	1,659
		Total Property, Plant and Equipment		**517,559**	418,273	**24,356**	23,269

Plant and Equipment includes construction equipment, motor vehicles and office furniture and equipment.
Land and buildings are independently revalued at least every three years and included in the financial statements at the revalued amounts. As part of this policy all land and buildings were revalued during the 1995 financial year on an open market basis.

			Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
15	**Non-Current Assets** – Intangibles	Cost of goodwill		**4,372**	5,310	**—**	—
		Accumulated amortisation		**(3,519)**	(3,837)	**—**	—
		Cost less amounts written off		**853**	1,473	**—**	—

Goodwill from the acquisition of controlled entities operations is being written off over a period of 10 years or the period the benefit is expected to arise, whichever is the lesser.

			Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
16	**Non-Current Assets** – Other	Future Income Tax Benefit	4	**58,623**	45,955	**22,651**	18,018
		Mining Tenements – Cost 1996*		**2,002**	—	**—**	—
		– Directors valuation 1995		**1,000**	1,000	**—**	—
				61,625	46,955	**22,651**	18,018

Certain tenements are valued at Directors valuation based on cash flows on estimated reserves. Tenements at cost and valuation will be amortised over the economic life of the investment from commencement of the mining operations. The recoupment of this value is dependent on successful development or sale. The tenements are under development or exploration assessment.

*Thiess Construction Ltd has given a registered charge over the mining tenements to the National Australia Bank.

			Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
17	**Current Liabilities** – Creditors & Borrowings	Trade Creditors		**435,162**	335,072	**19,787**	10,171
		Other Creditors		**25,399**	19,928	**183**	296
		Bank Overdraft		**304**	471	**—**	12,056
		Lease Liabilities	35	**—**	4,262	**—**	—
				460,865	359,733	**19,970**	22,523
18	**Current Liabilities** – Provisions	Income Tax Payable	4	**40,163**	14,076	**5,990**	1,250
		Employee Entitlements	33	**21,580**	16,338	**488**	369
		Dividend		**22,045**	15,072	**22,045**	15,072
		Contract and Plant Maintenance		**16,831**	10,841	**—**	—
				100,619	56,327	**28,523**	16,691
19	**Current Liabilities** – Other	Amounts Payable to Construction Partnerships		**4,245**	2,067	**—**	—
20	**Non-Current Liabilities** – Creditors & Borrowings	Trade Creditors		**7,393**	5,891	**—**	—
		Secured Loan*		**1,200**	—	**—**	—
		Unsecured Loans#		**194,603**	261,484	**181,945**	245,868
		Bills Payable		**—**	12,838	**—**	12,838
		Lease Liabilities	35	**—**	9,435	**—**	—
		Payable to Controlled Entities		**—**	—	**213,948**	257,284
				203,196	289,648	**395,893**	515,990

*This loan is secured by a controlled entity's mineral rights and its share of assets and revenue of a mining joint venture.
#The unsecured loans are provided under negative pledge agreements with financial institutions.

			Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
21	**Non-Current Liabilities** – Provisions	Deferred Income Tax		**47,772**	30,607	**3,228**	—
		Employee Entitlements	33	**37,688**	34,839	**15,640**	13,637
		Contract and Plant Maintenance		**60,639**	58,026	**1,027**	814
				146,099	123,472	**19,895**	14,451

			Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
22	Share Capital	**Authorised**					
		600,000,000 Ordinary shares of 50¢ each (1995 – 600,000,000)		**300,000**	300,000	**300,000**	300,000
		Issued					
		259,352,763 Ordinary shares of 50¢ each fully paid (1995 – 231,884,218)		**129,676**	115,942	**129,676**	115,942
		Increase in Issued Capital During the Year					
		– ordinary shares of 50¢ each issued under :					
		Dividend Reinvestment Plan					
		2,789,412 shares at a premium of $2.21 per share		**1,395**	—	**1,395**	—
		1,211,770 shares at a premium of $3.22 per share		**606**	—	**606**	—
		4,747,049 shares at a premium of $1.18 per share		**—**	2,373	**—**	2,373
		3,241,288 shares at a premium of $1.28 per share		**—**	1,621	**—**	1,621
		Share Placement					
		23,467,363 shares at a premium of $3.35 per share		**11,734**	—	**11,734**	—
23	Reserves	General		**25**	25	**25**	25
		Redemption		**60**	60	**60**	60
		Foreign Currency Translation		**(7,411)**	(2,412)	**570**	570
		Asset Revaluation		**12,780**	13,045	**2,121**	2,121
		Share Premium		**219,441**	130,758	**219,441**	130,758
				224,895	141,476	**222,217**	133,534
		Movements					
		Foreign Currency Translation					
		Opening Balance		**(2,412)**	(4,348)	**570**	4,371
		Translation of overseas controlled entity accounts & borrowings applicable to overseas investments		**(4,999)**	1,936	**—**	—
		Transfer (to)/from Profit and Loss Account		**—**	—	**—**	(3,801)
		Closing Balance		**(7,411)**	(2,412)	**570**	570
		Asset Revaluation					
		Opening Balance		**13,045**	9,692	**2,121**	1,590
		Transfer (to)/from Profit and Loss Account		**(265)**	14	**—**	—
		Surplus on Revaluations		**—**	3,339	**—**	531
		Closing Balance		**12,780**	13,045	**2,121**	2,121
		Share Premium					
		Opening Balance		**130,758**	121,008	**130,758**	121,008
		Ordinary Shares issued at a premium					
		– 27,468,545 shares in 1996		**88,683**	—	**88,683**	—
		– 7,988,337 shares in 1995		**—**	9,750	**—**	9,750
		Closing Balance		**219,441**	130,758	**219,441**	130,758

			Consolidated		Company	
		Note	**1996 $'000**	1995 $'000	**1996 $'000**	1995 $'000
24 Outside Equity Interests in Controlled Entities	Share Capital		**927**	1,045	**—**	—
	Reserves		**3,214**	4,365	**—**	—
	Retained Profits		**13,572**	9,414	**—**	—
			17,713	14,824	**—**	—

25 Earnings Per Share

	Consolidated 1996	Consolidated 1995
Basic earnings per share (cents per share)	**29.1¢**	22.4¢
Diluted earnings per share (cents per share)	**29.1¢**	22.4¢
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**241,394,874**	228,359,853

There have been no other conversions to, calls of or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of these financial statements.

26 Investments – Associated Companies

Associated Company	Balance Date	Activity	Location	Economic Entity Interest at Year End **1996 %**	1995 %
Green Holdings, Inc.	31 Dec 1995	Civil Engineering	USA	**50**	50
Ipco International Limited	30 June 1996	Marine & Civil Engineering	Asia	**30**	30
Kaparidge Pty Limited	30 June 1996	Property Development	Aust	**50**	50
Interlink Roads Pty Limited	30 June 1996	Tollroad Operations	Aust	**—**	50
LCV Mud Dredging Co Ltd#	30 June 1996	Civil Engineering	Asia	**33**	33
LCV Services Co Ltd#	30 June 1996	Services - Civil Engineering	Asia	**33**	33
Leighton Terraform Ltd#	30 June 1996	Site Investigation - Foundation	Asia	**50**	50
Vina Leighton Ltd#	30 June 1996	Building	Asia	**50**	—
Zappaway Ltd	30 June 1996	Environmental Services	Asia	**50**	50

Associated Company	Carrying Value of Shares **1996 $'000**	1995 $'000	Advances **1996 $'000**	1995 $'000	Dividends Received/ Receivable **1996 $'000**	1995 $'000
Green Holdings, Inc.	**—**	—	**16,686**	31,124	**—**	—
Ipco International Limited	**41,572**	49,849	**—**	—	**647**	320
Kaparidge Pty Limited	**—**	—	**1,395**	3,042	**—**	—
Interlink Roads Pty Limited	**—**	21,000	**—**	7,537	**—**	—
Vina Leighton Ltd#	**754**	—	**176**	—	**—**	—
LCV Service Co Ltd#	**—**	—	**20**	59	**—**	—
Leighton Terraform Ltd#	**203**	222	**122**	267	**—**	—
Zappaway Ltd	**342**	378	**81**	89	**—**	—
Other	**125**	129	**257**	—	**—**	—
	42,996	71,578	**18,737**	42,118	**647**	320

Incorporated construction partnerships

The details of Associated Companies disclosed are for the Economic Entity. The only significant investment held by the Chief Entity was Ipco International Limited where the shares held were $41,572 (1995 – $49,849).

				Consolidated		Company	
			Note	1996 $'000	1995 $'000	1996 $'000	1995 $'000
26	Investments – Associated Companies (continued)	**Associated Companies – Summary**					
		– note 8		42,025	7,422		
		– note 12		19,708	106,274		
				61,733	113,696		

There were no post balance date events which would materially affect the financial position or performance of any associated company and there were no dissimilar accounting policies used by the associated companies.

Investments in associated companies have been reviewed by the Directors at 30 June 1996.

The assessment of the investment in Green Holdings Inc. included an evaluation of the recoverability of a number of contractual claims. In the USA, the major contractual claims under the government insurance agency, OPIC are proving difficult to finalise and are currently in a lengthy process of arbitration. The Directors have decided to take a conservative view and provide $26 million against the full cost of this claim together with some other smaller claims and expected legal expenses.

The Ipco investment at 30 June 1996 was written down to a value of $US2.80 per share (1995 – $US3.06). Ipco shares traded at $US2.88 (1995 – $US3.22) on the Stock Exchange of Singapore at 30 June 1996.

The Economic Entity has interests in other associated companies which, at 30 June 1996, were not of a material size or contribution to the Economic Entity's activities to warrant separate disclosure.

				Consolidated 1996	Consolidated 1995	Company 1996	Company 1995
27	Capital Commitments	Plant and Equipment		119,150	60,814	—	—

All capital commitments contracted are payable within one year.

				Consolidated 1996	Consolidated 1995	Company 1996	Company 1995
28	Bank Guarantees, Insurance Bonds & Letters of Credit	Contingent liability under indemnities given on behalf of controlled entities in respect of:					
		i) Bank Guarantees		307,542	240,875	307,542	240,875
		ii) Insurance, Performance & Payment Bonds		7,878	4,760	7,878	4,760
		iii) Letters of Credit		3,439	3,987	3,439	3,987
		Contingent liability under indemnities given on behalf of an associated company in respect of:					
		i) Letters of Credit		2,861	6,611	2,861	6,611

The Company has indemnified a bonding company which has provided bonds to an associated company, Green Holdings Inc. and its subsidiaries. The value of these bonds is $US72 million (1995 – $US94 million) of which $US3 million (1995 – $US13 million) is related to uncompleted work. The above amounts are the face value of the relevant securities and no claims are anticipated under the indemnities.

			Company 1996	Company 1995
29	Other Contingent Liabilities	(i) Guarantees and undertakings given in respect of borrowings by controlled entities	12,658	41,946

(ii) The Company is called upon to give in the ordinary course of business guarantees and indemnities in respect of the performance by controlled entities, associated companies and related parties of their contractual and financial obligations. These guarantees and indemnities are indeterminable in amount.

(iii) A liability may exist under the Leighton Staff Equity Participation Plan in the event of the share price being lower than the issue price for the sale of shares on termination of employment of participating employees.

(iv) There exists in some members of the Economic Entity the normal design liability in relation to completed design and construction projects. The Directors are of the opinion that there is adequate insurance cover for this liability.

(v) Certain members of the Economic Entity have the normal contractor's liability in relation to construction contracts which liability may include litigation by or against the entities.

(vi) Controlled entities have entered into various partnership and trust arrangements under which the controlled entity may be jointly and severally liable for the liabilities of the partnership or trust.

(vii) Under the terms of the Class Order issued pursuant to Section 313(6) of the Corporations Law the Company has entered into approved deeds of indemnity for the cross-guarantee of liabilities with participating Australian subsidiary companies. Refer to note 36 and note 41.

(viii) Certain members of the Economic Entity utilise derivative financial instruments to manage the risks associated with exposure to interest rate and foreign currency exchange rate fluctuations.

a) Interest Rate Risk

Interest rate swaps and caps are entered into for the purpose of managing the exposure to interest rate fluctuations.

Maturities of swap contracts are principally between one and nine years.

29 Other Contingent Liabilities (continued)

b) Foreign Exchange Risk

Members of the Economic Entity enter into forward exchange contracts to hedge specific project receipts and plant and equipment purchase commitments denominated in foreign currencies. The terms of these instruments are less than 12 months and are mainly in relation to US dollars and UK pounds.

The effect of these contracts is included on a net basis as part of the transaction when it is completed.

c) Credit Risk

Credit risk represents the accounting loss that would be recognised if counterparties failed to perform as contracted.

Swap and forward exchange contracts are subject to the credit worthiness of counterparties, which are financial institutions.

At balance date the Economic Entity does not have a significant exposure to any individual customer or counterparty.

No significant claims are anticipated in respect of contingent liabilities.

30 Consolidated Result by Segments

Industry	Contracting & Project Management $'000	Property Development $'000	Unallocated $'000	Total $'000
1996				
Total Revenue	**2,476,832**	**35,598**	**7,214**	**2,519,644**
Operating Profit/(Loss) Before Tax	**129,821**	**(4,006)**	**(22,287)**	**103,528**
Abnormal Profit/(Loss) Before Tax	**9,902**	**—**	**—**	**9,902**
Total Assets	**1,034,787**	**191,175**	**178,807**	**1,404,769**
1995				
Total Revenue	1,964,319	43,348	23,710	2,031,377
Operating Profit/(Loss) Before Tax	110,052	(9,983)	(19,854)	80,215
Abnormal Profit/(Loss) Before Tax	(1,749)	—	1,083	(666)
Total Assets	870,566	202,588	116,142	1,189,296

Geographic	Australia $'000	S. E. Asia $'000	U.S.A. $'000	Total $'000
1996				
Total Revenue	**2,015,534**	**504,097**	**13**	**2,519,644**
Operating Profit/(Loss) Before Tax	**67,655**	**35,873**	**—**	**103,528**
Abnormal Profit/(Loss) Before Tax	**39,762**	**(3,860)**	**(26,000)**	**9,902**
Total Assets	**1,015,988**	**346,698**	**42,083**	**1,404,769**
1995				
Total Revenue	1,481,003	550,285	89	2,031,377
Operating Profit/(Loss) Before Tax	48,597	31,618	—	80,215
Abnormal Profit/(Loss) Before Tax	1,083	4,251	(6,000)	(666)
Total Assets	838,242	287,044	64,010	1,189,296

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

The division of the operating profit/(loss) and assets into industry and geographic segments has been ascertained by reference to direct identification of assets and revenue/cost centres. Other expenses and assets which cannot be allocated to an industry segment are reported as unallocated.

		Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
31 Directors' Emoluments	Amounts received, or due and receivable, by directors of Leighton Holdings Limited and executive and non-executive directors of controlled entities.		**26,122**	23,304	**5,649**	3,184
	Number of directors of Leighton Holdings Limited whose remuneration, which includes salary and allowances, performance bonus, provision of motor vehicles, fringe benefits, superannuation fund contributions and accommodation costs, were within the following bands:					
	$0 – $9,999				**—**	1
	$40,000 – $49,999				**—**	2
	$50,000 – $59,999				**4**	1
	$60,000 – $69,999				**1**	1
	$90,000 – $99,999				**—**	1
	$100,000 – $109,999				**2**	1
	$970,000 – $979,999				**—**	1
	$1,000,000 – $1,009,999				**1**	—
	$1,770,000 – $1,779,999				**—**	1
	$2,040,000 – $2,049,999				**1**	—
	$2,100,000 – $2,109,999				**1**	—

The above amounts are disclosed in accordance with an ASC Class Order 95/741 dated 27 June 1995.

32 Remuneration of Executives

	Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
Amounts received or due and receivable by executive officers, whose remuneration equals or exceeds $100,000.		**17,811**	16,667	**4,319**	3,637
Number of executive officers whose remuneration, which includes salary and allowances, performance bonus, provision of motor vehicles, fringe benefits, superannuation fund contributions and accommodation costs, equals or exceeds $100,000 were within the following bands:					
$230,000 – $239,999		—	1	—	—
$240,000 – $249,999		—	1	—	—
$250,000 – $259,999		—	2	—	—
$260,000 – $269,999		**1**	2	—	—
$270,000 – $279,999		**1**	—	—	—
$280,000 – $289,999		—	2	—	—
$290,000 – $299,999		—	1	—	—
$300,000 – $309,999		**3**	—	—	—
$310,000 – $319,999		**2**	2	—	—
$320,000 – $329,999		**1**	1	**1**	—
$330,000 – $339,999		**1**	—	—	—
$360,000 – $369,999		—	1	—	—
$370,000 – $379,999		—	1	—	—
$380,000 – $389,999		**1**	1	—	1
$390,000 – $399,999		**1**	—	—	—
$400,000 – $409,999		**1**	—	—	—
$440,000 – $449,999		**1**	1	**1**	—
$450,000 – $459,999		**1**	—	—	—
$470,000 – $479,999		**1**	—	—	—
$480,000 – $489,999		**1**	2	—	—
$490,000 – $499,999		**1**	—	**1**	—
$500,000 – $509,999		**1**	1	—	1
$530,000 – $539,999		**1**	2	—	—
$540,000 – $549,999		**1**	—	—	—
$550,000 – $559,999		—	2	—	—
$590,000 – $599,999		**1**	1	—	—
$630,000 – $639,999		**1**	—	—	—
$650,000 – $659,999		**1**	—	—	—
$660,000 – $669,999		**1**	1	—	—
$890,000 – $899,999		—	1	—	—
$930,000 – $939,999		**1**	—	—	—
$970,000 – $979,999		—	1	—	1
$1,000,000 – $1,009,999		**1**	—	**1**	—
$1,310,000 – $1,319,999		—	1	—	—
$1,340,000 – $1,349,999		**1**	—	—	—
$1,770,000 – $1,779,999		—	1	—	1
$1,910,000 – $1,919,999		—	1	—	—
$2,040,000 – $2,049,999		**1**	—	—	—
$2,100,000 – $2,109,999		**1**	—	**1**	—

	Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
33 Employee Entitlements — **Aggregate Employee Entitlements**					
Current (note 18)		**21,580**	16,338	**488**	369
Non-Current (note 21)		**37,688**	34,839	**15,640**	13,637
		59,268	51,177	**16,128**	14,006

Superannuation

The superannuation plans provide defined benefits based on years of service and final average salary or accumulated benefits based on contributions and the actual earnings of the fund.

Employees contribute to the plans at various percentages of their salaries or wages. The Company and its controlled entities also contribute to the plans at various percentages of the employee's salary or wages. Future contributions to superannuation plans sponsored by the Economic Entity are not legally enforceable provided that vested benefits are fully funded. The Economic Entity also contributes to various industry award funds in accordance with the relevant awards. Contributions are enforceable in accordance with the relevant award.

The Leighton Superannuation Fund and the Leighton Asia Superannuation Fund (formerly Leighton Contractors (Asia) Ltd Retirement Plan) are the only plans providing defined benefits to employee members.

Actuarial assessments are performed every three years. The Leighton Superannuation Fund was assessed at 30 June 1994 by Mercer Campbell Cook & Knight Pty Ltd. The Leighton Asia Superannuation Fund was assessed at 30 June 1995 by the Wyatt Company. Based on these assessments, the Directors are of the view that the assets of each of the funds are sufficient to satisfy all benefits that would have vested under the plans in the event of termination of the plans, and voluntary or compulsory termination of each employee. The following values are based on the most recent financial reports of the funds which were prepared as at 30 June 1995.

Fund	Accrued Benefits	Market Value of Assets	Surplus/ (Deficit)	Vested Benefits
Leighton Superannuation Fund	43,991	44,193	202	39,929
Leighton Asia Superannuation Fund	1,721	1,532	(189)	835
Total	45,712	45,725	13	40,764

Accrued benefits have been determined based on the amounts calculated in the last actuarial assessments and Directors' estimates, based on the advice of the trustees of the funds, of the benefits that have accrued in the periods between the last actuarial assessment and the financial year end. Accrued benefits are benefits the plans are presently obliged to pay at some future date, resulting from membership of the plans. Vested benefits are benefits which are not conditional upon the continued membership of the plan or any factor, other than resignation from the plan.

Leighton Staff Equity Participation Plan

Leighton has an employee share acquisition scheme known as the Leighton Staff Equity Participation Plan ("the Plan") established by a Trust Deed dated 23 June 1981, as amended by further Deeds dated 18 March 1983 and 6 October 1995 ("the Trust Deed").

Leighton members approved renewal of the Plan for three years commencing 2 November 1995 in accordance with the Australian Stock Exchange Listing rules at the Annual General Meeting held on 2 November 1995.

Under the Plan, options to acquire fully paid ordinary shares in Leighton may be granted and fully paid ordinary shares in Leighton may be allotted to Group employees. Interest free loans may be provided by Leighton to assist in financing the acquisition of shares allotted pursuant to the Plan.

The total number of shares and options which may be issued under the Plan, when aggregated with the number of shares issued by the Company during the previous 5 years under all employee share schemes adopted by the Company, must not exceed 5% of the Company's issued ordinary shares as at the date any invitation to acquire shares or options under the Plan is extended. Further, under the Australian Stock Exchange Listing Rules no shares or options may be granted to Directors or their associates without shareholder approval.

Shareholder approval was received at the Annual General Meeting on 2 November 1995 to grant options to each of the Executive Directors W.M. King, D.S. Adamsas and K.L. Bennett. The options may be issued at any time before the Company's next Annual General Meeting scheduled for 1 November 1996 at an exercise price in respect of each option equal to the last sale price for the Company's shares recorded on the Australian Stock Exchange in the last trading day before the date of grant of the option, provided that the maximum number of options so granted to all of them must not exceed 750,000 in the aggregate.

As at 30 June 1996 there were on issue under the Plan 588,500 shares in respect of which there were outstanding loans totalling $278 (1995 - $653). These shares were issued at market value. No options were outstanding at 30 June 1996 nor at 30 June 1995.

No shares or options have been issued under the terms of the Plan during or since the end of the financial year.

There have been 9,994,000 shares issued under the terms of the Plan since its inception.

			Consolidated		Company	
			1996	1995	**1996**	1995
		Note	**$'000**	$'000	**$'000**	$'000

34 Loans to Executive Directors

Approval was given by shareholders for the establishment of the Leighton Staff Equity Participation Plan on 22 July 1981 and a senior executive loan plan on 29 October 1982. Under both plans loans amounting to $1,469,648 (1995 – $1,794,893) and ranging from $1,470 to $1,360,000 (1995 – $57 to $1,360,000) have been made to 9 (1995 – 24) Executive Directors of Leighton Holdings Limited and related entities. Interest of $85,283 (1995 – $94,593) was received on senior executive loans.

Loans under the Staff Equity Participation Plan are interest free and repayable from dividend income earned by the shares acquired under the Plan. The loans are secured by a charge over the shares issued under the Plan. No new loans were issued during the year. During the year repayments totalling $177,003 (1995 – $112,197) were received in respect of the Plan from D. Adamsas, M. Albrecht, P. Bingham-Hall, P. Cooper, T. Cooper, J. Faulkner, E. Furney, M. Gray, R. Gussey, W. Hamilton, R. Hawkins, J. Holt, R. Hunter, R. Logan, R. Merkenhof, J. McGee, N. Jukes, J. Paterson, N. Sallustio, R. Turchini, W. West, E. Young and T. Young.

Loans under the Senior Executive Loan Plan were charged interest between 6% p.a. and 10% p.a. (1995 – 6% p.a. and 10% p.a.), were secured by mortgages over real estate property and were repayable after 10 years and 20 years from the dates of the loans. Loans of $NIL (1995 – $NIL) were made during the year. Repayments of $148,242 (1995 - $1,758) in respect of senior executive loans were received during the year.

The amounts in this note have not been rounded off to the nearest thousand dollars.

35 Lease & Rental Commitments

	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
Finance Leases				
Lease Commitments capitalised				
– Not later than one year	—	5,180	—	—
– Later than one year but not later than two years	—	5,180	—	—
– Later than two years but not later than five years	—	5,033	—	—
	—	15,393	—	—
Less future finance charges	—	(1,696)	—	—
Present value of leasing liability	—	13,697	—	—
Current Liability (note 17)	—	4,262	—	—
Non-current Liability (note 20)	—	9,435	—	—
	—	13,697	—	—
Operating Leases				
Plant & Equipment Leases	**16,755**	42,568	—	—
Carpark Leases	**14,036**	17,465	—	—
Property Leases	**12,893**	14,822	—	—
	43,684	74,855	—	—
Lease Commitments not capitalised				
– Not later than one year	**18,158**	28,959	—	—
– Later than one year but not later than two years	**11,882**	22,352	—	—
– Later than two years but not later than five years	**12,238**	22,985	—	—
– Later than five years	**1,406**	559	—	—
	43,684	74,855	—	—

Plant and Equipment used in contract mining and civil engineering is leased over its economic life and the leases are structured to match income from contracts. Leighton Parking Pty Ltd had previously entered into a long-term lease with 4 years remaining for car parking facilities. The majority of the car parking operations were sold during 1995.

36 Leighton Holdings Limited and Controlled Entities

All controlled entities carry on business in the country of incorporation except where noted		Class of Shares	Entity's Investment $'000	Entity's Share of Equity	Place of Incorporation	Contribution to Economic Entity Operating Profit/(Loss) After Income Tax **1996** **$'000**	1995 $'000
† Leighton Holdings Limited					Vic.	**(16,753)**	2,767
* Solomon No.1 Pte Ltd (Liq)		Ord.	—	100%	Singapore	**(4)**	22
Aus. Construction and Dredging B.V.	(1)	Ord.	10,060	100%	Netherlands	**448**	847
† Burton Properties Pty Ltd		Ord.	22,535	100%	N.S.W.	**2,852**	—
Leighton International Pty Ltd (formerly Gapwell Pty Ltd)		Ord.	2§	100%	Qld.	**—**	—
Noosa Unit Trust (Liq)		Ord.	—	100%	N.S.W.	**173**	618
† Leighton Finance Limited		Ord.	150,000	100%	N.S.W.	**(2,865)**	(3,567)
Leighton Major Projects Pty Ltd (Liq)		Ord.	—	100%	N.S.W.	**—**	27
Leighton Staff Shares Pty Ltd		Ord.	2§	100%	Vic.	**—**	—
Leighton Superannuation Pty Ltd		Ord.	2§	100%	N.S.W.	**—**	—
† Lomo Pty Ltd		Ord.	15,091	100%	Qld.	**(8)**	—
† Technical Resources Pty Ltd		Ord.	2§	100%	N.S.W.	**334**	—
Leighton Contractors Pty Ltd		Ord.	99,060	100%	N.S.W.	**53,015**	40,204
# Welded Mesh Pty Limited		Ord.	900§	90%	N.S.W.	**—**	—
# NSW Welded Mesh Unit Trust		Ord.	994	90%	N.S.W	**7,685**	4,264
		Red.Pref.	9,068				
Bonedale Pty Ltd		Ord.	2§	100%	A.C.T.	**117**	—
Leighton Interlink Pty Ltd (in Liq.)		Ord.	2§	100%	N.S.W.	**4,220**	198
Pluteus ACT (No 7) Pty Limited		Ord.	100§	100%	A.C.T.	**—**	—
Airport Motorway Ltd		Ord.	2§	100%	Vic.	**99**	(99)
# Northcoast Motorway Pty Ltd	(4)	Ord.	2§	100%	N.S.W.	**11**	(11)
Leighton Properties (Qld) Pty Ltd		Ord.	2§	100%	Qld.	**—**	1,144
† Leighton Properties Pty Ltd		Ord.	50,000	100%	N.S.W.	**1,499**	(9,665)
2 City Road Pty Ltd (Liq)		Ord.	2§	100%	N.S.W.	**—**	1,384
Landetting Nominees Pty Ltd		Ord.	3,626	100%	Vic.	**—**	—
† LB Developments Pty Ltd		Ord.	2§	100%	Qld.	**(163)**	248
† Leighton Properties (Vic) Pty Ltd		Ord.	1§	100%	Vic.	**87**	1,733
† Moussewood Pty Ltd		Ord.	2§	100%	Qld.	**(328)**	(321)
† Leighton Parking Pty Ltd		Ord.	2§	100%	N.S.W.	**(7,152)**	(4,288)
† Ridgewood Development Pty Ltd		Ord.	2§	100%	Qld.	**(873)**	(554)
† Adelaide Terrace Investments Pty Ltd		Ord. A	20	100%	S.A.	**(1,752)**	(2,745)
		Ord. B					
† Comserv (No. 1776) Pty Ltd		Ord. A	101§	100%	N.S.W.	**104**	(153)
Gabeze Pty Limited (Liq)		Ord.	2§	100%	N.S.W.	**—**	244
† Dovida Pty Limited		Ord.	99§	100%	N.S.W.	**(251)**	(3,352)
		A	1§				
† Mamasan Pty Limited		Ord.	4§	100%	A.C.T.	**5,693**	34
		Red.Pref.	300§				
† Leighton Projects Pty Ltd		Ord.	2§	100%	N.S.W.	**—**	—
† Yifta Pty Limited		Ord.	99§	100%	N.S.W.	**488**	(2,359)
		A	1§				

36 Leighton Holdings Limited and Controlled Entities (continued)

All controlled entities carry on business in the country of incorporation except where noted		Class of Shares	Entity's Investment $'000	Entity's Share of Equity	Place of Incorporation	Contribution to Economic Entity Operating Profit/(Loss) After Income Tax 1996 $'000	1995 $'000
Thiess Contractors Pty Ltd		Ord.	27,365	100%	Qld.	**8,380**	5,306
* Thiess Contractors (PNG) Pty Ltd		Ord.	941	100%	P.N.G.	**(226)**	17
* Thiess Contractors (Malaysia) Sdn.Bhd.		Ord.	88	100%	Malaysia	**(7,686)**	(25)
Thiess Construction Ltd		Ord.	794	100%	Qld.	**—**	—
Integrated Concrete Repairs Pty Ltd		Ord.	1§	50%	A.C.T.	**—**	(2)
South East Queensland Regional Landfill Pty Ltd		Ord.	100§	100%	Qld.	**—**	—
Pacific Water Pty Ltd		Ord.	10	100%	N.S.W.	**—**	—
Thiess Contractors International Pty Ltd		Ord.	1	100%	Qld.	**600**	(2,315)
Thiess Services Pty Ltd		Ord.	2§	100%	Vic.	**—**	—
Australian Paper Recovery Pty Ltd (formerly Thiess Mining Services Pty Ltd)		Ord.	2§	100%	N.S.W.	**—**	—
* Ausindo Holdings Pte Ltd		Ord. Red.Pref.	1,247	80%	Singapore	**(72)**	91
* PT Thiess Contractors Indonesia		Ord.	1,519	95%	Indonesia	**5,274**	2,382
† Multicon Holdings Pty Limited		Ord.	17,517	100%	N.S.W.	**527**	550
† Multicon Engineering Pty Limited		Ord.	1§	100%	N.S.W.	**(1,874)**	829
Altikar Pty Limited (in Liq.)		Ord.	1§	100%	N.S.W.	**(90)**	21
* Leighton USA Holdings Inc		Ord. Pref.	59,968	100%	U.S.A.	**688**	1,782
*Leighton USA Inc		Ord.	52,215	100%	U.S.A.	**—**	—
* Leighton Pacific Developments Inc		Ord.	48,306	100%	U.S.A.	**253**	911
* Leighton Asia Limited		Ord.	405	80%	Hong Kong	**1,218**	(437)
* Lai Lap Foundation Engineering Ltd		Ord.	4,058	100%	Hong Kong	**622**	(18)
* Leighton Contractors (China) Ltd		Ord.	—	100%	Hong Kong	**941**	1,640
* Leighton Contractors (Indo-China) Ltd		Ord.	—	100%	Hong Kong	**(228)**	—
* Hai Van Thiess Contractors Ltd		Ord.	918	70%	Vietnam	**786**	—
* Leighton Foundation Engineering Ltd		Ord.	3,547	100%	Hong Kong	**779**	4,118
* Leighton Contractors (Malaysia) Sdn. Bhd.		Ord. Red.Pref.	1,020	100%	Malaysia	**739**	(320)
* Leighton Contractors (Singapore) Pte Ltd		Ord. Red.Pref.	2,192	100%	Singapore	**(61)**	(62)
* Leighton Contractors (Philippines) Ltd	(4)	Ord.	—	100%	Hong Kong	**—**	—
* Leighton Asia Management Services Co Ltd		Ord.	13	100%	Hong Kong	**76**	3,614
* Leighton Asia Finance Ltd		Ord.	1§	100%	Hong Kong	**(2,303)**	131
#Thai-Leighton Ltd	(3)	Ord. Red.Pref.	5,006	49%	Thailand	**2,860**	598
#Leighton Geotech Co. Ltd	(5)	Ord.	11,014	100%	Thailand	**(855)**	(2,494)
* Leighton Contractors (Asia) Ltd		Ord. Red.Pref.	14,448	100%	Hong Kong	**18,468**	13,150
* Leighton Asia Fund Management Limited		Ord.	—	100%	Hong Kong	**—**	—
* Giddens Investment Ltd		Ord.	—	100%	Hong Kong	**—**	18
* Asian Region Investment Ltd		Ord.	81	100%	Hong Kong	**250**	—
* Technical Resources Asia Ltd		Ord.	—	100%	Hong Kong	**—**	—
* Leighton-Ted Partnership (in Liq)	(2)		—	66.7%	Hong Kong	**—**	79
Contribution to Consolidated Operating Profit after Income Tax						**75,742**	56,184
			613,129				
Elimination of investments other than in directly controlled entities			157,501				
			455,628				

36 Leighton Holdings Limited and Controlled Entities (continued)

Names inset indicates that the investment is held by the entity immediately above the inset.

(1) Carries on business in Australia
(2) Carries on business in Brunei
(3) Entities controlled under shareholder agreements
(4) Incorporated in 1995 year
(5) Consolidated in 1995 year

*Audited by overseas KPMG member firms
#Audited by firms other than KPMG
§These amounts have not been rounded off to the nearest thousand dollars
†Companies participating in the Leighton Holdings Limited Class Order

37 Acquisition and Disposal of Controlled Entities and Businesses

Name	Date Acquired	Proportion Acquired	Cash Consideration $	Net Tangible Assets at Acquisition $

Entities Acquired
Nil.

Businesses Acquired
Nil.

Name	Date Disposed	Proportion Retained	Profit on Sale $	Net Tangible Assets at Disposal $

Disposal of Entities
Nil

Liquidated Entities
Gabeze Pty Ltd
Leighton Contractors (PNG) Pty Ltd
Leighton Major Projects Pty Ltd
Solomon No. 1 Pte Ltd
Noosa Unit Trust
2 City Road Pty Ltd

The amounts in this note have not been rounded to the nearest thousand dollars.

38 Outside Equity Holdings in Controlled Entities

Name	Number of Shares Held by Outside Interests 1996 No.	1995 No.	Total Issued and Paid Up Capital 1996 $'000	1995 $'000	Equity Holdings of Outside Interests 1996 %	1995 %
Leighton Asia Ltd						
Ordinary Shares of HK$10 each	**60,001**	60,001	**487**	534	**20**	20
Welded Mesh Pty Ltd						
Ordinary Shares of $1 each	**100**	100	**1**	1	**10**	10
NSW Welded Mesh Unit Trust						
Ordinary Units of $1 each	**100**	100	**1**	1	**10**	10
Redeemable Pref Units of $1 each	**520**	520	**5**	5	**10**	10
Ausindo Holdings Pte Ltd						
Ordinary 'A' Shares of $S1 each	**—**	—	**4§**	4§		
Ordinary 'B' Shares of $S1 each	**1**	1	**1§**	1§	**20**	20
Red. Pref 'A' Shares of $S1 each	**—**	—	**1,215**	1,333		
Red. Pref 'B' Shares of $S1 each	**424,800**	424,800	**304**	333		
PT Thiess Indonesia						
Ordinary Shares of $US1,000 each	**75**	75	**1,899**	2,083	**5**	5
Hai Van Thiess Construction Ltd						
Contributed Capital	**—**	—	**1,359**	1,491	**30**	30

§ These amounts have not been rounded off to the nearest thousand dollars.
Investments in overseas controlled entities are affected by currency rate movements.

39 Related Party Information

Directors

The Directors who held office as Directors of Leighton Holdings Limited during the year ended 30 June 1996 were:

Morrish Alexander Besley, AO	Peter John North
Wallace MacArthur King	Busso Peus
Dieter Siegfried Adamsas	Mark Richard Rayner
Keith Leslie Bennett	David Paul Robinson
Hans-Peter Keitel	Rodney Malcolm Wylie, OBE

Directors' Transactions

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

Banking services and facilities are provided by the Commonwealth Bank of Australia on normal commercial terms to the Economic Entity. M.A. Besley is Chairman of the Commonwealth Bank. M.R. Rayner is a director of National Australia Bank Limited which provides banking services and facilities on normal commercial terms to the Economic Entity.

M.A. Besley is a director of Amcor Limited. P.J. North is a director of Heggies Bulkhaul Ltd. M.R. Rayner is a director of Comalco Limited, Pasminco Limited, Boral Limited and Mayne Nickless Limited. A.C. Hardy, a director of a controlled entity, is a director of the Frankipile Group. A director related entity of D.G. Stewart, a director of a controlled entity, is a director of Australian Resources Limited. K.J. Ferguson and J.A. Thomson, directors of a controlled entity, are directors of PT Longyear Mintek. These companies may provide or receive from time to time on normal commercial terms general construction materials and services. D.P. Robinson is a partner in the firm of chartered accountants Harveys which receives fees from HOCHTIEF Limited for services provided to that company which is a related party.

Legal services and consulting services were provided to a member of the Economic Entity on normal commercial terms and conditions by a firm in which T. Adisorn, who is a director of certain contolled entities, is a partner.

Engineering advice has been provided to certain members of the Economic Entity on normal commercial terms and conditions by a firm, a partner of which is a director related entity of P. Bingham-Hall, a director of a controlled entity.

During the year Directors of Leighton Holdings Limited acquired and disposed of shares on the open market and acquired shares in accordance with the dividend re-investment plan. The aggregate details of those transactions were 14,038 (1995 – 9,397) shares acquired and 45,000 (1995 – NIL) shares sold. During the year HOCHTIEF Limited acquired 1,439,115 (1995 – 6,873,235) shares giving a shareholding at year end of 116,480,884 (1995 – 115,041,769) shares. H.P. Keitel, B. Peus and D.P. Robinson were directors of HOCHTIEF Limited during the year.

Transactions with Related Parties

The Economic Entity has interests in a number of construction partnerships and trading trusts which are included in other related parties shown below.

Transactions with related parties are made on normal commercial terms and conditions and the aggregate of the related party transactions was not material in the overall operations of the Economic Entity or the Chief Entity except for advances to associates as shown in notes 8 and 12.

Dividends were received or receivable during the year from associated companies as disclosed in note 26.

Interests held in associated and controlled entities are set out in notes 26 and 36 to the accounts.

Amounts Receivable from and Payable to Related Parties

	Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
Companies aggregate amounts receivable at balance date from					
Directors:					
– Current		**110**	84	**34**	10
– Non-Current		**1,360**	1,711	**1,360**	1,394
Other related parties:					
– Associated Companies					
– Current – Investment		**453**	59	**—**	—
– Non-Current – Investment		**18,284**	42,058	**—**	—
– Other					
– Current – Partnerships		**15,996**	14,771	**—**	—
Aggregate amounts payable at balance date to other related parties:					
– Current		**4,245**	2,067	**—**	—

40 Cash Flow Information

Reconciliation of Cash Balances

For the purposes of the Statements of Cash Flows, cash includes cash on hand, at bank and short term deposits at call, net of outstanding overdrafts. Cash as at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the balance sheet as follows:

	Note	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
Cash at Bank and on Hand		**18,912**	7,719	**6,675**	247
Interest Bearing Deposits		**147,235**	98,425	**1,456**	25,564
Bank Overdraft		**(304)**	(471)	**—**	(12,056)
		165,843	105,673	**8,131**	13,755

Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities

	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
Operating profit after income tax	**75,742**	56,184	**21,317**	19,247
Add (less) non-cash items				
Depreciation	**118,367**	86,982	**1,065**	862
Amortisation and write off of goodwill	**621**	1,533	**—**	—
Amounts set aside to provisions	**141,585**	119,376	**3,411**	1,788
Bad debts writeoff	**—**	1,587	**—**	—
Revaluation of non-current assets	**29,860**	6,000	**23,168**	—
Property and other writedowns	**840**	3,799	**840**	—
Foreign currency (Gains)/Losses	**—**	—	**(13,868)**	5,713
Income tax payable	**28,409**	6,609	**(2,673)**	(5,591)
(Gain)/Loss on sales of non-current assets	**(50,516)**	(16,205)	**240**	(4,232)
Partnership results	**(11,231)**	(7,999)	**453**	994
Intercompany transactions	**—**	—	**(56,754)**	(37,399)
Interest charged to associated companies	**(785)**	(709)	**—**	—
Net cash provided by operating activities before changes in assets and liabilities	**332,892**	257,157	**(22,801)**	(18,618)
Net changes in assets/liabilities				
(Increase)/Decrease in Prepayments	**4,026**	(3,645)	**302**	(339)
(Increase)/Decrease in Other Receivables	**12,913**	(11,464)	**6,538**	197
(Decrease)/Increase in Trade Creditors	**90,089**	57,064	**9,707**	2,210
(Decrease)/Increase in Other Creditors	**5,470**	3,366	**(113)**	3,566
(Decrease)/Increase in Provisions	**(124,469)**	(88,837)	**(1,076)**	(283)
Proceeds of Sales of Development Properties	**5,148**	13,095	**—**	—
(Other Net Movement) in Development Properties	**1,745**	(5,553)	**—**	—
(Increase)/Decrease in Trade Debtors	**(45,788)**	7,270	**—**	—
(Increase)/Decrease in Inventory	**(1,038)**	(1,571)	**—**	—
	(51,904)	(30,275)	**15,358**	5,351
Net cash provided by operating activities	**280,988**	226,882	**(7,443)**	(13,267)

			Consolidated		Company	
			1996	1995	**1996**	1995
		Note	**$'000**	$'000	**$'000**	$'000

40 Cash Flow Information (continued)

Details of Credit Facilities

The Economic Entity has a total of $428 million (1995 – $472 million) committed facilities of which $234 million (1995 – $184 million) were undrawn as at 30 June 1996. These facilities include a Private Unsecured Loan Placement in the USA of $US82 million for 10 years with an effective life of seven years. These facilities have maturity dates ranging between June 1997 and May 2004.

Non-Cash Financing and Investing Activities

During the year $12,067 (1995 – $13,745) of dividends was reinvested as capital in the Chief Entity pursuant to the Dividend Reinvestment Plan.

Proceeds of $60,762 were outstanding on the sale of the investment in Interlink Roads.

Fair Value of Assets of Controlled Entities and Businesses Acquired

	Consolidated 1996 $'000	Consolidated 1995 $'000	Company 1996 $'000	Company 1995 $'000
Cash	—	4,054	—	—
Property, Plant and Equipment	—	6,367	—	—
Creditors and Borrowings	—	(9,663)	—	—
	—	758	—	—

Consideration for the 1995 acquisitions was cash and amounted to $1,696.

41 Deed of Cross Guarantee

Pursuant to an ASC Class Order 95/1530 dated 31 October 1995, relief was granted to certain wholly owned Australian incorporated subsidiaries from the Corporations Law requirements for preparation, audit and publication of accounts.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Law. If a winding up occurs under other provisions of the Law, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company or other subsidiary party to the Deed of Cross Guarantee is wound up.

The subsidiaries subject to the Deed are identified in note 36.

Burton Properties Pty Limited, Dovida Pty Limited, Leighton Projects Pty Limited, Mamasan Pty Limited and Yifta Pty Limited became parties to the Deed during the year by virtue of a Deed of Assumption approved by the ASC.

Leighton Contractors Pty Limited, Leighton Properties (Qld) Pty Limited, Thiess Contractors Pty Limited, Bonedale Pty Limited, Leighton Interlink Pty Limited, Airport Motorway Limited, Gabeze Pty Limited, Thiess Services Pty Limited, Thiess Construction Limited, Thiess Contractors International Pty Limited, South East Queensland Regional Landfill Pty Limited, Australian Paper Recovery Pty Limited, Altikar Pty Limited have been released from their obligations under the Deed by executing Revocation Deeds which have been lodged with the ASC.

At balance date the Company and subsidiaries which are a party to the Deed have aggregate assets of $1,015,928 (1995 – $1,592,968), aggregate liabilities of $596,892 (1995 – $974,144), and their contribution to the consolidated operating profit and extraordinary items after income tax for the year was $8,740 (1995 – $21,668).

Statutory Statements

Statement by Directors on the Financial Statements set out on pages 50 to 74

In the opinion of the Directors of Leighton Holdings Limited

(a) The profit and loss statement gives a true and fair view of the Company's profit for the financial year ended 30 June 1996;

(b) The balance sheet gives a true and fair view of the Company's state of affairs as at 30 June 1996;

(c) At the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due;

(d) The consolidated accounts:
  (i) have been made out in accordance with Divisions 4A and 4B of Part 3.6 of the Corporations Law; and
  (ii) in particular, give a true and fair view of the matters with which they deal;

(e) The financial statements have been made out in accordance with applicable Australian Accounting Standards; and

(f) There are reasonable grounds to believe that the Company and certain subsidiaries will, as an Economic Entity, be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to a Class Order. Refer to note 41 for further details.

Dated at Sydney this 9th day of September, 1996.

Signed in accordance with a resolution of directors:

M A Besley

M A Besley AO
Chairman

W M King
Chief Executive Officer

Auditors' report to the members of Leighton Holdings Limited

Scope

We have audited the financial statements of Leighton Holdings Limited for the financial year ended 30 June 1996, consisting of the profit and loss statements, balance sheets, statements of cash flows, accompanying notes, and the statement by Directors set out on pages 50 to 75. The financial statements comprise the accounts of the Company and the consolidated accounts of the Economic Entity, being the Company and its controlled entities. The Company's Directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the Economic Entity's financial position, the results of their operations and their cash flows.

The names of the controlled entities of which we have not acted as auditors are set out in note 36. We have received sufficient information and explanations concerning these controlled entities to enable us to form an opinion on the consolidated accounts.

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

Audit Opinion

In our opinion, the financial statements of Leighton Holdings Limited are properly drawn up:

(a) So as to give a true and fair view of:
  (i) the state of affairs of the Company and the Economic Entity at 30 June 1996, and the results and cash flows of the Company and the Economic Entity for the financial year ended on that date; and
  (ii) the other matters required by Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;

(b) In accordance with the provisions of the Corporations Law; and

(c) In accordance with applicable Australian Accounting Standards and other mandatory professional reporting requirements.

KPMG

KPMG
Chartered Accountants
Dated at Sydney this 9th day of September, 1996.

John H Richardson
Partner

Statistical Summary for the ten years 1987 – 1996

	1996 $'000	1995 $'000	1994 $'000	1993 $'000	1992 $'000	1991 $'000	1990 $'000	1989 $'000	1988 $'000	1987 $'000
Summary of Balance Sheets *										
Issued and Paid-up Capital	**129,676**	115,942	111,948	109,665	96,721	92,569	62,826	60,706	56,502	56,007
Total Capital and Reserves	**489,745**	358,049	316,195	298,120	249,059	238,453	193,403	178,866	165,612	151,041
Non-Current Liabilities	**349,295**	413,120	381,293	367,815	330,204	207,636	195,499	173,556	141,715	157,468
Current Liabilities	**565,729**	418,127	351,356	331,860	292,203	297,593	286,005	272,568	258,693	241,383
Non-Current Assets	**770,798**	768,820	689,003	663,593	570,250	429,608	363,741	320,224	265,938	287,054
Current Assets	**633,971**	420,476	359,841	334,202	301,216	314,074	311,166	304,766	300,082	262,838
Total Assets*	**1,404,769**	1,189,296	1,048,844	997,795	871,466	743,682	674,907	624,990	566,020	549,892
Summary of Profit and Loss Statements ø										
Revenue	**2,519,644**	2,031,377	1,807,728	1,580,582	1,590,196	1,710,044	1,636,460	1,431,260	1,489,100	1,355,345
Operating Profit Before Interest and Income Tax+	**131,142**	99,601	56,875	30,398	69,327	56,276	54,586	46,388	39,505	35,325
Operating Profit Before Tax	**107,901**	74,599	37,820	10,169	38,468	34,364	35,043	27,110	18,856	16,731
Income Tax Expense	**37,688**	23,365	4,738	(4,901)	15,959	13,335	14,563	10,575	7,731	10,016
Operating Profit after Tax	**70,213**	51,234	33,082	15,070	22,509	21,029	20,480	16,535	11,125	6,715
Financial Statistics										
Earnings per Ordinary Share – basic	**29.1¢**	22.4¢	14.9¢	7.6¢	11.6¢	16.1¢	16.5¢	14.2¢	9.9¢	6.2¢
– diluted	**29.1¢**	22.4¢	14.9¢	7.6¢	11.6¢					
Dividends per Ordinary Share	**15.0¢**	12.0¢	9.0¢	8.0¢	8.0¢	8.0¢	8.0¢	7.0¢	4.0¢	—
Return on Ordinary Shareholders Funds	**14.3%**	14.3%	10.5%	5.1%	9.0%	8.8%	10.6%	9.2%	6.7%	4.5%
Dividend Times Covered	**1.8**	1.9	1.7	0.9	1.4	1.7	2.0	2.0	2.5	—
Dividend Payout Ratio	**55.3%**	54.0%	60.5%	110.1%	68.6%	60.2%	49.0%	50.5%	40.6%	—
Interest Times Covered	**5.6**	4.0	2.9	1.5	2.3	2.6	2.8	2.4	1.9	1.9
Net Tangible Assets per Ordinary Share	**189¢**	154¢	140¢	128¢	126¢	123¢	128¢	121¢	115¢	113¢
Current Ratio	**1.12**	1.01	1.02	1.00	1.04	1.06	1.09	1.12	1.15	1.09
Shareholders Funds to Total Assets	**34.9%**	30.1%	30.2%	29.9%	28.6%	32.1%	28.7%	28.6%	29.3%	27.5%
Shareholders Funds to Total Liabilities	**53.5%**	43.1%	43.2%	42.6%	40.0%	47.2%	40.2%	40.1%	41.4%	37.9%
Gross Borrowings to Shareholders Funds	**40.0%**	81.0%	89.0%	97.0%	82.0%	56.0%	82.0%	75.0%	72.0%	102.0%
Net Borrowings to Shareholders Funds	**6.0%**	51.0%	66.0%	68.0%	39.0%	24.0%	49.0%	37.0%	31.0%	77.0%
Number of Employees	**10,633**	7,346	7,382	7,175	6,048	6,361	5,810	5,451	5,594	5,980

+ Includes abnormal items.

* Includes consolidation of controlled entities under AASB1024 from 1992.

ø Prior to 1992, the Summary of Profit and Loss Statements reflected the equity accounted revenue and profit and loss of associated companies.

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Mark Richard Rayner
David Paul Robinson
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