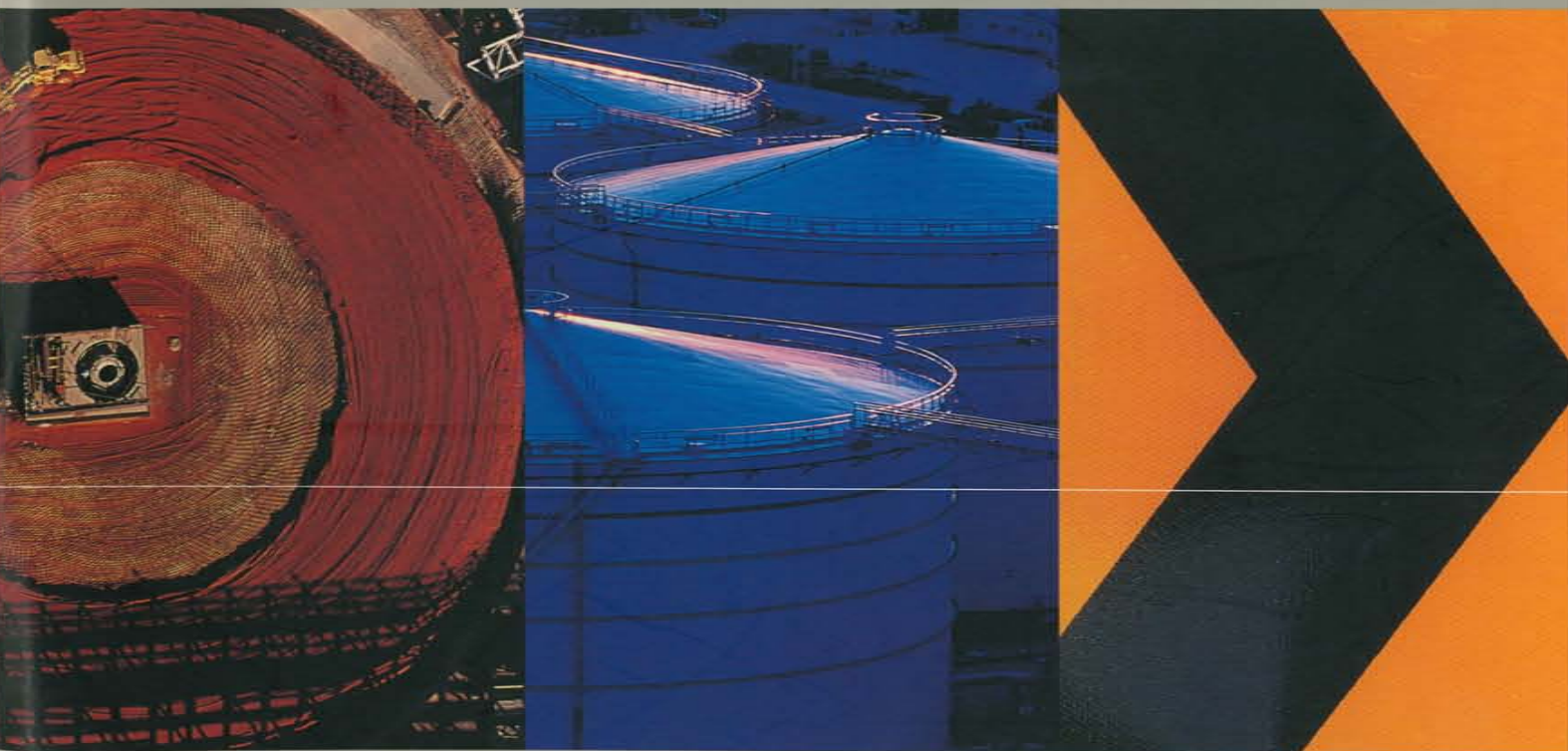


# Leighton Group Annual Report 1998





# Corporate Report

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**Leighton Holdings Limited  
ACN 004 482 982  
Notice of Annual General  
Meeting 1998**

To: The Shareholders

Notice is hereby given that the Annual General Meeting of the members of Leighton Holdings Limited will be held at the Regent Hotel, 199 George Street, Sydney, on Thursday 5 November 1998, at 10.00 am.

A separate Notice of Meeting and Proxy Form is enclosed.

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



### Leighton Group Structure

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

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

A dual product approach was developed in Australia, allowing Leighton Contractors and Thiess Contractors to continue as separate organisations within operating and financial parameters

agreed with the holding company. As the parent public company of the Group, Leighton Holdings provides strategic direction and planning, financial management, market positioning, and corporate and public affairs.

## Group Structure



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

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

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


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

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



## Operations Matrix

% Operating Revenue by Market Segment and Country 97/98

							
Civil Engineering 30%	Contract Mining 28%	Building 23%	Telecommunications 9%	Process Engineering 5%	Environmental Services 4%	Property Development 1%	% Group Operating Revenue
22	26	14	6	4	4	1	77
4	-	6	-	-	-	-	10
2	2	1	3	1	-	-	9
1	<1	<1	-	-	-	-	2
<1	-	<1	-	-	-	-	1
<1	<1	<1	-	-	-	-	1
-	-	<1	-	-	-	-	<1
							Australia
							Hong Kong
							Indonesia
							Philippines
							Thailand
							Malaysia
							Vietnam

### Who Are We?

Leighton Holdings Limited is the parent company of Australia's largest project development and contracting group. Founded in Victoria in 1949, the organisation has grown from a small, privately owned civil engineering firm into a dynamic group which includes Leighton Contractors, Thiess Contractors, Leighton Asia, Leighton Properties and Technical Resources. The Group's 12,000 employees can be found all around the Asia-Pacific region on projects in Australia, Hong Kong, Indonesia, Philippines, Thailand, Malaysia, Vietnam, China, New Zealand and Papua New Guinea. The Group is also pursuing opportunities in South America. Leighton Holdings is listed on the Australian Stock Exchange and has its head office in Sydney.

### What Do We Do?

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



## The Year in Review

	1998 \$'000	1997 \$'000	% Change
Total Revenue	3,034,546	3,161,180	-4.0
Operating Revenue	2,906,951	2,926,942	-0.7
Value of Contracts Awarded	2,631,411	3,136,854	-16.1
Value of Work in Hand	4,767,008	4,234,699	+12.6
Value of Incomplete Management Contracts	31,140	171,512	-81.8
Operating Profit Before Tax and Abnormals	164,171	145,149	+13.1
Income Tax Applicable to Operations	(56,208)	(52,418)	+7.2
Operating Profit After Tax	100,648	86,240	+16.7
Abnormal Items After Tax	2,204	45,872	-95.2
Total Profit After Tax and Abnormals	102,852	132,112	-22.1
Total Special Dividends	-	25,943	N/A
Total Ordinary Dividends	67,893	57,074	+19.0
Total Capital and Reserves (including minorities)	590,594	542,897	+8.8
Total Assets	1,648,808	1,622,812	+1.6
Net Cash	248,979	248,663	+0.1
Undrawn Facilities	176,000	186,000	-5.4
Operating Earnings per Ordinary Share	38.7¢	33.3¢	+16.2
Special Dividend per Ordinary Share (fully franked)	-	10.0¢	N/A
Dividends per Ordinary Share (fully franked)	26.0¢	22.0¢	+18.2

- Operating profit after tax up 17% to \$100.6 million
- Record work in hand of \$4.8 billion
- Full year ordinary dividend per share up 18% to 26 cents
- Return on average shareholders' equity attributable to members was 18.3%
- Balance sheet remains strong with \$249 million net funds
- Asian operations weathered financial crisis and improved profitability
- Australian operations performed well and will drive growth in 1998/99

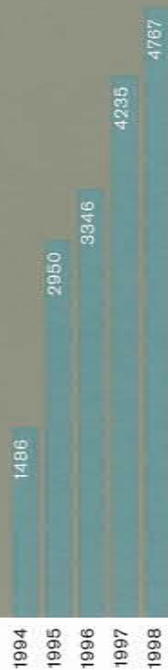


### Total Revenue \$million



Total revenue down slightly, but operating revenue steady at \$2.9 billion

### Work in Hand \$million



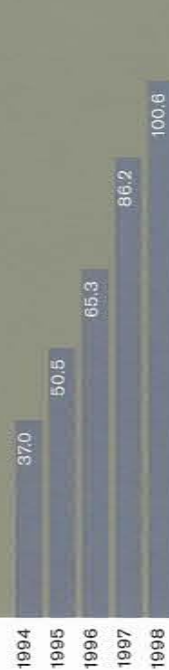
Order book at all time high with over 50% from non-construction activities

### Operating Profit Before Tax and Abnormals \$million



Excellent performances from Group operating companies in Australia and Asia

### Operating Profit After Tax \$million



Improved operating profit from similar revenue base

### Total Profit After Tax and Abnormals \$million



Large abnormal from Welded Mesh boosted the 1997 result

### Total Assets \$million



Total assets remained constant during the year



# Operations Overview

## Key Activities

Leighton Holdings		<p><b>Total Revenue</b> \$3,035m  <b>Total Operating Revenue</b> \$2,907m*  <b>Major Shareholder</b> HOCHTIEF 47%  <b>No. of Corporate Employees</b> 26  <b>No. of Group Employees</b> 11,970  <b>Head Office</b> Sydney  <b>Listed on ASX</b> 1962  <b>Chief Executive</b> Wal King AM</p>	<ul style="list-style-type: none"> <li>- Strategic direction and planning</li> <li>- Financial management</li> <li>- Market positioning</li> <li>- Corporate and public affairs</li> </ul> <p><i>See pages 9-22</i></p>
Leighton Contractors		<p><b>Operating Revenue</b> \$978m  <b>Work in Hand</b> \$1,157m  <b>Percentage Ownership</b> 100%  <b>No. of Employees</b> 2,541  <b>Head Office</b> Sydney  <b>Established</b> 1949  <b>Managing Director</b> Bob Merkenhof</p>	<ul style="list-style-type: none"> <li>- Civil engineering</li> <li>- Infrastructure development</li> <li>- Building</li> <li>- Contract mining</li> <li>- Process engineering</li> <li>- Telecommunications services</li> </ul> <p><i>See pages 29-32</i></p>
Thiess Contractors		<p><b>Operating Revenue</b> ‡ \$1,486m  <b>Work in Hand</b> ‡ \$3,065m  <b>Percentage Ownership</b> 100%  <b>No. of Employees</b> 6,861  <b>Head Office</b> Brisbane  <b>Established</b> 1935  <b>Managing Director</b> Martin Albrecht</p>	<ul style="list-style-type: none"> <li>- Civil engineering</li> <li>- Building</li> <li>- Mining</li> <li>- Environmental services</li> <li>- Process engineering</li> </ul> <p><i>See pages 33-36</i></p>
Leighton Asia		<p><b>Operating Revenue</b> ‡ \$407m  <b>Work in Hand</b> ‡ \$545m  <b>Percentage Ownership</b> 80%  <b>No. of Employees</b> 2,480  <b>Head Office</b> Hong Kong  <b>Established</b> 1975  <b>Managing Director</b> John Faulkner</p>	<ul style="list-style-type: none"> <li>- Civil engineering</li> <li>- Building</li> <li>- Contract mining</li> <li>- Marine engineering</li> <li>- Foundation engineering</li> </ul> <p><i>See pages 37-40</i></p>
Leighton Properties		<p><b>Operating Revenue</b> \$32m  <b>Percentage Ownership</b> 100%  <b>No. of Employees</b> 20  <b>Head Office</b> Sydney  <b>Established</b> 1972  <b>Managing Director</b> Vyril Vella</p>	<ul style="list-style-type: none"> <li>- Property development</li> <li>- Development risk management</li> </ul> <p><i>See pages 41-42</i></p>
Technical Resources		<p><b>Percentage Ownership</b> 100%  <b>No. of Employees</b> 22  <b>Head Office</b> Sydney  <b>Established</b> 1980  <b>General Manager</b> Bob Gussey</p>	<ul style="list-style-type: none"> <li>- Strategic advice</li> <li>- Communications</li> <li>- Engineering</li> <li>- Technical computing systems</li> <li>- Project services</li> </ul> <p><i>See pages 43-44</i></p>

‡ Including minority interests

\* 20% Owned by HOCHTIEF

° Includes \$4 million property income from USA



Location	Performance	Future	Total Revenue \$3035m
Australia, Asia	<ul style="list-style-type: none"> <li>- Record operating profit</li> <li>- Work in hand continues to increase</li> <li>- Returns to shareholders remain very good</li> <li>- Australian and Asian operations improved profitability</li> <li>- Exposure to Asian financial crisis controlled</li> </ul>	<ul style="list-style-type: none"> <li>- Operating profit to improve again in 1999</li> <li>- Revenue to increase next year</li> <li>- Further developed growth strategy</li> <li>- Long-term outlook very positive</li> </ul>	<p>■ Total Operating Revenue ■ Other Revenue</p>
Australia	<ul style="list-style-type: none"> <li>- Strong profit from reduced revenue</li> <li>- Excellent performances from NSW and WA</li> <li>- Completed Star City casino five months early and on budget</li> <li>- Eastern Distributor tollroad progressed well</li> <li>- Commenced Angel Place office tower</li> <li>- Good contribution from Visionstream</li> <li>- Established National Business Development unit</li> </ul>	<ul style="list-style-type: none"> <li>- Work in hand steady</li> <li>- Preferred tenderer for Sydney-Canberra Very High Speed Train</li> <li>- Good prospects in civil engineering, resources-related infrastructure and telecommunications</li> <li>- High activity levels expected to at least 2000</li> </ul>	<p>Percentage Total Operating Revenue</p> <p>34%</p>
Australia, Indonesia, near Pacific region	<ul style="list-style-type: none"> <li>- Revenue up 33%, commensurate rise in profit</li> <li>- Queensland tripled revenue, boosted by contract mining</li> <li>- Major expansion to Burton Coal Mine</li> <li>- Ansett terminal redevelopment underway</li> <li>- Excellent contribution from Indonesia</li> <li>- Strong performance from Environmental Services</li> </ul>	<ul style="list-style-type: none"> <li>- Work in hand at record levels</li> <li>- Consolidating rapid growth</li> <li>- Assessing opportunities in South America</li> <li>- Focus on adding value</li> </ul>	<p>51%</p>
Hong Kong, Philippines, Thailand, Malaysia, Vietnam, China, and other selected countries in Asia	<ul style="list-style-type: none"> <li>- Profit contribution exceeded internal estimates</li> <li>- Activity levels high in Hong Kong</li> <li>- Airport projects completed and operational</li> <li>- Contained exposure to bad debts in Thailand</li> <li>- Philippines emerged as significant market</li> <li>- Malaysia and Vietnam activity down</li> </ul>	<ul style="list-style-type: none"> <li>- Good level of work in hand</li> <li>- Emphasis on project selection and risk management</li> <li>- Hong Kong to offer best opportunities, especially housing and rail</li> <li>- Confidence in underlying potential of region</li> </ul>	<p>14%</p>
Australia	<ul style="list-style-type: none"> <li>- Slight profit improvement, holding costs down</li> <li>- Star City casino successfully completed</li> <li>- Property market continued to improve</li> <li>- Two developments underway in Sydney</li> </ul>	<ul style="list-style-type: none"> <li>- Development opportunities along Australia's east coast</li> <li>- St Kilda property for sale</li> <li>- Reasonable prospects for selected developments</li> </ul>	<p>1%</p>
Australia, Asia-Pacific region	<ul style="list-style-type: none"> <li>- Committed to best practice</li> <li>- Focus on relationship management that delivers outcomes</li> <li>- Assisted completion of Star City casino</li> <li>- Advanced controls management and engineering systems for Olympic Dam</li> <li>- Strengthened resources in project audit and controls</li> </ul>	<ul style="list-style-type: none"> <li>- Emphasis on external communication</li> <li>- Training and controls support for Asian operations</li> <li>- Completion planning for Eastern Distributor</li> <li>- Evolve to match needs of Group and its clients</li> </ul>	

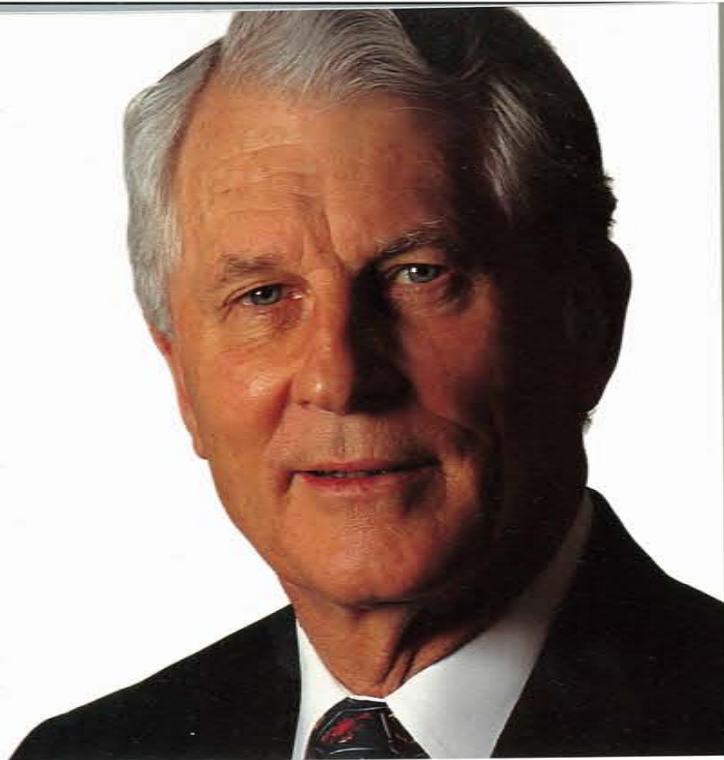
## Investments

**Eastern Distributor Tollroad**  
Airport Motorway Limited (AML) was awarded the concession to build and operate the Eastern Distributor tollroad in Sydney in June 1998. Leighton sold one third of its share or 5.6% of AML to National Australia Bank in June 1998. The balance of AML is owned 73.4% by Trust Company of Australia Limited, 11% by Leighton and 10% by Unisuper Limited.

**Star City Casino**  
Star City Holdings Limited is listed on the Australian Stock Exchange. Leighton has a 5% interest in this company, comprising 25 million ordinary shares held at the original purchase price of \$1.00 per share, as well as a further 37.45 million options exercisable from 1998 at \$1.15. Leighton also has a 15% interest in the casino management company. These interests are held in trust for Leighton by National Mutual Trustees.

**Burton Coal Mine**  
Thiess Contractors has a 5% interest in Burton Coal Mine, Queensland, valued at approximately \$7.7 million. Thiess is undertaking contracts at that site worth \$710 million for mining, processing, infrastructure, haulage and train loading of coal for Portman Mining.





MA (Tim) Besley AO  
Chairman



## From the Chairman

The Leighton Group's solid track record of growth continued in 1997/98. Profitability again improved with operating profit after tax of \$100.6 million, an increase of 17%. This was an outstanding result given the difficult market conditions in Asia. Our operating companies performed very well, we minimised our exposure to risk in Asia, and we finished the year with record work in hand.

The Directors have declared a full year ordinary dividend of 26 cents, fully franked, which is 18% higher than in 1996/97. No special dividend was paid this year. Over the past five years, our dividends have increased by 225% and our profit by 582%. The total dividend was \$67.9 million and our dividend payout ratio for the year was 66%.

The return on average shareholders' funds (before abnormals) during 1997/98 was 18.3% - more than 50% higher than the average return on shareholders' funds for Australia's leading listed industrial companies.\*

Operating earnings per ordinary share increased by 16.2% to 38.7 cents.

Leighton has an extremely strong balance sheet, with no net debt and surplus cash, and our work in hand is \$4.8 billion. These factors, combined with the powerful momentum of our operational divisions, has put us in an ideal position to explore new opportunities.

### Australia

Our Australian operations delivered another strong performance and continue to drive growth. The Australian economy is in relatively good shape despite the negative comments of some market commentators and international observers. The Federal Government's policies of fiscal consolidation and budgeting for a surplus in an environment of low inflation and low interest rates, have helped to minimise the impact on Australia from the economic downturn in Asia. Australia's economic growth rate compares favourably with that of other OECD countries.

There is reason, however, to be concerned about the lack of vision and level of cynicism among many Australians. Government and

business leadership is essential to maintaining a robust and confident economy in which individuals and companies can reach their full potential.

### Asia

The Group achieved good results this year in Hong Kong and Indonesia, where we have the majority of our operations in Asia. Hong Kong has been relatively well-insulated from the currency difficulties experienced elsewhere in the region. Government spending will produce substantial opportunities in the building, engineering and infrastructure sectors, certainly for the next four to five years. Despite evidence of a slowdown in GDP growth during the year, the Hong Kong Government has large financial reserves and has expressed a determination to make progress on large public sector projects.

We are optimistic about long-term prospects in Indonesia although short-term opportunities will reduce until economic stability returns. Attracting hard currencies will be a key component of the Indonesian Government's recovery strategy.





*Leighton Holdings Board*  
 Top row, left to right:  
 Rod Wylie OBE Deputy Chairman  
 Wal King AM Chief Executive  
 Dieter Adamsas  
 Geoff Ashton  
 Ian Johnson  
 Bottom row, left to right:  
 Achim Drescher  
 Dr Hans-Peter Keitel  
 Dr Busso Peus  
 David Mortimer  
 David Robinson

We continue to explore ways of maximising the Group's potential. Our attention to ethics, governance, occupational health and safety and the environment adds to the Group's overall competitiveness.

#### Strategic Review

As the year progressed and the economic difficulties in Asia unfolded, the Group's liquidity emerged as a key strategic asset. We are well aware of our options and we intend to fully explore those avenues with the potential to deliver long-term shareholder wealth.

Part of this process involved a comprehensive analysis of strategic growth opportunities undertaken by Port Jackson Partners, led by Professor Fred Hilmer. Together we have identified a number of growth opportunities which are presently being investigated.

#### Ethics Review

In the international and highly competitive construction industry, ethics is one of the keys to success. It is the difference between being a short-term or a long-term player.

During the year we commissioned The St James Ethics Centre to review the Group's ethical standards. Their approach was wide-ranging and I am pleased to report that the Centre confirmed that the Group's directors,

management and employees are firmly committed to the maintenance and application of strong ethical standards and practices.

#### People

The St James Ethics Centre was able to conclude that the Leighton Group was an "employer of choice", working towards best practice. They noted a high degree of loyalty, with many people building careers of 15-20 years or longer. When people enjoy working for a company, it is worth considering why. Our culture emphasises the benefits of striving for success. We select projects where our people can add value through their knowledge and experience. It's what keeps driving already successful people at Leighton to aim for even higher goals. I would like to thank all employees for their efforts this year.

One of the Group's longest serving employees is Chief Executive, Wal King. The Board congratulates Wal on becoming a Member of the

Order of Australia during the year. This honour is in recognition of Wal's achievements during his 30 years in the construction industry and 11 years as Chief Executive of Leighton Holdings.

#### The Board

David Mortimer and Ian Johnson were appointed to the Board during the year, and Mark Rayner retired as a director. Mark had been a Board member since May 1995 and found it necessary to leave us because of increasing commitments in other areas. He brought with him a wealth of mining industry experience as a former chairman of Pasminco Limited and a past president of the Australian Mining Industry Council.

In August 1998, Keith Bennett announced his retirement from the Board. His insight and acumen, developed over 28 years with Leighton Contractors, was a great asset and will be missed. I thank Mark and Keith for their significant contributions.

I also thank the current members of the Board for their diligence, and our shareholders for their continued support.

#### Prospects

The Group's prospects for 1998/99 are encouraging. We have record work in hand and we expect to deliver an increased profit. Australia remains our largest market with significant growth prospects and Asia, despite the economic gloom, will also produce opportunities. The challenge ahead is to maximise the potential of the Group, whilst continuing to deliver good outcomes for shareholders.

*M A Besley*

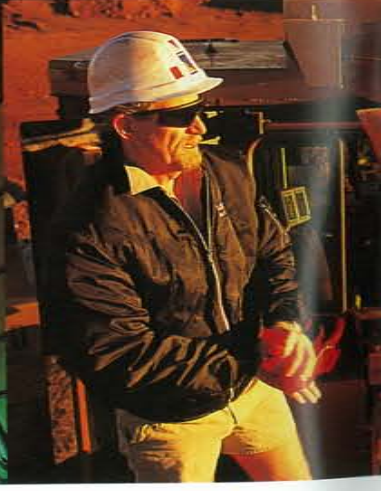
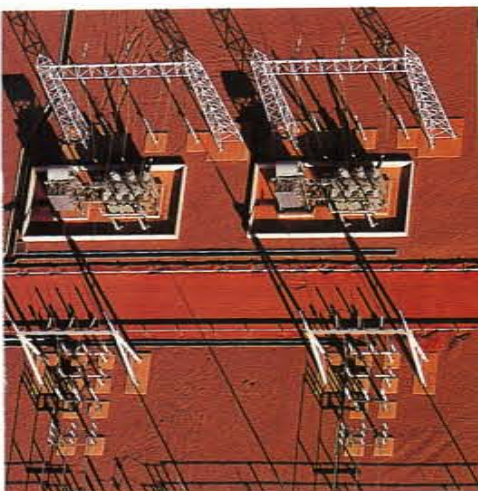
M A (Tim) Besley AO  
 Chairman



## Chief Executive's Report



In a year of constant change, the Group continued to perform above expectations and delivered record operating profit and work in hand. Our strong balance sheet is a central part of our growth strategy.



### Year of Achievement

1997/98 was a noteworthy year for many reasons. The operating performance of the Leighton Group was again above expectations and produced record levels of profit and work in hand. We weathered the Asian financial crisis, minimising our exposure whilst improving overall profitability. And we further developed our long-term growth strategy to ensure we maintain the momentum of the Group and deliver steady growth and increased returns.

### Record Profit, Work in Hand

The Group achieved another record operating result, due to excellent operating performance from

Leighton Contractors, Thiess Contractors and Leighton Asia.

Operating profit after tax and before abnormals increased 17% to \$100.6 million from a pre-tax profit of \$164 million. A series of abnormal items resulted in net abnormal profit of \$2.2 million, bringing total profit after tax and abnormals to \$102.9 million. This was down on the \$132 million reported in the previous year which included a significant abnormal profit after tax of \$46 million from the sale of Welded Mesh.

Operating revenue remained steady at \$2.9 billion, a creditable performance considering the absence of the Welded Mesh revenue stream. Revenue from

plant sales and interest of \$128 million brought total revenue up to \$3.0 billion.

One of the year's most pleasing results was our ability to increase work in hand by 13% to \$4.8 billion. Long-term mining contracts and \$3.3 billion of new work, contract extensions and variations were the main contributors.

### Australia Performs

Group companies capitalised on the strength of the Australian economy. The level of work in Australian markets was high, especially in non-construction



### Defining our Business

The Leighton Group has gone through a period of enormous growth and diversification over the past five years. Whilst construction remains a core activity, today we are more than a construction company. We are a service business, providing project development skills and contracting services to an increasingly broad range of industries.

We develop projects, whether they be community infrastructure, property or resources based. Contracting involves our traditional construction activities as well as services to the waste management industry and the telecommunications sector. We are also a major contractor to the mining industry and are pursuing opportunities to provide maintenance services to organisations looking to outsource.



activities such as contract mining, telecommunications and environmental services.

Profit before tax of \$109 million was generated from total revenue of \$2.3 billion. All operations performed well, particularly Thiess Contractors with revenue of \$1.2 billion and Leighton Contractors with \$978 million. Leighton Properties returned a modest profit from revenue of \$32 million.

Work in hand in Australia rose 19% to \$3.95 billion, with over half coming from contract mining. Highlights for the year include the \$400 million expansion of mining and infrastructure work at Burton coal mine in Queensland and the

award of contracts worth \$213 million at the Yarrie Nimingarra iron ore mine in Western Australia.

Building markets produced good opportunities with over \$700 million in new work won. The successful completion of the \$700 million Star City casino, five months ahead of time and on budget, was an outstanding achievement.

Roadworks and resources-related infrastructure were two of the dominant sectors of civil and process engineering markets. Good progress was made on the \$551 million Eastern Distributor tollroad in Sydney, and over \$200 million in contracts for the upgrade of the Pacific Highway in Queensland were secured.

Although the Australian construction cycle is expected to peak around the year 2000, future prospects are encouraging. Infrastructure development will play an increasing role in Australia's future, and opportunities will continue to emerge in transport and resources. Building markets will produce new work in areas such as health, education and defence.

The outlook for our non-construction activities, comprising more than half of Australian work in hand, is also positive. Contract mining continues to grow as a

percentage of total mining work done. Whilst the gold sector may stay subdued, there are good prospects in coal and iron ore. The fast moving telecommunications market continues to provide good levels of work, and our environmental services business is also experiencing growth.

### Commitment to Asia

The Group remains firmly committed to operating in Asia. In a year characterised by volatility, both economic and social, Group operations continued to perform above expectations.

Operating profit before tax rose 22% to \$54 million from total revenue of \$696 million. >

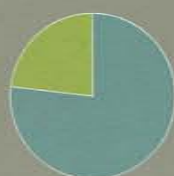


**Leighton Holdings Limited**  
**Corporate Management**  
**W M King** AM, BE, MEngSc, FIEAust,  
 CPEng, FAIGD, FAIM, FAIB, FTSE  
*Chief Executive Officer*  
**D S Adams** BComm, FAICD  
*Director, Finance and Administration*  
**R G Gussey** CPEng, FIEAust, MICE,  
 MNZIPEng, MAIB, AAIArb  
*General Manager, Engineering*  
**A J Moir** FCPA, FCIS  
*Company Secretary*  
**W H West** BSc(Tech), MIEAust, CPEng  
*General Manager, Operations*

**P Bingham-Hall** BA(Ind Des), SIA(Aff)  
*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*  
**P C Janu** BEc, LLB, CA, FTIA  
*Group Taxation Manager*  
**S M McLellan** BSc, CA  
*Group Chief Accountant*

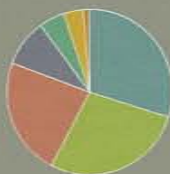
## Chief Executive's Report continued

**Operating Revenue  
by Geographic Area 1998 \$million**



77% Australia	2239
23% Asia	664
Other	4
<b>Total</b>	<b>2907</b>

**Operating Revenue  
by Market Segment 1998 \$million**



	94	95	96	97	98
30% Civil Engineering	740	853	940	957	857
28% Contract Mining	351	375	467	719	823
23% Building	365	431	663	926	659
9% Telecommunications	-	-	-	-	267
5% Process Engineering	45	67	97	56	149
4% Environmental Services	66	65	68	91	116
1% Property Development	40	51	37	48	36
- Other	86	106	127	130	-
<b>Total</b>	<b>1693</b>	<b>1948</b>	<b>2399</b>	<b>2927</b>	<b>2907</b>

The operating revenue contributions from Leighton Asia, \$407 million, and Thiess, \$257 million, were outstanding given the difficult market conditions. Work in hand remains high at \$816 million.

Our experience in Hong Kong, where we have been operating for more than 25 years, was a key factor behind another excellent contribution to Group revenue and profit. Highlights included the completion and commissioning of a \$259 million fuel facility for the new Chek Lap Kok Airport which opened on 6 July 1998. The Hong Kong Government's commitment to

providing transport and residential infrastructure will create new opportunities over the next 4-5 years. We recently secured a \$227 million housing project at Tsz Oi and are currently bidding a number of road and rail projects.

Indonesia also performed well, despite significant social and economic upheaval. Our exposure to severe currency fluctuations was limited by contracts written in US dollars. Work continues on major resource projects such as the \$222 million Kideco coal mine and the \$37 million infrastructure contract at the Bontang coal mine. Mining and resources are the key to Indonesia's recovery and we expect foreign investment to continue in this area.

Resources are also important to the Philippines where we experienced solid growth. We secured over \$50 million in contracts for the Sual Power Station project and infrastructure opportunities are emerging.

In Thailand, Malaysia and Vietnam prospects are limited. Market conditions in these economies will remain tough.

### Outlook for 1998/99

Australia will be the primary source of growth in the year ahead. Our stable, well funded and well managed companies have the capabilities to successfully



## Future Directions

Our challenge for the future is to sustain the growth achieved in recent years. The Group is in an excellent position to meet this challenge.

We have a proven operating strategy. It is based on a flexible corporate structure able to adapt to changing market conditions and a focus on new and emerging markets. This approach has delivered steady growth over the past decade and opened up new sources of revenue such as coal mining and infrastructure operation and maintenance.

We also have a strong balance sheet and liquidity. This is an important ingredient in our future as it allows us to take an opportunistic approach to prospects. It helps us attract quality project partners and brings competitive purchasing power. The ability to place debt as well as equity behind major projects gives us the capacity to pursue a diverse range of opportunities.

Our operational and financial strength is backed up by a clear long-term growth strategy.

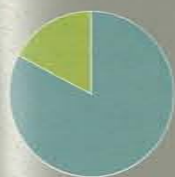
This strategy involves enhancing the current momentum of our operations through extending

existing businesses. We believe there is tremendous potential to increase market penetration in sectors such as oil and gas. With increasing pressures on productivity, there is further potential in the mining market. There is also room to extend our newer businesses such as environmental services and telecommunications.

We are pursuing a number of strategic investments which should further lift the current

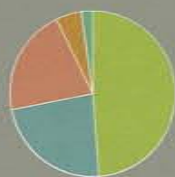
momentum of the Group. In addition, our strategy involves selective geographic expansion. Resources prospects in South America are cautiously being reviewed in response to the global focus of mining companies. We remain committed to Asia and should be in a good position to capitalise on opportunities as stability returns to the region.

Work in Hand  
by Geographic Area 1998 \$million



83% Australia	3951
17% Asia	816
<b>Total</b>	<b>4767</b>

Work in Hand  
by Market Segment 1998 \$million



	94	95	96	97	98
23% Civil Engineering	547	798	617	1337	1091
49% Contract Mining	482	873	1470	1934	2320
21% Building	253	951	957	627	1015
- Telecommunications	-	-	-	-	24
2% Process Engineering	64	77	39	95	91
5% Environmental Services	140	155	202	226	226
- Property Development	-	96	61	16	-
<b>Total</b>	<b>1486</b>	<b>2950</b>	<b>3346</b>	<b>4235</b>	<b>4767</b>

compete in new and existing markets. We expect mining and engineering construction to be the primary sources of work and building should be strong, based on the level of work in hand. Telecommunications and environmental services should also perform well.

We continue to play a role in the development of large scale infrastructure. In August 1998, the Speedrail Group, a joint venture between Leighton Contractors and ALSTOM, was selected as the preferred proponent for the Sydney-Canberra very high speed

train. This \$3.5 billion project will allow passengers to travel from Sydney to Canberra in 81 minutes significantly cheaper than the cost of air travel. It will create 15,000 jobs during construction and 2,500 permanent positions when completed in 2003.

The good level of committed work will ensure reasonable returns from our businesses in Asia. Although stability in the region may be a few years away, opportunities will continue to emerge, particularly in Hong Kong.

We also have been exploring business opportunities in South America to service existing clients in the contract mining market.

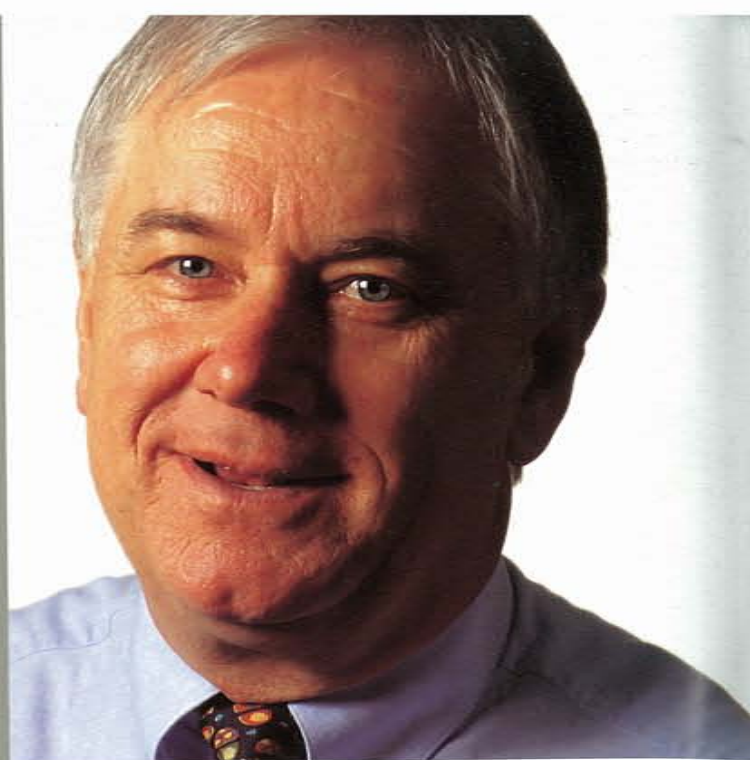
This will take some time to establish as we overcome significant language and time zone differences.

The outlook for Leighton is very positive. We expect to improve revenue and profit next year.

  
Wal King AM  
Chief Executive Officer



Dieter Adamsas  
Director, Finance and  
Administration



## Financial Management

Sound financial and risk management practices helped us withstand the impact of the Asian financial crisis.

The financial depth and capacity of the Group were further improved by a strong operational performance during the year. Our balance sheet was enhanced, liquidity remained sound, and prudent financial controls helped mitigate the impact of financial instability in the Asian region.

Shareholders' funds attributable to members increased by 9.4% to a record \$574 million and the average return on these funds during the year was 18.3%, placing the company's performance in the upper quartile of Australia's leading listed industrial companies\*. Our net cash position was steady at \$249 million and our undrawn facilities were \$176 million.

The ordinary dividend of 26 cents was higher than for the previous year. The ordinary dividend payout ratio remained high at 66%. No special dividend was paid this year. Plant sales of \$103 million were well above those for 1996/97 and depreciation was recorded at \$124 million. Our plant fleet is currently valued at \$565 million.

### Finance

The Group's balance sheet strength will facilitate the pursuit of appropriate growth opportunities. This includes the provision of seed capital for development projects, and the guarantees needed to undertake large scale turnkey contracts.

Leighton improved its credit rating to BBB+ which further reflects the financial strength of the Group.

The company has fostered strategic links with Australian and international financial institutions which complement our financial capabilities.

### Asia Impact

Foreign exchange volatility has had some impact on our accounts. Currency values have changed dramatically during the year, particularly in South East Asian countries. However, a significant proportion of our exposure was in Hong Kong dollars, pegged to the US dollar, or in US dollars.

Currency movements affected the value of our offshore assets. In Thailand, Malaysia and the Philippines, our investments were devalued significantly. Conversely, the value of our investments in US dollars and HK dollars improved.



Return on Shareholders' Funds Before Abnormals at Year End %

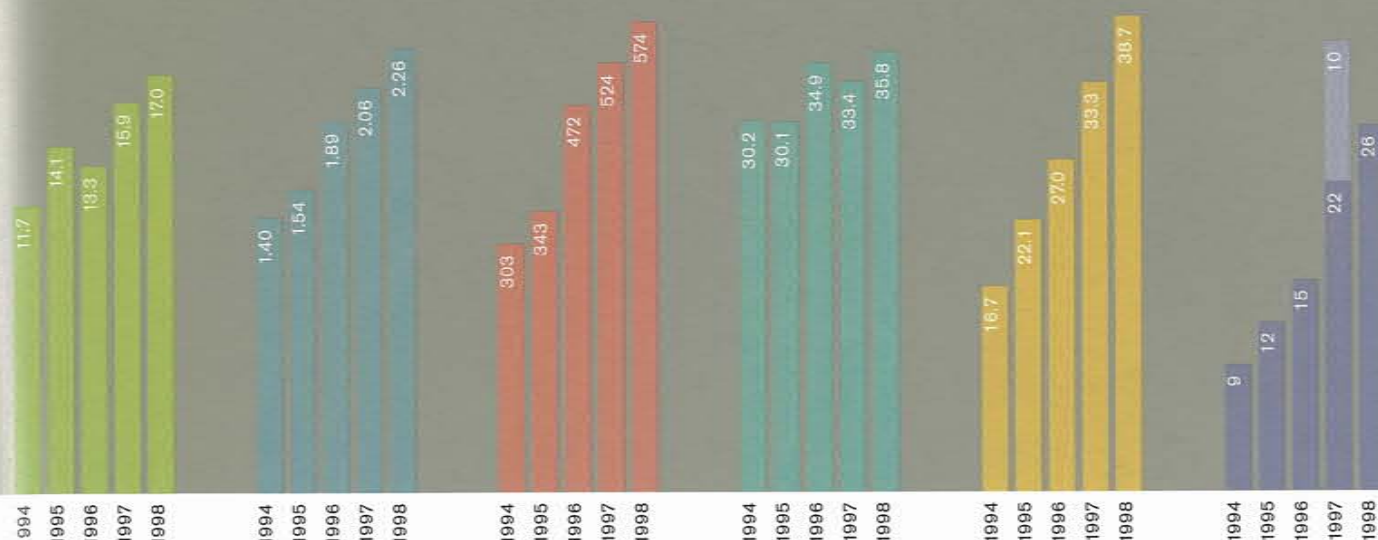
Net Tangible Assets per Ordinary Share \$

Shareholders' Equity Attributable to Members \$million

Total Shareholders' Equity to Total Assets %

Earnings per Ordinary Share Before Abnormals €

Dividends per Ordinary Share €  
Special Dividend  
Ordinary Dividend



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The net effect of the currency volatility on the profit and loss account at year end was write downs due to bad debts and project related currency losses of \$10 million offset by a similar benefit from profits in US and HK dollars. Also, the board decided to transfer \$4.2 million of the loss in the foreign exchange translation account to the profit and loss account.

#### Risk Management

Our risk management practices are rigorous. Projects are subject to controls throughout the tendering and construction process. Potential projects must first pass a qualification test to ensure that risk and return benchmarks are met. Pricing and engineering are also subjected to a number of management and technical reviews.

Once a project is underway reporting systems and procedures are implemented to carefully monitor performance. Our financial management processes are well established and supported by the latest information systems.

Additional project reviews or audits are carried out by our Technical Resources division.

#### Communication

Communication of our business objectives to clients, business partners and investors is a priority. We have established and maintain relationships with shareholders, fund managers, stockbrokers, the banking community and the media both in Australia and internationally. During the year we had regular contact with these audiences and made major announcements through the Australian Stock Exchange.

Our support systems are an integral part of effective communication. We are committed to applying appropriate technology and during the year we implemented a new treasury system and a new contact database. We also established an internet site which can be found at [www.leighton.com.au](http://www.leighton.com.au).

#### Outlook

Our financial strength has enhanced both our short-term and longer-term outlook. In the short-term, we have the capacity to withstand the effects of economic

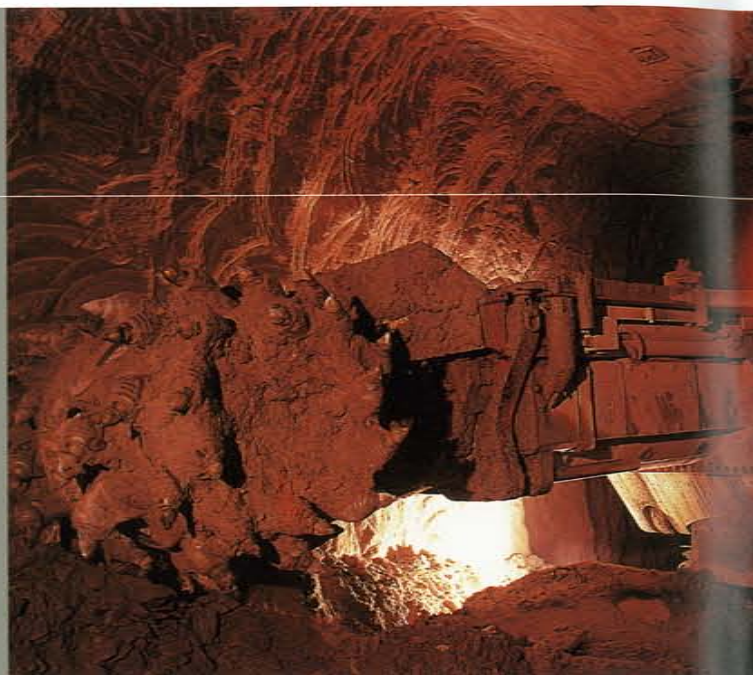
instability in Asia. We have the strength to provide the warranties and guarantees increasingly sought by clients and the ability to secure necessary funding for projects.

In the long-term, we are working to maximise the return from all assets, to grow the company and enhance shareholder wealth.

Dieter Adamsas  
Director, Finance and Administration



## Corporate Governance



As the crucial link between shareholders and the managers who operate the business, a company's board must assume primary responsibility for corporate governance.

### Aims of Corporate Governance

Corporate governance aims to achieve high standards of corporate behaviour and enhance a company's performance by adopting policies and practices that ensure the company's business and affairs are managed and conducted in the best interests of shareholders, consistent with obligations to all parties with which it interacts.

### Leighton Board's Commitment

The Leighton Board is committed to achieving good corporate governance within the Group, a view which was confirmed by The St James Ethics Centre (SJEC) following their recent independent review of the Group's ethical standards and practices. While full detail of Leighton's corporate governance policy is set out on pages 49 – 50 some of the specific activities of the Board during the year are set out below.

### Board Activities

There were nine scheduled and two unscheduled Board meetings held during the year. The unscheduled meetings were convened at short notice to enable the Directors to consider and progress urgent issues concerning the company's ongoing operations,

such as the approvals necessary on the Eastern Distributor contracts prior to the commencement of work.

The Board attended symposiums and briefings facilitated by Professor Fred Hilmer of Port Jackson Partners to review the Group's strategic growth opportunities. The Board also participated in the review of the Group's ethical standards and practices undertaken by the SJEC.

Directors were actively involved in a programme of site visits to enhance their understanding of key operational issues and encourage interaction with management and employees. Directors visited the Star City casino site whilst it was in its final stage of construction, a number of major mining projects in Queensland, four major projects in Hong Kong and various project sites in Vietnam. More recently the Board inspected construction progress on the Eastern Distributor tollroad.

### Appointment of Non-Executive Directors

The Board's range of complementary skills and experience was maintained with the appointments of David Mortimer and Ian Johnson during the year.

David holds a Bachelor of Economics degree and, as former Managing Director and CEO of TNT, he brings to the Board extensive financial and commercial experience gained in over 20 years of involvement at senior management level in the Australian and international transport sectors.

He is the current Chairman of the National Transport Council, a member of the Supermarket to Asia Council, and in November 1996 was appointed by the Federal Government to head a Review of Business Programmes.

Ian is a geologist and has extensive experience in senior management roles in the mining industry, both in Australia and internationally. After a career spanning more than 20 years in various senior executive positions within CRA Limited, he was appointed a Group Executive of that company in 1993 with responsibility for Human Resources, Internal Audit, CRA Japan, Gold Development and Kembla Coal and Coke Pty Limited, a position which he held until 1996. He is the recent past CEO of Newcrest Mining Limited.





The Board inspected construction progress on the Eastern Distributor tollroad and toured recently completed projects at Hong Kong's new Chek Lap Kok Airport.

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The appointment by the Board of Ian and David as non-executive Directors was confirmed when they were subsequently elected by shareholders at the Leighton Annual General Meeting held in November 1997.

#### Share Purchase Plan

In late 1997 the Board introduced a Share Purchase Plan which provides shareholders with the opportunity to purchase between \$500 and \$3,000 worth of Leighton shares irrespective of the size of their shareholding once in each calendar year at a discount of 2.5% to market price.

Shares acquired under the plan are free of brokerage and stamp duty costs.

#### Environment, Health and Safety

Quarterly reports on environmental management and occupational health and safety were submitted to the Board during 1997/98.

The environmental reports contain the details of any reportable incidents, the corrective action taken, and provide statistics relative to environmental compliance and audit activities on projects.

Occupational health and safety performance reports comprise detailed statistics, graphs and

management analysis of work-related incidents which are based on standardised reporting criteria.

#### Australian Stock Exchange

The company reported to the Australian Stock Exchange (ASX) on 24 separate occasions during 1997/98, in line with the reporting and continuous disclosure requirements of ASX listing rules. Items such as changes in Board membership, the award of major contracts, periodical reporting and other significant issues were announced to ensure that the market was kept properly informed of the company and its ongoing operations.

#### Audit Review and Year 2000 Compliance

The audit committee reviews issues related to Year 2000 compliance. In June 1998, the ASX was notified that Leighton has been aware of the likely issues in relation to the Year 2000 computer problem for some time. Since 1986 Leighton adopted a practice that software written in-house must comply with Year 2000 requirements. With a high percentage of the Group's commercial and technical

applications software systems written in-house, the great majority of these systems are currently Year 2000 compliant.

A formal compliance programme, undertaken to measure and reduce the Group's overall exposure to Year 2000 problems, commenced in mid-1997. The compliance programme includes a requirement to submit quarterly progress reports to the company's audit committee which in turn provides updates to the Board. The Group intends to complete its compliance programme by June 1999.

#### Annual Review by the Board

The Board adopted a process of self evaluation as a means of measuring its performance. The process allows a confidential evaluation to be conducted by each Director on a number of issues relating to the Board's performance over the period. The results of the evaluation were recently reviewed by the Board and will form part of a continuing programme of development for the Directors.

#### St James Ethics Centre

An independent review of the Group's ethical standards, conducted by the SJEC during the year, analysed the Group's

operations from Board level down to relationships with employees and subcontractors. Their key findings are highlighted on pages 19 and 20.

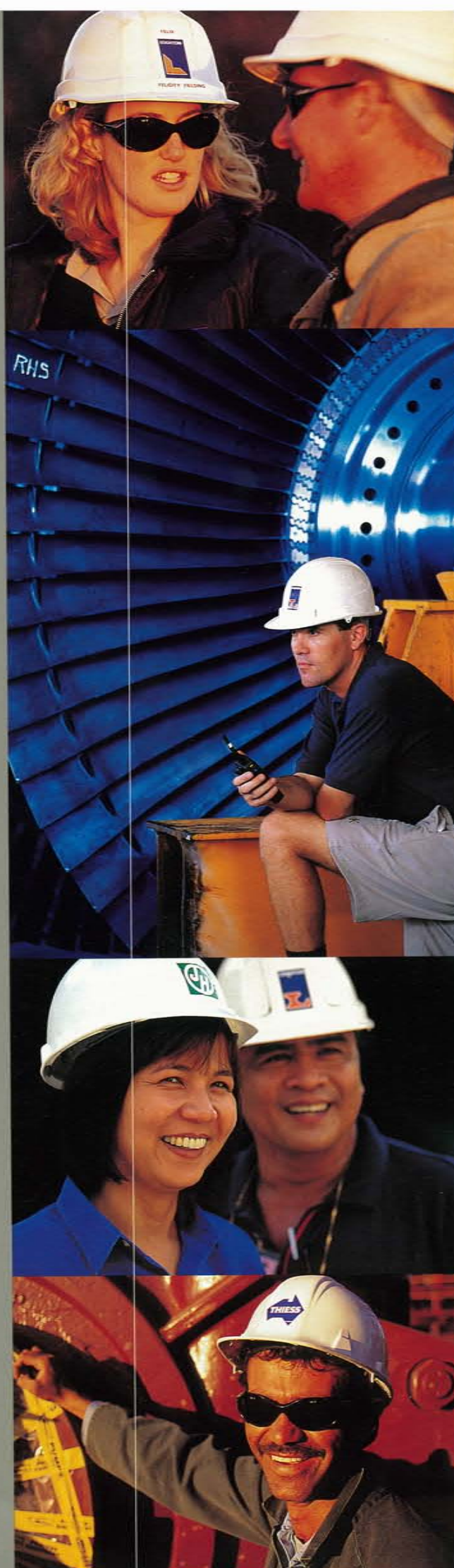
On the matter of corporate governance, the SJEC said: *"We found the Board's corporate governance practices and procedures to be ethically sound. Honesty, legal compliance and avoidance of conflicts are all values espoused by the Board and adhered to, in practice, at Board level."*

The SJEC review found the Board to be well-informed, capable of building working relationships with management, willing to access independent professional advice, quick to disclose potential conflicts of interest (and abstain from discussion and voting on these issues), and willing to participate in working committees.

The study concluded that Leighton Holdings' corporate governance conformed to most best practice models.



## People, the workplace and community



### People of Value

Leighton's greatest asset is its loyal, dedicated and professional employees whose knowledge and achievements drive the Group forward.

Many employees have been with the Group for 15 or more years reflecting our depth of market understanding and experience. The Group makes every effort to retain and develop talented people, recognising and rewarding performance and preferring to promote from within. High levels of employee autonomy and responsibility, products of a decentralised structure, generate high levels of job satisfaction. With the help of The St James Ethics Centre (SJEC), the Group has identified some inconsistency in its people management practices and is working towards best practice.

*"The overwhelming majority of employees enjoy working within the Group companies [and regard their employer as] the employer of choice". SJEC.*

### High Ethical Standards

The Group's ethical standards and practices are communicated and implemented at all levels, particularly with regard to dealing with external parties such as business partners, suppliers and subcontractors.

Whilst working with the SJEC, it became clear that *"in common with every other organisation that the Centre has encountered, the Leighton Group has not achieved total congruence between what it espouses and what it does"*. The Group recognises this and will establish a series of Ethics Committees that are to report to the Board of each company within the Group. These committees will make recommendations on the nature and method of 'ethical dimension' reporting for incorporation into the Group's management systems, a matter of best practice.

*"The [ethical] health of the Leighton Group is quite sound... [The evidence] clearly indicated that the*



*Boards, senior management and employees of the Leighton Group are firmly committed to the maintenance and application of strong ethical standards and practices... something more than just applying a set of rules". SJEC.*

#### **Human Resources**

Traditionally, human resources has been the responsibility of line management. The Group has commissioned Chandler and McLeod to undertake a strategic review of its human resources policies and programmes. The review will focus on issues such as centralised administration, succession planning, development of leadership qualities in individuals, and facilitation of internal promotion.

The Group commissioned SJEC to provide training sessions for executives on the subject of Equal Employment Opportunity (EEO) and diversity within the workplace. The Group's Ethics Committees have also been asked to review formal grievance procedures.

*"The Group's operating companies have not been uniformly effective in responding to the challenges posed by EEO principles." SJEC.*

#### **Occupational Health and Safety**

Leighton is committed to providing a safe workplace for employees. The challenge is to create a safety conscious culture where it is second nature for employees to be aware of safety practices and be responsible for their implementation, as at Thiess' Burton and South Walker Creek coal projects in Queensland.

During the year, Leighton Contractors introduced an advanced safety database to register and analyse the cause and frequency of lost time and other less serious incidents. Initially created for the Sydney Casino project, it has since been extended throughout the company.

Occupational health and safety is an integral part of the Group's management systems. The Leighton Holdings Board closely monitors the Group's performance, reviewing progress reports

quarterly. The reports provide statistical analysis as well as updates on activities such as the 'return to work' programme for injured employees.

*"Safety is a high-profile concern and appears to be treated as more than simply a compliance issue." SJEC.*

#### **Education and Training**

The Leighton Group places a priority on training. From competency and compliance workshops through to skills development and postgraduate study, the Group aims to maximise the potential of its employees.

During the year Thiess Contractors conducted a training summit for over 200 people from all aspects of its operations, reviewing current needs and planning for future development. Leighton Contractors has instituted quarterly meetings of safety co-ordinators in order to identify issues and to provide a forum for the cross-fertilisation of ideas. In June 1998, Leighton Asia held a workshop in Hong Kong for 79 people on total project controls to introduce staff to realistic scenarios which they may encounter in the course of their work.

The Group is currently addressing the need for more people-management skills training.

*"Low investment in non-technical training [in some aspects of the Group's operations] suggests low priority given to development of people-related and management skills." SJEC.*

#### **Industrial Relations**

Each of the Group's operating companies has responsibility for its own employee relations. Industrial relations is managed at branch level, allowing issues to be identified and resolved quickly.

In 1997/98, the level of industrial disputation in the construction industry remained low. A workable negotiating framework and a balanced and sensible industrial relations climate continued to deliver stability.

*"Local agreements reinforce local accountability." SJEC.*

#### **The Environment**

Environmental management is an increasingly important issue to clients, the community, governments and regulatory authorities.

The Leighton Holdings Board has adopted an environmental policy which applies across all Group companies. Environmental management is now firmly integrated with management and reporting systems.

In addition to adopting International Standard ISO14001:1996, Leighton Contractors and Thiess Contractors are both signatories to the Australian Minerals Industry's Code for Environmental Management.

*"The Leighton Group has confirmed its commitment to the ethical principle of sustainable development. It is adopting best practice, in its own operations, by including environmental assessment as a standard part of its Project Audit process for all operating companies. The result of this assessment will be included in quarterly reports to the Board of Leighton Holdings." SJEC.*

#### **Community Relations**

In recent years, the community has taken a more active role in the development process, particularly on large scale infrastructure projects. Group companies recognise that wherever they work, they are guests of the local community. They understand that community relations offers significant benefits to all parties through improved communication, consultation and education.

Leighton Contractors' extensive community relations programme for the Eastern Distributor pays close attention to the impact on local residents and the environment. Residents living within 500 metres of the construction works were invited to project briefings and a phone hotline has been established. Community Liaison Group meetings are held monthly and a website is online at [www.ed2000leighton.com.au](http://www.ed2000leighton.com.au).

For the Pacific Highway deviation from Bulahdelah to Coolongoolook on the NSW mid-north coast, Thiess Contractors has implemented a different approach to community relations more compatible with its rural surrounds. The programme features bi-monthly meetings of a Community Involvement Group, active co-operation with local Aboriginal land councils to salvage artefacts on sites prior to construction, information displays and a series of presentations.

*"Leighton Contractors and Thiess Contractors have carried out community consultation plans, on a client-driven basis, for a few high profile, potentially controversial projects. They have done so to excellent effect - with the result that they have defused tensions and resolved complaints. A higher priority placed on this area would be in keeping with evolving community standards in this area." SJEC.*

#### **Sponsorship and Donations**

Each Group company maintains its own sponsorship programme, often contributing funds in the region or local community where they are working.

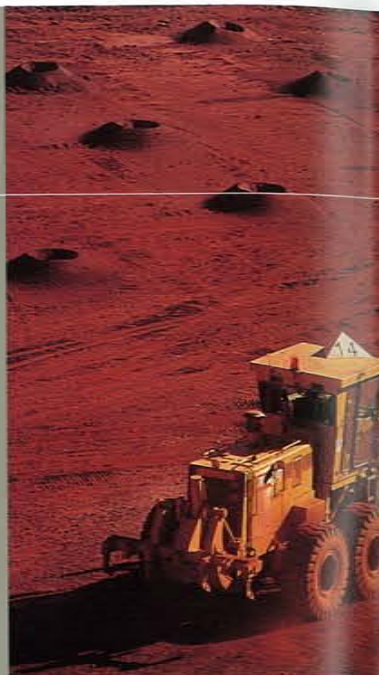
Leighton Holdings is focused on developing long-term partnerships with appropriate organisations in the broader community, such as the National Trust of Australia (NSW). Leighton is proud to be a major sponsor of this organisation which plays an important role in preserving Australia's built, environmental and cultural heritage.

In Australia and Asia, the Group actively donates to medical research, charitable and community organisations, youth and education projects, disadvantaged groups, and initiatives to help protect the environment.

*"Leighton Holdings' policy governing sponsorships and donations establishes the framework for selecting the causes that will attract the company's support." SJEC.*



## Market Strategies and Outlook



Australia will be the primary source of growth in the years ahead. However, we remain committed to Asia and will selectively pursue quality opportunities.

The Leighton Group is Australia's largest contractor with significant project development skills. We have evolved to service the needs of our clients in very competitive markets where we aim to offer the best value. Today, around 50% of our total business is generated from building and civil engineering construction, of which infrastructure development is a significant contributor. Non-construction activities, such as contract mining, telecommunications and environmental services make up the other 50%.

### Australia

Leighton Contractors and Thiess Contractors are the Group's two main operating arms in Australia. Both compete in the construction and mining sectors throughout the country. Visionstream, a subsidiary of Leighton Contractors, supplies design, construction and maintenance services to the telecommunications industry. Thiess Environmental Services undertakes waste collection and management, maintenance services and site remediation. Leighton Properties undertakes property development and management in the commercial and industrial sectors on the east coast.

### Construction

Non-residential building and engineering construction markets continued to grow in 1997/98, up an estimated 12% to \$24.6 billion. Further growth is expected, although tapering, as we approach the turn of the century.

Fuelled by the Olympics, non-residential building turnover is forecast to grow at around the same pace as the Australian economy in 1998/99. This should continue until at least the year 2000.

Office construction should provide some opportunities over the next two years, although the longer-term outlook is trending down. Slow, steady growth is forecast for the factory and warehousing sector. Significant private and public expenditure commitments will underpin work in the health sector. The need for new airport, tertiary education, sport and leisure facilities will also produce some new projects.

Engineering construction is expected to grow slightly faster than non-residential building at 6-7% given the number of projects on the drawing board, especially transport and resources-related infrastructure.

Railway construction will provide projects, driven by private sector involvement in new passenger and freight lines. Roadworks should decline slightly in response to reductions in public sector spending and the completion of major projects in Sydney and Melbourne. The development of new gas pipelines should also produce good opportunities.

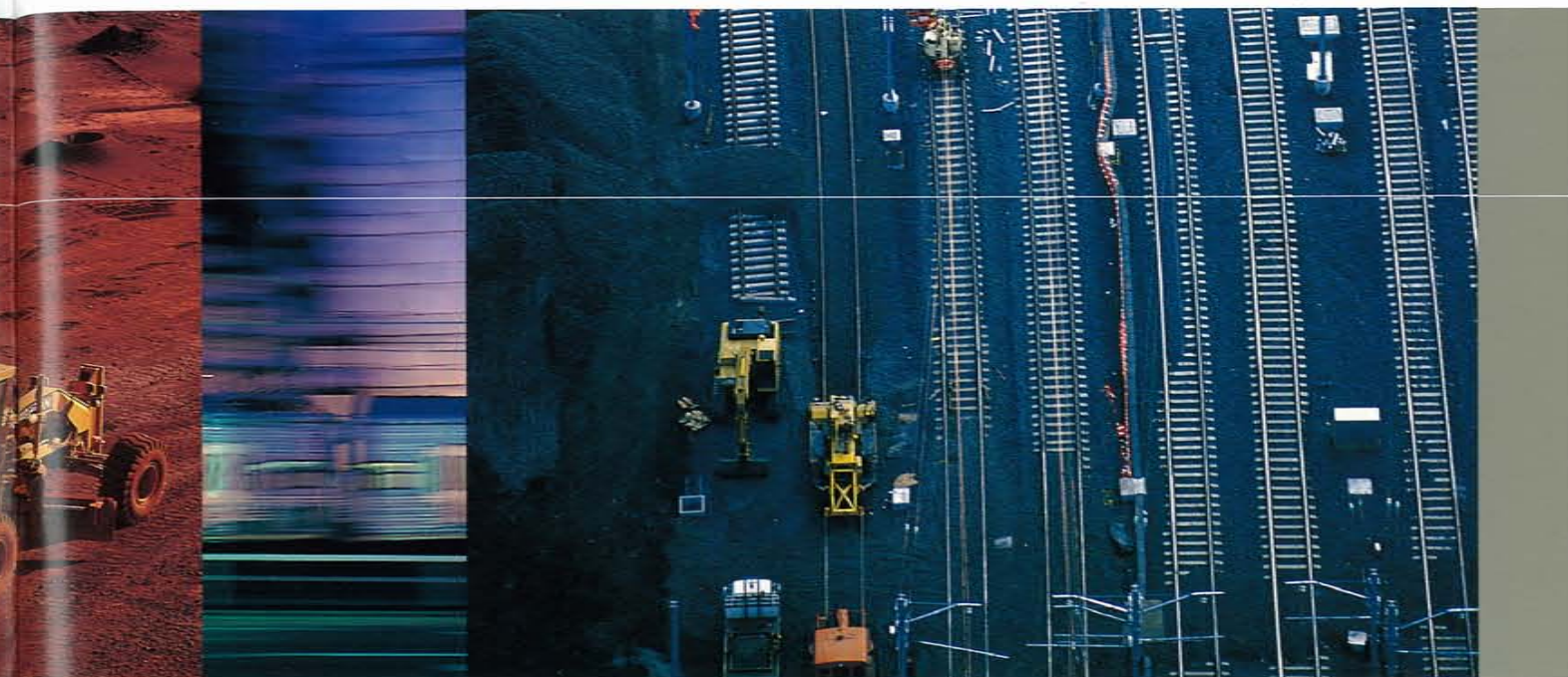
Prospects for resources-related infrastructure, including process plants, look good with construction forecast to increase from around \$1.25 billion per annum to \$2 billion over the next few years.

### Contract Mining

Contract miners now account for around \$3 billion of mining work annually. Although investment levels have fallen largely due to pressure on commodity prices and reduced demand from Asia, there remains \$16 billion of mining and resources projects under construction and around \$60 billion under consideration.

Coal is Australia's largest mineral export. Although prices are likely to fall as a result of lower demand





from Asia, this may provide further opportunities for contract miners offering greater productivity. Iron ore markets have experienced some slowing, but switching exports to Europe and North America has offset weaker Asian demand. Contract mining recorded good growth in iron ore during the year. The outlook for gold and other metals remains mixed. Gold exploration fell significantly for the first time in eight years.

#### Property

The commercial property market should continue to provide reasonable opportunities. Whilst development activity in Sydney is strong, new properties coming on stream will soften demand. However, scope remains for selected developments. Signs of increased activity in Melbourne and Brisbane may lead to opportunities in the longer-term.

#### Telecommunications

The telecommunications industry now accounts for around 2.4% of GDP and is rapidly increasing. Deregulation has been the major market driver and communications activity is forecast to increase by up to five times by 2007. Design, construction and maintenance opportunities will emerge in mobile telephone services, ISDN landline

access, data services, cable television delivery and the refurbishment of existing services.

#### Environmental Services

Environmental services is another market experiencing good growth across a number of sectors. Domestic and commercial waste collection, whilst competitive, is producing good opportunities in Queensland and New South Wales. Landfill design, construction and operation is a growing sector with good prospects in those States. Prospects for construction work in water and wastewater are more limited, but outsourcing of maintenance services remains an option for many government agencies. Site remediation for defunct mines and contaminated inner city residential sites provides a steady stream of activity.

#### Asia

The Leighton Group has been operating in Asia for more than 25 years and remains firmly committed to the region. Leighton Asia is headquartered in Hong Kong with offices in Thailand, Philippines, Malaysia and Vietnam. The company's strengths are civil engineering and infrastructure, building, contract mining, marine and foundation engineering.

Thiess has worked in Indonesia for over 10 years primarily in contract mining, process engineering and mine infrastructure, civil engineering and some building.

The effects of the Asian financial crisis have varied from country to country, but selected opportunities remain in the short-term and the longer-term outlook is positive.

#### Hong Kong

Thanks to significant foreign exchange reserves, no public debt burden, a healthy banking system, a budget surplus and generally low inflation, Hong Kong has managed to avoid many of the difficulties currently facing its Asian neighbours. Despite declining GDP growth and depressed domestic demand, the Government's commitment to infrastructure and public housing spending will generate significant construction work and stimulate the local economy.

In 1998, the Hong Kong Government approved a \$50 billion infrastructure package to fund a number of projects over the next five years. The biggest of these is the \$25 billion upgrade and expansion of the Mass Transit Railway and the new West Rail project. Upgrades to the road network will receive around \$15 billion. Public housing is

another major recipient of funding. The Government has commenced a programme that will deliver an increased number of residential units over the next 10 years. Other opportunities include the redevelopment of the old Kai Tak airport, health, education, water and waste services.

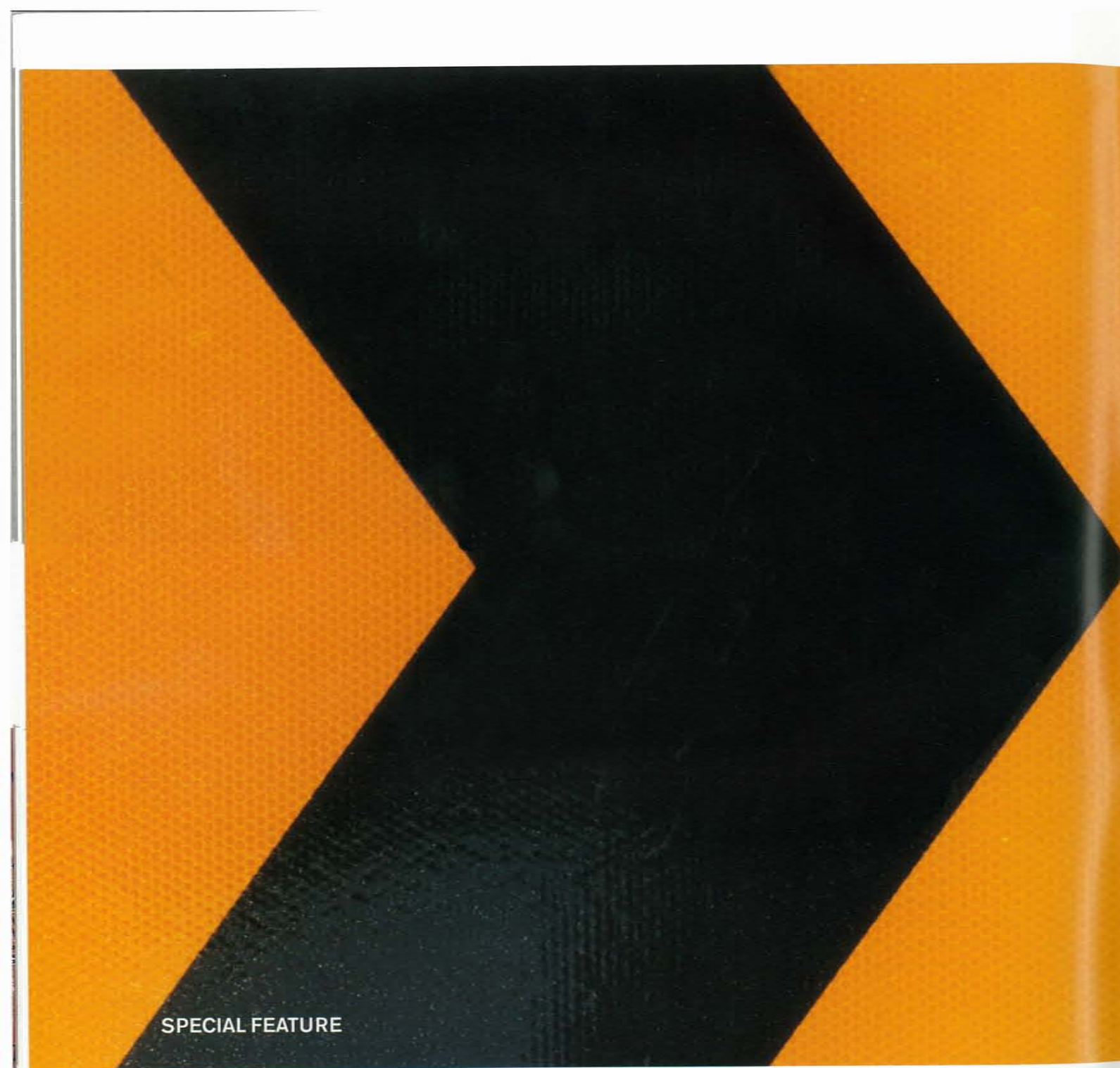
#### Indonesia

1998 has been a year of considerable upheaval in Indonesia. Economic, political and social change has resulted in negative GDP growth forecasts and high inflation. However, sectors such as mining, oil and gas remain relatively stable as business is transacted in US dollars and is a major source of hard currency. Opportunities in the short-term are limited, but long-term should offer good prospects in mining and resources-related infrastructure projects.

#### Other Countries

Whilst not escaping the region's financial problems, the Philippines offers good prospects in contract mining, civil engineering and resources-related infrastructure. Markets in Thailand, Malaysia and Vietnam are expected to remain tough in the short to medium-term. Prospects in these countries will be reviewed on a project basis.





SPECIAL FEATURE





# **FOCUSING** ON THE ROAD AHEAD

ASIA'S ECONOMIC MELTDOWN AND PREDICTIONS OF A SLOWDOWN IN THE CONSTRUCTION SECTOR FROM MID-1999 PROMISE TO TEST THE STRENGTH OF AUSTRALIA'S \$25 BILLION CONSTRUCTION SECTOR OVER THE NEXT FEW YEARS. HOWEVER, FEW CONTRACTORS ARE BETTER PLACED FOR MEETING THAT CHALLENGE THAN THE COUNTRY'S LARGEST OPERATOR, LEIGHTON HOLDINGS LIMITED. ►



Having evolved into a company with footholds in several sectors and regions, Leighton is poised with a growth strategy designed to weather tough conditions both in construction and in Asia, where it has a presence under both the Leighton and Thiess banners.

"There will be less opportunities around but we can bridge that," according to Leighton Holdings' Chief Executive, Wal King.

"We have several projects, much bigger projects with different time frames, and we've got earnings streams coming out of telecommunications and the environmental area that are continuing to grow for us."

In 1998, the Leighton Group is much more than a construction contractor. Construction now accounts for just 50% of the Group's \$3 billion revenue base while mining contracts, telecommunications, environmental services and process engineering generate the rest.

Although relatively fledgling businesses for the Group, telecommunications and environmental services between them now make up 13% of Leighton's revenues and are predicted to grow sharply over the next few years as governments and the incumbent communications carriers move to outsource.

The shift into other areas, however, has not slowed Leighton's pace of growth within the construction area.

Research conducted by Port Jackson Partners for the company late last year revealed that over the five years to June 1997, Leighton grew 8% in real terms, compared with total industry growth of 1.8% for the same period.

Port Jackson Partners' director Professor Fred Hilmer pointed out that while the construction industry remained fragmented in terms of market share, the trend in the construction sector over recent years was for consolidation over fewer large firms and larger projects.

"Increasingly, the game in construction is bigger projects," Hilmer said. "You are not just a contractor but providing some of the equity and other services."

"Leighton, as a group, was well positioned to keep growing faster than the industry," he said.

In its research, Port Jackson Partners identified several areas where Leighton had secured "respectable but not leading market shares" and concluded that the Group had plenty of opportunities within their traditional businesses, despite the threat of an economic slowdown.

In a \$25 billion a year market, Leighton is snaring about \$1.8 billion, or 7%, of the work, and has yet to tap some of the opportunities outside its traditional markets of New South Wales, Queensland and Western Australia.

"That is a platform for growth – the markets where they work haven't run out of steam and increasingly they are involved in projects that are not affected by cyclical downturns," Hilmer said.

"There are plenty of opportunities in their own industry, particularly in the case where the scope of work is expanding because of large jobs where they can equity participate and project manage and do the construction."

Port Jackson Partners' research concluded that Leighton should take a three-pronged approach to growth: to continue to build the core business, edge out selectively and continue the geographic transfer – building off the back of current relationships in Asia and South America where Leighton has yet to gain a foothold but where one-third of the world's mining exploration dollars are now spent.

"They've started to do it in Visionstream (Leighton's telecommunications division) and some work like Melbourne Water but it's just the tip of the iceberg," Hilmer said. The Group has already taken that approach in the coal sector where, through Thiess, it is the dominant contractor.

Project development is a new concept to the coal mining sector but Thiess has already made progress – striking performance linked

agreements with the owners of the Mt Owen mine in New South Wales and the Burton Coal project in Queensland.

"I believe they can make further inroads but the inroads have got to be based on the concept that they can deliver greater levels of productivity outputs," King said.

The downturn in the coal industry, driven by the impact of the Asian crisis on key markets such as Japan and Korea, is presenting some further opportunities for Leighton to package its skills to owner-operated mines.

Increasingly, Leighton is focusing its attention on major projects where it can apply the skills and knowledge developed by the Group over many years.

Projects such as the Eastern Distributor and M5 Motorway in Sydney, the \$3.5 billion very high speed train project between Canberra and Sydney, Star City casino, the South East Queensland Waste Management Contract, Mount Owen coal mine in New South Wales and Burton coal mine in Queensland all draw upon a diverse range of skills within the Leighton Group including financial, environmental and design capabilities.

John North, the building and construction industry analyst at Melbourne-based broking house JB Were & Son, noted, "Over the last five years or so, Leighton has been a lot more proactive in seeking out major projects where they can bring their technical expertise and balance sheet strength."

He points in particular to the M5 Motorway, Eastern Distributor, Star City casino and Canberra-Sydney rail projects as ones Leighton sought out, was involved in the detailed planning of and had taken an equity position.

"What is impressive is that they appear to be quite selective in the major projects they take on in Australia and South East Asia," North said.

"What is important is a happy client and a company that's achieved an adequate return on the time, expertise and money they've had tied up in the project."

Indeed, Leighton hopes to build on its existing client relationships to create a presence in South America over the next 12 months.

"We'd see the big international players as being the way to enter that market," King confirmed. "We continue to build relationships with these major mining houses as a deliberate strategy – to enable them to achieve their objectives and we'd like to think of ourselves as being an extension of them in being able to enhance their business."

Mr King describes Leighton's growth strategy as one based on a combination of intellectual knowledge and balance sheet strength.

"We need all the skills to be effective constructors, or effective miners but you need a higher level of front-end brain power to be able to convert the opportunities into something which gives you an acceptable return," King explains.

"If you're working on price alone, there is very little opportunity for enhancing anything whereas if you have intellectual capacity to apply to a build-own-operate project or enhanced delivery methods or enhanced mining programmes then that gets a better result for all."

He goes on to point out that Leighton's balance sheet was a key strategic asset used to differentiate the Group from its competitors. At the end of fiscal 1998, the company had net cash of \$249 million and another \$176 million in undrawn facilities.

"It enables us to be involved with many projects at any point in time with the confidence that we've got the financial capability to bring these projects to fruition and without being dependant upon outside partners," King said.

"Nonetheless when we do want partners, the strength of our balance sheet allows us to attract good partners whether they be banks or technology providers," he adds.





That financial position is a fairly new phenomenon for Leighton and it is not a position the Group will give up lightly, despite market pressure for a capital return to shareholders.

"It is very trendy to give money back to the shareholders and more highly gear the balance sheet but ... we're very much on a medium to long-term strategy and see no reason to change it," King said.

"One of the great tragedies of the construction industry is that construction companies do not have a proper financial base to support their business," he said.

Leighton however has built stability into its organisation with a company structure that is both geographically and industry diverse.

"We never bet the company on any single project – there is a lot of safety built into the structure," King said. "You need the confidence, and the people in the organisation need the confidence, to be able to pursue these larger projects."

Finance Director Dieter Adamsas agrees, pointing out that Leighton's net cash pile has lent the Group a strong lever against its competitors which include banks among their ranks.

He also noted that Leighton always had an exit strategy where it invests as a project developer, that the project has to provide Leighton with an exit point such as a float or private buyout.

Adamsas recalls five years ago, Leighton still needed to lean on the financial strength of its largest shareholder, Germany's HOCHTIEF, and had gearing levels of 90%.

"The situation years ago was that we were constrained in our ability to, with confidence, go forward and look at projects," Adamsas said.

"We couldn't initiate any advances on these projects because we couldn't fund them and we had to have another outfit there with the funds required."

Were's North adds, "In the same way a fund manager tries to achieve the appropriate timing on an investment, and is frequently in the position of having more cash on hand than they might wish because the investment opportunity is not yet there, Leighton also has to wait for the right time to invest".

North points out that the lead time on engineering and mining projects can run into several years. He said Leighton needs to be able to retain its strong balance sheet for when these major projects get underway.

North said there was no doubt that without its strong balance sheet, Leighton may have missed out on winning a number of their recent major projects.

"There are plenty of examples out there of construction companies with good people and technology without the cash position to back that up," North said.

Hilmer described the cash as having the two-fold effect of working as a magnet for projects and providing Leighton with the wherewithal to respond to opportunities quickly.

"If people are going to contract, they want to know that people have the balance sheet to honour the contract," he explained.

"Secondly, the sorts of business a contractor does is by its nature opportunistic.

"You don't know when Telstra will actually say 'this maintenance work has got to be outsourced'."

Hilmer concluded, "In that business if you've got a growth strategy, the capital is a plus. Leighton has a growth strategy and Leighton has the capital to enhance it."

Telecommunications presents a good example of how Leighton develops opportunities.

Ten years ago a team of executives within Leighton saw the future potential for telecommunications contracting using the skills the Group had evolved in its traditional businesses of building, civil engineering and contract mining.

Leighton's General Manager in charge of engineering, Bob Gussey, recounts that at the time, Leighton's executives, led by Phil Cooper, saw

an opportunity to partner the companies putting together what would eventually become the second carrier, Optus.

That decision netted Leighton, which at the time employed fewer than 200 people in the telecommunications sector, the job of building Optus' \$1.5 billion cable network; a task which gave Leighton an added benefit of preparing its workforce for the digital communications environment now in play.

Today, Leighton employs over 1,000 people under the Visionstream banner, and behind Telstra and Optus it is the dominant operator with about two-thirds of the work available in the telecommunications infrastructure and services sector.

Telecommunications today is generating \$1 billion a year in network construction projects. The industry is poised to enter a new era of maintenance outsourcing and project development for Australia's telecommunications carriers, which now number 23.

In the financial year just ended, telecommunications accounted for 9% of Leighton's revenue, making it the fourth largest division in revenue terms and one of the fastest growing in the Group.

"We believe over time Telstra will outsource more and more of their work and that, of course, provides a great opportunity for us," King said.

Perhaps more importantly, however, the Visionstream acquisition expanded the skills base at Leighton.

Visionstream, Cooper explained, had a very effective, service-oriented enterprise bargaining agreement, enabling its staff to work any shift without Leighton being imposed with the penalty payments that ordinarily accompany shift work.

"We saw that people didn't want 'techies' running around the office installing equipment during office hours," Cooper said.

Now that Visionstream has the complete cycle of service capabilities, it is turning its attention to looking at solutions for Australia's growing carrier base.

Gussey pointed out that Leighton's investment in its people has played a major part in the Group's success in picking trends and developing opportunities.

He said various parts of the business, civil engineering, building and telecommunications and what Leighton calls delivery strategies for infrastructure, had been augmented with the lengthy service of its employees and the knowledge base they bring to the business.

"What we've done over the years is overlay that experience with the trends and issues that flow from the market, because the future of major projects is understanding those trends," Gussey said.

"The decision to shift into telecommunications is a prime example," he said.

Hilmer concludes, "The strength of a group like this is not just its balance sheet but its people."

"The reason the growth strategy is possible is because Leighton has a tremendous amount of depth."

Adamsas agrees, "Financial resources is only one part of an overall skill level.

"When we've taken the company to a new earnings plateau, the money will end up being invested in a bigger business," he said. "The company as a matter of evolution will become larger with increased profitability."

In 1998, Leighton achieved a record 18.3% return on average shareholders' funds which, North said, was a 'very good return' for a company with its low level of gearing.

"Returns in the construction industry need to be high because it can be such a risky business, although the way that Leighton approaches it minimises that risk," North said.

"There is no doubt that shareholders have done remarkably well over the past five years."



# Review of Operating Companies

## Contents

### Review of Operating Companies

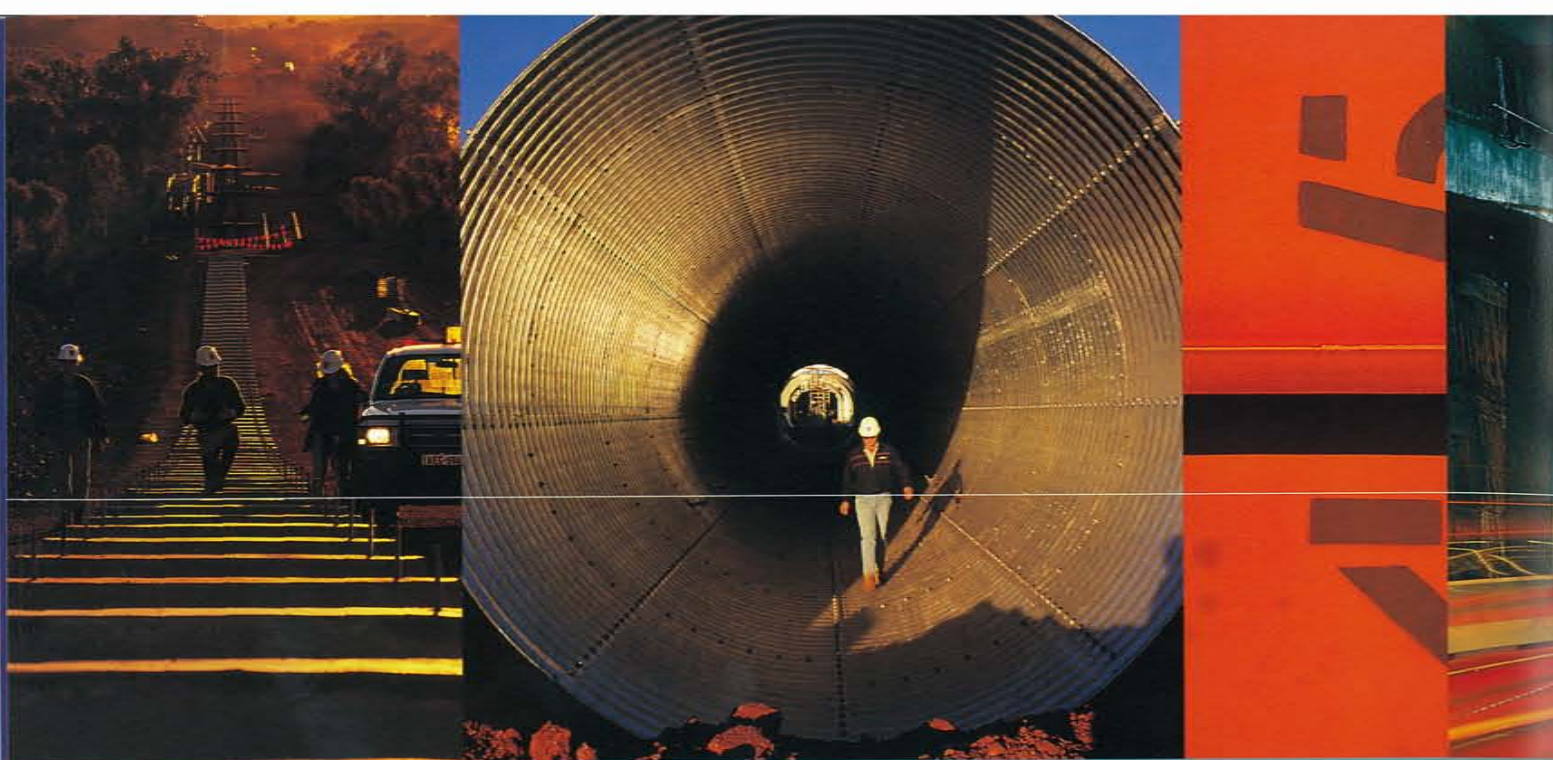
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Yandi Stockpile and Train Loadout Facility, Western Australia

Certainty of delivery is a growing priority for clients and is an integral part of securing large infrastructure projects.

## Leighton Contractors

### Strong Performance

Leighton Contractors made another strong contribution to Group profit and maintained a high level of work in hand at 30 June 1998. Profit was lower than the record levels of the previous year, but higher as a percentage of revenue. The quality of our people and delivery systems were the critical factors behind this pleasing result.

Operating revenue decreased by 17% to \$978 million, largely due to the completion of a number of major projects. Work in hand

remained steady at \$1.2 billion which reflects high levels of repeat business and the strength of Australian markets.

The largest share of revenue came from civil engineering, up 24% to \$359 million, as work continued on the \$551 million Eastern Distributor project. Building decreased by 48% to \$218 million, which included the final stages and completion of the \$700 million Sydney Casino project. Contact mining dropped 18% to \$213 million, a result of a softening gold price. Telecommunications activity contributed \$188 million.

All State branches exceeded performance targets, particularly New South Wales and Victoria.

During the year we refined the management structure at branch level and we created a National Business Development unit to identify, select and develop new opportunities, especially major infrastructure projects. These initiatives are expected to enhance our ability to service clients and increase our competitiveness.

### Building

The successful completion of the Star City casino and entertainment complex was one of the high points of the year. Star City is the third largest integrated building project undertaken in Australia.



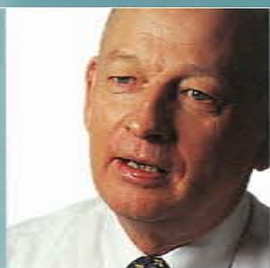


Eastern Distributor Tollroad,  
Sydney, New South Wales



Mining, processing and  
train loading of iron ore at the  
Yarrie-Nimingarra Mine,  
Western Australia

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Keith Bennett

A demanding project, construction volumes and complexity increased as it neared completion and it was not uncommon for daily expenditure to exceed \$1 million.

Leighton's total delivery package ensured the project met time, cost and quality requirements. Our management systems and fast turnaround times provided a level of certainty that allowed Star City to confidently stage a spectacular opening in November 1997, five months ahead of the original schedule.

During the year, construction commenced on the \$182 million Angel Place project, a 35 storey tower for AMP Life in the centre

of Sydney. The contract was awarded following the successful completion of foundation works worth \$9 million. Work also began on the \$63 million redevelopment of Blacktown Hospital for the New South Wales Government and the \$17 million design and construction of the Museum of Tropical Queensland for the Queensland Museum. In Western Australia, the \$38 million Peel Health Campus design, construct and commission contract for the Building Management Authority of Western Australia made good progress. Practical completion was achieved in July 1998.

#### Civil Engineering and Infrastructure

One of the company's attributes is the capacity to deliver major infrastructure on time and on budget. Certainty of delivery is a growing priority for clients, and Leighton's track record is one of reliability and accountability.

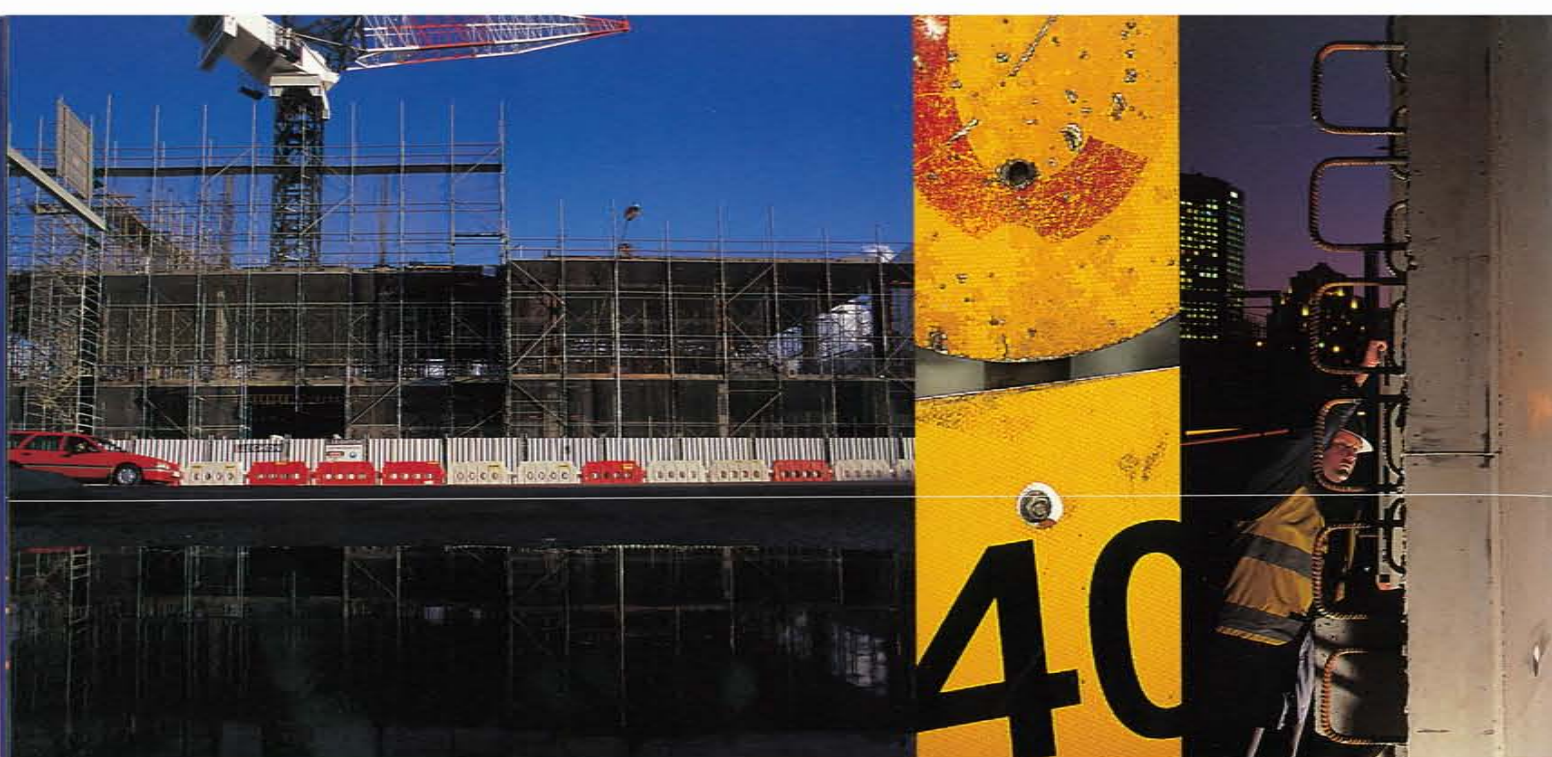
Design and construction work on Sydney's Eastern Distributor tollroad, scheduled for completion in 2000, was a substantial contributor to civil engineering revenue during the year. A complex project adjacent to high-density population and heritage areas, community relations is a priority for the Eastern Distributor project team. The consultation methods first developed on the

M5 Motorway have been modified to address the unique issues of this inner-city community.

The triple platform railway station and rail loop we constructed at Homebush Bay for the Olympic Co-ordination Authority gained widespread public support during the Royal Easter Show in April 1998, its first major test. The station also won the Royal Australian Institute of Architects' Sulman award. The station and loop were part of Olympics contracts worth over \$80 million. ➤







Museum of Tropical Queensland,  
Townsville, Queensland

Night-time construction of  
Federation Square Substructure Walls,  
Jolimont Rail Precinct,  
Melbourne, Victoria

Operating Revenue \$million  
1998 Total \$978m



Work in Hand \$million  
1998 Total \$1157m



	94	95	96	97	98
Civil Engineering	230	258	470	273	359
Building	148	236	301	421	218
Contract Mining	204	231	284	261	213
Telecommunications	-	-	-	227	188

	94	95	96	97	98
Civil Engineering	139	411	156	639	624
Building	109	655	478	182	264
Contract Mining	231	327	309	141	260
Telecommunications	-	-	-	151	9

## Leighton Contractors continued

Queensland's Department of Main Roads has contracted Leighton to construct a \$97 million upgrade of 12 kilometres of the Pacific Motorway between the Gold Coast and Brisbane. This contract represents our largest ever civil project in Queensland and will be the first eight lane motorway in Australia.

In Victoria, we completed a \$17 million contract to design and construct new railway maintenance facilities in Melbourne's eastern suburbs for the State's Public Transport Commission. We were also awarded a \$25 million contract to construct and commission new rail facilities at Jolimont Railyard in Melbourne.

### Telecommunications

We are well advanced in establishing Visionstream as a stand-alone, profitable business. Visionstream, the telecommunications infrastructure company we acquired from Telstra, has completed the rollout of Telstra's Pay TV network. We are developing Visionstream's specialist capabilities with a view to providing construction, and design and construction services to the telecommunications industry.

### Contract Mining

Capital expenditure is expected to be significantly lower in 1998/99. A considerable amount of equipment

was sold offshore during the year, aided by the lower Australian dollar. Our overall investment in plant is expected to be 30% lower than the previous year.

Acquisition of plant for BHP's \$213 million Yarrie-Nimingarra iron ore mine is currently the only major item of capital expenditure for 1998/99. This four-year contract is for civil works and mining of iron ore 150 kilometres east of Port Hedland in Western Australia.

Work commenced at the \$74 million Esperanza copper mine in Queensland for Aberfoyle Resources and continued at the \$53 million Quarters open pit gold mine in Western Australia for Centaur Mining and Exploration.





Olympic Railway Station,  
Homebush Bay, New South Wales

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#### Board

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

#### Senior Executives

R J Merkenhof, BEng  
Managing Director  
I M Luck, BTech(CivEng), MIEAust  
General Manager, Vic. SA & TAS  
R P Turchini, MIEAust  
General Manager, NSW & ACT  
L W Voyer, Assoc CivEng, FIEAust  
General Manager, QLD & NT  
J J Dunkley, FIEAust, CPEng  
Executive Director, WA  
B A Bowman, Manager, Information Systems

D R Boyling, MIEAust, CPEng  
National Plant Manager  
C H Clark, BBus(Accounting), CA, ACIS  
National Manager, Financial Services  
R G Collins BEng(Hons), CEng, MIEAust,  
MICE, AIARBA  
Manager, Contractual Services  
P R Cooper, Btech(Eng)  
Executive Director  
M G Delaney, FIEAust, MAusIMM  
Manager, Central Engineering

R L Hawkins, BArch(Hons), ARAIA, FAICD  
National Manager, Development  
R L Maxam, BJuris, LLB(UWA), LLM(Syd)  
Company Secretary and Legal Counsel  
J D McNab, BE, MIEAust  
Estimating Manager  
R F Morris, BSc(Maths), BE(Civ), MEngSci,  
MIEAust  
Manager, Special Projects  
K J Steen, ASA  
National Administration Manager  
J T Walshe, MSc, DiplndPsych  
Manager, Employee Relations & Environment

#### New Managing Director

Bob Merkenhof was promoted to the position of Managing Director of Leighton Contractors Pty Limited in September 1998 following the retirement of Keith Bennett.

Bob joined Leighton Contractors in 1980 as a project manager. After 16 years in senior management roles in the

New South Wales branch, including overall responsibility for building works in that State, he was appointed General Manager Western Australia in 1996.

Bob has also been appointed to the Group's Executive Committee.



Bob Merkenhof  
Managing Director

#### Management Changes

Terry Cooper retired from Leighton Contractors after 24 years of service, including 12 years as General Manager Commercial and 4 years as a director. We wish to thank him for his long and dedicated service to the company.

#### Future Growth

We intend to maintain profitability and increase revenue in coming years. We expect high activity levels to continue at least until the year 2000. Looking beyond the Sydney Olympics there is a range of growth opportunities in Australia, particularly in civil engineering,

telecommunications, resources-related infrastructure and contract mining. Significant prospects in the oil and gas sector may emerge.

The process of continuous improvement will deliver benefits for clients and shareholders. More focused people and improved systems will ensure Leighton Contractors remains one of Australia's broadest-based contractors with the strength and resources to undertake projects of any size.

Keith Bennett



#### **Outstanding Growth**

Thiess Contractors achieved outstanding growth in both the volume and quality of work undertaken during the year. Our ability to find new ways to add value to projects in an increasingly competitive marketplace underpinned record turnover and profit in 1997/98.

Revenue increased 33% to \$1.5 billion, driven by excellent performances from the Queensland, New South Wales and Indonesia business units, particularly in contract mining. Work in hand stood at \$3.1 billion at year end, the highest level in the company's long history.

#### **Queensland Triples Revenue**

The Queensland business unit, which includes the Northern Territory and Papua New Guinea, almost tripled revenue during the year due to strong performances in the mining sector.

Thiess is the most successful contractor in the coal industry for a number of reasons. We are a full service provider capable of integrating all facets of engineering, procurement, design, construction, operation and maintenance into a total solution package that suits our clients and their projects. We strive to add value and build strong relationships based on performance. We also have a reputation of achieving consistent results, which translates into

dependability and assurance for clients concerned with tough economic conditions and pressure on commodity prices. Together, these factors make Thiess a viable and competitive outsourcing option.

One of the highlights for the year was the \$400 million expansion of the Burton coal mine, announced in December 1997 by Portman Mining. We signed two new contracts which involve the construction of additional infrastructure and the expansion of mining operations. The total value of mining operations, including the expansion, is \$710 million.

We also made good progress at the \$419 million Collinsville coal mine for MIM and Itochu



Infrastructure development and operations,  
Burton Coal Mine, Queensland

Our ability to add value to construction and mining projects has been the driving force behind our success. Our focus now is to consolidate recent growth.

## **Thiess Contractors**



Resources, the \$155 million Oaky Creek joint venture for Oaky Creek Coal, the \$121 million Newlands coal mine for MIM, and the \$55 million South Walker Creek coal mine for BHP.

In the gold sector we continued work on the \$515 million Lihir joint venture in Papua New Guinea for Lihir Gold, the \$64 million Nolans gold mine for Carpentaria Gold, and the \$104 million Ernest Henry copper/gold mine for Ernest Henry Mining.

We were also awarded a number of civil engineering and infrastructure contracts in Queensland, notably two contracts

worth in excess of \$120 million for the upgrade of the Pacific Highway between Brisbane and the Gold Coast.

#### **Building Business in New South Wales**

We secured a good range of projects and doubled revenue from this business unit.

The high profile \$80 million Exhibition Halls for the Royal Agricultural Society were completed and opened to great acclaim at Easter 1998. The huge domed facility will also be an Olympic venue for the Sydney 2000 Games.

New building contracts include the \$122 million Ansett domestic terminal redevelopment at Sydney airport. To be virtually rebuilt, this world class facility is scheduled for completion in 1999. We also commenced work on a \$102 million mail centre for Australia Post at Strathfield.

Work continued on the \$111 million Bulahdelah-Coolongolook Deviation, part of the Pacific Highway upgrade for the Roads and Traffic Authority, and on the \$46 million contract for road infrastructure and landscaping at the Olympic site for the Olympic Co-ordination Authority.

Our main mining operation in New South Wales is the \$578 million Mt Owen coal mine in the Hunter

Valley. The quality of our service at Mt Owen was recognised when the mine was sold by BHP and our life-of-mine agreement was novated to new owner, Glencore.

#### **Diversity in Victoria, South Australia and New Zealand**

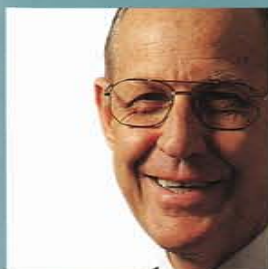
The Victorian business unit performed well above expectations. We are a major participant in the \$1.5 billion Olympic Dam mining project located near Roxby Downs in South Australia, where we are undertaking around \$95 million of infrastructure works for WMC.

Activity levels in the Melbourne building market increased. During the year we were awarded and completed a \$12 million contract for the newly privatised Geelong ▶



Infrastructure and underground development, Olympic Dam Expansion, South Australia

Exhibition Halls at Homebush Bay, Sydney, New South Wales



**Martin Albrecht**  
Managing Director



Hospital. Work commenced on an \$80 million mail centre for Australia Post at Dandenong and the \$24 million corporate headquarters for Siemens neared completion.

In 1997/98, we started operating in New Zealand on a project basis. We have a \$40 million contract with the Electricity Corporation to reconstruct and strengthen the Matahina Dam, located on the North Island.

#### Western Australia

Our focus in Western Australia is on multi-disciplinary mining projects, but we have also been active in the civil engineering and

resources sectors. The gold sector remained tough due to the low gold price. Current gold mining projects include a \$54 million contract for mining works at the Redoubtable/Intrepid open pit mine for WMC.

The \$68 million joint venture for the design and construction of Perth's Northern Bypass is on time and budget. We also secured a \$28 million contract for foundation works which are part of a major expansion of the Worsley Aluminium Refinery.

#### Process and the Environment

Both the Process Engineering and Environmental Services business units performed well in 1997/98.

Mine related infrastructure provided the bulk of the work for process engineering such as the \$49 million expansion of the preparation plant at Burton coal mine. We are now developing capacity to compete in the oil and gas sector.

Thiess Environmental Services achieved excellent operational performance in its waste management and water maintenance contracts. Particularly pleasing was the smooth introduction of the new private landfill facility in Brisbane, owned and operated by Thiess. Work on various soil remediation contracts has reinforced our reputation as the leading contractor in this field.

### Thiess Contractors continued



Pacific Highway deviation,  
Bulahdelah to Coolongolook,  
New South Wales

Operating Revenue \$million  
1998 Total \$1486m



Contract Mining 40%  
Civil/Mech/Eng 32%  
Building 15%  
Environmental 8%  
Telecommunications 5%

Work in Hand \$million  
1998 Total \$3065m



Contract Mining 67%  
Civil/Mech/Eng 14%  
Building 11%  
Environmental 7%  
Telecommunications 1%

	94	95	96	97	98
Contract Mining	147	145	183	433	594
Civil/Mech/Eng	311	333	417	347	475
Building	103	95	144	248	222
Environmental	66	64	67	91	116
Telecommunications	-	-	-	-	79

	94	95	96	97	98
Contract Mining	251	546	1161	1705	2060
Civil/Mech/Eng	204	352	244	472	427
Building	51	74	188	148	336
Environmental	53	153	207	226	226
Telecommunications	-	-	-	-	16



## Business as Usual in Indonesia

In the light of tremendous economic and social change, our performance in Indonesia was outstanding. The long-term growth prospects remain positive, although a tough and challenging environment will prevail in the immediate future. Revenue and profit from our mining and resources focused business remained healthy with contracts denominated in US dollars. It will be difficult to repeat these results in the year ahead as new opportunities diminish, but the market is expected to recover in the medium-term as stability returns to the Indonesian economy. We remain firmly committed to this

market and we are well positioned to strategically invest in long-term opportunities as they become available.

The \$222 million Kideco coal mine at Kalimantan continued to meet production targets and the \$86 million infrastructure project at Sumbawa Island for the Newmont mine made good progress. The \$211 million telecommunications joint venture contract in Central Java is nearing completion after the scope was reduced due to the economic downturn.

## South America Beckons

South America is an important opportunity for growth in the future. Almost a third of the world's mineral exploration budget is being spent in the region, reflecting vast

reserves and potential wealth. Our focus in South America will be to provide quality services to our existing customers in the areas of operation where we have experience and expertise.

## Consolidating Our Future

Clients are increasingly seeking firm commitment to issues such as occupational health and safety, the environment and quality. Thiess offers an enviable safety record and rigorous quality assurance, issues which are fully incorporated into our management systems. We are also moving to full ISO accreditation for environmental management and have recently become a signatory to the Minerals

Council's environmental initiative. We have a strong base from which to handle the challenges of the coming year. Work in hand is at a new high level and we are confident of translating these projects into profit for shareholders.

The immediate future calls for a steady hand. Our focus will be on consolidating the growth of the past few years. As Asia recovers from its economic difficulties, new opportunities will emerge, providing even greater scope for growth of our business in the future.



Martin Albrecht  
Managing Director



Ross Island Defence Training Facility,  
Townsville, Queensland



Open cut mining operation,  
Newlands Coal Mine, Queensland

## Board

R M Wylie OBE Chairman  
M C Albrecht Managing Director  
D S Adamsas, D J Argent, E F Finger AO,  
A C Hardy, W M King AM, Hon R J Kelly,  
G S McDonald OBE  
Associate Directors  
B J Campain, N N Jukes, R S Trundle,  
W J Wild,  
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  
Associate Director, General Manager,  
Thiess Environmental Services  
N N Jukes, BE(Civ)  
Associate Director, General Manager,  
Operations

R S Trundle, BE(Civ), MIEAust, CPEng  
Associate Director, General Manager,  
Old, NT, Pacific  
W J Wild, BE, MEngSc, CPEng,  
MIEAust, MHKIE  
Associate Director  
General Manager, International &  
Process Engineering  
R H Wilson, BE(Hons), MS, PhD,  
MIPENZ, MASCE  
General Manager, Development &  
Technical Services  
D A Clark, BE(Civ)

State Manager, VIC, Tas, SA  
R Franklin, BArts, GDip Ind Rel  
Manager, Human Resources  
B H Kenny, Group Plant Manager  
D K Saxelby, BE(Civ)  
State Manager, NSW & ACT  
D G Stewart, BSc, BE(Civ)  
President Director, Thiess Indonesia  
J F Trio, CPEng, MIEAust  
Manager, WA



#### **Consistent Performer**

Leighton Asia continued to perform at a high level during a year of considerable economic upheaval in the region. Our contribution to Group profit exceeded internal estimates and we successfully maintained revenue and work in hand. Revenue reached \$407 million, down 9% on the \$448 million achieved in 1997. Work in hand was \$545 million, 2% lower than the previous year's \$556 million, and a significant achievement in light of the economic and social difficulties experienced in South East Asia.

The strength of our performance under these tough conditions was the result of key business

strategies which have been applied consistently over the years: diversity of markets and geographic locations to spread risk and increase the likelihood of acceptable returns; a reputation for delivery of quality projects on time and on budget; a business approach that focuses on the business we know best, selecting profitable projects where we can add value; establishing long-term relationships to encourage repeat business; and committed employees who understand our business and the needs of our clients.

Building remained our largest market with 54%, or \$219 million, of Leighton Asia's revenue. Engineering and infrastructure

experienced good growth to reach 42%, or \$171 million. Contract mining came under pressure due to falling commodity prices and fell to \$17 million, or 4% of this year's revenue. Our present workload consists of a good mix of small, medium and large projects, with 76% in building and 24% in engineering and infrastructure.

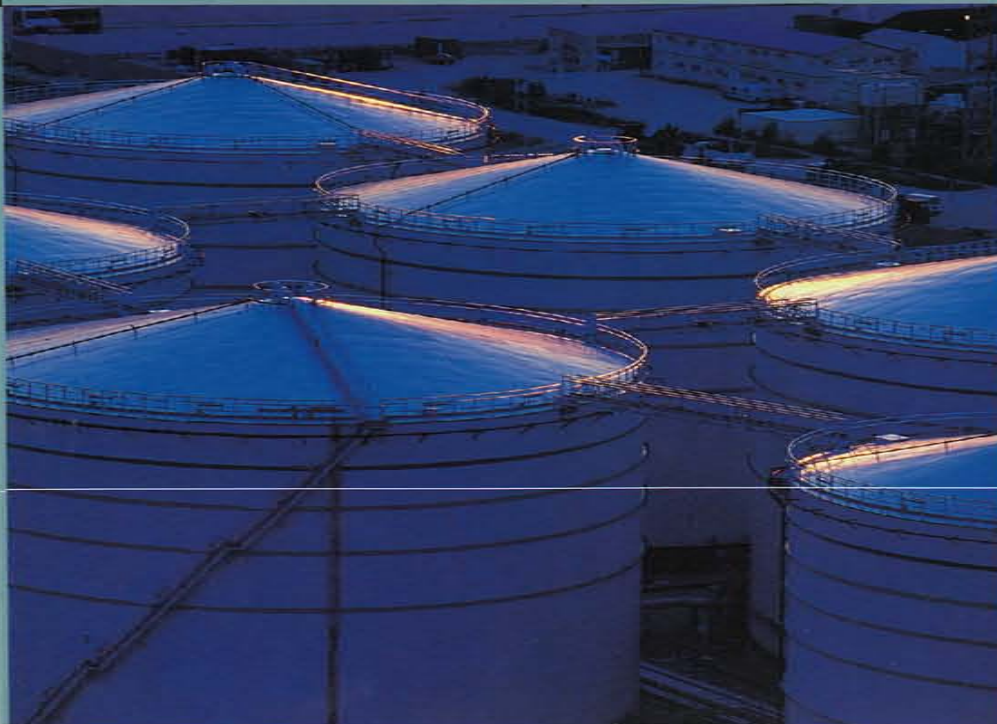
#### **Hong Kong**

Hong Kong has continued to strengthen and remains our primary market. China's Special Administrative Region generated 71% of Leighton Asia's overall revenue during the year, compared to 64% last year. Concerns of a construction downturn following the completion of the new Chek

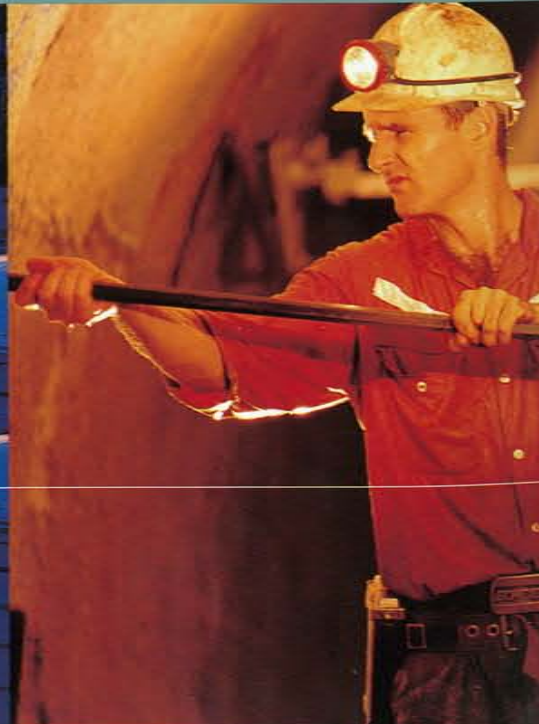
Our good performance in the face of regional economic instability reflects the competency of our people and our strategy. The emphasis now is on project selection and risk management.

## **Leighton Asia**

Aviation Fuel Service Facility,  
Chek Lap Kok Airport, Hong Kong



Construction of Aqueducts, between Tai Po and  
Butterfly Valley, New Territories, Hong Kong





Lap Kok Airport, were allayed by the Government's announcement of massive new infrastructure and public housing programmes.

A highlight of the year was the completion of the \$259 million aviation fuel service facility for the new airport ahead of time and on budget. The progressive handover of this vital piece of infrastructure commenced in December 1997 and was finalised well ahead of the airport's opening in July 1998. The first plane to use the new refuelling facility was Air Force One, the mobile command centre for the President of the United States. The facility is operating

smoothly, as is the \$111 million Lufthansa in-flight catering facility also completed on time and on budget.

The Hong Kong Government's commitment to construct an average of 85,000 residential units per year for the next decade has boosted an otherwise patchy building market. Government spending in this sector has increased by over 50%, largely offsetting the downturn in commercial property.

In June 1998, we were awarded the \$227 million Tsz Oi Estate Phase 4 project, a Hong Kong Housing Authority development at Tsz Wan Shan, comprising six 41-storey residential towers containing a total of 1,920 units. These units

are the same design as the \$140 million Fanling project we are undertaking for the Authority in the New Territories.

Construction of both projects involves the use of "jump form" technology, new to Hong Kong, which reduces the time taken to erect each storey from six days to four. The increased efficiencies will result in shorter construction times, with no loss of quality, and give us a significant competitive advantage.

Other ongoing building work includes the \$64 million United Christian Hospital and the \$52 million Lei Yue Mun Museum, both of which are proceeding as planned.

The Hong Kong Government is also committed to providing infrastructure to service the needs of a growing population and further enhance economic efficiency. During the year it was announced that \$50 billion would be spent over the next five years on a wide range of infrastructure projects including road, rail, health and education.

The rail component alone is worth almost as much as the new airport. We have formed consortiums to tender for a number of sections of the new West Rail project for the Kowloon-Canton Railway Corporation (KCRC), as well as sections of the Tseung Kwan O extension for the Mass Transit Railway (MTR) Corporation. ➤



**John Faulkner**  
Managing Director

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U Chu Liang Office Tower,  
Bangkok, Thailand





Work progressed well on the \$232 million Tai Po aqueducts, a design and construct joint venture in the New Territories for the Hong Kong Water Supplies Department.

#### Philippines

Our operations in the Philippines made a positive contribution to revenue and profit in the first full year of operation. The Philippines produced 12% of Leighton Asia's overall revenue, overtaking Thailand as the second largest contributor after Hong Kong.

During the year we were awarded three separate civil engineering contracts worth a total of \$53 million by Southern Power as part of the Sual Power Station in

North Luzon. Our reputation for quality, safety and performance was instrumental in winning this work. We also secured a \$9 million contract to construct a fibre cement plant for Hardie Jardine Inc.

The contract mining operations at Sibutad gold mine at Mindanao ceased in the first half of the 1997/98 financial year following a drop in the gold price. Demobilization costs and revenue from plant sales were fully brought to book in the Group's half year results.

There are a number of prospects in both the private and public sectors. Shell is developing the Malampaya gas field which should generate

significant engineering opportunities. We are also involved in negotiations to design and construct the North Luzon Expressway.

#### Thailand, Malaysia and Vietnam

Activity levels in Thailand, Malaysia and Vietnam reduced in 1997/98. The majority of work undertaken in these countries has been for the private sector, which has come under considerable pressure due to the economic difficulties experienced in South East Asia. Liquidity remains tight and credit is virtually non-existent, restricting the number of opportunities generated by local businesses. However,

### Leighton Asia continued

Operating Revenue \$million  
1998 Total \$407m



Work in Hand \$million  
1998 Total \$545m



	94	95	96	97	98		94	95	96	97	98
Building	114	100	219	257	219	Building	93	222	291	296	414
Civil Engineering	236	329	150	166	171	Civil Engineering	267	114	251	171	131
Contract Mining	-	-	-	25	17	Contract Mining	-	-	-	89	-

Lei Yue Mun Museum,  
A Kung Ngam, Hong Kong

Coal Unloading Jetty at Sual Power Station,  
North Luzon, Philippines





we have established some good relationships with multinationals looking to take advantage of favourable currency exchange rates and invest in the region.

Thailand produced 5% of the company's revenue. Work continued on the \$18 million U Chu Liang office tower, a 40-storey development in Bangkok for Uahwatanasakul, and the design and construction of an \$11 million compounding plant for MBJ Polymers at Rayong. We wound-up two projects due to non-payment and these were fully brought to book at the half year. The outlook is expected to remain tough and competitive for some time.

Malaysia and Vietnam together accounted for almost 11% of Leighton Asia's revenue. In Malaysia we completed our involvement on the elevated highway project in Kuala Lumpur and commenced work on a \$13 million flour mill for Tunamewa at Lahad Datu in Sabah. Our ongoing joint venture with the specialist marine engineering firm Murray and Roberts, secured an \$8 million underwater pipeline project at Port Dickson.

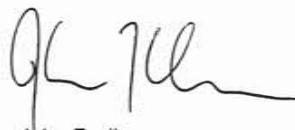
Opportunities diminished in Vietnam, and economic and currency restrictions may have to be loosened before investors commit to new projects.

## Outlook

Based on the current level of work in hand, revenue should increase in 1998/99. Leighton Asia has been operating in Hong Kong for over a quarter of a century and we will continue to follow the strategy which has brought us success. The Philippines too, holds some promise in the coming year, particularly in the engineering and resources sectors. In other parts of Asia, our approach will be much more cautious. Greater emphasis will be placed on project selection and disciplined management.

Despite the rough road ahead for many of the Asian economies, we have confidence in the underlying potential of the region and its

capacity to recover from the current situation. Opportunities remain, though the immediate operating environment has emphasised the need for sound commercial judgement and rigorous risk management.



John Faulkner  
Managing Director

## Board

N K Chan, Chairman  
J Faulkner, Managing Director  
D C Bray, R F Grosvenor, W K Hamilton,  
A L Jacobs, W M King AM, Dr W Lechnitz,  
P J McMonow, Dr K Rönberg  
Secretary M Wong

## Senior Executives

J Faulkner, Managing Director  
A L Jacobs, BCom, FASCPA, HKIoD  
Director, Finance & Administration  
D Pestridge, ARICS  
Group Commercial Manager  
M Wong, AHKSA, FCCA, MBA  
Corporate Financial Controller &  
Company Secretary  
M Chan, BA, MIHRM  
Personnel Manager

C I Gordon, BA (Comm)  
Corporate Communications Manager  
B Cunningham, BE, MIEAust, CPEng  
Business Development Director,  
Australia/Asia

## Hong Kong, China, Philippines

P J McMonow, Assoc Highway Eng  
Director & General Manager  
R J Bennett, BE(Civil)  
Executive Director, Civil Engineering  
R F Grosvenor, Dip Bldg  
Executive Director, Hong Kong  
Building & China  
M J Plummer, BE(Civ)  
Executive Director, Major Projects  
S Chau, BSc(Hon)  
Executive Director, Foundation Engineering  
P F Gomm, DBA  
Country Manager, Philippines

J F Nash, BA(Hon), MEng(Civ)  
Manager, Engineering and Estimating  
P G Pollard, ASCPA, ACIM  
Financial Controller  
P Blennhassett, Plant Manager

## Thailand and Indo-China

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  
S Despotidis, BE(Civ)  
Special Projects Manager

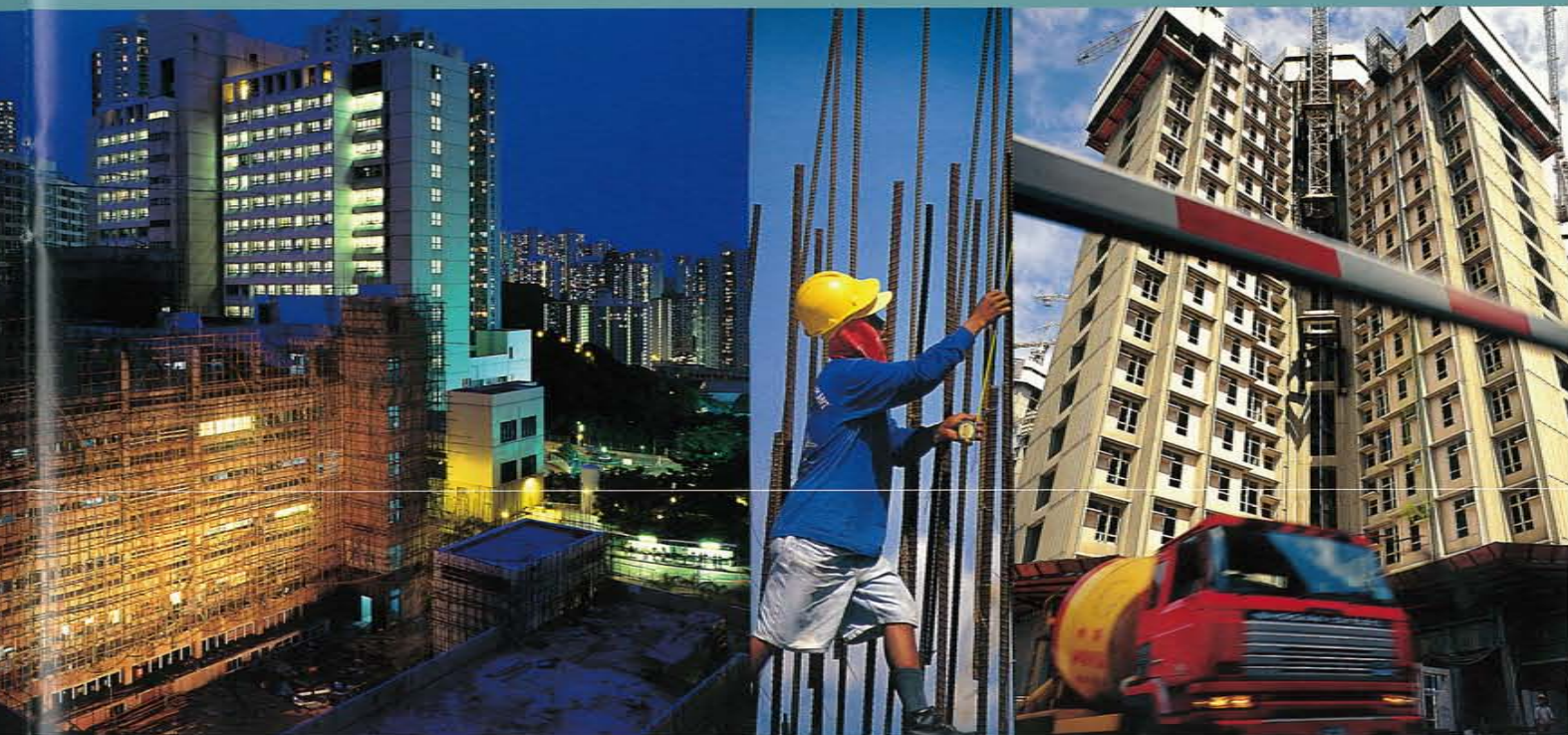
T Meesomklin, BE(Civ)  
Business Development Manager  
L Thomson, MCIOB Estimating Manager  
G Francis, BSc(Civ)(Hons)  
Country Manager, Vietnam

## South East Asian Region

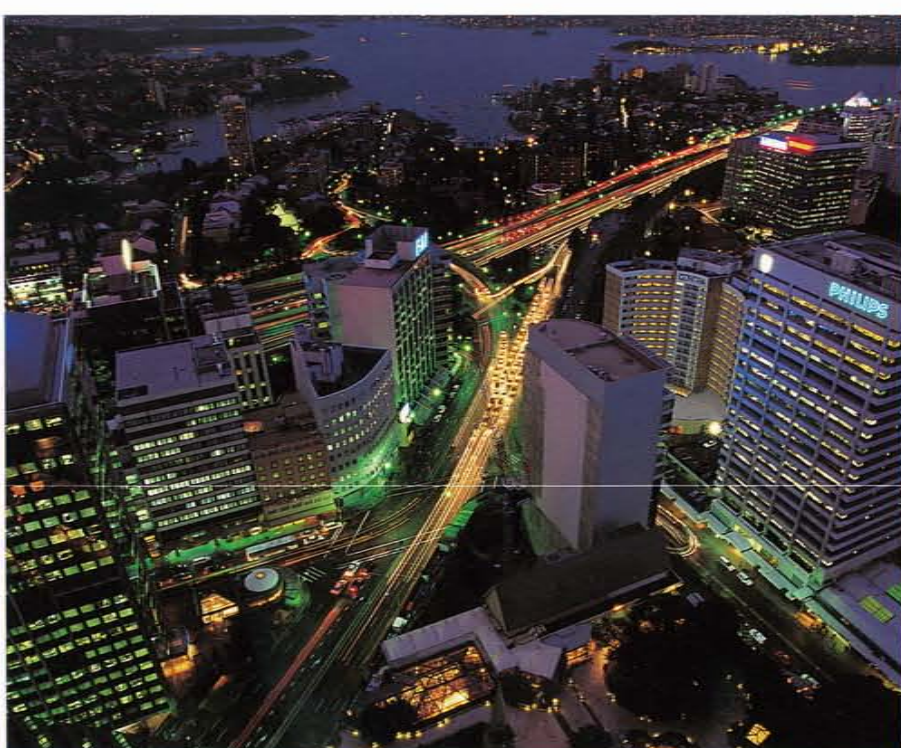
D Savage, BEng  
Director & General Manager  
G F Hutchinson, BE, CA  
Corporate Manager, Finance & Administration  
H G Tyrwhitt, BE(Civil), MIEAust, CPEng  
Area Manager, East Malaysia & Brunei  
K G Plumb, BSc, CEng, MICE, MIHT  
Projects Director  
R R Sowter, BE(Civil) (Hons), MIEAust, CPEng  
Business Development, Indonesia  
N H Walsh, BSc(Hons), ARICS  
Commercial Manager  
M J Cuell, BSc, CEng Estimating Manager

Extension to United Christian Hospital,  
Kowloon, Hong Kong

Fanling Area 49A Phase III Housing  
Development, New Territories, Hong Kong







The development of 80 Pacific Highway, North Sydney, represents our selective approach to commercial office markets.



Quality projects and specialist skills delivered improved profitability. We will remain focused on Australia's east coast where reasonable opportunities should emerge.

## Leighton Properties

### Sound Performance

In a busy year, we improved profitability and laid the ground-work for future growth. Revenue was similar to 1996/97 and the book value of our portfolio was \$126 million, marginally lower than the previous year. Rental, investment income and development management fees were the major contributors to our result this year as no significant sales were made.

Australia's property market continued to improve across commercial, industrial and retail sectors. The Sydney office market, in particular, has strengthened

and offers better immediate opportunities than Melbourne and Brisbane. We expect a modest improvement in the property market during the next two years and will remain focused on the east coast.

### Star City Completed

We completed our biggest ever development, the Star City casino and entertainment complex in Sydney, in November 1997. The successful completion of this \$800 million development highlighted our capacity to handle physically large, complex and incredibly detailed projects in a highly demanding regulatory environment. The disciplined and proactive approach of our people,

supported by innovative management systems, ensured the timely handover to the client.

The Star City project reinforced to us the value of a well managed community relations programme. The casino was an extremely sensitive project involving a large site adjacent to a residential precinct. Traffic flows, construction impact and the external design of the complex were some of the issues addressed over the last three years.

The success of our community relations programme was vital to the smooth progress of the project, from planning through to construction and delivery.





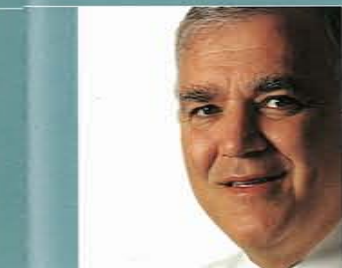
#### Management Committee

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

#### Senior Executives

V A Vella, BSc, BE(Hons), MEngSc, FIEAust  
*Managing Director*  
J C Barrett, ARICS, AVLE (Val)  
*Corporate Services*  
R H Borger, ASLE  
*Manager, Queensland Development*  
B W Clark, ASA, DipTech(Acct)  
*Commercial Manager/Company Secretary*  
M C Gray, BSc(Arch), BA(Hons)  
*Manager, NSW*  
A W Beck, MAIPM  
*Manager, Victoria*

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**Vyrl Vella**  
*Managing Director*



#### New Developments

We are presently involved in two major office developments in Sydney. Construction has commenced on our \$90 million 14-storey commercial office and retail tower at 80 Pacific Highway, North Sydney. After exhaustive consultation and negotiation, our application to build a larger and more integrated building was rejected during 1997/98.

In Sydney's Central Business District we are working for National Mutual to develop a 10-storey

office building on top of the existing Enacon car parking station at 383 Kent Street. Construction of this \$90 million development is expected to start in late 1998.

#### Over-regulation Costly


The current regulatory environment does not provide the certainty needed for many innovative new projects to proceed. New South Wales is the most over-regulated of the eastern States, with the multi-layered government approval process creating a barrier to efficient planning. Leighton Properties has given its full support to a campaign by the Property Council to investigate options to streamline the approval process.

#### Prospects

We are actively tendering a wide range of work: the \$160 million development contract for the County Court building in Melbourne; a \$150 million government building project in the Australian Capital Territory; and a \$60 million resort and leisure project in Noosa, Queensland.

In New South Wales, we are negotiating with the Roads and Traffic Authority and local councils in relation to a \$60 million project to build pedestrian bridges and install variable message signs. We are also looking at opportunities to develop telemarketing call centres in the Sydney region.

We see reasonable opportunities ahead, especially in the commercial market. Leighton Properties offers a combination of specialist skills not readily found elsewhere, such as community relations and land-valuation skills which are increasingly prized in the market place. The challenge ahead is to foster close working relationships with owners and partners to generate new work opportunities.

  
**Vyrl Vella**  
*Managing Director*





An emphasis on generating outcomes from relationship management and intellectual assets will assist Group companies achieve growth.

## Technical Resources

Constructing a privatised tollroad, building an office tower, or operating a coal mine isn't an isolated event. Each project is the culmination of a wide range of processes and relationships, focused on achieving acceptable time, cost and quality outcomes.

Technical Resources offers the Group's operating companies specialist skills to enhance those processes and to build on existing relationships. We believe that strong partnerships, shared expertise, and open channels of communication are fundamental to ensuring the growth of the Group, and its clients.

### Best Practice

During the past decade, Technical Resources has assisted the implementation of best practice engineering and construction within the Group. Technical Resources' contribution has been

to carefully assess the needs of the operating companies and to develop new and productive approaches to their processes, enhancing their success.

There have been vast gains in industry acceptance of the need for client/contractor relationships that deliver outcomes, rather than conflict or mutual admiration. The outsourcing of expertise, and value of relationship management, has well and truly captured the corporate imagination. This has led to a greater acceptance of our involvement in high quality strategic planning on large complex projects.

### Knowledge in Action

During the year, Technical Resources worked closely with Leighton Contractors and Leighton Properties to plan the early completion of the Sydney casino project, Star City. Co-ordination of an issues management group, which proved to be a highly effective innovation, added to the project's success. A complementary

benchmarking committee of stakeholder CEOs was also formed. This benchmarking committee met monthly to review progress during the final six months of the project.

Working with Star City casino, our focus was on providing accurate and timely information on which critical decisions could be made. We did this through quarterly reviews which looked at all aspects of the project, other than the financial, seeking to make improvements to the systems and activities that were in progress. A completion review was also undertaken. Its purpose was to ensure the absolutely critical factor of predictability was built into the delivery of the project. The reports were distributed to all stakeholders.

At WMC's \$1.5 billion expansion of the Olympic Dam mine in South Australia, we have worked with Thiess Contractors on advanced controls management and the





#### Senior Executives

R G Gussey, CPEng, FIEAust, MICE,  
MNZIEng, MAIB, AAI Arb  
General Manager  
G R Andrews, BE(Hons), MIEAust  
Manager, Technical Computer Systems  
M K McAuley, BA (VisCom)  
Manager, Communications  
N A Sallustio, ACE, MIEAust, CPEng  
Manager, Engineering  
I A Scouler, BE(Hons), MIEAust, CPEng,  
MAIPM  
Manager, Project Services

E M Ferguson, BA  
Senior Analyst Programmer  
J M Malouf  
Group Information Manager  
J R Randall, BA (VisCom)  
Corporate Design Manager  
P Williams, B(Bldg)  
Project Review Manager

43 44



**Bob Gussey**  
General Manager

development of engineering systems to cater for the complexity of the project. These systems are an extension of those developed on the Mt Owen coal project in New South Wales.

Having gained this level of acceptance, the challenge is to identify new ways of transferring knowledge to Group companies in a way that produces tangible and useful results. This will involve the refinement of our intellectual products and information technology to take advantage of emerging opportunities. There is evidence of growing demand in the Group's Asian operations for more sophisticated training and controls management. In Australia, the Eastern Distributor project is proceeding rapidly and we will be involved in completion planning with the stakeholders.

#### Structural Change

In a strategic move, a number of staff were transferred to Leighton Contractors early in 1997/98 to strengthen its business development capabilities. In the last six months of the financial year we have focused on enhancing a narrower range of services. These include technical auditing, controls management systems and strategic support.

Our auditing resources were strengthened as a result of increased appreciation of the benefits our independence brings to the process. Our independent review validates an operating company's performance and integrity of standards on a particular project, and demonstrates this to clients in a written report. This perspective ensures strategic integration of governance practices and the resulting development of beneficial behaviours.

The ability to understand and develop solutions to technical and management issues, including

relationship management, is critical to the Group's continuing role as a responsive and respected industry leader. This demands clear communication with business partners and stakeholders, and will generate new opportunities for our communications team.

The general community, and therefore government, is becoming increasingly sensitive to the social impact of projects such as mines, roads, prisons and hospitals. As a result there is greater pressure to provide quality communication strategies, matched to the capability of the project team, to facilitate an acceptable outcome for all. Our communications team will be strengthening its resources in public relations, corporate writing services and new media – internet, intranet, digital video – to meet the increased demand in these areas.

#### What's Next?

Technical Resources will continue to assist the Group to add value to clients' businesses and their projects by further developing the skills needed to produce greater efficiencies and better total solutions.

We will continue to refine ourselves in response to the needs of the Group and its clients. As their needs continue to change, so will the range of skills and services we provide.

*R. G. Gussey*

**Bob Gussey**  
General Manager



# Financial Statements

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The Directors of Leighton Holdings Limited present their report for the financial year ended 30 June 1998 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 of the Economic Entity during the financial year and of the results of those operations is contained on pages 1 to 44 of the Annual Report and forms 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 for the Economic Entity for the financial year was down by 4% to \$3.0 billion. Operating profit after abnormals and tax reduced by 22% to \$102.9 million.

## Dividends

A final ordinary dividend of 15 cents per share, fully franked at the corporate tax rate of 36%, was declared on 13 August 1998 and will be paid on 30 September 1998. Together with the interim ordinary dividend of 11 cents per share, fully franked at the 36% corporate tax rate, which was paid on 31 March 1998, the total dividend payment out of the profits for the financial year will be 26 cents per share and will amount to \$67.9 million.

The special fully franked dividend of 10 cents per share and the final fully franked dividend of 13 cents per share referred to in the Directors' statutory report for the financial year ended 30 June 1997 and payable out of the profits for that financial year were paid on 15 September 1997 and 7 November 1997 respectively.

## 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, environmental services, property development and project management in Australia, Hong Kong and selected parts of South-East Asia.

## Events After End of Financial Year

In the Directors' opinion, no matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the state of affairs of the 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	No. of options over unissued shares
Morrish Alexander Besley AO	7,960	—
Wallace MacArthur King AM	6,660	—
Dieter Siegfried Adamsas	103,060	400,000
Geoffrey John Ashton	2,500	—
Achim Drescher	2,000	—
Ian Rutledge Johnson	2,000	—
Hans-Peter Keitel	1,560*	—
David Allen Mortimer	1,000	—
	22,500*	—
Busso Peus	2,305*	—
David Paul Robinson	1,250	—
Rodney Malcolm Wylie OBE	42,757	—

\*Non-beneficially held

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

- M R Rayner resigned as a Non-executive Director on 30 September 1997.
- I R Johnson and DA Mortimer were appointed Non-executive Directors on 30 September 1997.
- K L Bennett retired as an Executive Director on 28 August 1998.

Except for the interests disclosed in Note 40 to the Accounts and except for the Deeds of Indemnity and 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 47 and 51 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 firstly a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as disclosed in Note 34 to the Accounts and secondly the benefits derived under the below mentioned Deeds of Indemnity) 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 Group Officers and Auditors

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

- (a) an Officer against any liability to any person (other than the Company or related entity) incurred while acting in that capacity and in good faith; and
- (b) an Officer or auditor of the Company against costs and expenses incurred by that person in that capacity in successfully defending legal proceedings and ancillary matters.

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

The current Directors and Secretary of the Company are named at page 2 and the Company's current auditors are KPMG.



## 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	11	11	4	4	1	1
G.J. Ashton	9	11	-	-	-	-
K.L. Bennett (retired August 1998)	7	11	-	-	-	-
M.A. Besley	11	11	-	-	3	3
A. Drescher	9	11	-	-	-	-
I.R. Johnson (appointed September 1997)	6	7	-	-	-	-
H.P. Keitel	2	11	-	-	2	2
W.M. King	11	11	3	4	3	3
D.A. Mortimer (appointed September 1997)	6	7	-	-	-	-
B. Peus	4	11	-	-	-	-
M.R. Rayner (resigned September 1997)	2	4	-	-	-	-
D.P. Robinson	11	11	4	4	1	1
R.M. Wylie	10	11	4	4	-	-

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

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

The officers who have the benefits of such a Deed of Indemnity are or were at the time a Director of the Company, the Company's Secretary and certain persons who are or were at the time Directors of a Leighton subsidiary or have or had the status of General Manager or Senior Manager within the Leighton Group. No claims under the indemnities have been made against the Company during or since the financial year.

## Insurance for Group Officers

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

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

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

## Share Options

The total number of options outstanding under the Leighton Staff Equity Participation Plan ("LSEPP") at the date of this report is 4,675,500 with each option having an exercise price of \$5.41 and an expiry date of 24 October, 2001.

Since 1 July 1997, no options were exercised or granted under LSEPP and 330,000 options previously issued under LSEPP lapsed.

The names of the persons who currently hold options under LSEPP are entered in the register of options kept by the Company pursuant to Section 216C of the Corporations Law. The register may be inspected free of charge.

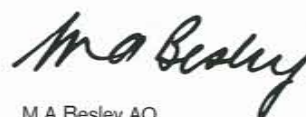
These options do not entitle the holder to participate in any share issue of any other body corporate.

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

## 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 3rd day of September 1998 in accordance with a resolution of the Directors.



M A Besley AO  
Chairman



W M King AM  
Chief Executive Officer



1

## The Board

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

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

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

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

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

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

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

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

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

2

## Appointment and Retirement of Non-executive Directors

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive Directors on a case by case basis and in conformity with the requirements of the ASX Listing Rules and the Corporations Law. Non-executive Directors are subject to re-election by rotation at least every three years and must be re-elected at each Annual General Meeting following their 72nd birthday.

5

## Audit Review

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

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

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

6

## Board Committees Generally

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

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

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

7

## Annual Review by the Board

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

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



## Compensation Arrangements for Directors and Senior Executives

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

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

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

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

The remuneration of non-executive Directors is determined by the executive Directors having regard to

the level of fees paid to non-executive Directors by other companies of similar size and stature.

The aggregate amount payable to non-executive Directors must not exceed the maximum amount approved by the Company's shareholders (currently \$700,000 as determined at the 1996 Annual General Meeting).

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

## Business Risk Management

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

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

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

- regular monthly reporting to the Board in respect of operations, the financial position of the Group and new contracts;
- attendance and reports by the Managing Directors of the Group's main operating subsidiaries at Board Meetings on at least a quarterly basis;

- presentations made to the Board or Committees of the Board throughout the year by appropriate members of the Group's management team (and/or independent advisers, where necessary) on the nature of particular risks and details of the measures which are either in place or can be adopted to manage or mitigate the risk; and

- any Director may request that operational and project audits be undertaken by the Company's Technical Resources Division.

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

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

49 | 50

## Directors' Access to Independent Professional Advice

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

## Equity Participation by Directors

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

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

## Ethical Standards

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

Under the Code officers and employees are expected to:

- comply with the law;
- act honestly and with integrity;
- not place themselves in situations which result in divided loyalties;

- use Leighton's assets responsibly and in the best interests of Leighton;
- be responsible and accountable for their actions.

The Code and its implementation are reviewed each year.

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



### **M A (Tim) Besley AO, (71)**

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. Chancellor Macquarie University. President of the Australian Academy of Technological Sciences and Engineering. Councillor (NSW) and member of National Executive of the Australian Industry Group.

### **W M King AM, (54)**

BE, MEngSc, FIEAust, CP Eng, FAICD,  
FAIM, FAIB, FTSE

A graduate of the University of NSW. An Executive Director since 1975. Appointed Chief Executive in 1987. A civil engineer who joined Leighton Contractors in 1968 and became Managing Director of that company in 1977. Appointed Deputy Managing Director of Leighton Holdings in 1983. Participates in construction industry affairs and is the President of the Australian Constructors Association. Director of the Board and Member of the Business Council of Australia. Fellow of the Institution of Engineers, the Australian Institute of Company Directors, the Australian Institute of Management, the Australian Institute of Building and the Academy of Technological Sciences and Engineering.

### **D S Adamsas, (55)**

BComm, FAICD

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

### **G J Ashton, (60)**

FAICD, FAIM

A Non-executive Director since 1996. A Director of Evans Deakin Industries Limited, the NSW State Transit Authority and the Australian National Training Authority. Former Managing Director of Clyde Industries Limited and Monier Limited. President of the NSW Branch and National Vice-President of the Australian Industry Group.

### **A Drescher, (58)**

BEC

A graduate in economics from Hamburg University, Germany. A Non-executive Director since 1996. Managing Director of Columbus Line Australia Pty Limited and Chairman of Otto Plastics Pty Limited.

### **I R Johnson, (57)**

BSc(Hons)

A graduate of the University of New England. A Non-executive Director since 1997. Recent past Chief Executive Officer of Newcrest Mining Limited. Former Group Executive of CRA Limited.

### **Dr H-P Keitel, (51)**

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 NV. A Director of HOCHTIEF Limited.

### **D A Mortimer, (53)**

BEC(Hons)

A Non-executive Director since 1997. Chairman of Ci Technologies Group Limited, a Director of Petsec Energy Limited, FH Faulding and Co Limited, GIO Australia Holdings Limited and Adsteam Marine Limited. Former Managing Director and Chief Executive Officer of TNT Limited. Chairman of Sydney Airport Corporation and the National Transport Council.

### **Dr B Peus, (56)**

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 member of the Supervisory Board of Ballast Nedam NV. A Director of HOCHTIEF Limited.

### **D P Robinson, (42)**

BEC, CA

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

### **R M Wylie OBE, (70)**

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. Chairperson of the Queensland Competition Authority, a Director of Queensland Alumina Limited and AMP Limited. 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 27 August 1998 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	122,635,881
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.)	
AXA-UAP and National Mutual Holdings Limited	14,574,118

### Number of Shareholders

Of ordinary shares which have equal voting rights\*

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

### Distribution Schedule

Category	No. of Shareholders
1-1,000	2,932
1,001-5,000	4,620
5,001-10,000	893
10,001-100,000	622
100,001 and over	92
	9,159

There were 112 shareholders with less than a marketable parcel (91 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 79.87% and their names and numbers of shares are as follows:

Name	Number	% of Total Shareholdings
HOCHTIEF Limited	122,632,016	46.96
Westpac Custodian Nominees Limited	22,214,373	8.51
National Nominees Limited	16,076,904	6.16
Chase Manhattan Nominees Limited	9,166,489	3.51
National Mutual Trustees Limited	6,711,925	2.57
AMP Life Limited	5,464,657	2.09
The National Mutual Life Association of Australasia Limited	4,238,786	1.62
Queensland Investment Corporation	3,997,289	1.53
Citicorp Nominees Pty Limited	2,619,620	1.00
ANZ Nominees Limited	2,571,979	0.98
National Australia Financial Management Limited	2,076,314	0.80
SAS Trustee Corporation	1,611,993	0.62
BT Custodial Services Pty Limited	1,577,051	0.60
Transport Accident Commission	1,466,174	0.56
Permanent Trustee Company Limited	1,436,349	0.55
Victorian Superannuation Board	1,095,112	0.42
AMP Custodian Services Pty Ltd	998,331	0.38
Permanent Trustee Australia Limited	970,332	0.37
LGSS Pty Limited	848,702	0.33
Permanent Trustee Australia Limited	819,663	0.31
	208,594,059	79.87



## Profit and Loss Statements

for the year ended 30 June 1998

	Note	Consolidated		Company	
		1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Operating Profit before Abnormal Items and Income Tax		164,171	145,149	76,623	102,544
Abnormal Items	5	(9,023)	73,656	—	(1,343)
<b>Operating Profit</b>	1,2,3	<b>155,148</b>	218,805	<b>76,623</b>	101,201
Income Tax (Expense)/Benefit Attributable to Operating Profit	4	(44,981)	(80,202)	25,942	1,338
<b>Operating Profit After Income Tax</b>		<b>110,167</b>	138,603	<b>102,565</b>	102,539
Outside Equity Interest in Operating Profit after Income Tax		(7,315)	(6,491)	—	—
<b>Operating Profit After Income Tax</b>					
<b>Attributable to Members of the Chief Entity</b>		<b>102,852</b>	132,112	<b>102,565</b>	102,539
Retained Profits at the Beginning of the Financial Year		168,429	117,461	20,877	4,535
<b>Total Available for Appropriation</b>		<b>271,281</b>	249,573	<b>123,442</b>	107,074
<b>Dividends provided for or paid</b>	27	<b>(67,893)</b>	(83,017)	<b>(67,893)</b>	(83,017)
Aggregate of Amounts Transferred (to)/from Reserves	25	(89)	1,873	—	(3,180)
<b>Retained Profits at the End of the Financial Year</b>		<b>203,299</b>	168,429	<b>55,549</b>	20,877

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 57 to 79.



## Balance Sheets

as at 30 June 1998

	Note	Consolidated		Company	
		1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>Current Assets</b>					
Cash	6	368,368	422,883	64,383	11,526
Receivables	7	306,713	259,787	8,283	10,166
Investments	8	28,337	15,962	—	—
Inventories	9	121,627	134,967	—	—
Other	10	36,964	40,540	—	—
<b>Total Current Assets</b>		<b>862,009</b>	<b>874,139</b>	<b>72,666</b>	<b>21,692</b>
<b>Non-Current Assets</b>					
Receivables	11	5,415	3,394	459	343
Investments	12	27,834	45,918	921,803	916,203
Inventories	13	37,792	25,260	—	—
Property, Plant and Equipment	14	582,525	574,976	27,515	23,800
Intangibles	15	—	8,943	—	—
Other	16	133,233	90,182	30,416	9,357
<b>Total Non-Current Assets</b>		<b>786,799</b>	<b>748,673</b>	<b>980,193</b>	<b>949,703</b>
<b>Total Assets</b>		<b>1,648,808</b>	<b>1,622,812</b>	<b>1,052,859</b>	<b>971,395</b>
<b>Current Liabilities</b>					
Accounts Payable	17	461,953	473,975	12,266	10,765
Borrowings	18	20,870	57,056	20,870	—
Provisions	19	178,987	185,178	50,734	61,482
Other	20	1,720	6,171	—	—
<b>Total Current Liabilities</b>		<b>663,530</b>	<b>722,380</b>	<b>83,870</b>	<b>72,247</b>
<b>Non-Current Liabilities</b>					
Accounts Payable	21	13,930	19,672	—	—
Borrowings	22	98,519	117,164	505,025	482,348
Provisions	23	282,235	220,699	39,412	40,418
<b>Total Non-Current Liabilities</b>		<b>394,684</b>	<b>357,535</b>	<b>544,437</b>	<b>522,766</b>
<b>Total Liabilities</b>		<b>1,058,214</b>	<b>1,079,915</b>	<b>628,307</b>	<b>595,013</b>
<b>Net Assets</b>		<b>590,594</b>	<b>542,897</b>	<b>424,552</b>	<b>376,382</b>
<b>Shareholders' Equity</b>					
Share Capital	24	130,563	129,714	130,563	129,714
Reserves	25	239,941	226,163	238,440	225,791
Retained Profits		203,299	168,429	55,549	20,877
Shareholders' Equity Attributable to Members of the Chief Entity		573,803	524,306	424,552	376,382
Outside Equity Interest in Controlled Entities	26	16,791	18,591	—	—
<b>Total Shareholders' Equity</b>		<b>590,594</b>	<b>542,897</b>	<b>424,552</b>	<b>376,382</b>

The balance sheets are to be read in conjunction with the notes to and forming part of the accounts set out on pages 57 to 79.



# Statements of Cash Flows

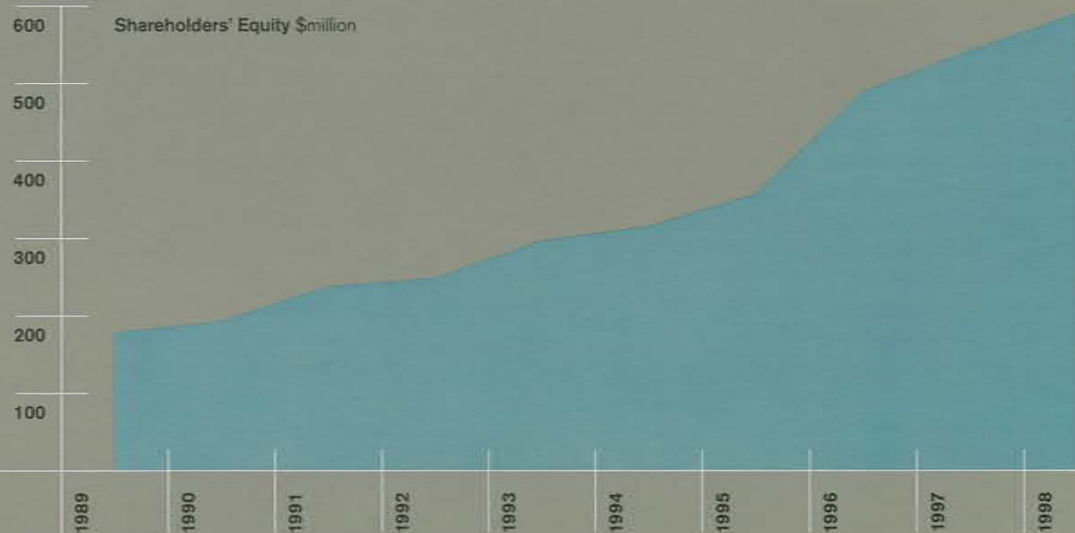
for the year ended 30 June 1998

	Consolidated		Company	
	1998	1997	1998	1997
Note	\$'000	\$'000	\$'000	\$'000
<b>Cash Flows From Operating Activities</b>				
Cash receipts in the course of operations	2,861,848	2,902,673	24,157	30,310
Cash payments in the course of operations	(2,625,700)	(2,518,127)	(30,074)	(35,772)
Dividends received	—	—	116,836	115,217
Interest received	16,577	10,797	531	324
Interest paid	(6,052)	(16,433)	(10,278)	(13,062)
Income taxes paid	(69,932)	(46,416)	(2,536)	(3,361)
<b>Net cash provided by/(used in) operating activities</b>	<b>41</b>	<b>176,741</b>	<b>98,636</b>	<b>93,656</b>
<b>Cash Flows From Investing Activities</b>				
(Increase) in investment in controlled entities	—	—	(75,931)	(200,500)
Decrease in investment in controlled entities	—	—	34,295	31,337
Payments for property, plant and equipment	(203,376)	(265,716)	(372)	(600)
Proceeds from sale of non-trading assets	103,253	76,288	188	44,225
(Increase) in investment in other entities	(6,820)	(37,317)	(499)	(15,743)
Decrease in investment in other entities	27,563	225,987	898	—
Loan repayments by executive and staff shareholders	14	1,143	14	1,119
<b>Net cash provided by/(used in) investing activities</b>		<b>(79,366)</b>	<b>(41,407)</b>	<b>(140,162)</b>
<b>Cash Flows From Financing Activities</b>				
Proceeds from share issues	9,079	478	9,079	432
Proceeds from borrowings	—	191,944	—	54,232
Repayment of borrowings	(79,942)	(220,897)	(19,770)	(129,770)
Loans from related entities	—	—	392,889	235,234
Repayment of loans to related entities	—	—	(299,760)	(64,920)
Dividends paid	(88,392)	(45,394)	(88,392)	(45,394)
Dividends paid to outside equity interests	(6,303)	(2,881)	—	—
<b>Net cash provided by/(used in) financing activities</b>		<b>(165,558)</b>	<b>(5,954)</b>	<b>49,814</b>
<b>Net increase/(decrease) in cash held</b>		<b>(68,183)</b>	<b>51,275</b>	<b>3,308</b>
<b>Net cash at the beginning of the financial year</b>	<b>41</b>	<b>422,840</b>	<b>11,526</b>	<b>8,131</b>
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the year		13,711	868	1,582
<b>Net cash at the end of the financial year</b>	<b>41</b>	<b>368,368</b>	<b>64,383</b>	<b>11,526</b>

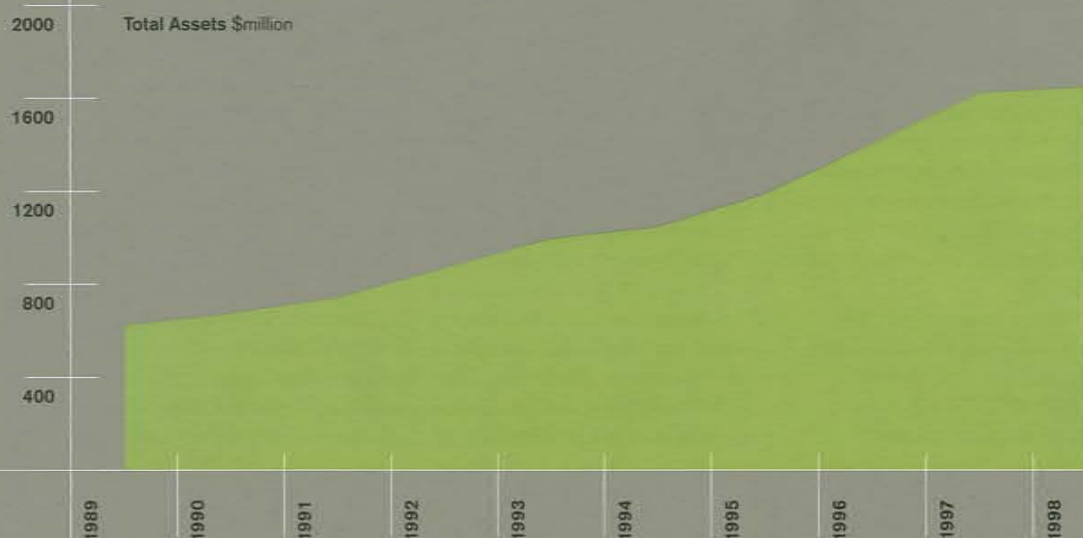
The statements of cash flows are to be read in conjunction with the notes to and forming part of the accounts set out on pages 57 to 79.



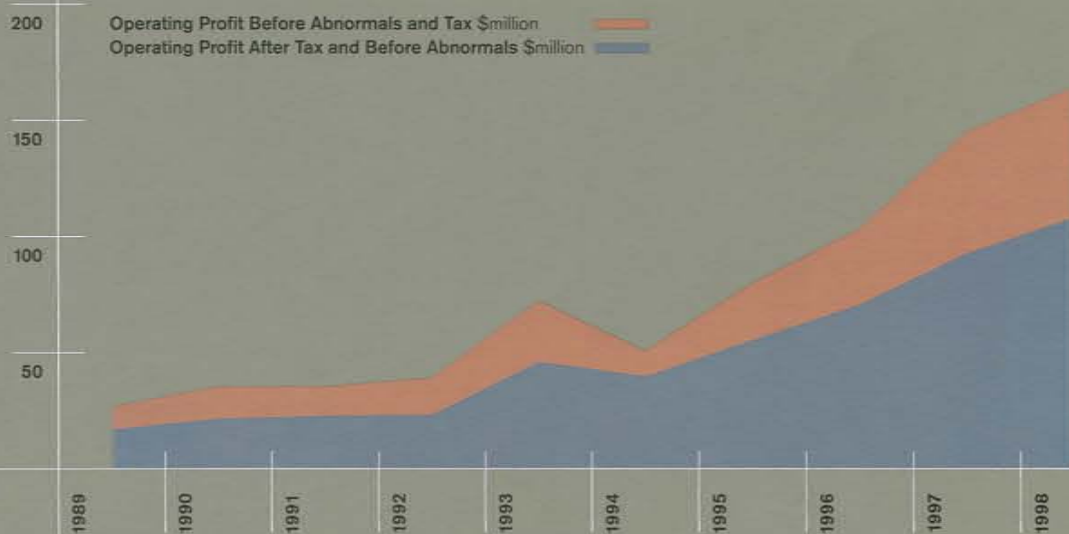
Shareholders' Equity \$million



Total Assets \$million



Operating Profit Before Abnormals and Tax \$million  
Operating Profit After Tax and Before Abnormals \$million





## Statement of Accounting Principles and Methods

a

The accounting methods adopted by the Economic Entity are in accordance with Accounting Standards, other mandatory professional reporting requirements, 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 the Corporations Law and Regulations. Set out below is a summary of the significant accounting methods adopted.

### 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 39 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. Trade and other debtors are normally settled within 60 days. The collectibility of debts is assessed at balance date and provision is made for any doubtful debts.

f

### 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 useful 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) Depreciation periods for each class of asset are as follows:  
buildings 25 to 40 years;  
leasehold buildings to 40 years;  
plant and equipment 2 to 10 years;  
leasehold improvements 2 to 10 years.

(iv) Land and buildings are revalued at least every three years and any potential capital gains tax 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.

(v) 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 useful 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.

g

### Inventories

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

j

### Accounts Payable, Bills Payable and Promissory Notes

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Chief Entity or Economic Entity. Trade accounts payable are normally settled within 60 days. 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

### Non Current Assets - Other

(i) Waste Management Assets  
Waste management assets are capitalised at the lower of cost and recoverable amount and are amortised over the economic life of the waste operations, which period at present does not exceed twenty years (note 16).

#### (ii) 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. Interests in partnerships are shown in the accounts at cost with the addition of the Economic Entity's proportion of retained profits and 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

### 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)".

e

### Foreign Currency

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

57 | 58

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.

### 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 useful life of the equipment.

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. It is the Economic Entity's policy to use derivative financial instruments to hedge these risks. Derivative financial instruments are not held for speculative purposes. Controls have been put in place monitor compliance with this policy.

#### Interest Rate Swaps

Interest payments and receipts under interest rate swap contracts are recognised on an accruals basis in the profit and loss account as an adjustment to interest expense during the period.

#### Forward Foreign Exchange Contracts

Exchange differences on specific hedge transactions arising up to the date of purchase or sale, together with any costs or gains arising at the time of entering the hedge, are deferred and included in the measurement of the purchase or sale.

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.



# Notes to the Accounts

for the year ended 30 June 1998

1		Consolidated		Company	
		1998	1997	1998	1997
	Note	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>					
Operating Revenue		2,906,951	2,926,942	—	—
Other Revenue		16,212	9,330	137,143	143,975
Proceeds from Sales of Non-Current Assets		103,254	36,020	189	121
- Plant					
- Investments		8,129	188,888	184	44,104
Total Revenue of the Economic Entity	29	3,034,546	3,161,180	137,516	188,200

2	<b>Operating Profit</b>				
	The operating profit before income tax is arrived at after:				
	<b>Crediting as Revenue:</b>				
	Gain on sale of Property, Plant and Equipment	15,832	10,266	19	23
	Gain on sale of Investments	7,557	78,552	—	4,478
	Dividends Received/Receivable				
	- Related Body Corporate	—	—	116,836	115,217
	<b>Charging as Expense:</b>				
	Loss on sale of Property, Plant and Equipment	10,075	2,817	18	5
	Loss on sale of Investments	—	6,321	—	6,321
	Depreciation and Amortisation				
	- Buildings	735	1,145	447	447
	- Leasehold Land and Buildings	25	25	—	—
	- Leasehold Improvements	852	878	—	—
	- Plant and Equipment	122,819	137,611	441	605
	- Waste Management Assets	682	172	—	—
	Operating Lease Rental Expense	35,525	30,386	—	—
	Bad Debts written off	13,181	—	—	—
	Auditors' Remuneration				
	- Amounts received or due and receivable for audit services by:				
	Auditors of the Company	1,000	889	159	133
	Other Auditors	61	166	—	—
	- Amounts received or due and receivable for other services by:				
	Auditors of the Company	394	360	74	53
	Unrealised Losses on Foreign Exchange	—	—	22,587	8,037
	Goodwill Amortised	8,295	13,257	—	—
	Property Writedowns	12,349	—	—	—
	Other Writedowns	250	5,255	—	—
	Gross Amount Charged to Provisions				
	- Employee Entitlements	71,393	68,031	7,244	14,804
	- Plant and Contract Maintenance	145,528	155,662	252	252
	- Doubtful Debts	—	1,040	—	—



3

**Interest Expense and Income**

The operating profit before income tax is arrived at after including:

**Interest Expense**

Related Corporations  
Other Corporations

**Interest Income**

Related Corporations  
Related Entities  
Other Corporations

Interest previously capitalised expensed against property sale proceeds

Note	Consolidated		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
	—	—	2,474	—
	7,603	15,351	7,094	13,014
	7,603	15,351	9,568	13,014
	—	—	19,775	28,438
	35	84	23	74
	16,177	9,246	509	246
	16,212	9,330	20,307	28,758
	266	1,030	—	—

4

**Income Tax Expense****Operating profit before income tax**

Prima facie income tax expense at 36%

The following items have affected income tax expense for the period:

– Entertainment and other non-allowable items  
– Depreciation and amortisation not allowable for tax  
– Revaluation and capital profits  
– Building allowance  
– Income not subject to tax/rebatable dividends  
– Tax losses not previously recognised in the accounts #  
– Tax losses not recognised  
– Overseas income tax rate differential

Current period income tax expense/(benefit)

– Under/(over) provision for prior year

**Total Income Tax Expense/(Benefit)**

	155,148	218,805	76,623	101,201
	55,853	78,770	27,584	36,432
	575	2,545	206	473
	3,492	5,267	161	161
	(1,280)	1,295	127	(527)
	(630)	(659)	(71)	(71)
	(694)	(288)	(35,152)	(41,477)
	(12,639)	—	(12,639)	—
	2,307	—	—	—
	(2,274)	(4,378)	(5,519)	3,287
	44,710	82,552	(25,303)	(1,722)
	271	(2,350)	(639)	384
	44,981	80,202	(25,942)	(1,338)

**Future Income Tax Benefits**

The future income tax benefit (note 16) of \$113,939 (1997 - \$75,099) includes provisions for employee benefits, contract maintenance, plant maintenance and 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 1998 in respect of tax losses, including capital losses, for which there is a possibility of recoupment at the applicable rates of tax was \$15,416 (1997 - \$21,330). The benefit of these tax losses will be utilised only if the relevant entities earn sufficient profit or capital gains in the future and continue to comply with the provisions of the relevant tax legislation relating to the deduction of carried forward tax losses.

#Tax losses not previously recognised in the accounts includes USA tax losses of \$9,491 (note 5).



5

**Abnormal Items (Net of Tax)****Sale of Investments**

Eastern Distributor – Gain on sale  
Tax Expense

4,500

–

–

–

(1,620)

–

–

–

2,880

–

–

–

Leighton Terraform – Gain on sale  
Tax Expense

3,026

–

–

–

(1,089)

–

–

–

1,937

–

–

–

Ipco International – Loss on sale  
Tax Expense

–

(5,821)

–

(5,821)

–

–

–

–

–

(5,821)

–

(5,821)

Australia's Wonderland – Gain on sale  
Tax Expense

–

4,478

–

4,478

–

–

–

–

–

4,478

–

4,478

Welded Mesh – Gain on sale  
Tax Expense

–

74,999

–

–

–

(27,784)

–

–

–

47,215

–

–

**Tax Benefit**

USA tax losses

9,491

–

9,491

–

**Property Writedowns**

Property writedowns – Australia  
Tax Benefit

(12,349)

–

–

–

4,445

–

–

–

(7,904)

–

–

–

**Asian Currency devaluation**

Transfer from Translation Reserve  
Tax Expense

25

(4,200)

–

–

–

–

–

–

–

(4,200)

–

–

–

**Total Abnormal Items**

Included in operating profit  
Tax Benefit/(Expense)

(9,023)

73,656

–

(1,343)

11,227

(27,784)

9,491

–

**Net Abnormal Items**

2,204

45,872

9,491

(1,343)



6

**Current Assets – Cash**Funds on Deposit  
Cash at Bank and on Hand

Note	Consolidated		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
	353,957	395,455	492	6,533
	14,411	27,428	63,891	4,993
	<b>368,368</b>	<b>422,883</b>	<b>64,383</b>	<b>11,526</b>

7

**Current Assets – Receivables**Contract Debtors Receivable  
Trade and Other Amounts Receivable  
Loans – Secured

	255,803	216,073	–	–
	50,865	43,538	8,238	9,990
	45	176	45	176
	<b>306,713</b>	<b>259,787</b>	<b>8,283</b>	<b>10,166</b>

**Contract Valuations**Progressive value of work  
completed at 30 June

	4,483,799	5,162,325	–	–
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**Progressive Receivable**Contract Receivables  
Retentions held by Clients

	239,552	202,327	–	–
	16,251	13,746	–	–

**Contract Debtors Receivable from Clients**

Cash received to date

	255,803	216,073	–	–
	4,227,996	4,946,252	–	–

**Total Progressive Value**

	<b>4,483,799</b>	<b>5,162,325</b>	<b>–</b>	<b>–</b>
--	------------------	------------------	----------	----------

8

**Current Assets – Investments**Interest in Construction Partnerships  
Associated Companies

	27,989	15,126	–	–
28	348	836	–	–
	<b>28,337</b>	<b>15,962</b>	<b>–</b>	<b>–</b>

9

**Current Assets – Inventories****Development Properties**Cost  
Development expenses capitalised  
Rates, taxes, interest, etc capitalised

	61,448	68,236	–	–
	88,855	95,661	–	–
	30,683	35,587	–	–
	<b>180,986</b>	<b>199,484</b>	<b>–</b>	<b>–</b>
	59,359	64,517	–	–
	<b>121,627</b>	<b>134,967</b>	<b>–</b>	<b>–</b>

Less: Property provisions

10

**Current Assets – Other**Prepayments  
Plant and Equipment held for sale

	11,478	11,796	–	–
	25,486	28,744	–	–
	<b>36,964</b>	<b>40,540</b>	<b>–</b>	<b>–</b>



## Notes continued

	Note	Consolidated		Company	
		1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>11 Non-Current Assets – Receivables</b>					
Loans – Secured		459	343	459	343
Other Accounts Receivable		4,956	3,051	–	–
		<b>5,415</b>	<b>3,394</b>	<b>459</b>	<b>343</b>

<b>12 Non-Current Assets – Investments</b>					
<b>Controlled Entities</b>					
Shares – Cost		–	–	651,336	609,700
Amounts receivable from controlled entities		–	–	269,967	293,972
<b>Total Investment in Controlled Entities</b>		–	–	<b>921,303</b>	<b>903,672</b>
<b>Other Entities</b>					
Interest in Trusts					
– Cost		22	42	–	–
– Directors Valuation June 1994		221	221	–	–
Shares					
– Listed – Cost#		25,000	25,000	–	–
– Unlisted – Cost		503	–	500	–
		<b>25,746</b>	<b>25,263</b>	<b>500</b>	–
<b>Associated Companies</b>					
Shares – Unlisted					
– Cost		1,326	827	–	–
– Directors Valuation June 1995		657	722	–	–
Advances					
– Cost		–	–	–	12,531
– Directors Valuation June 1996		105	19,106	–	–
	28	<b>2,088</b>	<b>20,655</b>	–	<b>12,531</b>
<b>Total Investments</b>		<b>27,834</b>	<b>45,918</b>	<b>921,803</b>	<b>916,203</b>

#Quoted market value of shares \$23.5 million (1997 - \$52 million). Listed investments have not been written down to market value at balance date as the directors consider the recoverable amount of the shares to be in excess of their carrying value.

<b>13 Non-Current Assets – Inventories</b>					
<b>Development Properties</b>					
Cost		30,703	22,076	–	–
Development expenses capitalised		27,760	16,896	–	–
Rates, taxes, interest, etc capitalised		8,522	3,307	–	–
		<b>66,985</b>	<b>42,279</b>	–	–
Less: Property provisions		29,193	17,019	–	–
		<b>37,792</b>	<b>25,260</b>	–	–



14

**Non-Current Assets – Property, Plant, and Equipment****Land**

Independent valuation

– June 1998

– June 1995

**Buildings**

Independent valuation

– June 1998

– June 1995

At cost

Provision for depreciation

**Leasehold Land and Buildings**

Independent valuation

– June 1998

– June 1995

Provision for amortisation

**Leasehold Improvements**

Cost

Provision for amortisation

**Plant and Equipment**

Cost

Provision for depreciation

**Total Property, Plant and Equipment**

Note	Consolidated		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
	<b>14,130</b>	–	<b>6,950</b>	–
	–	10,275	–	5,200
	<b>14,130</b>	10,275	<b>6,950</b>	5,200
	<b>25,850</b>	–	<b>19,250</b>	–
	–	24,187	–	16,192
	–	1,696	–	1,696
	<b>25,850</b>	25,883	–	17,888
	–	(1,436)	–	(860)
	<b>25,850</b>	24,447	<b>19,250</b>	17,028
	<b>1,267</b>	–	–	–
	–	1,000	–	–
	–	(50)	–	–
	<b>1,267</b>	950	–	–
	<b>6,165</b>	6,704	–	–
	<b>(4,417)</b>	(4,419)	–	–
	<b>1,748</b>	2,285	–	–
	<b>939,612</b>	926,422	<b>6,834</b>	7,415
	<b>(400,082)</b>	(389,403)	<b>(5,519)</b>	(5,843)
	<b>539,530</b>	537,019	<b>1,315</b>	1,572
	<b>582,525</b>	574,976	<b>27,515</b>	23,800

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 as at 30 June 1998 on an open market basis. Australian locations were valued by W.K. Wotton AAPI of JLW Advisory Service Pty Ltd (a member of the Jones Lang Wootton Group). South East Asian locations were valued by I. H. Gunawan M.Sc of Colliers Jardine.

15

**Non-Current Assets – Intangibles**

Cost of goodwill

Accumulated amortisation

<b>20,699</b>	21,347	–	–
<b>(20,699)</b>	(12,404)	–	–
–	8,943	–	–



# Notes continued

	Note	Consolidated		Company	
		1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>16</b>	<b>Non-Current Assets – Other</b>				
Waste Management Assets		15,551	12,968	–	–
Provision for amortisation		(869)	(187)	–	–
		14,682	12,781	–	–
Future Income Tax Benefit		113,939	75,099	30,416	9,357
Mining Tenements					
– Cost		2,002	2,002	–	–
– Directors valuation 1997		–	300	–	–
Other Assets		2,610	–	–	–
		133,233	90,182	30,416	9,357
<b>17</b>	<b>Current Liabilities – Accounts Payable</b>				
Trade Creditors		434,869	427,550	12,266	10,252
Other Creditors		27,084	46,425	–	513
		461,953	473,975	12,266	10,765
<b>18</b>	<b>Current Liabilities – Borrowings</b>				
Bank Overdraft		–	43	–	–
Secured Loan		–	813	–	–
Unsecured Loans <sup>#</sup>		20,870	56,200	20,870	–
		20,870	57,056	20,870	–
<b>19</b>	<b>Current Liabilities – Provisions</b>				
Income Tax Payable		52,808	37,929	3,027	901
Employee Entitlements	36	35,823	49,696	8,538	912
Dividend		39,169	59,669	39,169	59,669
Contract and Plant Maintenance		51,187	37,884	–	–
		178,987	185,178	50,734	61,482
<b>20</b>	<b>Current Liabilities – Other</b>				
Amounts Payable to Construction Partnerships		1,720	6,171	–	–
<b>21</b>	<b>Non-Current Liabilities – Accounts Payable</b>				
Trade Creditors		13,930	19,672	–	–
<b>22</b>	<b>Non-Current Liabilities – Borrowings</b>				
Secured Loan		–	2,830	–	–
Unsecured Loans <sup>#</sup>		98,519	114,334	98,519	114,334
Payable to Controlled Entities		–	–	406,506	368,014
		98,519	117,164	505,025	482,348

<sup>#</sup>The unsecured loans are provided under negative pledge agreements with financial institutions.



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**Non-Current Liabilities – Provisions**

	Consolidated		Company	
	1998	1997	1998	1997
Note	\$'000	\$'000	\$'000	\$'000
Deferred Income Tax	90,098	94,547	9,269	9,662
Employee Entitlements	67,929	42,418	28,611	29,476
Contract and Plant Maintenance	124,208	83,734	1,532	1,280
	<b>282,235</b>	<b>220,699</b>	<b>39,412</b>	<b>40,418</b>

24

**Share Capital****Issued**

261,125,820 Ordinary shares of 50¢ each fully paid (1997 – 259,428,886)

	<b>130,563</b>	<b>129,714</b>	<b>130,563</b>	<b>129,714</b>
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**Increase in Issued Capital During the Year**

– ordinary shares of 50¢ each issued under:

Share Purchase Plan

1,696,934 shares at a premium of \$4.85 per share

<b>849</b>	<b>–</b>	<b>849</b>	<b>–</b>
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Share Top Up

76,123 shares at a premium of \$5.18 per share

<b>–</b>	<b>38</b>	<b>–</b>	<b>38</b>
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25

**Reserves**

General	25	25	25	25
Redemption	60	60	60	60
Foreign Currency Translation	(3,293)	(4,664)	570	570
Asset Revaluation	15,084	10,907	9,720	5,301
Share Premium	228,065	219,835	228,065	219,835
	<b>239,941</b>	<b>226,163</b>	<b>238,440</b>	<b>225,791</b>

**Movements****Foreign Currency Translation**

Opening Balance	(4,664)	(7,411)	570	570
Translation of overseas controlled entity accounts & borrowings applicable to overseas investments	(2,829)	2,747	–	–
Loss transferred to Profit and Loss Account	4,200	–	–	–
Closing Balance	<b>(3,293)</b>	<b>(4,664)</b>	<b>570</b>	<b>570</b>

**Asset Revaluation**

Opening Balance	10,907	12,780	5,301	2,121
Surplus on Revaluation	4,088	–	4,419	–
Transfer (to)/from Profit and Loss Account	89	(1,873)	–	3,180
Closing Balance	<b>15,084</b>	<b>10,907</b>	<b>9,720</b>	<b>5,301</b>

**Share Premium**

Opening Balance	219,835	219,441	219,835	219,441
Ordinary Shares issued at a premium				
– 1,696,934 shares in 1998	8,230	–	8,230	–
– 76,123 shares in 1997	–	394	–	394
Closing Balance	<b>228,065</b>	<b>219,835</b>	<b>228,065</b>	<b>219,835</b>



26

**Outside Equity Interests in Controlled Entities**

Share Capital  
Reserves  
Retained Profits

Note	Consolidated		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
	738	601	—	—
	(1,443)	2,125	—	—
	17,496	15,865	—	—
	16,791	18,591	—	—

27

**Dividends and Earnings Per Share****Dividends**

Dividends provided for or paid by the Company are:

**Interim Dividend**

A fully franked interim ordinary dividend of 11 cents per share, (1997: 9 cents per share) was paid on 30 March 1998.

Franked at 36%

28,724 23,349 28,724 23,349

**Special Interim Dividend**

A fully franked special interim dividend of 10 cents per share was paid on 15 September 1997.

Franked at 36%

— 25,943 — 25,943

**Final Dividend**

A fully franked final ordinary dividend of 15 cents per share, (1997: 13 cents per share) will be paid on 30 September 1998.

Franked at 36%

39,169 33,725 39,169 33,725  
67,893 83,017 67,893 83,017

**Dividend Franking Account**

Balance of the franking account adjusted for franking credits which arise from the payment of income tax provided for in the financial statements, and after deducting franking credits to be used in payment of the above dividend:

30,645 22,510 30,645 22,510

Further franking credits will arise in the 1999 financial year from the payment of provisional income tax instalments on 1999 profits.

**Earnings**

Basic earnings per share (cents per share)

Operating Profit

38.7¢ 33.3¢

Total Profit

39.5¢ 50.9¢

Diluted earnings per share (cents per share)

39.5¢ 50.9¢

Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share

260,270,379 259,390,512

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.



## 28

## Investments – Associated Companies

	Note	Consolidated		Company	
		1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Current	8	348	836		
Non-Current	12	2,088	20,655		
		<b>2,436</b>	<b>21,491</b>		

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 1998. The Economic Entity's interests in associated companies, at 30 June 1998, were not of a material size or contribution to the Economic Entity's activities to warrant separate disclosure.

As at 30 June 1997 the only associated company material to the Economic Entity was Green Holdings Inc. This company was involved in civil engineering in the USA and has a balance date of 31 October. The Economic Entity's interest at 30 June 1997 was 50% and at that date there were advances outstanding of \$18.6million.

## 29

## Consolidated Result by Segments

Industry	Contracting & Project Management \$'000	Property Development \$'000	Unallocated \$'000	Total \$'000
<b>1998</b>				
<b>Total Revenue</b>	<b>2,974,231</b>	<b>36,452</b>	<b>23,863</b>	<b>3,034,546</b>
<b>Operating Profit/(Loss) Before Tax</b>	<b>168,764</b>	<b>3,805</b>	<b>(8,398)</b>	<b>164,171</b>
<b>Abnormal Profit/(Loss) Before Tax</b>	<b>7,526</b>	<b>(12,349)</b>	<b>(4,200)</b>	<b>(9,023)</b>
<b>Total Assets</b>	<b>1,228,906</b>	<b>167,462</b>	<b>252,440</b>	<b>1,648,808</b>
<b>1997</b>				
Total Revenue	3,094,712	47,967	18,501	3,161,180
Operating Profit/(Loss) Before Tax	166,504	1,050	(22,405)	145,149
Abnormal Profit Before Tax	69,178	—	4,478	73,656
Total Assets	1,079,409	176,211	367,192	1,622,812
Geographic	Australia \$'000	S. E. Asia \$'000	U.S.A. \$'000	Total \$'000
<b>1998</b>				
<b>Total Revenue</b>	<b>2,333,730</b>	<b>695,542</b>	<b>5,274</b>	<b>3,034,546</b>
<b>Operating Profit Before Tax</b>	<b>108,576</b>	<b>53,790</b>	<b>1,805</b>	<b>164,171</b>
<b>Abnormal (Loss) Before Tax</b>	<b>(7,849)</b>	<b>(1,174)</b>	<b>—</b>	<b>(9,023)</b>
<b>Total Assets</b>	<b>1,258,200</b>	<b>356,738</b>	<b>33,870</b>	<b>1,648,808</b>
<b>1997</b>				
Total Revenue	2,483,197	677,959	24	3,161,180
Operating Profit Before Tax	101,229	43,920	—	145,149
Abnormal Profit/(Loss) Before Tax	79,477	(5,821)	—	73,656
Total Assets	1,258,357	318,183	46,272	1,622,812

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.



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**Capital Commitments**

Plant and Equipment - payable within one year  
Investments - payable within two to five years

Note	Consolidated		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000

42,455	24,343	-	-
25,495	-	-	-

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**Bank Guarantees, Insurance Bonds and Letters of Credit**

Contingent liability under indemnities given on behalf of controlled entities in respect of:

i) Bank Guarantees	394,737	344,323	394,737	344,323
ii) Insurance, Performance & Payment Bonds	18,159	8,815	18,159	8,815
iii) Letters of Credit	6,984	3,714	6,984	3,714

Contingent liability under indemnities given on behalf of an associated company in respect of:

i) Letters of Credit	-	3,013	-	3,013
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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 \$US6.7 million (1997 - \$US42 million) of which Nil (1997 - Nil) is related to uncompleted work. The above amounts are the face value of the relevant securities and no claims are anticipated under the indemnities.

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**Financial Instruments****(a) Interest Rate Risk**

Interest rate and cross currency swaps are entered into for the purpose of managing exposure to interest rate fluctuations. A swap is in place to convert the fixed rate interest of 7.21% of the Economic Entity's medium term borrowing to a variable interest rate which was 5.71% as at 30 June 1998. The Economic Entity's exposure to interest rate risk and the effective weighted average interest rates for classes of financial assets and financial liabilities is set out below:

	Weighted Average Rate	Floating Rate	Fixed Interest Maturing in:			Non interest bearing	Total
	%	\$'000	1 year or less \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000	\$'000	\$'000
Financial assets							
Cash	5.20	364,278	-	-	-	4,090	368,368
Receivables	4.94	-	4,956	213	246	306,713	312,128
Non-interest bearing assets	-	-	-	-	-	56,171	56,171
		364,278	4,956	213	246	366,974	736,667
Financial liabilities							
Borrowings	7.10	-	-	4,167	115,223	-	119,390
Non-interest bearing liabilities	-	-	-	-	-	477,603	477,603
		-	-	4,167	115,223	477,603	596,993
Interest rate swap	5.71	115,223	-	-	-	-	-



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**Financial Instruments (continued)****(b) Foreign Exchange Risk**

To manage foreign exchange exposure, members of the Economic Entity enter into forward exchange contracts to hedge specific project receipts or expenditure and plant and equipment purchase commitments denominated in foreign currencies. The amounts involved are not material and do not warrant separate disclosure in the financial statements. The majority of the contracts are in USD.

**(c) Credit Risk**

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

**On - Balance Sheet Financial Instruments**

The Economic entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet. The Economic Entity minimises concentrations of credit risk by undertaking transactions with a large number of customers in various countries. At balance date, the Economic Entity was not materially exposed to any individual overseas country or individual customer.

**Off - Balance Sheet Financial Instruments**

Credit Risk on off-balance sheet derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

**(d) Net Fair Values of Financial Assets and Liabilities****On - Balance Sheet Financial Instruments**

The Economic Entity's financial assets and liabilities, excluding listed investments, included in the balance sheet are carried at amounts that approximate net fair value. The market value of listed investments is disclosed in Note 12.

**Off - Balance Sheet Financial Instruments**

Off-balance sheet financial instruments comprise an interest rate swap and forward foreign exchange contracts. No material losses are anticipated in respect of any of these instruments.

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**Other Contingent Liabilities****(i) Guarantees and undertakings given in respect of borrowings**

by controlled entities	—	—	—	56,511
------------------------	---	---	---	--------

(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) Certain executives are entitled to a benefit pursuant to service agreements with the Economic Entity subject to ongoing conditions being fulfilled. The amounts are provided in the accounts of the Economic Entity. Any amounts that become payable will be disclosed as remuneration in the relevant year.

(v) 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.

(vi) 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.

(vii) 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.

(viii) Under the terms of the Class Order issued pursuant to Section 313(6) of the Corporations Law the Company and a subsidiary has entered into approved deeds of indemnity for the cross-guarantee of liabilities with participating Australian subsidiary companies. Refer to note 39.

**(ix) Amounts Payable/Receivable in Foreign Currencies**

The Australian dollar equivalents of unhedged amounts payable or receivable in foreign currencies, calculated at year end exchange rates are as follows:

**Amounts Payable****Non Current****United States Dollar**

—	—	<b>37,833</b>	63,815
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No significant claims are anticipated in respect of contingent liabilities.

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**Directors' Remuneration**

Income paid or payable or otherwise made available to Directors of Leighton Holdings Limited and Executive and Non-executive Directors of controlled entities.

	Consolidated		Company	
	1998	1997	1998	1997
Note	\$'000	\$'000	\$'000	\$'000
	<b>36,092</b>	34,584	<b>6,837</b>	8,020
Number of Directors of Leighton Holdings Limited whose remuneration were within the following bands:				
\$10,000 – \$19,999			1	–
\$30,000 – \$39,999			–	1
\$40,000 – \$49,999			2	1
\$50,000 – \$59,999			–	2
\$60,000 – \$69,999			5	2
\$110,000 – \$119,999			–	1
\$120,000 – \$129,999			1	–
\$130,000 – \$139,999			–	1
\$140,000 – \$149,999			1	–
\$320,000 – \$329,999*			–	1
\$1,440,000 – \$1,449,999			1	–
\$1,880,000 – \$1,889,999			–	1
\$1,980,000 – \$1,989,999			1	–
\$2,580,000 – \$2,589,999			–	1
\$2,660,000 – \$2,669,999			–	1
\$2,690,000 – \$2,699,999			1	–

Since the end of the financial year \$9,470,000 was paid to an Executive Director on retirement pursuant to an employment agreement.

\*Includes retirement benefits to a Non-executive Director paid pursuant to the Non-executive Retirement Plan approved at the 1996 Annual General Meeting.



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**Remuneration of Executives**

The number of executive officers whose remuneration equals or exceeds \$100,000 were within the following bands:

	Consolidated		Company	
	1998	1997	1998	1997
Note	\$'000	\$'000	\$'000	\$'000
Remuneration of Executives	23,352	24,194	6,079	6,179
The number of executive officers whose remuneration equals or exceeds \$100,000 were within the following bands:				
\$150,000 – \$159,999	–	–	1	–
\$160,000 – \$169,999	2	–	–	–
\$210,000 – \$219,999	1	–	–	–
\$230,000 – \$239,999	1	–	–	–
\$250,000 – \$259,999	–	2	–	–
\$270,000 – \$279,999	–	1	–	–
\$290,000 – \$299,999	1	1	–	–
\$360,000 – \$369,999	–	2	–	–
\$390,000 – \$399,999	1	–	–	–
\$420,000 – \$429,999	–	1	–	1
\$440,000 – \$449,999	1	1	–	–
\$450,000 – \$459,999	2	3	–	–
\$460,000 – \$469,999	–	1	–	–
\$470,000 – \$479,999	–	1	–	–
\$480,000 – \$489,999	–	2	–	–
\$490,000 – \$499,999	1	–	–	–
\$520,000 – \$529,999	–	1	–	–
\$550,000 – \$559,999	–	1	–	–
\$560,000 – \$569,999	1	2	–	–
\$570,000 – \$579,999	–	1	–	1
\$600,000 – \$609,999	1	–	1	–
\$610,000 – \$619,999	1	1	–	–
\$620,000 – \$629,999	2	–	–	–
\$630,000 – \$639,999	–	1	–	1
\$640,000 – \$649,999	2	–	1	–
\$660,000 – \$669,999	1	–	–	–
\$700,000 – \$709,999	1	–	–	–
\$720,000 – \$729,999	1	1	–	–
\$730,000 – \$739,999	1	–	–	–
\$750,000 – \$759,999	1	–	–	–
\$780,000 – \$789,999	1	–	–	–
\$810,000 – \$819,999	1	–	–	–
\$860,000 – \$869,999	–	1	–	–
\$870,000 – \$879,999	–	1	–	–
\$970,000 – \$979,999	–	1	–	–
\$1,030,000 – \$1,039,999	–	1	–	–
\$1,120,000 – \$1,129,999	1	1	–	–
\$1,440,000 – \$1,449,999	1	–	–	–
\$1,460,000 – \$1,469,999	1	–	–	–
\$1,470,000 – \$1,479,999	–	1	–	–
\$1,820,000 – \$1,829,999	1	–	–	–
\$1,880,000 – \$1,889,999	–	1	–	1
\$1,980,000 – \$1,989,000	1	–	1	–
\$2,580,000 – \$2,589,999	–	1	–	–
\$2,660,000 – \$2,669,999	–	1	–	1
\$2,690,000 – \$2,699,999	1	–	1	–

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**Employee Entitlements**  
**Aggregate Employee Entitlements**

	Note	Consolidated		Company	
		1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Current	19	35,823	49,696	8,538	912
Non-Current	23	67,929	42,418	28,611	29,476
		103,752	92,114	37,149	30,388

**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 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 1997 by Mercer Campbell Cook & Knight Pty Ltd. The Leighton Asia Superannuation Fund was assessed at 30 June 1997 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 defined benefits section only of the most recent financial reports of the funds which were prepared as at 30 June 1997 for the Leighton Superannuation Fund and the Leighton Asia Superannuation Fund.

Fund		Accrued Benefits	Market Value of Assets	Surplus/ (Deficit)	Vested Benefits
Leighton Superannuation Fund - 30 June 1997		58,497	62,392	3,895	48,581
Leighton Asia Superannuation Fund - 30 June 1997		2,374	2,255	(119)	1,432
Total		60,871	64,647	3,776	50,013

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 expected 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 shareholders 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 the Executive Directors. On 24 October 1996, the Company granted options over 5,005,500 unissued ordinary shares to 184 employees under the Leighton Staff Equity Participation Plan including 400,000 options issued to D.S. Adamsas. The options may be exercised in the six week period commencing August 1998, 1999, 2000 and 2001 at a price of \$5.41 per share. No options were exercised during the year. The options will lapse on the earlier of 24 October 2001 or termination of the employee's employment for any reason other than death or retirement. During the financial year 330,000 options have lapsed leaving a balance of 4,675,500 options.

As at 30 June 1998 there were on issue under the Plan 321,000 shares in respect of which there were outstanding loans totalling \$45 (1997 - \$176). These shares were issued at market value. No shares 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.



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**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 outstanding of \$401,149 (1997 - \$317,846) and ranging from \$1,083 to \$246,583 (1997: \$5,523 to \$246,583) have been made to 9 (1997 - 7) Executive Directors of Leighton Holdings Limited and related entities. Interest of \$22,541 (1997 - \$73,573) 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 from Executive Directors of \$51,697 (1997 - \$38,385) were received in respect of the Plan from D. Adamsas, P. Cooper, R. Gussey, R. Hunter, N. Sallustio and E. Young.

Loans under the Senior Executive Loan Plan were charged interest between 6% p.a. and 10% p.a. (1997 - 6% p.a. and 10% p.a.), were secured by mortgages over property and were repayable up to 20 years from the dates of the loans. Loans of \$135,000 (1997 - \$100,000) were made during the year. Repayments of principal of \$18,568 (1997 - \$1,117,047) 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.

Note	Consolidated		Company	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000

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**Lease and Rental Commitments****Operating Leases**

Plant, Equipment and Motor Vehicle Leases

Carpark Leases

Property Leases

37,714	38,253	—	—
6,554	10,401	—	—
27,348	22,007	—	—
<b>71,616</b>	<b>70,661</b>	<b>—</b>	<b>—</b>

Lease Commitments not capitalised

- Not later than one year

- Later than one year but not later than two years

- Later than two years but not later than five years

- Later than five years

28,254	27,281	—	—
22,641	20,606	—	—
19,004	20,844	—	—
1,717	1,930	—	—
<b>71,616</b>	<b>70,661</b>	<b>—</b>	<b>—</b>

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 Holdings Limited and Controlled Entities

		Entity's Share of Equity	Place of Incorporation
†Leighton Holdings Limited			Vic.
Adelaide Terrace Investments Pty Ltd		100%	S.A.
* Asia Mining Services		80%	Vietnam
* Asian Region Investment Ltd		80%	Hong Kong
* Ausindo Holdings Pte Ltd		100%	Singapore
Australian Paper Recovery Pty Ltd		100%	N.S.W.
Australian Services Joint Venture		65%	N/A
Burton Properties Pty Ltd		100%	N.S.W.
* Citysky Ltd	(3)	80%	Hong Kong
* Doan Ket (Hong Kong) Ltd (formerly Leighton Asia Fund Management Ltd)	(4)	80%	Hong Kong
Dovida Pty Limited		100%	N.S.W.
* Giddens Investment Ltd		80%	Hong Kong
* Green Builders Inc	(3)	100%	U.S.A.
* Green Construction Company	(3)	100%	U.S.A.
* Green Engineering and Mining Company	(3)	100%	U.S.A.
* Hai Van Thiess Construction & Consultant Company		56%	Vietnam
Kaparidge Pty Ltd	(3)	100%	Qld.
* Lai Lap Foundation Engineering Ltd		80%	Hong Kong
Landetting Nominees Pty Ltd		100%	Vic.
#Lao Thiess Constructors Co Ltd		80%	Laos
* Leighton Asia Finance Ltd		80%	Hong Kong
* Leighton Asia (Hong Kong) Holdings Ltd		80%	Hong Kong
* Leighton Asia Ltd		80%	Cayman Islands
* Leighton Asia Management Services Co Ltd		80%	Hong Kong
* Leighton Contractors (Asia) Ltd		80%	Hong Kong
* Leighton Contractors (China) Ltd		80%	Hong Kong
* Leighton Contractors (Indo-China) Ltd		80%	Hong Kong
* Leighton Contractors (Malaysia) Sdn. Bhd.		80%	Malaysia
#Leighton Contractors (Philippines) Inc.	(1)	32%	Philippines
* Leighton Contractors (Philippines) Ltd		80%	Hong Kong
Leighton Contractors Pty Ltd		100%	N.S.W.
* Leighton Contractors (Singapore) Pte Ltd		80%	Singapore
* Leighton Development Inc	(2)	100%	U.S.A.
Leighton Equipment Leasing Pty Ltd		100%	N.S.W.
† Leighton Finance Ltd		100%	N.S.W.
* Leighton Foundation Engineering Ltd		80%	Hong Kong
Leighton Funds Management Pty Ltd (formerly Leighton International Pty Ltd)		100%	Qld.
#Leighton Geotech Ltd	(1)	39%	Thailand
* Leighton Investment Inc	(2)	100%	U.S.A.
#Leighton Investments Malaysia (L) Ltd		80%	Malaysia
* Leighton Investments Singapore Pte Ltd		80%	Singapore
Leighton Motorway Investment Pty Ltd		100%	N.S.W.
* Leighton NA Inc	(2)	100%	U.S.A.
Leighton Office Trust		100%	N/A
* Leighton Pacific Developments Inc		100%	U.S.A.
† Leighton Parking Pty Ltd		100%	N.S.W.
† Leighton Properties (Brisbane) Pty Ltd		100%	Qld.
† Leighton Properties Pty Ltd		100%	N.S.W.
Leighton Properties (Qld) Pty Ltd		100%	Qld.
Leighton Property Funds Management Limited	(2)	100%	A.C.T.
Leighton Property Management Pty Ltd (formerly Sydney Coliseum Pty Ltd)		100%	N.S.W.



## Leighton Holdings Limited and Controlled Entities (continued)

		Entity's Share of Equity	Place of Incorporation
Leighton Staff Shares Pty Ltd	(4)	100%	Vic.
Leighton Superannuation Pty Ltd	(4)	100%	N.S.W.
* Leighton USA Holdings Inc		100%	U.S.A.
* Leighton USA Finance Inc	(2)	100%	U.S.A.
* Leighton USA Inc		100%	U.S.A.
† Mamasan Pty Ltd		100%	A.C.T.
† Moussewood Pty Ltd		100%	Qld.
Multicon Engineering Pty Ltd		100%	N.S.W.
† Multicon Holdings Pty Ltd		100%	N.S.W.
#Northcoast Motorway Pty Ltd		100%	N.S.W.
* Northland Maintenance Inc	(3)	100%	U.S.A.
Pacific Water Pty Ltd		100%	N.S.W.
#Pluteus ACT (No 7) Pty Ltd		100%	A.C.T.
* PT Thiess Contractors Indonesia		100%	Indonesia
† Ridgewood Development Pty Ltd		100%	Qld.
Speedrail Group Pty Ltd	(2)	100%	N.S.W.
St Kilda Road Trust		100%	N/A
Swanblaze Pty Ltd	(3)	100%	A.C.T.
* Technical Resources Asia Ltd		80%	Hong Kong
† Technical Resources Pty Ltd		100%	N.S.W.
#Thai-Leighton Ltd	(1)	39%	Thailand
Thiess Argentina SA	(2)(5)	100%	Argentina
Thiess Carey Joint Venture		75%	N/A
Thiess Chile SA	(2)(5)	100%	Chile
Thiess Contractors International Pty Ltd		100%	Qld.
* Thiess Contractors (Malaysia) Sdn.Bhd.		100%	Malaysia
* Thiess Contractors (NZ) Ltd		100%	New Zealand
* Thiess Contractors (PNG) Pty Ltd		100%	P.N.G.
Thiess Contractors Pty Ltd		100%	Qld.
Thiess Environmental Services Pty Ltd		100%	Qld.
Thiess Investments Ltd			
(formerly Thiess Construction Ltd)		100%	Qld.
Thiess Property Services Pty Ltd	(2)	100%	Qld.
* Thiess Roche Lihir Joint Venture		65%	N/A
Thiess Services Pty Ltd		100%	Vic.
Visionstream Pty Ltd		100%	Qld.
Yifta Pty Ltd		100%	A.C.T.
80 Pacific Highway Trust		100%	N/A
ACN 002 821 892 Pty Ltd		100%	N.S.W.

(1) Entities controlled under shareholder agreements

(2) Incorporated in 1998 year

(3) Entities acquired in 1998 year

(4) Trustee Company

(5) Under local requirements these companies are not required to be audited in the current year.

\* Audited by overseas KPMG member firms

# Audited by firms other than KPMG

† These companies (Leighton Holdings Limited (LHL) Class Order Companies) have the benefit of an ASC Class Order 95/1530.



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**Leighton Holdings Limited and Controlled Entities (continued)**

Pursuant to the Class Order, relief was granted to the LHL Class Order Companies from the Corporations Law requirements for preparation, audit and publication of accounts. As a condition of the Class Order the Company and each of the LHL Class Order Companies are party to a Deed of Cross Guarantee dated 9 June 1994. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt of a LHL Class Order Company in the event of its winding up 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 LHL Class Order Companies have also given similar guarantees in the event that the Company or other LHL Class Order Companies party to the Deed of Cross Guarantee are wound up.

At balance date the Company and LHL Class Order Companies which are a party to the Deed have aggregate assets of \$910,398 (1997 - \$1,017,755) aggregate liabilities of \$657,207 (1997 - \$872,804) and their operating profit and extraordinary items after income tax for the year was \$115,348 (1997 - \$100,991).

**Disposed Entities**

Integrated Concrete Repairs Pty Ltd

**Liquidated Entities**

Aus. Construction and Dredging B.V.

Bonedale Pty Ltd

Comserv (No 1776) Pty Ltd

Leighton Ted Partnership

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**Related Party Information**

**Directors**

The Directors who held office as Directors of Leighton Holdings Limited during the year ended 30 June 1998 were:

Morrish Alexander Besley, AO

Wallace MacArthur King, AM

Dieter Siegfried Adamsas

Geoffrey John Ashton

Keith Leslie Bennett (retired 28 August 1998)

Achim Drescher

Ian Rutledge Johnson (appointed 30 September 1997)

Hans-Peter Keitel

David Allen Mortimer (appointed 30 September 1997)

Busso Peus

Mark Richard Rayner (resigned 30 September 1997)

David Paul Robinson

Rodney Malcolm Wylie, OBE

**Directors' Transactions**

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

M.A. Besley is Chairman of the Commonwealth Bank. M.R. Rayner who resigned on 30 September 1997 is a director of National Australia Bank Limited. These banks provide banking services and facilities on normal commercial terms to the Economic Entity.

M.R. Rayner is a director of Pasmenco Limited, Boral Limited and Mayne Nickless Limited. G.J. Ashton is a director of Evans Deakins Industries Limited and the NSW State Transit Authority. A. Drescher is a director of Columbus Line Australia Pty Limited and Otto Plastics Pty Limited. D.A. Mortimer is a director of Ci Technologies Group Limited, Petsec Energy Limited, FH Faulding and Co Limited, GIO Australia Holdings Limited and Adsteam Marine Limited. R.M. Wylie is a director of AMP Limited. A.C. Hardy, a director of a controlled entity, is a director of the Frankipile Group. E.F. Finger, a director of a controlled entity is a director of Queensland Motorways Ltd. M.E. Tugade, a director of a controlled entity is a director of Asia Contractors Holdings Inc. These companies may provide or receive from time to time on normal commercial terms general construction materials and services.



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#### Related Party Information (continued)

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.

Financial advice has been provided to certain members of the Economic Entity on normal commercial terms and conditions by a company, a director of which is a director related entity of R.M. Wylie, a director of the Chief Entity.

I.R. Johnson, a director of the Chief Entity and P. Everingham, A.C. Hardy and R. Kelly, directors of controlled entities, provided engineering advice and consulting services to certain members of the Economic Entity on normal commercial terms and conditions.

Legal and consulting services were provided to members of the Economic Entity on normal commercial terms and conditions by firms in which T. Addison, M.E. Bombau, M.L. Bomchil, G.A. De Jesus, P.P. Gutierrez, G.J. Lay and M. Vazquez, who are directors of controlled entities, are partners.

Engineering advice has been provided to certain members of the Economic Entity on normal commercial terms and conditions by firms, 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 31,920 (1997 - 2,154) shares acquired and Nil (1997 - Nil) shares sold. During the year Hochtief Limited acquired 6,024,572 (1997 - Nil) shares giving a shareholding at year end of 122,505,456 (1997 - 116,480,884) 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.

#### Amounts Receivable from and Payable to Related Parties

Companies aggregate amounts receivable at balance date from

Directors:

- Current	20	71	8	22
- Non-Current	247	247	247	247

Other related parties:

Associated Companies

- Current - Investment	348	836	-	-
- Non-Current - Investment	105	19,106	-	12,531

Other

- Current - Partnerships	27,989	15,125	-	-
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Aggregate amounts payable at balance date to other related parties:

- Current	1,720	6,171	-	-
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**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:

	Consolidated		Company	
	1998	1997	1998	1997
Note	\$'000	\$'000	\$'000	\$'000
Cash at Bank and on Hand	14,411	27,428	63,891	4,993
Interest Bearing Deposits	353,957	395,455	492	6,533
Bank Overdraft	—	(43)	—	—
	<b>368,368</b>	<b>422,840</b>	<b>64,383</b>	<b>11,526</b>

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

Operating profit after income tax	110,167	138,603	102,565	102,539
Add (less) non-cash items				
Depreciation	124,431	139,659	888	1,052
Amortisation and write off of goodwill	8,295	13,257	—	—
Amounts set aside to provisions	216,921	224,733	7,496	15,056
Abnormal writedowns	16,549	—	—	—
Other writedowns	250	5,255	—	—
Foreign currency (Gains)/Losses	—	—	23,243	8,665
Income tax payable	(24,950)	33,785	(28,478)	(4,699)
(Gain)/Loss on sales of non-current assets	(13,314)	(79,679)	(1)	1,824
Partnership results	(10,254)	(19,346)	—	685
Intercompany transactions	—	—	(11,158)	(25,620)
Bad debts written off	13,181	—	—	—
Interest charged to associated companies	—	2,106	—	—
Net cash provided by operating activities before changes in assets and liabilities	<b>441,276</b>	<b>458,373</b>	<b>94,555</b>	<b>99,502</b>
Net changes in assets/liabilities				
(Increase)/Decrease in Prepayments	358	(2,947)	—	179
(Increase)/Decrease in Other Receivables	10,497	(4,298)	3,062	3,722
(Decrease)/Increase in Trade Creditors	2,078	25,082	2,014	(9,535)
(Decrease)/Increase in Other Creditors	(21,824)	12,619	(512)	330
(Decrease)/Increase in Provisions	(170,965)	(160,499)	(483)	(542)
Proceeds of Sales of Development Properties	4,891	11,142	—	—
(Other Net Movement) in Development Properties	(10,252)	3,641	—	—
(Increase)/Decrease in Trade Debtors	(79,318)	(8,972)	—	—
(Increase)/Decrease in Inventory	—	(1,647)	—	—
	<b>(264,535)</b>	<b>(125,879)</b>	<b>4,081</b>	<b>(5,846)</b>
<b>Net cash provided by operating activities</b>	<b>176,741</b>	<b>332,494</b>	<b>98,636</b>	<b>93,656</b>

**Details of Credit Facilities**

The Economic Entity has a total of \$295 million (1997 - \$357 million) committed facilities of which \$176 million (1997 - \$186 million) were undrawn as at 30 June 1998. These facilities include a Private Unsecured Loan Placement in the USA of \$US70 million (1997 - \$US82 million). These facilities have maturity dates up to May 2004.



## Statement by Directors on the Financial Statements set out on pages 53 to 79


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 1998;
- (b) The balance sheet gives a true and fair view of the Company's state of affairs as at 30 June 1998;

- (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 39 for further details.

Dated at Sydney this 3rd day of September, 1998.

Signed in accordance with a resolution of directors:

  
M A Besley AO  
Chairman

  
W M King AM  
Chief Executive Officer

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## Independent 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 1998, consisting of the profit and loss statements, balance sheets, statements of cash flows, accompanying notes, and the statement by Directors set out on pages 53 to 80. 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 financial statements. 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 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 whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements 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 39. We have received sufficient information and explanations concerning these controlled entities to enable us to form an opinion on the consolidated accounts.

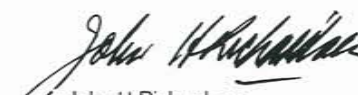
The audit opinion expressed in this report has been formed on the above basis.

### 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 1998, 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  
Chartered Accountants

  
John H Richardson  
Partner  
Dated at Sydney this 3rd day of September, 1998.





Financial Calendar

## Shareholder Information

As a major enhancement, providing faster and more efficient service to shareholders, the Company's share register was converted to fully uncertificated status in June 1998.

### Enquiries

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

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

### Dividend Payment

The final dividend of 15 cents per share will be paid on 30 September 1998. For Australian tax purposes the dividend is fully franked at the 36% corporate tax rate. Overseas shareholders will benefit by having no Australian withholding tax deducted from their franked dividends.

### Direct Dividend Deposit into Bank Accounts

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





## 1998

3 September	Shares begin trading ex Dividend
11 September	Books close for Final Dividend
30 September	Final Dividend paid
5 November	Annual General Meeting
31 December	Half year end

## 1999

16 February	Half Year Results announced
4 March	Shares begin trading ex Dividend
12 March	Books close for Interim Dividend
31 March	Interim Dividend paid
30 June	Year end
19 August	Preliminary Final Results announced
2 September	Shares begin trading ex Dividend
10 September	Books close for Final Dividend
30 September	Final Dividend Paid
4 November	Annual General Meeting

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

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

### Tax File Numbers

Since 1 July 1991, all companies have been obliged to deduct tax at the top marginal rate from unfranked dividends paid to investors, resident in Australia, who have not supplied them with a tax file number or exemption

particulars. Tax will not be deducted from the franked portion of a dividend.

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

### Stock Exchange Listing

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

### Share Information

Details of share capital and issued shares are contained in Note 24 to the Accounts on page 66. Information regarding Substantial Shareholders, the 20 largest holders and shareholding distribution is on page 52.

### Audit Committee

As at 3 September 1998, 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.



# Statistical Summary

for the ten years 1989 – 1998

	1998 \$'000	1997 \$'000	1996 \$'000	1995 \$'000	1994 \$'000	1993 \$'000	1992 \$'000	1991 \$'000	1990 \$'000	1989 \$'000
<b>Summary of Balance Sheets*</b>										
Issued and Paid-up Capital	130,563	129,714	129,676	115,942	111,948	109,665	96,721	92,569	62,826	60,706
Total Capital and Reserves	590,594	542,897	489,745	358,049	316,195	298,120	249,059	238,453	193,403	178,866
Non-Current Liabilities	394,684	357,535	349,295	413,120	381,293	367,815	330,204	207,636	195,499	173,556
Current Liabilities	663,530	722,380	565,729	418,127	351,356	331,860	292,203	297,593	286,005	272,568
Non-Current Assets	786,799	748,673	770,798	768,820	689,003	663,593	570,250	429,608	363,741	320,224
Current Assets	862,009	874,139	633,971	420,476	359,841	334,202	301,216	314,074	311,166	304,766
Total Assets*	1,648,808	1,622,812	1,404,769	1,189,296	1,048,844	997,795	871,466	743,682	674,907	624,990
<b>Summary of Profit and Loss Statements*</b>										
Revenue	3,034,546	3,161,180	2,519,644	2,031,377	1,807,728	1,580,582	1,590,196	1,710,044	1,636,460	1,431,260
Operating Profit Before Interest and Income Tax†	164,725	155,039	121,240	100,267	67,245	94,768	69,327	56,276	54,586	46,388
Operating Profit Before Tax	147,833	212,314	107,901	74,599	37,820	10,169	38,468	34,364	35,043	27,110
Income Tax Expense	44,981	80,202	37,688	23,365	4,738	(4,901)	15,959	13,335	14,563	10,575
Operating Profit after Tax	102,852	132,112	70,213	51,234	33,082	15,070	22,509	21,029	20,480	16,535
<b>Financial Statistics</b>										
Earnings per Ordinary Share										
Operating Profit†	38.7¢	33.3¢	27.0¢	22.1¢	16.7¢	24.1¢	11.6¢	16.1¢	16.5¢	14.2¢
Total Profit										
– basic	39.5¢	50.9¢	29.1¢	22.4¢	14.9¢	7.6¢	11.6¢	16.1¢	16.5¢	14.2¢
– diluted	39.5¢	50.9¢	29.1¢	22.4¢	14.9¢	7.6¢	11.6¢	15.1¢	15.5¢	13.2¢
Dividends per Ordinary Share	26.0¢	32.0¢	15.0¢	12.0¢	9.0¢	8.0¢	8.0¢	8.0¢	8.0¢	7.0¢
Return on Ordinary Shareholders Funds†‡	17.0%	15.9%	13.3%	14.1%	11.7%	16.7%	9.0%	8.8%	10.6%	9.2%
Return on Assets†	6.1%	5.3%	4.6%	4.3%	3.5%	4.8%	2.6%	2.8%	3.0%	2.7%
Operating Profit Before Interest and Tax to Total Revenue†	5.4%	4.9%	4.8%	4.9%	3.7%	3.7%	6.0%	4.4%	3.3%	3.3%
Dividend Times Covered	1.5	1.6	1.8	1.9	1.7	0.9	1.4	1.7	2.0	2.0
Dividend Payout Ratio	66.0%	62.8%	55.3%	54.0%	60.5%	110.1%	68.6%	60.2%	49.0%	50.5%
Interest Times Covered	19.8	14.0	5.6	4.0	2.9	1.5	2.3	2.6	2.8	2.4
Net Tangible Assets per Ordinary Share	\$2.26	\$2.06	\$1.89	\$1.54	\$1.40	\$1.28	\$1.26	\$1.23	\$1.28	\$1.21
Current Ratio	1.30	1.21	1.12	1.01	1.02	1.00	1.04	1.06	1.09	1.12
Shareholders Funds to Total Assets‡	35.8%	33.4%	34.9%	30.1%	30.2%	29.9%	28.6%	32.1%	28.7%	28.6%
Shareholders Funds to Total Liabilities‡	55.8%	50.3%	53.5%	43.1%	43.2%	42.6%	40.0%	47.2%	40.2%	40.1%
Gross Borrowings to Shareholders Funds‡	20.2%	32.1%	40.0%	80.6%	88.7%	97.0%	82.0%	55.9%	82.2%	75.0%
Net Borrowings to Shareholders Funds‡	(42.2%)	(45.6%)	6.1%	50.9%	66.3%	67.7%	39.4%	23.6%	49.0%	37.2%
Number of Employees	11,970	12,160	10,633	7,346	7,382	7,175	6,048	6,361	5,810	5,451

† Before abnormal items and after outside equity interests.

\* Includes consolidation of controlled entities under AASB1024 from 1992.

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

§ Calculated on year end Total Shareholders' Equity.



## Leighton Holdings Limited

### Head Office

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

### Board of Directors

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

### Associate Directors

Martin Carl Albrecht  
John Faulkner  
Vyril Anthony Vella

### Secretary

Ashley John Moir

### Principal Registered Office in Australia

Level 5, 472 Pacific Highway  
St Leonards  
Sydney NSW 2065  
Tel. (02) 9925 6666

### Principal Banker

Commonwealth Bank of Australia  
48 Martin Place  
Sydney NSW 2000

### Financial Advisor

Merrill Lynch  
MLC Centre  
Martin Place  
Sydney NSW 2000

### Auditor

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

### Share Register Office

C/- Perpetual  
Registrars Limited  
Level 8  
580 George Street  
Sydney NSW 2000  
Tel. (02) 9285 7111

## Leighton Contractors Pty Limited

### Head Office

472 Pacific Highway  
St Leonards NSW 2065  
Tel. (02) 9925 6666  
Fax. (02) 9925 6004

### New South Wales

Levels 9 and 10  
12 Help Street  
Chatswood NSW 2067  
Tel. (02) 9414 3333  
Fax. (02) 9415 2510

### Queensland

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

### Victoria

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

### Western Australia

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

### Visionstream Pty Limited

National Office  
Virginia Park  
236 East Boundary Road  
Bentleigh East VIC 3165  
Tel. (03) 9258 5711  
Fax. (03) 9570 8497

## Thiess Contractors Pty Limited

### Head Office

Process Engineering  
146 Kerry Road  
Archerfield QLD 4108  
Tel. (07) 3275 8500  
Fax. (07) 3275 8517

### New South Wales and Australian Capital Territory

Level 5  
26 College Street  
Sydney NSW 2000  
Tel. (02) 9332 9444  
Fax. (02) 9331 4264

### Queensland and Northern Territory

Level 5, Thiess House  
Kings Row  
40 McDougall Street  
Milton QLD 4064  
Tel. (07) 3368 0200  
Fax. (07) 3368 0250

### Victoria

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

### Western Australia

Level 6, East Tower  
256 St Georges Terrace  
Perth WA 6000  
Tel. (08) 9481 0199  
Fax. (08) 9321 1222

### Thiess Environmental Services

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

### PT Thiess Contractors

Indonesia  
Cilandak Commercial Estate  
Building 412  
Jalan Raya KKO Cilandak  
Jakarta, Selatan 12560  
Indonesia  
Tel. (62-21) 780 0796  
Fax. (62-21) 780 0778

### Leighton Asia Limited

#### Head Office

Leighton Contractors (Asia)  
Limited

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

### Leighton Contractors (Philippines) Inc

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

### Thai Leighton Limited

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

### Leighton Contractors (Malaysia) Sdn Bhd

14.03, 14th Floor  
Menara Multi-Purpose  
Capital Square  
No 8 Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Malaysia  
Tel. (603) 292 2388  
Fax. (603) 293 5388

## Leighton Contractors South East Asia

Menara Mulia, Suite 1604A,  
Floor 16  
Jalan Jenderal Gatot Subroto  
Kav. 9-11  
Jakarta 12930  
Indonesia  
Tel. (62) 21 527 8879  
Fax. (62) 21 527 8542

### Vina Leighton Limited

Hai Van Thiess Constructors  
and Consulting Limited  
2nd Floor  
Kimdo Business Centre  
123 Le Loi Street  
District 1  
Ho Chi Minh City  
SR Vietnam  
Tel. (848) 821 5524  
Fax. (848) 821 5523

### Asia Mining Services

133 Hang Bong Street  
Hanoi  
SR Vietnam  
Tel. (844) 828 6579  
Fax. (844) 828 6577

## Leighton Properties Pty Limited

### Head Office & NSW Branch

Ground Floor  
472 Pacific Highway  
St Leonards NSW 2065  
Tel. (02) 9925 6666  
Fax. (02) 9925 6003

### Leighton Properties Pty Limited

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

### Leighton Properties (Old) Pty Limited

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

## Technical Resources Pty Limited

Level 2  
472 Pacific Highway  
St Leonards NSW 2065  
Tel. (02) 9925 6666  
Fax. (02) 9925 6002



