



# financial report 2003

leighton holdings limited

ACN 004 482 982 ABN 57 004 482 982

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of leighton holdings limited

## Statements of Financial Performance

for the year ended 30 June 2003

	Note	Consolidated		Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenues from ordinary activities	2	<b>5,022,909</b>	5,034,845	<b>226,382</b>	186,458
Expenses from ordinary activities	3	<b>(4,845,551)</b>	(4,817,566)	<b>(69,144)</b>	(18,839)
Borrowing costs	4	<b>(9,284)</b>	(6,817)	<b>(2,014)</b>	(2,823)
Share of net profits of associates and joint venture entities		<b>54,466</b>	23,201	-	-
<b>Profit from ordinary activities before income tax expense</b>		<b>222,540</b>	233,663	<b>155,224</b>	164,796
Income tax (expense) benefit relating to ordinary activities	6	<b>(71,565)</b>	(59,450)	<b>(4,219)</b>	2,938
Profit from ordinary activities after income tax expense		<b>150,975</b>	174,213	<b>151,005</b>	167,734
Net profit attributable to outside equity interests		<b>(10,961)</b>	(4,991)	-	-
<b>Net profit attributable to members of the parent entity</b>	22	<b>140,014</b>	169,222	<b>151,005</b>	167,734
Other changes in equity attributable to members of the parent entity					
Increase in asset revaluation reserve	21	<b>1,138</b>	-	-	-
Decrease in retained profits on initial adoption of revised Accounting Standard AASB 1028 –Employee Benefits	22	<b>(829)</b>	-	-	-
Net exchange difference on translation of financial statements of self-sustaining foreign operations	21	<b>(42,133)</b>	(27,351)	-	-
Total other changes in equity attributable to members of the parent entity		<b>(41,824)</b>	(27,351)	-	-
<b>Total changes in equity from non-owner transactions attributable to members of the parent entity</b>	24	<b>98,190</b>	141,871	<b>151,005</b>	167,734
Basic earnings per share - cents	26	<b>51.7</b>	63.1		
Diluted earnings per share - cents	26	<b>51.6</b>	62.8		
Dividends per share - cents - Interim	25	<b>17.0</b>	16.0		
- Final	25	<b>27.0</b>	26.0		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 4 to 36.

## Statements of Financial Position

as at 30 June 2003

	Note	Consolidated		Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>Assets</b>					
Cash assets	7	408,266	588,363	78,695	60,046
Receivables	8	852,562	804,268	504,516	565,907
Inventories	9	49,385	53,596	-	-
Investments accounted for using the equity method	10	85,979	49,217	-	-
Investments in other entities	11	63,484	84,691	853,598	792,042
Deferred tax assets	12	99,290	88,697	227	4,225
Property, plant and equipment	13	574,736	614,249	-	-
Goodwill	14	28,824	34,693	-	-
<b>Total assets</b>		<b>2,162,526</b>	<b>2,317,774</b>	<b>1,437,036</b>	<b>1,422,220</b>
<b>Liabilities</b>					
Payables	15	997,198	1,182,861	819,842	895,106
Current tax liabilities	16	5,208	18,525	4,391	1,974
Provisions	17	236,827	251,764	2,640	2,240
Interest bearing liabilities	18	37,131	64,346	17,748	41,837
Deferred tax liabilities	19	15,518	5,732	-	8,516
<b>Total liabilities</b>		<b>1,291,882</b>	<b>1,523,228</b>	<b>844,621</b>	<b>949,673</b>
<b>Net assets</b>		<b>870,644</b>	<b>794,546</b>	<b>592,415</b>	<b>472,547</b>
<b>Equity</b>					
Contributed equity	20	414,798	399,391	414,798	399,391
Reserves	21	(66,043)	(25,048)	-	-
Retained profits	22	507,557	414,916	177,617	73,156
<b>Total parent entity interest</b>		<b>856,312</b>	<b>789,259</b>	<b>592,415</b>	<b>472,547</b>
Outside equity interests	23	14,332	5,287	-	-
<b>Total equity</b>	24	<b>870,644</b>	<b>794,546</b>	<b>592,415</b>	<b>472,547</b>

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 4 to 36.

## Statements of Cash Flows

for the year ended 30 June 2003

	Note	Consolidated		Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>Cash flows from operating activities</b>					
Cash receipts in the course of operations		4,982,574	4,875,965	17,082	40,752
Cash payments in the course of operations		(4,618,680)	(4,122,205)	(16,878)	(22,243)
Dividends received		4,011	2,020	205,315	137,735
Interest received		9,972	17,556	106	369
Borrowing costs paid		(7,988)	(7,130)	(2,270)	(3,199)
Income taxes paid		(88,037)	(108,949)	(6,321)	345
<b>Net cash provided by operating activities</b>	41	<b>281,852</b>	657,257	<b>197,034</b>	153,759
<b>Cash flows from investing activities</b>					
Payments for investments in controlled entities and businesses	41	(38,149)	-	(133,715)	(63,043)
Proceeds from investments in controlled entities	41	23,439	-	3,501	18,046
Payments for property, plant and equipment		(306,897)	(446,212)	-	(234)
Proceeds from sale of assets		84,254	37,465	-	28,582
Payments for investments in other entities		(54,611)	(21,429)	(4,810)	(16,303)
Loans to executives repaid		220	497	220	497
<b>Net cash used in investing activities</b>		<b>(291,744)</b>	(429,679)	<b>(134,804)</b>	(32,455)
<b>Cash flows from financing activities</b>					
Proceeds from share issues		15,407	20,793	15,407	20,793
Proceeds from borrowings		236,160	-	-	-
Repayment of borrowings		(263,375)	(27,867)	(17,410)	(21,770)
Loans from/(to) related entities		(16,250)	-	76,182	19,315
Distributions to outside equity interests		(1,916)	-	-	-
Dividends paid		(116,443)	(109,971)	(116,443)	(109,971)
<b>Net cash used in financing activities</b>		<b>(146,417)</b>	(117,045)	<b>(42,264)</b>	(91,633)
Net increase/(decrease) in cash held		(156,309)	110,533	19,966	29,671
Net cash at the beginning of the financial year		588,363	500,133	60,046	32,536
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the year		(23,788)	(22,303)	(1,317)	(2,161)
<b>Net cash at reporting date</b>	7	<b>408,266</b>	588,363	<b>78,695</b>	60,046

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 4 to 36

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## Notes to the Financial Statements

for the year ended 30 June 2003

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### 1 Summary of significant accounting policies

#### (a) Basis of preparation

The financial report of Leighton Holdings Limited, being the parent entity ("the Company"), and its controlled entities ("the Consolidated Entity") is a general purpose financial report, which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the Consolidated Entity and except where there has been a change in accounting policy, are consistent with those of the previous year.

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

#### (b) Changes in accounting policies

(i) The Consolidated Entity has applied revised Accounting Standard AASB 1028 Employee Benefits for the first time. The current portion of employee benefits provisions has been calculated using the remuneration rates the Consolidated Entity expects to pay at each reporting date, previously the provisions were calculated using rates which were current at the reporting date. The effect of this change has been to reduce opening retained earnings by \$819, to increase opening provisions by \$1,170 and to increase opening deferred tax assets by \$351. There has been no material impact in the current year to warrant further disclosures.

(ii) The Consolidated Entity has applied Accounting Standard AASB 1044 – Provisions, Contingent Liabilities and Contingent Assets for the first time. Dividends are now recognised at the time they are declared, determined or publicly recommended. Previously, final dividends were recognised in the reporting period to which they related, even though the dividends were announced after the end of that reporting period. This change has resulted in an increase to opening retained earnings of \$69,899. Had the accounting policy always been applied the restated payables total as at 30 June 2002 would have been \$1,112,962.

(iii) The carrying value of "unlisted investments – other", has been stated on a fair value basis, in the previous reporting period those assets were stated at the lower of cost and recoverable amount. This change in accounting policy results in more reliable and relevant information to the users of the financial report. This change has had no impact on the retained earnings of the current or previous reporting periods. This change has resulted in a net credit to the asset revaluation reserve of \$1,138. It is not practicable to restate the comparative information as at 30 June 2002 as the fair value of this class of assets was not determined at that date.

(iv) In accordance with Urgent Issues Group Abstract 53 - Pre-Completion Contracts for the Sale of Residential Development Properties, the Consolidated Entity has adopted the following accounting policy. Where the outcome of the project can be reliably estimated, revenue and expenses are recognised by applying the percentage of completion method to that proportion of the project represented by the individual units of property sold. The proportion of the project to which the percentage of completion method is applied is determined as the ratio of the total expected revenue from the units sold to the total expected project revenue. This has had no impact on the financial report for the current or previous year as there were no sales of residential development properties.

#### (c) Consolidation

The consolidated financial statements comprise the financial statements of Leighton Holdings Limited, being the parent entity ("the Company"), and its controlled entities ("the Consolidated Entity"). Results of controlled entities are included in the consolidated statement of financial performance from the date control is obtained and excluded from the date the entity is no longer controlled. Transactions and balances between entities within the Consolidated Entity have been eliminated in full. Outside interests in the equity and results of the entities that are controlled by the Company are shown as separate items in the consolidated financial statements.

## 1 Summary of significant accounting policies

### (d) Revenue and profit recognition

(i) Construction revenues includes revenues from building, civil, mining and telecommunications contracting services. Revenue and profit is recognised on the basis of the value of work completed. Stage of completion is measured by reference to costs incurred to date as a percentage of estimated total costs for each contract. Profits are not recognised on contracts during the establishment and initial stages and accordingly recognition of profit is deferred during that period. For such contracts the difference between the revenue and costs is carried forward as either a contract receivable or contract payable. Where a contract has progressed beyond the early stages contract revenue and expenses are recognised on a percentage completion basis and expected losses are recognised as soon as they become apparent. Costs in respect of tendering for projects are expensed to the statement of financial performance.

(ii) Revenue from other contracting services is recognised on an accruals basis.

(iii) Revenues and profits from the sale of property developments (other than residential developments) and land sales are recognised at the date an unconditional contract of sale is signed. Pre-completion sales contracts on residential property development projects are accounted for as follows: Where the outcome of the project can be reliably estimated, revenue and expenses are recognised by applying the percentage of completion method to that proportion of the project represented by the individual units of property sold. The proportion of the project to which the percentage of completion method is applied is determined as the ratio of the total expected revenue from the units sold to the total expected project revenue.

(iv) Other development property revenue is recognised on an accruals basis and includes management fee entitlement for services rendered and rental income.

(v) Interest revenue is recognised as it accrues.

(vi) Dividend income is recognised when received.

(vii) Income from investments in coal mines is recognised on an accruals basis.

(viii) The gross proceeds of other asset sales are recognised at the date an unconditional contract of sale is signed.

### (e) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, 2003: 5.5% (2002: 5.2%).

Borrowing costs include, interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and certain exchange differences arising from foreign currency borrowings.

### (f) Income tax

The Consolidated Entity adopts the liability method of tax effect accounting. Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial performance as a deferred tax asset or liability.

The net future income tax benefit relating to timing differences is not carried as an asset unless realisation is assured beyond reasonable doubt, or if relating to tax losses, when realisation is virtually certain.

### (g) Cash

Cash at bank and on hand and funds on deposit are stated at nominal value. 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.

### (h) Receivables

(i) Contract and trade debtors include all net receivables from construction and other contracting services which includes the progressive valuation of work completed on construction contracts 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. Contract and trade debtors are normally settled within 60 days of billing. The collectibility of contract and trade debtors is assessed at reporting date and provision is made for any doubtful debts.

(ii) Other amounts receivable generally arise from transactions other than the provision of construction and other contracting services and include amounts in respect of sales of assets and taxes receivable. Interest may be charged at market rates where the terms of repayment exceed six months. The collectibility of other amounts receivable is assessed at reporting date and provision is made for any doubtful debts.

(iii) Prepayments represents the future economic benefits receivable in respect of economic sacrifices made in the current financial year.

### (i) Inventories

Inventories are carried at the lower of cost and net realisable value. Inventories comprise:

(i) Development properties

Cost includes the costs of acquisition, development and holding costs such as rates, taxes and borrowing costs. Holding costs on development properties not under active development are written off as incurred.

(ii) Raw materials and consumables.

Cost is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

## 1 Summary of significant accounting policies

### (j) Investments

#### (i) Associates

Investments in entities over which the Consolidated Entity exercises significant influence but not control are accounted for using equity accounting principles and are carried at the lower of equity accounted amount and recoverable amount.

#### (ii) Joint venture entities

Investments in entities that are subject to joint control are accounted for using equity accounting principles and are carried at the lower of equity accounted amount and recoverable amount.

(iii) Listed investments are carried at the lower of cost and recoverable amount. Unlisted -mining entities representing investments in mining entities that are not subject to joint control or significant influence are carried at cost. Unlisted investments - other are stated at fair value.

(iv) Investments in controlled entities are carried at the lower of cost and recoverable amount.

### (k) Property, plant and equipment

(i) Depreciation and amortisation is calculated so as to write off the net book value of property, plant and equipment over their estimated effective useful lives as follows:

freehold buildings: straight line method – up to 40 years

major plant and equipment: cumulative number of hours worked – up to 10 years;

leased plant and equipment: straight line method – over the terms of the leases, not exceeding 10 years;

waste management assets: straight line method – economic life of the waste operations, not exceeding 20 years;

office and other equipment: diminishing value method – up to 10 years

leasehold buildings and improvements: straight line method – over the terms of the leases, not exceeding 40 years;.

(ii) 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 statement of financial position and is depreciated over the expected effective useful life of those assets.

### (l) Acquisitions of assets

All assets acquired including property plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition being the fair value of the consideration plus incidental costs directly attributable to the acquisition.

### (m) Recoverable amount of non-current assets

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs. In assessing recoverable amounts of non-current assets, the relevant cash flows have not been discounted to their present value, except where specifically stated.

### (n) Goodwill

Goodwill represents the excess of the purchase consideration for the acquisition of a business or shares in a controlled entity over the fair value of the identifiable net assets acquired. Goodwill 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. The unamortised balance of goodwill is reviewed at least at each reporting date. Where the balance exceeds the value of expected future benefits, the difference is expensed to the Statement of Financial Performance.

### (o) Payables

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

### (p) Interest-bearing liabilities

All loans are measured at the principal amount subject to set off arrangements. Interest is recognised as an expense as it accrues. Finance lease liability is the net present value of future finance lease rentals and residuals. Operating lease rentals are expensed to the Statement of Financial Performance as incurred.

**1 Summary of significant accounting policies****(q) Employee entitlements and provisions****(i) Wages, salaries, annual leave**

The provision for employee entitlements to wages, salaries and annual leave represent the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the reporting date. The provisions have been calculated at undiscounted amounts based on expected wage and salary rates and include related on-costs.

**(ii) Long service leave**

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the Consolidated Entity resulting from employees' services provided up to the reporting date. Liabilities for long service leave which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at reporting 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 Consolidated Entity's experience with staff departures. Related on-costs have been included in the liability.

**(iii) Superannuation**

Defined benefit and defined contribution superannuation funds exist to provide benefits for eligible employees or their dependants. Contributions by the Consolidated Entity are expensed to the Statement of Financial Performance. The Consolidated Entity recognises the liability for a deficit in defined benefit superannuation funds only when it has a present obligation to fund the deficit. Surpluses in the funds are not recognised as assets. (Refer to note 38 for more information).

**(iv) Employee option plans**

Ownership based remuneration is provided to employees via the Leighton Executive Share Option Plan (note 38). Options are not expensed when granted. When the options are exercised, the amounts received from employees are recognised in the Statements of Financial Position as contributed equity.

**(v) Retention arrangements**

Retention arrangements are in place ranging from three years to retirement for certain key employees which are payable upon completion of the retention period. Amounts are accrued on a pro-rata basis during the retention period. The provisions have been calculated based on current salary rates and include related on-costs.

**(vi) Annual bonus and deferred incentive arrangements**

Annual bonuses and deferred incentives are provided at reporting date at undiscounted amounts and include related on costs.

**(vii) Directors and executives remuneration**

Annual leave, long service leave, retention and retirement arrangements and deferred incentive arrangements are included in Directors and executives remuneration when paid.

**(r) Contributed equity**

Issued and paid up capital is recognised at the consideration received by the Company.

**(s) Foreign currency****(i) Transactions**

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are translated at the rates of exchange ruling on that date. Exchange differences arising from hedging net investments in self-sustaining operations, or relating to amounts payable or receivable in foreign currency forming part of a net investment in a self-sustaining foreign operation, are transferred to the foreign currency translation reserve on consolidation together with any related income tax effect. Exchange differences due to hedging specific anticipated transactions are deferred and included in the measurement of the transaction when the transaction occurs. All other exchange differences arising on settlement or restatement at reporting date are recognised in the statement of financial performance.

**(ii) Translation of controlled foreign entities**

All foreign controlled entities are self-sustaining operations. The financial reports of foreign controlled entities are translated using the Current Rate Method and any exchange differences are taken directly to the foreign currency translation reserve. Exchange gains and losses on transactions which hedge investments in foreign controlled entities together with any related income tax effect are recognised in the foreign currency translation reserve on consolidation.

**(t) Derivatives**

The Consolidated Entity is from time to time exposed to changes in interest rates and foreign exchange rates from its activities. It is the Consolidated Entity's policy to use derivative financial instruments to hedge these risks where appropriate. Derivative financial instruments are not held for speculative purposes.

**(i) Interest rate swaps**

Gains and losses under interest rate swap contracts are recognised on an accruals basis in the statement of financial performance as an adjustment to borrowing costs during the period.

**(ii) 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.

**(u) Dividends**

Provision is not made for dividends unless the dividend has been declared, determined or publicly recommended by the Directors on or before the end of the financial year and not distributed at reporting date.

## 1 Summary of significant accounting policies

### (v) Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares (options issued) and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	Consolidated		Company		
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Construction contracting services		4,578,317	4,585,413	-	-
Other contracting services		181,571	186,241	-	-
Income from investments in coal mines		5,123	12,182	-	-
Sale of development properties		18,935	129,064	-	-
Other development property revenue		64,594	66,681	-	-
<b>Revenues from operating activities</b>		<b>4,848,540</b>	<b>4,979,581</b>	-	-
Interest					
- Related parties	40	471	264	19,332	17,498
- Other parties		9,194	15,204	25	138
Dividends/distributions					
- Wholly owned controlled entities		-	-	203,155	137,255
- Other parties		4,011	2,331	2,159	480
Proceeds from sale of other assets		160,693	37,465	-	28,582
Other income from related parties	40	-	-	1,711	2,505
<b>Other revenues</b>		<b>174,369</b>	<b>55,264</b>	<b>226,382</b>	<b>186,458</b>
<b>Revenues from ordinary activities</b>	30	<b>5,022,909</b>	<b>5,034,845</b>	<b>226,382</b>	<b>186,458</b>

The Consolidated Entity's share of revenues from joint ventures is excluded from Revenues noted above and from the Statement of Financial Performance in accordance with Accounting Standards. The delivery of major projects by the Consolidated Entity is increasingly in the form of joint ventures. Details of the Consolidated Entity's share of joint ventures' revenues is provided as additional information below as Revenues – Group and joint ventures. Revenue from operating activities – joint ventures represents the Group's share of the operations of the joint venture or associated entity where the operations are primarily construction or property development.

### Revenues - Group and joint ventures

Revenues from operating activities – Group	4,848,540	4,979,581	-	-
Revenues from operating activities - joint ventures	597,327	240,612	-	-
<b>Total revenues from operating activities - Group and joint ventures</b>	<b>5,445,867</b>	<b>5,220,193</b>	-	-
Other revenues	174,369	55,264	-	-
<b>Revenues from ordinary activities - Group and joint ventures</b>	<b>5,620,236</b>	<b>5,275,457</b>	-	-

## Notes continued

	Note	Consolidated		Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>3 Expenses</b>					
Materials		1,034,699	1,308,727	-	-
Subcontractors		1,659,780	1,516,979	-	-
Plant costs and amortisation		766,392	751,911	-	-
Personnel costs		927,452	803,076	1,491	1,441
Insurance		29,889	22,262	-	-
Amortisation of goodwill		8,280	6,037	-	-
Operating leases - minimum lease payments		58,498	58,441	-	-
Professional fees		90,297	96,911	1,539	151
Foreign exchange (gains) / losses		2,004	(1,952)	(9,710)	(10,328)
Book value of assets sold		133,832	30,880	-	25,183
Cost of development properties sold		17,219	118,821	-	-
Nextgen Networks project written off		58,000	45,000	-	-
Other expenses		59,209	60,473	2,356	2,392
Provision for diminution in value of controlled entities		-	-	73,468	-
<b>Expenses from ordinary activities</b>		<b>4,845,551</b>	<b>4,817,566</b>	<b>69,144</b>	<b>18,839</b>

## 4 Profit from ordinary activities before income tax expense

Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:

### Net Gains

Net gain on the sale of:

- Investments		9,445	323	-	47
- Property, plant and equipment		17,416	6,262	-	3,352

### Expenses

Borrowing costs

- Related parties	40	2,905	2,915	-	-
- Other parties		6,379	3,902	2,014	2,823

Provision for diminution in value of leasehold improvements

		10,000	-	-	-
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Amortisation

- Leasehold land and buildings		130	170	-	-
- Leasehold improvements		2,469	1,161	-	-
- Waste management assets		2,480	3,429	-	-
- Goodwill		8,280	6,037	-	-

Total amortisation

		13,359	10,797	-	-
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Depreciation

- Buildings		1,864	1,519	-	481
- Plant and equipment		294,631	301,475	-	132

Total depreciation

		296,495	302,994	-	613
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## Notes continued

	Consolidated		Company		
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>5 Auditors' remuneration</b>					
Auditors of the Company - KPMG Australia					
- Audit		897	611	-	-
- Tax services		667	184	-	-
- Other services		725	372	-	-
		<b>2,289</b>	1,167	-	-
Auditors of the Company - related overseas firms					
- Audit		659	634	-	-
- Tax services		73	93	-	-
- Other services		128	13	-	-
		<b>860</b>	740	-	-
Other auditors					
- Audit		472	366	-	-
- Tax services		139	101	-	-
- Other services		567	172	-	-
		<b>1,178</b>	639	-	-

The Consolidated Entity may use KPMG on assignments in addition to their statutory audit duties to leverage their experience and expertise with the Consolidated Entity. These assignments are primarily tax advice and due diligence reporting on acquisitions, or where the assignment is awarded on a competitive basis. In 2003 there was increased activity in due diligence for acquisitions and potential acquisitions and increased taxation advice in relation to research and development and tax consolidation.

<b>6 Income tax expenses</b>					
Profit from ordinary activities before income tax		222,540	233,663	155,224	164,796
Prima facie income tax expense at 30% (2002 : 30%)		66,762	70,099	46,567	49,439
The following items have affected income tax expense for the period:					
- Entertainment and other non-allowable items		2,004	4,329	75	79
- Depreciation and amortisation not allowable for tax		3,670	3,124	-	145
- Building allowance		(523)	(774)	-	(60)
- Rebateable and exempt dividends		-	-	(60,946)	(37,949)
- Recoupment of losses previously not recognised		(368)	(5,491)	(368)	(5,125)
- Overseas income tax rate differential		4,051	1,238	-	-
- Provision for diminution in value of controlled entities		-	-	22,041	-
- Minority income not subject to tax and other		(207)	(444)	(290)	(1,020)
- Tax law changes		-	(12,949)	-	-
Current period income tax expense		75,389	59,132	7,079	5,509
- Under/(over) provision for prior year		(3,824)	318	(2,860)	(8,447)
<b>Income tax expense (benefit) relating to ordinary activities</b>		<b>71,565</b>	59,450	<b>4,219</b>	(2,938)

Future income tax benefits - The future income tax benefit (note 12) of \$99,290 (2002: \$88,697) includes provision for employee benefits and asset writedowns not currently allowable as an income tax deduction and tax losses carried forward of \$1,846 (2002: \$3,994). The unrecorded future tax benefit available to some members of the Consolidated Entity at 30 June 2003 in respect of Australian and overseas tax losses, including capital losses, for which there is a possibility of recoupment at the applicable rates of tax was \$2,235 (2002: \$7,142). The benefit of these tax losses will be utilised only if the relevant entities earn sufficient profit or capital gains in the future, continue to comply with the provisions of the relevant tax legislation relating to the deduction of carried forward tax losses and there are no changes in tax legislation adversely affecting the Consolidated Entity in realising the benefit.

## Notes continued

	Note	Consolidated		Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>7 Cash</b>					
Funds on deposit		263,268	438,759	303	8,214
Cash at bank and on hand		144,998	149,604	78,392	51,832
		<b>408,266</b>	<b>588,363</b>	<b>78,695</b>	<b>60,046</b>
<b>8 Receivables</b>					
Contract debtors		560,439	553,909	-	-
Trade debtors		161,629	139,688	-	-
Other amounts receivable		84,031	96,746	1,025	6,768
Prepayments		8,660	9,557	-	-
Loans - unsecured		36,853	-	-	-
Loans - related parties	40	950	4,368	950	1,170
Amounts receivable from controlled entities	40	-	-	502,541	557,969
		<b>852,562</b>	<b>804,268</b>	<b>504,516</b>	<b>565,907</b>
<b>Progressive value of work completed on contracts in progress at reporting date</b>		<b>11,753,901</b>	<b>9,160,126</b>	<b>-</b>	<b>-</b>
Net contract debtors excluding retentions		459,644	410,753	-	-
Retentions		33,831	25,619	-	-
<b>Net contract debtors</b>		<b>493,475</b>	<b>436,372</b>	<b>-</b>	<b>-</b>
Cash received to date		11,260,426	8,723,754	-	-
<b>Total progressive value</b>		<b>11,753,901</b>	<b>9,160,126</b>	<b>-</b>	<b>-</b>
Amounts due from customers - contract debtors		560,439	553,909	-	-
Amounts due to customers - trade creditors		(66,964)	(117,537)	-	-
<b>Net contract debtors</b>		<b>493,475</b>	<b>436,372</b>	<b>-</b>	<b>-</b>
Receivables expected to be realised more than 12 months after reporting date: Consolidated Entity \$20,603 (2002: \$Nil), - Company \$502,541 (2002: \$557,969).					

## Notes continued

	Note	Consolidated		Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>9 Inventories</b>					
<b>Development properties</b>					
Cost of acquisition		19,114	10,992	-	-
Development expenses capitalised		16,168	31,591	-	-
Rates, taxes, borrowing and other costs capitalised		3,244	7,839	-	-
		<b>38,526</b>	50,422	-	-
Less: Property provisions		-	(7,136)	-	-
		<b>38,526</b>	43,286	-	-
<b>Other inventories</b>					
Raw materials and consumables – cost		10,859	10,310	-	-
		<b>49,385</b>	53,596	-	-

Inventories includes development properties of \$27,989 (2002: \$26,852) which are expected to be realised more than 12 months after reporting date.

Borrowing costs capitalised to development properties during the financial year: \$497 (2002: \$1,639).

## 10 Investments accounted for using the equity method

Associates	27	3,524	2,434	-	-
Joint venture entities	28	82,455	46,783	-	-
		<b>85,979</b>	49,217	-	-

Investments accounted for using the equity method includes investments of \$18,320 (2002: \$Nil) which are expected to be realised more than 12 months after reporting date.

## 11 Investments in other entities

Listed		41,366	35,876	21,646	16,836
Unlisted - mining entities		20,480	48,615	-	-
- other		1,638	200	-	-
Investments in controlled entities		-	-	905,420	775,206
Provision for diminution – controlled entities		-	-	(73,468)	-
		<b>63,484</b>	84,691	<b>853,598</b>	792,042

Quoted market value of investments in listed entities: \$50,112 (2002: \$64,869).

Investments in listed entities includes: a 13% (2002: 14%) interest in Portman Mining Ltd a company involved in mining operations, carrying value \$16,992 (2002: \$16,992) and a 7.4% (2002: 9%) interest in James Fielding Group which is involved in property development, carrying value \$20,639 (2002: \$16,304).

Investment in unlisted entities includes the following investments in coal mining operations: Southland Colliery 10% (2002: 10%), carrying value \$14,410 (2002: \$12,601); Burton Coal Mine, 5% (2002: 5%), carrying value \$6,070 (2002: \$6,535); North Goonyella Coal Mine, Nil (2002: 40%), carrying value \$Nil (2002: \$29,479).

Other investments in other entities were not individually material to warrant additional disclosures. Investments in other entities are expected to be realised more than 12 months after reporting date.

## 12 Deferred tax assets

Future income tax benefit	6	99,290	88,697	227	4,225
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## Notes continued

	Note	Consolidated		Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>13 Property, plant and equipment</b>					
Land - cost		<b>21,875</b>	19,556	-	-
Buildings - cost		<b>33,501</b>	55,470	-	-
Accumulated depreciation		<b>(3,765)</b>	(5,165)	-	-
		<b>29,736</b>	50,305	-	-
Leasehold land and buildings - cost		<b>2,706</b>	2,027	-	-
Accumulated amortisation		<b>(886)</b>	(891)	-	-
		<b>1,820</b>	1,136	-	-
Leasehold improvements - cost		<b>22,615</b>	20,925	-	-
Accumulated amortisation		<b>(8,276)</b>	(6,881)	-	-
Provision for diminution in value		<b>(10,000)</b>	-	-	-
		<b>4,339</b>	14,044	-	-
Waste management assets - cost		<b>36,240</b>	37,179	-	-
Accumulated amortisation		<b>(12,462)</b>	(10,378)	-	-
		<b>23,778</b>	26,801	-	-
Plant and equipment - cost		<b>1,234,290</b>	1,206,801	-	-
Accumulated depreciation		<b>(741,102)</b>	(704,394)	-	-
		<b>493,188</b>	502,407	-	-
	29	<b>574,736</b>	614,249	-	-

An independent valuation of the Consolidated Entity's freehold and leasehold land and buildings carried out as at 30 June 2001 on the basis of open market values resulted in a valuation of \$50,629 (for those properties still on hand as at 30 June 2003). Land and buildings acquired since June 2001 total \$13,374. As land and buildings are recorded at cost, the valuation is not required to be brought to account.

Plant and equipment includes construction equipment, motor vehicles and office furniture and equipment.

## 14 Goodwill

Cost		<b>56,786</b>	54,375	-	-
Accumulated amortisation		<b>(27,962)</b>	(19,682)	-	-
		<b>28,824</b>	34,693	-	-

## 15 Payables

Trade creditors and accruals		<b>886,133</b>	1,064,675	<b>335</b>	7,122
Other creditors		<b>31,827</b>	42,254	-	-
Dividend payable		-	69,899	-	69,899
Amounts payable to related parties	40	<b>79,238</b>	6,033	-	-
Amounts payable to controlled entities	40	-	-	<b>819,507</b>	818,085
		<b>997,198</b>	1,182,861	<b>819,842</b>	895,106

Trade creditors expected to be settled more than 12 months after reporting date: Consolidated Entity \$Nil (2002: \$17,037) – Company \$819,507 (2002: \$818,085).

## 16 Current tax liabilities

Income tax payable		<b>5,208</b>	18,525	<b>4,391</b>	1,974
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## Notes continued

	Note	Consolidated		Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>17 Provisions</b>					
Employee entitlements		236,827	206,764	2,640	2,240
Loss on Nextgen Networks project		-	45,000	-	-
		<b>236,827</b>	<b>251,764</b>	<b>2,640</b>	<b>2,240</b>

The provision for loss on the Nextgen Networks project was fully utilised during the year.

Employee entitlements expected to be settled more than 12 months after reporting date: Consolidated Entity \$172,552 (2002: \$144,405) – Company \$2,640 (2002: \$2,240).

Employee entitlements includes deferred incentives (bonuses) \$39,229 (2002: \$38,346) – Company Nil (2002: Nil) and retention and/or retirement arrangements payable to employees and/or Directors: \$31,018 (2002: \$26,952) – Company \$2,640 (2002: \$2,240).

The amount of deferred incentive bonus accrued to 11 February 2000 for W.M. King which is payable to him unconditionally on retirement from the Consolidated Entity is \$15,765 (note 36).

<b>18 Interest bearing liabilities</b>					
Unsecured loans		17,748	56,865	17,748	41,837
Development property loan		16,250	-	-	-
Lease liabilities	31	3,133	7,481	-	-
		<b>37,131</b>	<b>64,346</b>	<b>17,748</b>	<b>41,837</b>

Unsecured loans expected to be settled more than 12 months after reporting date: Consolidated Entity \$Nil (2002: \$33,669) – Company \$Nil (2002: \$20,918).

Lease liabilities expected to be settled more than 12 months after reporting date: Consolidated Entity \$1,041 (2002: \$4,119) – Company \$Nil (2002: \$Nil).

The development property loan is non-recourse and secured against our investment in and certain assets owned by the 233 Castlereagh Street joint venture.

<b>19 Deferred tax liabilities</b>					
Deferred income tax		15,518	5,732	-	8,516

<b>20 Contributed equity</b>					
<b>Issued share capital</b>					
271,480,287 Ordinary shares fully paid (2002: 268,842,117)		414,798	399,391	414,798	399,391
<b>Movements</b>					
Balance at beginning of financial year		399,391	378,598	399,391	378,598
2,638,170 (2002: 3,661,800) shares issued from the exercise of options		15,407	20,793	15,407	20,793
Balance at reporting date		<b>414,798</b>	<b>399,391</b>	<b>414,798</b>	<b>399,391</b>

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

## Notes continued

Note	Consolidated		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>21 Reserves</b>				
Foreign currency translation	(67,181)	(25,048)	-	-
Asset revaluation	1,138	-	-	-
Balance at reporting date	<b>(66,043)</b>	<b>(25,048)</b>	-	-
<b>Foreign currency translation</b>				
Balance at beginning of financial year	(25,048)	2,303	-	-
Exchange differences on net investment in foreign operations and related hedges	(42,133)	(27,351)	-	-
Balance at reporting date	<b>(67,181)</b>	<b>(25,048)</b>	-	-
<b>Asset revaluation</b>				
Balance at beginning of financial year	-	-	-	-
Revaluation of shares in unlisted entities - other	1,138	-	-	-
Balance at reporting date	<b>1,138</b>	-	-	-
<p>The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a self-sustaining operation. The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets measured at their fair value in accordance with AASB 1041.</p>				
<b>22 Retained profits</b>				
Balance at beginning of financial year	414,916	359,269	73,156	18,997
Net profit attributable to members of the parent entity	140,014	169,222	151,005	167,734
Dividends	(116,443)	(113,575)	(116,443)	(113,575)
Prior year adjustment in accordance with revised Accounting Standard AASB 1044 - Provisions, in respect of 2002 final dividend.	69,899	-	69,899	-
Prior year adjustment in respect of first time application of revised Accounting Standard AASB 1028 – Employee Benefits.	(829)	-	-	-
Balance at reporting date	<b>507,557</b>	<b>414,916</b>	<b>177,617</b>	<b>73,156</b>
<b>23 Outside equity interests</b>				
Outside equity interests in controlled entities comprises :				
Share capital	342	317	-	-
Reserves	445	445	-	-
Retained profits	13,545	4,525	-	-
	<b>14,332</b>	<b>5,287</b>	-	-

## Notes continued

	Consolidated		Company		
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>24 Total equity</b>					
Total equity at beginning of financial year		<b>794,546</b>	740,289	<b>472,547</b>	397,595
Total changes in equity from non-owner transactions attributable to the members of the parent entity		<b>98,190</b>	141,871	<b>151,005</b>	167,734
Transactions with owners as owners					
- Contributions of equity		<b>15,407</b>	20,793	<b>15,407</b>	20,793
- Dividends		<b>(116,443)</b>	(113,575)	<b>(116,443)</b>	(113,575)
- Prior year adjustment in accordance with revised accounting standard AASB 1044 - Provisions, in respect of 2002 final dividend.		<b>69,899</b>	-	<b>69,899</b>	-
Total changes in outside equity interests		<b>9,045</b>	5,168	-	-
Total equity at reporting date		<b>870,644</b>	794,546	<b>592,415</b>	472,547
<b>25 Dividends</b>					
<b>2003 Final dividend declared</b>					
Subsequent to reporting date the Company declared a final ordinary dividend in respect of the financial year ended 30 June 2003 of 27.0 cents per share fully franked at a tax rate of 30%. The dividend is payable on 30 September 2003. These dividends have not been provided in the Statement of Financial Position.		<b>73,300</b>	-	<b>73,300</b>	-
<b>2003 Interim dividend paid</b>					
A fully franked interim ordinary dividend of 17 cents per share (2002: 16 cents per share 70% franked) was paid on 31 March 2003.		<b>46,137</b>	43,006	<b>46,137</b>	43,006
<b>2002 Final dividend paid</b>					
A partially franked (70% franked) final ordinary dividend of 26 cents per share was paid on 30 September 2002.		<b>70,306</b>	-	<b>70,306</b>	-
2002 Final dividend provided		-	69,899	-	69,899
2001 Final dividend paid on shares issued post reporting date		-	670	-	670
Dividends paid (2002 paid and provided)		<b>116,443</b>	113,575	<b>116,443</b>	113,575
<b>Dividend franking account</b>					
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.		<b>19,957</b>	20,926		

## Notes continued

	Consolidated	
	2003	2002
<b>26 Earnings per share</b>		
Basic earnings - cents per share	51.7	63.1
Diluted earnings - cents per share	51.6	62.8
Net profit attributable to the members of the parent entity used in the calculation of basic and diluted earnings per share (\$'000's)	140,014	169,222
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	270,613,236	268,009,928
Effect of dilutive securities – share options	989,945	1,549,718
Adjusted weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share.	<b>271,603,181</b>	269,559,646

Since the end of the financial year 955,417 (2002: 1,668,650) options have been exercised to acquire ordinary shares under the Leighton Executive Share Option Plan. Except as disclosed above 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 the financial report.

Name	Principal activities	Reporting date	Ownership interest		Consolidated Carrying amount	
			2003	2002	2003	2002
			%	%	\$'000	\$'000
<b>27 Associates</b>						
Vina Leighton Ltd	construction	30 June	50	50	795	793
Infrastructure Technologies Limited	construction	30 June	45	45	5	-
Defence Maintenance Management Pty Ltd	maintenance	30 June	50	50	-	-
Newood Holdings Pty Limited	processing	30 June	50	-	50	-
Sedgman Pty Ltd	coal mine design	30 June	50	50	2,674	1,641
					<b>3,524</b>	2,434

There were no post reporting date events which would materially affect the financial position or performance of any associate and there were no dissimilar accounting policies used by associates. The Consolidated Entity's share of associates' operating revenues was \$63,030 (2002: \$nil). In accordance with Accounting Standards this revenue has not been included in the Consolidated Entity's revenue.

The Consolidated Entity's equity accounted profit was \$1,216 (2002: \$260). The Consolidated Entity's interests in associates at 30 June 2003 were not of a material size or contribution to the Consolidated Entity's activities to warrant additional disclosure. The Company's interest in associates at 30 June 2003 was \$Nil (2002: \$Nil).

## Notes continued

Name	Principal activities	Reporting date	Consolidated	
			Ownership interest	
			2003 %	2002 %
<b>28</b>	<b>Joint venture entities</b>			
233 Castlereagh Street joint venture	property development	30 June	50	-
Abigroup – Leighton joint venture	construction	30 June	50	-
ADrail joint venture	construction	30 June	20	20
Bayview Noosa partnership	property development	30 June	50	50
BJB joint venture	maintenance	31 Dec	38	38
Beenyup Alliance	construction	30 June	47	-
Folkestone – Leighton joint venture	property development	30 June	50	-
JH SEMF joint venture	construction	30 June	50	50
JM joint venture	construction	30 June	60	60
John Holland Barclay Mowlem joint venture	construction	31 Dec	50	50
John Holland BRW joint venture	construction	30 June	50	-
John Holland Downer EDI joint venture	construction	30 June	60	60
John Holland Lahey joint venture	construction	30 June	50	50
John Holland MacMahon joint venture	construction	30 June	50	-
John Holland McConnell Dowell joint venture	construction	30 June	50	-
Hail Creek joint venture	construction	30 June	50	50
Infocus Infrastructure	facilities management	30 June	50	-
Leighton–Kumagai joint venture	construction	30 June	50	-
Leighton–China State-Van Oord joint venture	construction	30 June	45	-
Macarthur Chambers joint venture	property development	30 June	50	50
Makamatta joint venture	property development	30 June	50	50
Roche Thiess Linfox joint venture	mobile plant / earthmoving	30 June	44	44
Silcar Maintenance Services	maintenance	30 June	50	50
STCJV Services	telecommunications	30 June	50	50
Thiess Alstom joint venture	construction	30 June	50	-
Thiess Hochtief joint venture	construction	30 June	50	-
Taiwan Track Partners joint venture	construction	30 June	28	-

		<b>Consolidated</b>	
		<b>2003</b>	2002
		<b>\$'000</b>	\$'000
<b>28</b>	<b>Joint venture entities - continued</b>		
	<b>Statements of financial performance</b>		
	The Consolidated Entity's share of the joint venture entities' results consists of:		
	Revenues from ordinary activities	534,297	240,612
	Expenses from ordinary activities	<b>(481,047)</b>	(217,671)
	Profit from ordinary activities before income tax expense	<b>53,250</b>	22,941
	Income tax expense	-	-
	Net profit accounted for using the equity method	<b>53,250</b>	22,941
	<b>Statements of financial position</b>		
	The Consolidated Entity's share of the joint venture entities' assets and liabilities consists of:		
	Current assets	206,904	71,390
	Non current assets	<b>91,543</b>	59,688
	Total assets	<b>298,447</b>	131,078
	Current liabilities	<b>180,522</b>	55,678
	Non current liabilities	<b>35,470</b>	28,617
	Total liabilities	<b>215,992</b>	84,295
	Net assets accounted for using the equity method	<b>82,455</b>	46,783
	<b>Share of post-acquisition retained profits attributable to joint venture entities</b>		
	Balance at beginning of the financial year	11,641	-
	Share of net profit of joint venture entities	<b>53,250</b>	23,005
	Distributions from joint venture entities	<b>(47,123)</b>	(11,364)
	Share of joint venture entities' retained profits at reporting date	<b>17,768</b>	11,641
	<b>Movements in carrying amount of joint venture entities</b>		
	Carrying amount at the beginning of the financial year	46,783	10,932
	Contributions to the joint venture entities	<b>155,972</b>	30,414
	Share of joint venture entities' net profit	<b>53,250</b>	22,941
	Drawings from the joint venture entities	<b>(173,550)</b>	(17,504)
	Carrying amount at reporting date	<b>82,455</b>	46,783

## Notes continued

	Land	Buildings	Leasehold land and buildings	Leasehold improvements	Waste management assets	Plant and equipment	Total property, plant and equipment \$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>29 Reconciliation of property, plant and equipment carrying values</b>							
<b>Consolidated</b>							
Carrying amount at the beginning of the financial year	19,556	50,305	1,136	14,044	26,801	502,407	614,249
Additions	-	2,919	850	3,985	488	312,221	320,463
Additions through acquisition of entities and businesses	5,170	4,180	-	-	-	19,017	28,367
Disposals	(2,851)	(25,550)	-	(1,070)	(1,031)	(30,491)	(60,993)
Depreciation and amortisation	-	(1,864)	(130)	(2,469)	(2,480)	(294,631)	(301,574)
Provision for diminution	-	-	-	(10,000)	-	-	(10,000)
Net foreign currency translation	-	(254)	(36)	(151)	-	(15,335)	(15,776)
<b>Carrying amount at reporting date</b>	<b>21,875</b>	<b>29,736</b>	<b>1,820</b>	<b>4,339</b>	<b>23,778</b>	<b>493,188</b>	<b>574,736</b>

## 30 Segment Information

### Geographical segments

The Consolidated Entity comprises the following main geographical segments based on the Consolidated Entity's management reporting system:

Australia/Pacific	Operations throughout Australia, New Zealand and the Pacific region in all business segments.
South East Asia	Operations predominately in Hong Kong, Indonesia, Malaysia and the Philippines. The principal activities undertaken in this region are civil and building, contract mining and telecommunications.
Americas	Operating predominately in Peru, South America on mining and mine related infrastructure contracts.  All projects in this region were completed during 2003. Financial information for the year ended 30 June 2003 for the Americas segment, in addition to that set out in the segment information note is: Expenses incurred in ordinary activities was \$63,009 with related income tax expense of \$nil. Net cash used in operating activities was \$11,472 while cash generated from the sales of plant and equipment was \$8,035 and net cash borrowed from related entities was \$2,727

Segment revenues, expenses, assets and liabilities are based on the geographical location of the assets.

### Business segments

The Consolidated Entity provides construction and other contracting services in the following disciplines: civil engineering and building, mining and resources, property development, telecommunications infrastructure and environmental services. These disciplines represent the business segments of the Consolidated Entity. The investment and treasury activities of the Consolidated Entity represent the corporate business segment.

## Notes continued

	Australia/ Pacific \$'000	South East Asia \$'000	Americas \$'000	Eliminations \$'000	Total \$'000
<b>30 Segment Information - continued</b>					
Primary segment - geographical					
<b>2003</b>					
Revenues from ordinary activities – Group and joint ventures	4,577,591	996,335	46,310	-	5,620,236
Segment revenue	3,995,180	967,748	46,305	-	5,009,233
Other unallocated revenue					13,676
<b>Revenue from ordinary activities</b>					<b>5,022,909</b>
Segment result	103,339	77,975	(16,699)	-	164,615
Share of net profit of equity accounted investments	50,499	3,967	-	-	54,466
Borrowing costs	(8,602)	(682)	-	-	(9,284)
<b>Profit/(loss) attributable to members before tax</b>	<b>145,236</b>	<b>81,260</b>	<b>(16,699)</b>	-	<b>209,797</b>
Profit attributable to outside equity interests					12,743
Profit from ordinary activities before income tax expense					222,540
Income tax expense relating to ordinary activities					(71,565)
Profit from ordinary activities after income tax expense					150,975
Depreciation and amortisation	221,913	84,874	3,067	-	309,854
Other non-cash expenses	125,474	12,311	735	-	138,520
Assets	1,859,224	535,192	176	(232,066)	2,162,526
Equity accounted investments	82,422	3,557	-	-	85,979
Acquisition of segment assets	270,948	77,150	732	-	348,830
Liabilities	1,050,427	325,724	25,494	(109,763)	1,291,882

## Notes continued

	Australia/ Pacific \$'000	South East Asia \$'000	Americas \$'000	Eliminations \$'000	Total \$'000			
<b>30 Segment Information - continued</b>								
<b>2002</b>								
Revenues from ordinary activities – Group and joint ventures	3,964,987	1,224,540	85,930	-	5,275,457			
Segment revenue	3,706,576	1,224,540	85,930	-	5,017,046			
Other unallocated revenue					17,799			
Revenue from ordinary activities					<u>5,034,845</u>			
Segment result	124,021	77,692	9,188	-	210,901			
Share of net profit of equity accounted investments	23,207	(6)	-	-	23,201			
Borrowing costs	(6,222)	(595)	-	-	(6,817)			
Profit/(loss) attributable to members before tax	<u>141,006</u>	<u>77,091</u>	<u>9,188</u>	-	<u>227,285</u>			
Profit attributable to outside equity interests					6,378			
Profit from ordinary activities before income tax expense					233,663			
Income tax expense relating to ordinary activities					<u>(59,450)</u>			
Profit from ordinary activities after income tax expense					<u>174,213</u>			
Depreciation and amortisation	213,408	94,518	5,865	-	313,791			
Other non-cash expenses	143,239	12,779	611	-	156,629			
Assets	1,789,691	565,345	25,759	(63,021)	2,317,774			
Equity accounted investments	48,424	793	-	-	49,217			
Acquisition of segment assets	333,271	103,794	4,264	-	441,329			
Liabilities	1,247,697	387,094	26,875	(138,438)	1,523,228			
	Civil and Building \$'000	Mining and Resources \$'000	Property Development \$'000	Telecommunications \$'000	Environmental \$'000	Corporate \$'000	Unallocated \$'000	Total \$'000

### Secondary segment – business

#### 2003

Revenues from ordinary activities	2,841,273	1,949,351	135,798	418,584	138,065	-	137,165	5,620,236
Segment revenue	2,422,703	1,949,351	83,829	291,796	138,065	-	123,489	5,009,233
Assets	865,953	532,101	198,632	75,607	113,086	377,147	-	2,162,526
Acquisition of segment assets	161,144	165,001	86	6,746	14,883	970	-	348,830

#### 2002

Revenues from ordinary activities	2,814,168	1,405,515	195,745	618,534	186,241	-	55,254	5,275,457
Segment revenue	2,646,966	1,405,515	195,745	545,114	186,241	-	37,465	5,017,046
Assets	788,432	673,739	111,315	134,022	112,789	497,477	-	2,317,774
Acquisition of segment assets	104,605	293,786	41	30,860	11,570	467	-	441,329

The segment analysis is reported after eliminating the minority interest pre tax profits to reflect the pre tax profits attributable to the members. 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 Consolidated Entity. The allocation of the profit/(loss) from ordinary activities and assets into business 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 a business segment are reported as unallocated.

## Notes continued

	Consolidated		Company		
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>31 Lease and rental commitments</b>					
<b>Operating leases</b>					
Lease commitments not capitalised					
- Not later than one year		54,138	53,700	-	-
- Later than one year but not later than five years		119,986	133,334	-	-
- Later than five years		28,214	23,814	-	-
		<b>202,338</b>	<b>210,848</b>	-	-
<b>Operating leases (by type)</b>					
- Plant and equipment		119,767	158,941	-	-
- Property		82,571	51,907	-	-
		<b>202,338</b>	<b>210,848</b>	-	-
<b>Finance leases</b>					
Finance lease rentals are payable as follows					
- Not later than one year		2,596	3,961	-	-
- Later than one but not later than five years		1,292	4,614	-	-
		<b>3,888</b>	<b>8,575</b>	-	-
Less: Future lease finance charges		(755)	(1,094)	-	-
		<b>3,133</b>	<b>7,481</b>	-	-

The Consolidated Entity leases plant and equipment used in contract mining and civil engineering activities under finance and operating leases. The Consolidated Entity leases property for the purposes of office accommodation under operating leases. Operating leases generally provide the Consolidated Entity with a right of renewal at which time all terms are renegotiated. The leases have no provision for contingent rentals. The leasing arrangements impose no restrictions on any financial arrangements of the Consolidated Entity.

<b>32 Capital commitments</b>					
Plant and equipment - payable no later than one year		59,803	65,152	-	-
Investments				-	-
- payable no later than one year	33	53,193	91,800	-	-
- payable later than one year but not later than five years	33	98,000	32,864	-	-

<b>33 Bank guarantees, insurance bonds and letters of credit</b>					
Contingent liability under indemnities given on behalf of controlled entities in respect of:					
(i) Bank guarantees		867,865	689,130	867,865	689,130
(ii) Insurance, performance and payment bonds		158,818	144,343	158,818	144,343
(iii) Letters of credit		159,413	25,335	159,413	25,335

Included in (i) and (iii) are guarantees and letters of credit provided for the Consolidated Entity's capital commitments totalling \$151,193 (2002: \$38,888). (note 32)

## 34 Financial Instruments

### (a) Interest rate risk

The Consolidated Entity's exposures to interest rate risk and the effective weighted average interest rates for classes of financial assets and financial liabilities are set out below:

	Weighted average rate %	Floating rate \$'000	Fixed interest maturing in:			Non interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000		
<b>2003</b>							
<b>Financial assets</b>							
Cash assets	3.72	393,459	-	-	-	14,807	408,266
Receivables	5.00	950	-	305	-	851,307	852,562
Investments in other entities		-	-	-	-	63,484	63,484
		<b>394,409</b>	<b>-</b>	<b>305</b>	<b>-</b>	<b>929,598</b>	<b>1,324,312</b>
<b>Financial liabilities</b>							
Interest bearing liabilities	5.54	-	36,090	1,041	-	-	37,131
Non-interest bearing liabilities		-	-	-	-	997,198	997,198
		<b>-</b>	<b>36,090</b>	<b>1,041</b>	<b>-</b>	<b>997,198</b>	<b>1,034,329</b>
Interest rate swap (fixed to floating)#		17,748	(17,748)				
<b>2002</b>							
<b>Financial assets</b>							
Cash assets	4.2	578,377	-	-	-	9,986	588,363
Receivables	7.0	1,170	-	5,044	-	798,054	804,268
Investments in other entities		-	-	-	-	84,691	84,691
		<b>579,547</b>	<b>-</b>	<b>5,044</b>	<b>-</b>	<b>892,731</b>	<b>1,477,322</b>
<b>Financial liabilities</b>							
Interest bearing liabilities	5.2	15,029	-	49,317	-	-	64,346
Non-interest bearing liabilities		-	-	-	-	1,182,861	1,182,861
		<b>15,029</b>	<b>-</b>	<b>49,317</b>	<b>-</b>	<b>1,182,861</b>	<b>1,247,207</b>
Interest rate swap (fixed to floating)#		41,836		(41,836)			

#Notional principal amounts. Interest rate 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% (2002: 7.21%) of the Consolidated Entity's medium term borrowing to a variable interest rate, which was 4.73% as at 30 June 2003 (2002: 3.91%).

## 34 Financial instruments - continued

### (b) Foreign exchange risk

To manage foreign exchange exposure, members of the Consolidated Entity enter into forward exchange contracts to hedge specific project receipts or expenditure and plant and equipment purchase commitments denominated in foreign currencies. As at reporting date these foreign currencies were US dollars, Euros and Hong Kong Dollars, these amounts are not material. These contracts will all be settled within an 18-month period.

As these contracts are hedging anticipated purchases, any unrealised gains and losses on the contracts, together with the costs of the transactions will be recognised in the financial statements at the time the underlying transaction occurs. At reporting date unrecognised gains/(losses) on hedges of anticipated foreign currency purchases amounted to a net loss of \$149 (2002: net loss of \$78).

### (c) Credit risk

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

Recognised financial instruments

The Consolidated Entity's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position. The Consolidated Entity minimises concentrations of credit risk by undertaking transactions with a large number of customers in various countries.

Unrecognised financial instruments

Credit risk on unrecognised derivative contracts is minimised, as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. The maximum credit risk exposure on foreign exchange contracts is the full amount of the foreign currency the Consolidated Entity will be required to pay when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Consolidated Entity. The credit risk on interest rate swaps is limited to the next amount to be received from counterparties on contracts that are favourable to the Consolidated Entity. The accrued amount due to the Consolidated Entity at 30 June 2003 amounted to \$213 (2002: \$146).

### (d) Net fair values of financial assets and liabilities

Recognised financial instruments

The Consolidated Entity's financial assets and liabilities, excluding listed investments, included in the statement of financial position are carried at amounts that approximate net fair value. The market value of listed investments is disclosed in Note 11 (investments in other entities).

Unrecognised financial instruments

The net fair value of off-balance sheet financial instruments, being the amounts receivable or (payable) in order to realise favourable contracts and settle unfavourable contracts at reporting date are:

	<b>Consolidated</b>	
	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Interest rate swap	<b>471</b>	1,697
Forward foreign exchange contracts	<b>(149)</b>	(78)

## 35 Contingent liabilities

- (i) The Company is called upon to give in the ordinary course of business guarantees and indemnities in respect of the performance by controlled entities, associates and related parties of their contractual and financial obligations. The value of these guarantees and indemnities are indeterminable in amount.
- (ii) There exists in some members of the Consolidated Entity the normal design liability in relation to completed design and construction projects.
- (iii) Certain members of the Consolidated Entity have the normal contractor's liability in relation to construction contracts which liability may include litigation by or against the entities.
- (iv) Controlled entities have entered into joint venture arrangements under which the controlled entity may be jointly and severally liable for the liabilities of the joint venture arrangement.
- (v) Under the terms of the Class Order described in note 39 the Company has entered into approved deeds of indemnity for the cross-guarantee of liabilities with participating Australian subsidiary companies.
- (vi) Certain executives may receive benefits pursuant to retention arrangements with the Consolidated Entity subject to ongoing conditions being fulfilled. The amount of the retention arrangement will be disclosed as remuneration in the year of payment.

## Notes continued

	Consolidated		Company		
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>36 Directors' remuneration</b>					
Remuneration paid or payable or otherwise made available to Directors of Leighton Holdings Limited and Executive and Non-executive Directors of controlled entities.		<b>58,693</b>	57,576	<b>8,400</b>	9,356

Number of Directors of Leighton Holdings Limited whose remuneration was within the following bands:

\$80,000 - \$89,999	-			-	4
\$90,000 - \$99,000	-			<b>5</b>	3
\$100,000 - \$109,999	-			<b>1</b>	-
\$120,000 - \$129,999	-			<b>1</b>	2
\$130,000 - \$139,999	-			<b>2</b>	-
\$170,000 - \$179,999	-			-	1
\$230,000 - \$239,999	-			<b>1</b>	-
\$460,000 - \$469,999	-			-	1
\$910,000 - \$919,999	-			-	1
\$2,780,000 - \$2,789,999	-		(b)	-	1
\$3,260,000 - \$3,269,999	-		(d)	<b>1</b>	-
\$3,930,000 - \$3,939,999	-		(a)	<b>1</b>	-
\$4,140,000 - \$4,149,999	-		(c)	-	1

The above remuneration bands exclude deferred incentives (noted in the Directors report) of (a) \$2,199,334 (2003 - (b) \$450,000 and (c) \$4,897,309) that will be payable to Directors on the completion of certain conditions and a payment relating to the 1999 deferred incentive of (d) \$504,174. (Note 17) The above bands exclude the value of any unexercised options. (These numbers have not been rounded to the nearest thousand.)

## 37 Remuneration of executives

Remuneration paid or payable or otherwise made available to executive officers of Leighton Holdings Limited and controlled entities.		<b>35,620</b>	33,061	-	-
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The number of executive officers whose remuneration equals or exceeds 100,000

\$220,000 - \$229,999	-			<b>1</b>	-
\$260,000 - \$269,999	-			-	1
\$300,000 - \$309,999	-			-	1
\$310,000 - \$319,999	-			<b>1</b>	2
\$330,000 - \$339,999	-			<b>1</b>	-
\$340,000 - \$349,999	-			-	1
\$350,000 - \$359,999	-		(a)	-	1
\$360,000 - \$369,999	-			-	-
\$370,000 - \$379,999	-		(b)	-	1
\$380,000 - \$389,999	-		(c)	<b>1</b>	3
\$390,000 - \$399,999	-		(a3)	<b>1</b>	-
\$420,000 - \$429,999	-		(b3)	<b>4</b>	-
\$440,000 - \$449,999	-			<b>1</b>	-
\$470,000 - \$479,999	-			<b>1</b>	-
\$480,000 - \$489,999	-		(d)	-	1
\$490,000 - \$499,999	-			-	-
\$500,000 - \$509,999	-			-	2
\$520,000 - \$529,999	-			<b>2</b>	1

## Notes continued

	Consolidated		Company		
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>37 Remuneration of executives - continued</b>					
\$560,000 - \$569,999		-	1		
\$570,000 - \$579,999		-	1		
\$590,000 - \$599,999		1	1		
\$620,000 - \$629,999	(c3)	1	-		
\$630,000 - \$639,999	(d3/a99)	1	-		
\$650,000 - \$659,999	(b99)	1	1		
\$670,000 - \$679,999		-	1		
\$690,000 - \$699,999	(e)	-	2		
\$720,000 - \$729,999		1	-		
\$730,000 - \$739,999	(f)	-	1		
\$740,000 - \$749,999	(g)	-	1		
\$750,000 - \$759,999		1	-		
\$770,000 - \$779,999	(h)	-	1		
\$780,000 - \$789,999		1	1		
\$790,000 - \$799,999	(i/e3)	1	1		
\$810,000 - \$819,999	(f3)	1	-		
\$840,000 - \$849,999		-	1		
\$870,000 - \$879,999	(j)	-	1		
\$880,000 - \$889,999	(g3/c99)	1	-		
\$930,000 - \$939,999		-	1		
\$950,000 - \$959,999	(k)	1	1		
\$970,000 - \$979,999	(l)	-	1		
\$990,000 - \$999,999	(h3/d99)	1	-		
\$1,000,000 - \$1,009,999	(i3)	1	-		
\$1,020,000 - \$1,029,999	(j3)	1	-		
\$1,050,000 - \$1,059,999	(k3/e99)	2	-		
\$1,070,000 - \$1,079,999	(m)	-	1		
\$1,080,000 - \$1,089,999	(n)	-	1		
\$1,090,000 - \$1,099,999	(l3)	1	-		
\$1,100,000 - \$1,109,999		1	-		
\$1,130,000 - \$1,139,999		-	1		
\$1,220,000 - \$1,229,999		-	1		
\$1,310,000 - \$1,319,999	(o)	-	1		
\$1,340,000 - \$1,349,999		1	-		
\$1,600,000 - \$1,609,999	(m3/f99)	1	-		
\$1,660,000 - \$1,669,999		1	-		
\$1,970,000 - \$1,979,999	(p)	-	1		
\$2,780,000 - \$2,789,999	(q)	-	1		
\$2,830,000 - \$2,839,999		1	-		
\$3,260,000 - \$3,269,999	(g99)	1	-		
\$3,930,000 - \$3,939,999	(n3)	1	-		
\$4,140,000 - \$4,149,999	(r)	-	1		

The above remuneration bands exclude deferred incentives (noted in the Directors report) of (a3) \$10,000, (b3) \$40,000, (c3) \$38,834, (d3) \$35,000 (e3) \$30,000 (f3) \$60,000, (g3) \$60,000, (h3) \$25,000, (i3) \$48,544, (j3) \$48,544, (k3) \$60,000, (l3) \$60,000, (m3) \$90,000, (n3) \$2,199,334, (2002 - (a) \$25,000, (b) \$25,000 (c) \$50,000 (d) \$34,000, (e) \$34,325, (f) \$34,000, (g) \$34,000, (h) \$34,000 (i) \$34,000 (j) \$40,000, (k) \$34,325, (l) \$100,000, (m) \$34,000, (n) \$34,325, (o) \$60,000, (p) \$57,208, (q) \$450,000 (r) \$4,897,309) that will be payable to executives in future years on the completion of certain conditions and payments relating to the 1999 deferred incentive of (a99) \$70,571, (b99) \$94,096, (c99) \$94,096, (d99) \$235,237, (e99) \$235,237 (f99) \$235,237 and (g99) \$504,174. (Note 17) The above bands exclude the value of any unexercised options. (These numbers have not been rounded to the nearest thousand.)

## 38 Employee entitlements

### 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 Consolidated Entity also contributes to the plans at various percentages of the employee's salary or wages. Future contributions to superannuation plans sponsored by the Consolidated Entity are not legally enforceable provided that vested benefits are fully funded. The Consolidated 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 Plan (managed under the Plum Financial Services Master Trust) 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 Plan was assessed at 26 June 2003 by actuaries appointed by Plum Financial Services. The Leighton Asia Superannuation Fund was assessed at 30 June 2003 by Watson Wyatt (Hong Kong) Limited. 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 an actuarial valuations of the defined benefits section of the Leighton Superannuation Plan as at 26 June 2003 and the Leighton Asia Superannuation Fund as at 30 June 2001.

Fund		Accrued benefits	Market value of assets	Surplus / (Deficit)	Vested benefits
Leighton Superannuation Fund	-\$000's	47,604	47,675	71	47,780
Leighton Asia Superannuation Fund	-\$000's	2,999	3,010	11	2,355
<b>Total</b>		<b>50,603</b>	<b>50,685</b>	<b>82</b>	<b>50,135</b>

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 Employees Share Plan

Shareholder approval was obtained at the Annual General Meeting on 5 November 1998 to establish the Leighton Employees Share Plan ("LESP"). Subject to certain eligibility criteria, all permanent employees of the Consolidated Entity are entitled to participate in LESP. The rules of LESP permit the Company to make an annual offer of shares in the Company to eligible employees. The maximum value of shares which may be offered to any employee in any one year is \$1,000. No shares were issued under LESP during the current year (prior year – nil).

### Leighton Executive Share Option Plan

Shareholder approval was obtained at the Annual General Meeting on 5 November 1998 to establish the Leighton Executive Share Option Plan ("LESOP"). The rules of LESOP allows the Company to offer selected executives options over unissued ordinary shares in the Company. The following options have been granted by the Company under LESOP: (i) 6,965,000 options granted on 5 August 1999 to 274 employees at an exercise price of \$5.84 per option and with an expiry date of 5 August 2004. During the year 2,638,170 options were exercised and 5,000 options lapsed. The balance of unexercised 1999 options is 1,230,280.

(ii) 5,980,000 options were granted on 27 March 2002 to 276 employees at an exercise price of \$10.96 per option, with an expiry date of 27 March 2007. During the year 90,000 (2002: nil) options lapsed, leaving a balance of 5,890,000 options unexercised at reporting date. 90,000 options were granted on 12 April 2002 to 1 employee at an exercise price of \$10.44 per option with an expiry date of 12 April 2007. None of these options has lapsed.

The market value of the Leighton Holdings Limited shares which are applicable to these options at 30 June 2003 was \$10.00.

All offers under both the LESP and LESOP plans are at the discretion of the Company and are subject to pre-conditions of issue and achieving certain performance hurdles prior to exercise of options which are contained in the Plan rules.

During the year Directors or Director related entities of Leighton Holdings Limited exercised 500,000 options which had been granted in 1999.

### Leighton Staff Equity Participation Plan

The Company has an employee share acquisition scheme known as the Leighton Staff Equity Participation Plan ("LSEPP") 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"). The balance of options under LSEPP at 30 June 2003 was nil. During the year no options were exercised (2002: 1,000,250) and no (2002: Nil) options lapsed. The options were exercisable at \$5.41 per option and lapsed on 24 October 2001. In accordance with amendments approved by shareholders at the Company's Annual General meeting on 5 November 1998, no further invitations will be issued to employees to acquire shares or options under LSEPP. (Unless specified, the amounts in this note have not been rounded off to the nearest thousand dollars.)

	Interest held	Place of Incorporation
<b>39 Leighton Holdings Limited and controlled entities at reporting date</b>		
† Leighton Holdings Limited		Vic
AAECventure Pty Ltd	100%	NSW
A.C.N. 093 124 675 Pty Ltd	100%	NSW
† Adelaide Terrace Investments Pty Ltd	100%	SA
Asian Region Investment Ltd	100%	Hong Kong
Ausindo Holdings Pte Ltd	100%	Singapore
BOS Australia Pty Ltd	100%	WA
Broad Construction Services Pty Ltd	70%	WA
Broad Construction Services (QLD) Pty Ltd	70%	Qld
Broad Construction Services (SA) Pty Ltd	70%	SA
Broad Construction Services (NSW) Pty Ltd	70%	WA
Broad Construction Services (VIC) Pty Ltd	70%	WA
Broad Construction Services (NT) Pty Ltd	70%	WA
Broad Project Management Services Pty Ltd	70%	WA
E_Tube Pty Ltd	100%	NSW
Ewenissa Pty Ltd	100%	ACT
* Fastrax Victoria Pty Ltd (formerly Peel Rail Pty Ltd)	100%	NSW
Giddens Investment Ltd	100%	Hong Kong
Green Construction Company	100%	USA
GridComm Pty Ltd	(2) 70%	Vic
Hunter Valley Earthmoving Co Pty Ltd	100%	NSW
Infrastructure Technologies Ltd	(1) 32%	NSW
International Railroad Systems (Electronics) Pty Ltd	70%	SA
International Railroad Systems Pty Ltd	70%	WA
Jackimort Pty Ltd	100%	ACT
Jarraah Wood Pty Ltd	70%	WA
JH Rail Holdings Pty Ltd	70%	Vic
JH Rail Investments Pty Ltd	70%	Vic
JH Rail Operations Pty Ltd	70%	Vic
John Holland Pty Ltd	70%	Vic
John Holland AD Holdings Pty Ltd	70%	Vic
John Holland AD Investments Pty Ltd	70%	Vic
John Holland AD Operations Pty Ltd	70%	Vic
John Holland Development & Investment Pty Ltd	70%	Vic
John Holland Engineering Pty Ltd	(2) 70%	Vic
John Holland Group Pty Ltd	70%	Vic
John Holland Investment Pty Ltd	70%	Vic
John Holland Investment No 1 Pty Ltd	(2) 70%	Vic
John Holland Services Pty Ltd	70%	Vic
John Holland Services No 1 Pty Ltd	(2) 70%	Vic
John Holland Superannuation Fund Pty Ltd	(3) 70%	Vic
Lai Lap Foundation Engineering Ltd	100%	Hong Kong
† Leighton Admin Services Pty Ltd	100%	NSW
Leighton Asia Ltd	100%	Cayman Islands
Leighton Asia (Hong Kong) Holdings (No 2) Limited	100%	Hong Kong
Leighton Asia (Northern) Ltd (formerly Leighton Asia (Hong Kong) Holdings Ltd)	100%	Hong Kong
† Leighton Contractors Pty Ltd	100%	NSW
Leighton Contractors (Asia) Ltd	100%	Hong Kong
Leighton Contractors (China) Ltd	100%	Hong Kong
Leighton Contractors (India) Private Ltd	100%	India
Leighton Contractors (Indo-China) Ltd	100%	Hong Kong
Leighton Contractors (Laos) Co Ltd	100%	Laos
Leighton Contractors (Malaysia) Sdn Bhd	100%	Malaysia
Leighton Contractors (Mauritius) Ltd	100%	Mauritius

		Interest held	Place of Incorporation
<b>39</b>	<b>Leighton Holdings Limited and controlled entities at reporting date – continued</b>		
	Leighton Contractors (Philippines) Inc	(1) 40%	Philippines
	Leighton Contractors (Singapore) Pty Ltd	100%	Singapore
	Leighton Contractors (Vietnam) Ltd	100%	Vietnam
	† Leighton Finance Ltd	100%	NSW
	Leighton Foundation Engineering Ltd	100%	Hong Kong
	* Leighton Funds Management Pty Ltd	100%	Qld
	Leighton Geotech Ltd	(1) 49%	Thailand
	Leighton Indonesia Holdings Pte Ltd	100%	Singapore
	Leighton Investment Inc	100%	USA
	Leighton Investments Malaysia (L) Ltd	100%	Malaysia
	Leighton Investments Singapore Pte Ltd	100%	Singapore
	* Leighton Motorway Investment Pty Ltd	100%	NSW
	Leighton Motorway Investments No. 2 Pty Ltd	(2) 100%	VIC
	Leighton NA Inc	100%	USA
	Leighton Office Trust	100%	N/A
	Leighton Office Trust No 2	100%	N/A
	Leighton Portfolio Services Pty Ltd	100%	ACT
	* Leighton Properties Pty Ltd	100%	Qld
	† Leighton Properties (Brisbane) Pty Ltd	100%	Qld
	* Leighton Properties (Vic) Pty Ltd	100%	Vic
	† Leighton Property Development Pty Ltd	100%	NSW
	† Leighton Property Funds Management Limited	100%	ACT
	* Leighton Property Management Pty Ltd	100%	NSW
	Leighton Services Australia Pty Ltd	100%	NSW
	Leighton Staff Shares Pty Ltd	(3) 100%	Vic
	Leighton Superannuation Pty Ltd	(3) 100%	NSW
	* Lewis Scott Enterprises Pty Ltd	100%	NSW
	LMI Westlink Partner Holding No 1 Pty Ltd	(2) 100%	NSW
	LMI Westlink Partner Holding No 2 Pty Ltd	(2) 100%	Vic
	LMI Westlink Partner Holding No 3 Pty Ltd	(2) 100%	Vic
	LMI Westlink Partner Holding No 4 Pty Ltd	(2) 100%	Vic
	LMI Westlink Partner No 1 Pty Ltd	(2) 100%	Vic
	LMI Westlink Partner No 2 Pty Ltd	(2) 100%	Vic
	LMI Westlink Partner No 3 Pty Ltd	(2) 100%	Vic
	LMI Westlink Partner No 4 Pty Ltd	(2) 100%	Vic
	LMI WSO Holding No 1 Pty Ltd	(2) 100%	Vic
	LMI WSO Holding No 2 Pty Ltd	(2) 100%	Vic
	LMI WSO Holding No 3 Pty Ltd	(2) 100%	Vic
	LMI WSO Holding No 4 Pty Ltd	(2) 100%	Vic
	LSE Antenna Services Pty Ltd	100%	Qld
	† LSE Technology (Australia) Pty Ltd	100%	NSW
	† LSE Technology Pty Ltd	100%	NSW
	Lucon Pty Ltd	(2) 70%	Vic
	Matilda Bay Homes Pty Ltd	70%	WA
	MCA Joint Venture Subic Inc	57%	Philippines
	Metro Developments Australia Pty Ltd	(2) 70%	WA
	Metronode Pty Ltd	100%	Vic
	Nestdeen Pty Ltd	100%	Qld



**39 Leighton Holdings Limited and controlled entities at reporting date – continued**

**Entities liquidated**

The following controlled entities were liquidated during the 2003 financial year:

Doan Ket (Hong Kong) Ltd  
 Leighton Contractors (Bangladesh) Ltd  
 Moorabbin Trust  
 Technical Resources Asia Ltd  
 Thiess Argentina SA  
 Thiess Chile SA  
 Thiess Roche Lihir Joint Venture  
 Thiess Venezuela SA  
 Westlink Motorway Ltd  
 Westlink (Services) Pty Ltd

**Entities or businesses disposed**

Thiess NG Pty Ltd  
 NGCM Pty Ltd

**Date Disposed**

31 Oct 2002  
 31 Oct 2002

**Entities or businesses acquired**

Broad Construction Services Pty Ltd  
 Acquisition of the assets and selected contracts of  
 Lurgi Pacific Pty and Lurgi Construction Pty Ltd  
 Acquisition of the assets and selected contracts of  
 Transfield Construction Pty Ltd

**Proportion  
 Acquired**

70%  
 N/A  
 N/A

**Date Acquired**

1 July 2002  
 1 Oct 2002  
 1 Feb 2003

**Deed of Cross Guarantee**

Pursuant to ASIC Class Order 98/1418 dated 13 August 1998, relief was granted to the LHL Class Order Companies from the Corporations Act 2001 requirements for preparation, audit and publication of financial statements. 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 Act 2001. 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.

2003  
\$'000

2002  
\$'000

**39 Leighton Holdings Limited and controlled entities – continued**

A consolidated statement of financial performance and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2003 is set out below:

**Statement of financial performance**

Profit from ordinary activities before income tax expense	207,502	157,418
Income tax expense relating to ordinary activities	(11,154)	(7,527)
Profit from ordinary activities after income tax expense	196,348	149,891
Retained profits at the beginning of the financial year	81,111	44,795
Dividends provided for or paid	(116,443)	(113,575)
Prior year adjustment in accordance with AASB 1044 with respect to the 2002 final dividend	69,899	-
Aggregate of amounts transferred (to)/from reserves	-	-
Retained profits at the end of the reporting period	230,915	81,111

**Statement of financial position**

**Assets**

Cash assets	81,919	114,482
Receivables	279,978	167,596
Inventories	33,911	42,848
Investments accounted for using the equity method	70,039	22,409
Investments in other entities	1,548,982	1,033,716
Deferred tax assets	56,707	48,976
Property, plant and equipment	135,838	114,701
Goodwill	-	4,460
<b>Total assets</b>	<b>2,207,374</b>	<b>1,549,188</b>

**Liabilities**

Payables	318,520	415,979
Current tax liabilities	-	24,080
Provisions	123,488	148,143
Deferred tax liabilities	18,779	14,007
Interest bearing liabilities	1,101,067	466,670
<b>Total liabilities</b>	<b>1,561,854</b>	<b>1,068,879</b>
<b>Net assets</b>	<b>645,520</b>	<b>480,309</b>

**Equity**

Contributed equity	414,798	399,391
Reserves	(193)	(193)
Retained profits	230,915	81,111
<b>Total equity</b>	<b>645,520</b>	<b>480,309</b>

	Consolidated		Company		
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>40 Related party and Company information</b>					
<b>Transactions with related parties</b>					
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 Consolidated Entity.					
<b>Amounts receivable from and payable to related parties</b>					
<b>Aggregate amounts receivable at reporting date from:</b>					
Wholly owned controlled entities		-	-	502,541	437,969
Partly owned controlled entities		-	-	-	120,000
Associates		-	3,198	-	-
Directors of the Company or controlled entities		950	1,170	950	1,170
<b>Aggregate amounts payable at reporting date to:</b>					
Wholly owned controlled entities		-	-	819,507	818,085
Associates		2,898	411	-	-
Joint venture entities		76,340	5,622	-	-
<b>Interest</b>					
<b>Interest received / receivable from related parties:</b>					
Directors of the Company or controlled entities		41	60	41	60
Associates		430	204	-	-
Wholly owned controlled entities		-	-	10,583	9,237
Partly owned controlled entities		-	-	8,708	8,201
<b>Interest paid / payable to related parties:</b>					
Directors of the Company or controlled entities		2,377	1,871	-	-
Associates		-	9	-	-
Joint venture entities		528	1,035	-	-
<b>Other revenues</b>					
Fees charged to wholly owned controlled entities		-	-	1,711	2,505
<b>Number of employees</b>					
Number of employees at reporting date		15,236	15,228	10	10

**Directors**

The Directors who held office as Directors of Leighton Holdings Limited during the year ended 30 June 2003 were: John Morschel, Wallace MacArthur King AM, Dieter Siegfried Adamsas, Martin Carl Albrecht AC, Geoffrey John Ashton, Geoffrey James Dixon, Achim Drescher, Ian Rutledge Johnson, Hans -Peter Keitel, David Allen Mortimer, Busso Peus, and David Paul Robinson.

**Directors Transactions**

During the year dividends were paid to Directors on their shareholdings on the same basis as other shareholders. DP Robinson is a principal in the firm of chartered accountants, Harveys, which receives fees from Hochtief Australia Limited for services provided to that company which is a related party.

The terms and conditions of transactions with Directors and their Director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

During the year Directors or Director related entities of Leighton Holdings Limited acquired and disposed of shares on the open market. The aggregate details of those transactions were 675,000 (2002: 654,000) shares acquired and 645,000 (2002: 620,000) shares sold.

During the year Hochtief Australia Limited acquired 1,537,967 (2002: 2,864,622) shares giving a shareholding at reporting date of 136,238,894 (2002: 134,700,927) shares. HP Keitel, B Peus and DP Robinson were Directors of Hochtief Australia Limited during the year.

Interest is provided on deferred incentives which may be payable to Executive Directors in future years upon completion of certain conditions of employment. Interest is provided at a rate between 4.76% and 5.22% (2002: 4.2% and 5.6%). During the financial year \$2,020,000 (2002: \$1,539,000) was provided in respect of executive Directors of Leighton Holdings Limited.

(These numbers have not been rounded to the nearest thousand.)

## 40 Related party and Company information – continued

### Directors' holdings of shares and share options

The interest of Directors of the Company in shares and share options of the Company at reporting date is set out below:

	2003 No. held	2002 No. held
Ordinary shares	435,835	405,835
Options over ordinary shares	1,200,000	1,700,000

### Loans to executives

The Leighton Senior Executive Loan Plan was approved by shareholders on 29 October 1982. At reporting date, one loan (2002: 2) totalling \$950,000 (2002: \$1,170,000) made under the plan to senior executives of Leighton Holdings Limited and related entities was outstanding. No loans were made during the year (2002: Nil). Interest of \$41,488 (2002: \$59,883) was received on senior executives loans. Interest on the loans under the Plan was charged at 4.25% pa (2002: 4% pa and 8% pa). The loans were secured by mortgages over property and were repayable up to 20 years from the dates of issue. Repayments of principal of \$220,000 (2002: \$496,583) were received during the year from W King, R J Merkenhof and W Wild. (These numbers have not been rounded to the nearest thousand dollars.)

### Company information

Leighton Holdings Limited is domiciled in Australia and is a company listed on the Australian Stock Exchange. The Company was incorporated in Victoria, Australia. The address of the registered office is 472 Pacific Highway, St Leonards, NSW, Australia. The Consolidated Entity's operations and principal activities were construction and other contracting services in the following disciplines: civil engineering and building, mining and resources, property development, telecommunications infrastructure and environmental services in Australia, Hong Kong and selected parts of South East Asia and South America.

### Ultimate parent entity

The ultimate Australian parent entity is Hochtief Australia Limited and the ultimate parent entity is Hochtief AG.

	Consolidated		Company	
Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000

## 41 Cash flow information

### Reconciliation of profit from ordinary activities after income tax expense to net cash provided by operating activities

Profit from ordinary activities after income tax expense	150,975	174,213	151,005	167,734
Add (less) non-cash items				
Depreciation	301,574	307,754	-	613
Amortisation of goodwill	8,280	6,037	-	-
Provision for diminution in value of subsidiaries	-	-	73,468	-
Amounts set aside to provisions	138,520	156,629	400	(649)
Foreign currency (gains)/losses	2,004	(1,952)	(5,361)	(4,517)
(Gain)/loss on sales of assets	(26,861)	(6,585)	-	(3,399)
Intercompany transactions	-	-	(19,332)	(17,498)
Net changes in assets/liabilities				
(Increase)/decrease in receivables and joint ventures	(92,723)	(139,241)	5,743	9,896
(Increase)/decrease in inventories	7,303	94,048	-	-
(Decrease)/increase in payables	(85,115)	175,598	(6,787)	4,172
(Decrease)/increase in provisions	(110,039)	(66,199)	-	-
Income tax payable	(12,066)	(43,045)	(2,102)	(2,593)
<b>Net cash provided by operating activities</b>	<b>281,852</b>	<b>657,257</b>	<b>197,034</b>	<b>153,759</b>

Consolidated

2003	2002
\$'000	\$'000

**41 Cash flow information - continued**

**Fair value of assets of controlled entities and businesses acquired**

Cash consideration	38,149	-
Property, plant and equipment	28,367	-
Receivables	21,934	-
Inventories	3,092	-
Payables	(9,646)	-
Provisions	(7,931)	-
Net assets acquired	35,816	-
Goodwill on acquisition	2,333	-

**Fair value of assets of controlled entities and businesses disposed**

Consideration received	23,439	-
Cash	978	-
Property, plant and equipment	278	-
Receivables	10,384	-
Investments	28,044	-
Payables	(11,441)	-
Provisions	(2,746)	-
Tax liabilities	(2,058)	-
Net assets disposed	23,439	-

**Details of credit facilities**

The Consolidated Entity has a total of \$1.6 billion (2002: \$1.34 billion) loan and guarantee facilities of which \$422 million (2002: \$435 million) were undrawn as at 30 June 2003. These facilities include a private unsecured loan placement in the USA of US\$12 million (2002: US\$23 million). These facilities have maturity dates up to August 2006. The facilities are provided under negative pledge agreements with financial institutions.

**42 Events subsequent to reporting date**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years other than the final dividend declared after the reporting date (note 25).

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## Statutory Statements


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### Directors' Declaration

1. In the opinion of the Directors of Leighton Holdings Limited:
  - (a) The financial statements and notes, set out on pages 1 to 36 are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the financial position of the Company and Consolidated Entity as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
    - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the subsidiaries identified in Note 39 will 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 ASIC Class Order 98/1418.

Dated at Sydney this 5th day of September 2003.

Signed in accordance with a resolution of Directors:



JP Morschel  
Chairman



WM 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 report of Leighton Holdings Limited for the financial year ended 30 June 2003, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes 1 to 42 set out on pages 1 to 36 and the Directors' Declaration. The financial report includes the consolidated financial statements of the Consolidated Entity, comprising the Company and the entities it controlled at the year end or from time to time during the financial year. The Company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, 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 report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position and performance as represented by the results of their operations and their cash flows. The audit opinion expressed in this report has been formed on the above basis.

### Audit Opinion

In our opinion, the financial report of Leighton Holdings Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



DK Jukes  
Partner



KPMG

Dated at Sydney this 5th day of September 2003