Leighton Holdings

Richard Willcock
Group Company Secretary
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27 March 2013

ASX Market Announcements
Australian Securities Exchange Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

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CONCISE ANNUAL REPORT AND FINANCIAL REPORT

In accordance with Listing Rule 4.5, please find attached copies of the following documents for the year ended 31 December 2012:

- Leighton Concise Annual Report 2012
- Leighton Financial Report for the year ended 31 December 2012

We advise that in accordance with the relief from dual lodgement of financial statements provided under ASIC Regulatory Guide 28 and ASIC Class Order 98/104, the Company will not be lodging these reports with ASIC.

Copies of the Leighton Concise Annual Report 2012 together with the Notice of Meeting and Proxy Form are expected to be dispatched to shareholders in mid April 2013.

Yours faithfully
LEIGHTON HOLDINGS LIMITED

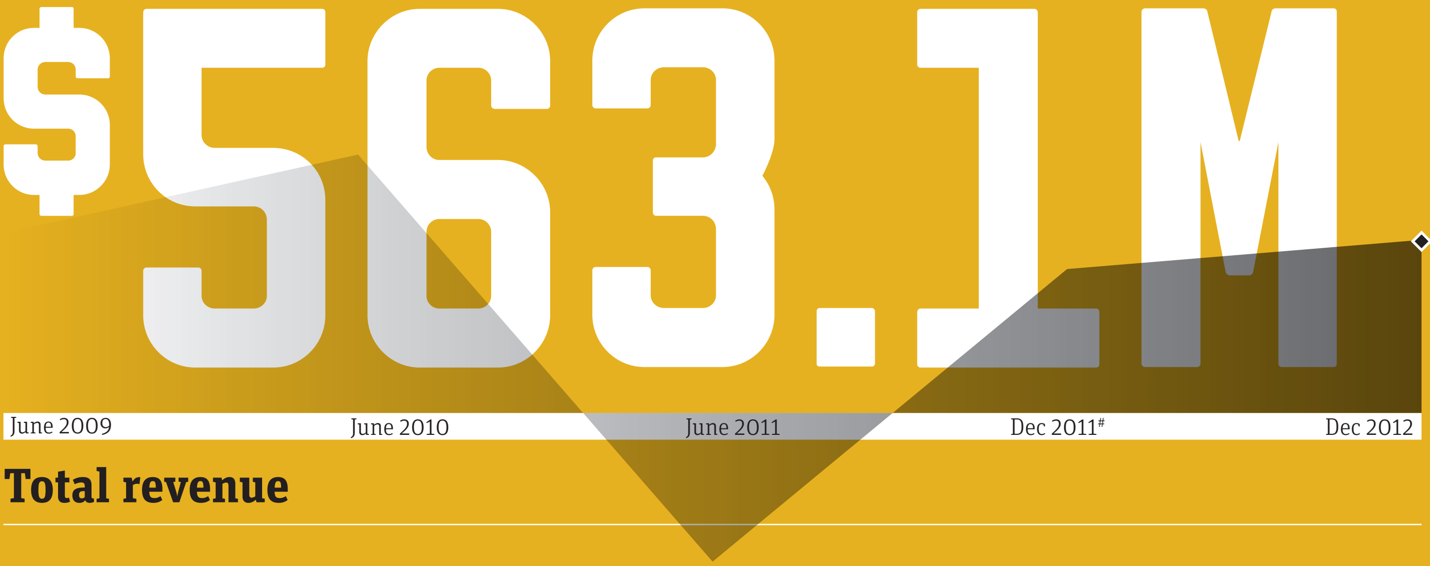
RICHARD WILLCOCK
Group Company Secretary

CONCISE ANNUAL REPORT 2012

Leighton Holdings Limited
ABN 57 004 482 982

Profit before tax

$563.1M



Total revenue

Work in hand

June 2009	June 2010	June 2011	Dec 2011	Dec 2012
$37.0B	$41.5B	$46.2B	$44.6B	$43.5B

$43.5B

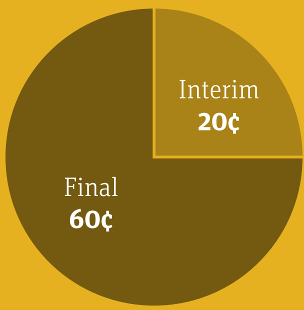
#The December 2011 Transitional Financial Year was the 6 month period from 1 July 2011 to 31 December 2011, and as such the information presented above is not entirely comparable.

Profit attributable to members

$450.1M

for the 12 months to 31 December 2012

Dividend



80¢

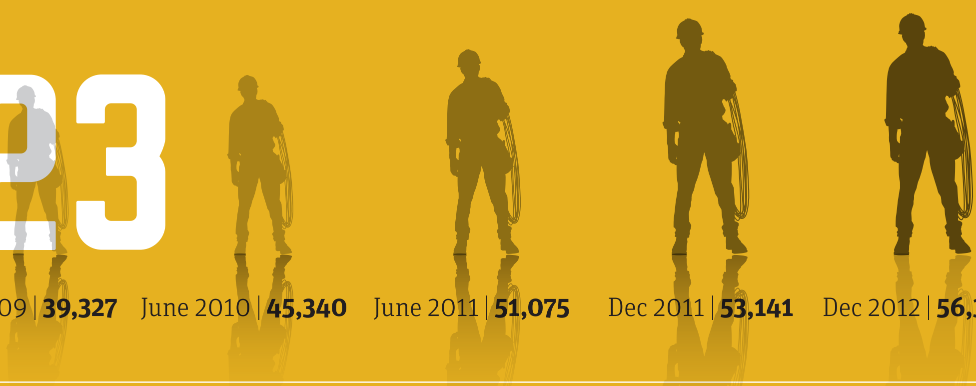
for the 12 months to 31 December 2012

Following a year of stabilisation, the Leighton Group reported a solid result in 2012.
Revenue for the period totalled $23.1 billion with 83% earned from the Australia/Pacific region and 17% from the Group's international operations. The Group earned a net profit after tax attributable to members of $450 million and an underlying net profit after tax[1] of $448 million for the 12 months to 31 December 2012. A 20 cent per share unfranked interim dividend was paid in September 2012 and a 60 cent per share final dividend, 50% franked, will be paid in March 2013. This represents a payout ratio of 60% of underlying net profit after tax.[1] Work in hand stood at $43.5 billion as at 31 December 2012, a reduction of $1.1 billion compared to the beginning of the year. This is largely due to the sale of the Thiess Waste Management business and negative currency effects. The number of direct employees was 56,323 at year-end.

[1] Underlying net profit after tax is net profit after tax adjusted for gains/losses on sale and impairments on investments.

Direct employees

56,323



June 2009 | **39,327** June 2010 | **45,340** June 2011 | **51,075** Dec 2011 | **53,141** Dec 2012 | **56,323**

Key statistics

INCOME STATEMENT INFORMATION	12 months to 31 Dec 2012 $million	12 months to 31 Dec 2011 $million*	Change	6 months to 31 Dec 2011 $million
Revenue – Group	18,951.7	18,359.9	+3.2%	10,169.2
– Joint ventures and associates	4,175.3	3,484.6	+19.8%	2,007.7
Total revenue†	23,127.0	21,844.5	+5.9%	12,176.9
EBITDA	1,829.7	781.4	+134.2%	1,111.6
Depreciation of property, plant and equipment	(1,032.1)	(929.9)	+11.0%	(512.7)
Amortisation of intangibles	(24.4)	(33.6)	-27.4%	(33.0)
EBIT	773.2	(182.1)	+524.6%	565.9
Finance costs	(210.1)	(157.9)	+33.1%	(90.5)
Profit / (loss) before tax	563.1	(340.0)	+265.6%	475.4
Income tax (expense) / benefit	(121.0)	60.9	+298.7%	(130.5)
Profit / (loss) after tax	442.1	(279.1)	+258.4%	344.9
Minority interests	8.0	(6.4)	+225.0%	(4.9)
Profit / (loss) attributable to members	450.1	(285.5)	+257.7%	340.0

EPS AND DPS				
Earnings per ordinary share (basic)	133.5	(104.1)	+228.2%	101.0¢
Dividends per ordinary share	80.0¢	60.0¢	+33.3%	60.0¢

NEW CONTRACTS AND WORK IN HAND (BACKLOG)				
New contracts, extensions and variations	22,053.0	20,065.2	+9.9%	10,054.0
Value of work in hand at end of period†	43,485.6	44,559.7	-2.4%	44,559.7

BALANCE SHEET ITEMS	As at 31 Dec 2012 $million	As at 31 Dec 2011 $million	Change
Total capital and reserves	2,916.9	2,766.9	+5.4%
Total assets	11,206.2	9,900.4	+13.2%
Cash and cash equivalents	1,847.0	1,503.2	+22.9%
Interest bearing liabilities	2,760.5	2,143.7	+28.8%
Undrawn loan and guarantee facilities (excl. Devine)	1,900.9	1,163.9	+63.3%
Gearing (including operating leases)^	35%	32%	n/a

SAFETY~ #	12 months to 31 Dec 2012	12 months to 31 Dec 2011	Change	6 months to 31 Dec 2011
Fatalities (Australia)	1	2	-50.0%	2
Fatalities (international)	2	3	-33.3%	1
TRIFR (Australia)[1]	10.7	14.6	-26.7%	14.6
TRIFR (international)[1]	2.8	2.8	nil	2.8
LTIFR (Australia)[2]	1.6	1.8	-11.1%	1.8
LTIFR (international)[2]	0.6	0.4	+50.0%	0.4
Potential Class 1 (Australia)[3]	466	439	+6.2%	216
Potential Class 1 (international)[3]	134	100	+34.0%	55
Actual Class 1 (Australia)	4	4	nil	2
Actual Class 1 (international)	6	5	+20.0%	3

ENVIRONMENT~				
Environmental Level 1 (Australia)[4]	0	0	nil	0
Environmental Level 1 (international)[4]	0	0	nil	0
EIFR (Australia)[5]	0.28	0.45	-37.8%	0.28
EIFR (international)[5]	0.02	0.02	nil	0.02

COMMUNITY				
Corporate Community Investment	$6.42m	No data	n/a	$2.64m

WORKFORCE~	As at 31 Dec 2012	As at 31 Dec 2011	Change
Number of direct employees (total)	56,323	53,141	+6.0%
Female participation (Australia)	16.9%	16.5%	n/a
Female participation (international)	7.0%	7.3%	n/a
Indigenous participation (Australia)	2.1%	1.5%	n/a
Local participation (international)[6]	91.7%	92.9%	n/a

* Derived from year to June 2011, less 6 months to December 2010, plus 6 months to December 2011.
† Includes the Group's share of joint ventures and associates.
^ Gearing is expressed as the ratio of net debt and operating leases to net debt, operating leases and shareholder equity. It has been adjusted by $50 million to include net debt classified as held-for-sale.
~ Australian operations include New Zealand. International operations exclude Habtoor Leighton Group.
# International operations include Leighton Africa and Leighton Services from 1 January 2012 to 30 June 2012 only.

1 Total recordable injury frequency rate (per million hours worked). Rolling 12 month average.
2 Lost time injury frequency rate (per million hours worked). Rolling 12 month average.
3 Class 1 risks are those which could cause a fatality or permanent disabling injury.
4 Level 1 environmental incidents are those with highly detrimental impacts on the environment, community and/or company including irreversible and long-term environmental, cultural, heritage or reputational damage, breaches of statutory or approval conditions with serious legal or contractual consequences, or those with total cleanup costs in excess of $100,000.
5 Environmental incident frequency rate (Level 1 and 2) per million hours worked.
6 Local participation refers to percentage of locally employed full-time equivalent staff in our international operations.

Notice of Meeting

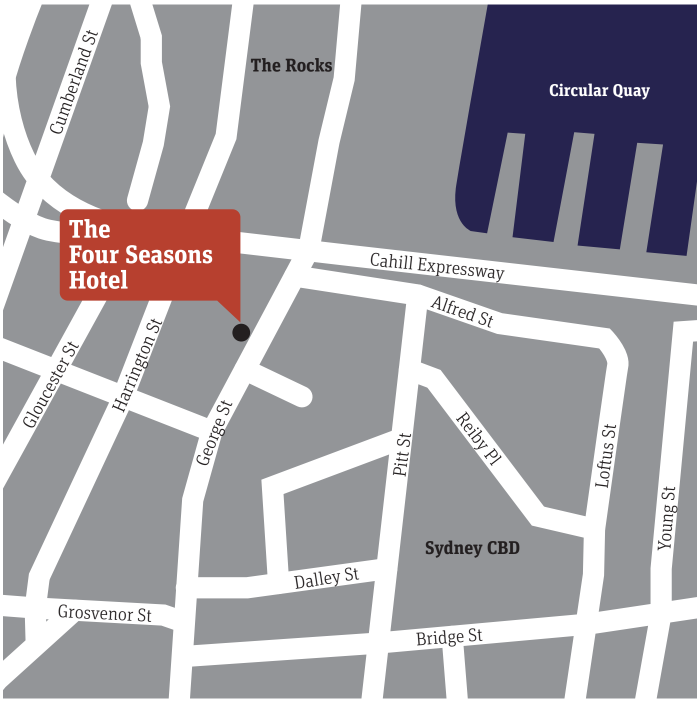
NOTICE OF ANNUAL GENERAL MEETING 2013
LEIGHTON HOLDINGS LIMITED
ABN 57 004 482 982
To: The Shareholders
Notice is hereby given that the 52nd Annual General Meeting of the members of Leighton Holdings Limited will be held in the:

Grand Ballroom, The Four Seasons Hotel
199 George Street, Sydney, New South Wales
on
Monday 20 May 2013 at 10.00 am.

A separate Notice of Meeting and Proxy Form are enclosed. During the course of the meeting, a short presentation on the Group's operations will be given by Mr Hamish Tyrwhitt, Chief Executive Officer. All present are invited to join the Directors for light refreshments after the meeting.

This Concise Annual Report is available in PDF format online at our website at www.leighton.com.au. Other shareholder communications, including the Full Financial Report and Shareholder Updates, can also be downloaded from our website.

Leighton Holdings encourages shareholders to receive notification of all communications by email and access these documents on our website. In this way, shareholders receive timely information and have the convenience of electronic delivery, which is not only cost effective but environmentally friendly. Printed copies of these documents are available on request by:
Phone: +61 2 9925 6636
Email: leighton@leighton.com.au



Contents

In this Concise Annual Report a reference to 'Group', 'we', 'us' or 'our' is to Leighton Holdings Limited ABN 57 004 482 982 and the entities that it controls unless otherwise stated.

The Leighton Group is one of the world's leading international contractors. We operate in more than 20 countries in Asia, the Middle East, Southern Africa, and throughout Australia and in New Zealand. We aim to be renowned for excellence, delivering through our operating brands and the empowerment of our people.

A leading international contractor

WHO WE ARE

Leighton Holdings Limited was founded in 1949, listed on the Australian Securities Exchange in 1962 and is based in Sydney, Australia. The Leighton Group owns and operates through a number of diverse and independent operating companies: Leighton Contractors; Thiess; John Holland; Leighton Asia, India and Offshore; and Leighton Properties. The Leighton Group also has a 45% investment in the Habtoor Leighton Group. Some of these Operating Companies have been in existence since the 1930s.

Our people are our business. We employ more than 56,000 people whose activities are underpinned by our values of discipline, integrity, safety and success. To attract, retain and motivate the best people they must be empowered. People perform their best when they are provided with realistic goals and a clear framework in which to operate. When empowered and accountable, people step up, accepting responsibilities and delivering results. This is the Leighton way. This empowerment occurs within a corporate governance framework defined by Leighton Holdings, which sets standards for ethical and financial performance, health and safety, and diversity, community and environmental matters.

WHAT WE DO

As a 'strategic management company', Leighton Holdings provides a robust corporate governance structure, strategic leadership and the financial strength to enable our Operating Companies to compete effectively in the global marketplace. This role includes:

- setting the vision, values and strategic direction;
- setting Group policies and operating guidelines;
- ensuring strict adherence to our Code of Business Conduct;
- reviewing risk management and performance; and
- approving acquisitions, investments and development initiatives.

The leadership of an experienced management team and a strong balance sheet support the growth of our Operating Companies. The Operating Companies offer a broad range of contracting and project development services and skills to public and private sector clients across a wide range of industries and geographic locations. These skills include construction, contract mining, operations and maintenance, and development services to the infrastructure, resources and property markets. Leighton Holdings is focused on:

- sustainability and the pursuit of excellence in creating solutions for clients;
- safe, rewarding and fulfilling careers for our people; and
- sustainable returns for our shareholders.

Leighton Group Operations

WHERE WE ARE

The Leighton Group's Operating Companies conduct business in more than 20 countries. While the listed entity is based in Australia, our Operating Companies have been operating internationally for many years. A strategic move into Asia culminated in the formation of Leighton Asia in 1975. Through the 1980s, 1990s and 2000s, Leighton Asia continued to diversify throughout East and South-East Asia. In 2004, we opened offices in India and the Middle East. The Group took a major step in 2007 with the acquisition of a 45% stake in the UAE and Qatar-based Al Habtoor Engineering, one of the largest contractors in the Middle East. This was renamed the Habtoor Leighton Group in 2007 and has since expanded to Saudi Arabia, Oman, Kuwait and Bahrain. In 2007, Leighton Asia opened its first office in Mongolia and by 2011 the Group had ventured into Southern Africa. Leighton's strategy has positioned the Group in prime locations – Australia, Asia, the Middle East and Southern Africa – through operating brands that are highly regarded. Today, the Leighton Group has the broadest footprint of any international contractor in the regions that are poised to provide the greatest share of the world's economic growth over the next 20 years.

HOW WE OPERATE

The Leighton Group's success over many years has been built on a foundation of values – discipline, integrity, safety and success – and we revisited these values in 2011 to ensure they are aligned with the needs of our shareholders, clients and employees. We have recommitted to our four values which have been consistently applied across the Group, but we have refreshed the behaviours which underpin these values to more clearly define what is expected of our people and the way they should conduct themselves. Having strong values provides a framework within which our people can operate and make sensible decisions. Our values go hand-in-hand with the concept of empowerment, a fundamental principle of the Leighton way. While we can set policies, guidelines, frameworks and codes, ultimately our people need a set of values to guide their thinking – to help them make the right decisions and to create the right outcomes.

A company with a strong and clearly defined set of values means that its people have alignment and consistency with the direction of the business. In Leighton's case, this has developed a culture that is performance and results oriented. As we continue to grow, the embedding of our values will be critical to ensuring that we can operate in diverse markets with employees of different religions, ethnicity, political persuasion and gender. Our values provide a common unifying bond as we deliver our vision to be renowned for excellence.

Chairman's review

As Chairman of the Leighton Group, and on behalf of my Deputy Chairman Paula Dwyer and our fellow Directors, I am pleased to be able to present this Concise Annual Report for 2012 to you. The Leighton Group has recorded a solid year in 2012, completing our difficult legacy construction projects and making good progress in stabilising the business. In 2013 we will continue our focus on the 'stabilise and rebase' phases of our strategy. We look to 2013 as a year during which we will continue to transform the company so as to deliver sustainable returns to shareholders from our existing capital base.

Robert Humphris Chairman

Since the Board's approval of this Concise Annual Report, we announced to the market on 22 March 2013 the resignation of the former Chairman, Mr Stephen Johns, and two Non-executive Directors, Mr Ian Macfarlane AC and Mr Wayne Osborn. On 24 March 2013 the Board appointed Mr Robert Humphris OAM as Chairman and Ms Paula Dwyer as Deputy Chairman.

The only sections of this Concise Annual Report which have been updated to reflect the announcements made on 22 and 24 March 2013 are the Chairman's review on pages 6 to 9, the Board and senior management section on pages 17 to 24, and the Directory and offices on page 133. The Directors' Report (including the Remuneration Report) and the Concise Financial Report are current as at 13 February 2013, and all other sections of the Concise Annual Report are current as at 13 March 2013 (unless otherwise stated).

INTRODUCTION

I am pleased to report that the Leighton Group has reported a solid year for the 12 months to 31 December 2012 (2012 Financial Year), recording a profit after tax attributable to members of $450 million. This result includes a pre-tax capital gain from the sale of the Thiess Waste Management business of $115 million, a $63 million pre-tax impairment to the carrying value of BrisConnections – the listed toll road owner in Brisbane – and impairments to the carrying values of the investments in Macmahon Holdings Limited and the Habtoor Leighton Group. The underlying net profit after tax[1] for the 2012 Financial Year was $448 million.

DIVIDENDS AND RETURNS TO SHAREHOLDERS

In line with our dividend payout ratio policy, the Board has determined to pay out 60% of underlying net profit after tax[1] for the 2012 Financial Year, resulting in a total dividend of 80 cents per share for the year. A 20 cent per share unfranked interim dividend was paid in September 2012 and a 60 cent per share final dividend, 50% franked, will be paid on 28 March 2013.

Returns to shareholders are a function of the dividends that we pay and also the performance of our share price. Disappointingly, the share price has underperformed for much of the year resulting in a Total Shareholder Return (TSR) of -2.5% for the 2012 Financial Year. With the completion of the Leighton Group's legacy projects and our positive outlook, we expect to see a substantial improvement in TSR over the coming years.

FINANCIAL STRENGTH

Rebuilding the Group's balance strength is a critical focus for the Board and management. The Leighton Group has maintained a solid capital base in 2012 with $2.9 billion of shareholders' equity and $11.2 billion of total assets at year-end. This is despite the uncertainty of the global financial markets and the sovereign debt issues affecting, in particular, Europe.

At year-end, the Group retained $1.8 billion in cash on hand and had undrawn bank facilities of $1 billion. Gross debt, including recourse and nonrecourse loans, stood at $2.8 billion at 31 December 2012, up from $2.1 billion at 31 December 2011. We are pleased to report that the maturity profile of this debt has been lengthened substantially through the issue of US$500 million worth of guaranteed senior notes in the United States Rule 144A debt capital markets.

[1] Underlying net profit after tax is net profit after tax adjusted for gains/losses on sale and impairments on investments

Gearing, including operating leases, increased from 32% at 31 December 2011 to 35% at 31 December 2012, within the Group's targeted range of 35% to 45%. Since the year end, the Board has adopted a new leverage policy to reduce the target gearing range to 25% to 35%. We expect gearing to reduce substantially upon completion of the sale of the Group's telecommunications infrastructure assets.

In November 2012, Leighton entered into a new three-year syndicated performance bond facility worth $1.4 billion which doubles the size of a previous facility. The new facility provides additional capacity to deliver the Group's significant work in hand.

The Group's credit rating from Standard & Poor's (BBB-/Stable/A-3) and Moody's (Baa2/Stable) remained unchanged during 2012. These ratings were downgraded in 2011 and we continue to firmly believe that they are not a true reflection of the Group's credit quality. Following the recent Board changes, in March 2013 Standard & Poor's issued a negative credit watch for the Leighton Group.

SALE OF THE THIESS WASTE MANAGEMENT BUSINESS

In September 2012, the Group sold its Thiess Waste Management business to Remondis AG & Co KG for a total purchase price of $218 million (inclusive of operating leases and retained working capital), resulting in a pre-tax capital gain on sale of $115 million and an after tax gain of $81 million. This capital recycling initiative generated gross cash proceeds of $179 million which were used to reduce debt. Through the progressive execution of our capital recycling strategy, we are strengthening our balance sheet and looking to fund future growth from our existing capital base.

WORK IN HAND

The Group's work in hand at 31 December 2012 stands at $43.5 billion, which is a reduction of $1.1 billion compared to the beginning of 2012. This is largely attributable to non-operational items including the sale of the Thiess Waste Management business and negative currency effects which reduced our work in hand by $929 million and $618 million respectively.

During the year, some $17.1 billion worth of new work and a further $5.0 billion worth of extensions and variations was awarded (including negative currency effects). This is lower than what we had forecast and is primarily due to the slower than expected award of some major projects which reduced our expected work in hand from earlier estimates.

The Group has maintained its disciplined approach to the tendering of new work, focusing on the pursuit of projects that create value for shareholders. All potential new work is carefully evaluated through the Group's enhanced tendering systems. The Group's work in hand has maintained a profit margin at the project level – which reflects the inherent profitability in our work in hand – in excess of 10%, reflecting our disciplined approach and supports our confidence in the Group's future outlook.

The Group is currently tendering for some $24 billion worth of work with a number of projects in an advanced state of negotiation. We expect to win a significant share of these projects which helps to underpin our positive outlook for the business.

SAFETY AND SUSTAINABILITY

It is with deep regret that I report that we had three fatalities in 2012. The Group continues to focus on the introduction of 'hard' engineering controls to prevent injuries and the implementation of risk management strategies to address our key safety risks.

The Group's key safety objective is the elimination of fatalities and permanent disabling injuries, while systematically reducing all other injuries across our operations. We intend to achieve this through implementation of our revised Leighton Group Health and Safety Policy and Standards which outlines the Group's commitment to ensuring safe workplaces.

In addition to safety, we have continued our focus on the key sustainability areas of:

- workforce diversity;
- environmental and carbon management; and
- community investment.

The Group's commitment to workforce diversity is outlined in our revised Leighton Group Strength through Diversity Policy. Our approach to workforce diversity is to identify, respect and embrace the diverse thoughts and contributions of our people. The Policy identifies the key objectives we have set to foster diverse teams.

REMUNERATION

Following the comprehensive review of our approach to executive remuneration in 2011, the 2012 Financial Year was the first in which remuneration has been delivered under the Group's new remuneration framework. The new executive remuneration arrangements have been designed to strengthen the link between our business strategy and executive remuneration, and we have taken into account the feedback that we received from our shareholders, external stakeholders and independent advisers. →

Our key remuneration principles are to:

- provide competitive rewards to attract, motivate and retain highly skilled executives;
- reward executives based on performance measures that support the execution of the Group's business strategy;
- provide a balance between short and long-term performance horizons, cash and equity, and fixed and performance-based remuneration; and
- align the interests of executives, the Group and shareholders.

The Board believes that the Group's new remuneration framework reflects a 'best practice' approach to remunerating and incentivising our executives. Each component of the framework aligns with, and supports, the Group's business strategy which we expect will ultimately result in the creation of value for shareholders. Further details on the remuneration for executives and the Non-executive Directors during the 2012 Financial Year are set out in the Remuneration Report starting on page 71 of this Concise Annual Report.

The Board has also implemented a minimum shareholding guideline for all Independent Non-executive Directors. This new guideline came into effect on 1 January 2013 and encourages each of the Independent Non-executive Directors to accumulate a minimum shareholding in Leighton Holdings shares equivalent in value to one year's base fee after allowing for tax.

THE BOARD AND SENIOR MANAGEMENT

In 2012, the Board saw the retirement of long-serving Non-executive Director Mr Achim Drescher, and the resignation of Dr Frank Stieler, HOCHTIEF AG's CEO, and Mr Manfred Wennemer, the Chairman of HOCHTIEF AG's Supervisory Board. On 22 March 2013 we announced to the market the resignation of the former Chairman, Mr Stephen Johns, and two Non-executive Directors, Mr Ian Macfarlane AC and Mr Wayne Osborn. On 24 March 2013, I was appointed as Chairman and Ms Paula Dwyer as Deputy Chairman. I wish to thank each of these Directors for their contribution to the Leighton Group.

HOCHTIEF AG's new CEO, Mr Marcelino Fernández Verdes, joined the Board in late 2012. On behalf of the other Directors I welcome Marcelino to the Board. Further details on the experience and background of each of the Directors are set out on pages 18 to 20 of this Concise Annual Report.

Achim Drescher and Frank Stieler were replaced on the Board's Remuneration and Nominations Committee by Marcelino Fernández Verdes and Paula Dwyer.

Formed by the Board in early 2012, the Tender Review and Risk Committee has established itself as an important addition to the Group's risk management processes. In 2012, the Committee met 11 times and its sub-committees met a further 7 times. In total, 18 tenders were reviewed with a total combined project value of $37 billion. Further details on the Group's approach to risk management are set out in the Corporate Governance Statement starting on page 25 of the Concise Annual Report.

The year also saw the retirement of long-serving Company Secretary Mr Ashley Moir. On behalf of the Board, I wish to thank Ashley for his significant contribution to the Leighton Group throughout more than 22 years with the Group. Richard Willcock has been appointed Group Company Secretary and General Counsel and I congratulate him on his appointment.

During 2012, the Company created Advisory Boards for each of its operating companies: Leighton Contractors; John Holland Group; Thiess; Leighton Asia, India and Offshore; and Leighton Properties. This change is an important step in the way the Leighton Group will be governed in the future. The Advisory Boards will comprise Non-executive Directors from Leighton Holdings and individuals with deep industry, commercial or business experience. In conjunction with the creation of Advisory Boards, the role of the existing Operating Company Boards will focus on statutory compliance matters. Those Operating Company Boards now comprise senior executives of both Leighton Holdings and the particular Operating Company.

CODE OF BUSINESS CONDUCT

The Board has recognised the need to develop a uniform and more comprehensive set of guidelines to ensure the consistent application of the principles of our existing Code of Ethics. Accordingly, we have developed a new Code of Business Conduct which clearly sets out the behaviours that are expected of all of our people, regardless of where they operate.

We are currently in the process of rolling out the new Code of Business Conduct which was adopted in August 2012. An education campaign is being undertaken throughout the Group, starting with the CEO and senior management, which demonstrates our absolute commitment to the Code.

In the last Concise Annual Report, we reported that we were fully cooperating with the Australian Federal Police as they investigated a possible breach of our Code of Ethics in relation to contracts in Iraq. These investigations are ongoing and we are continuing to cooperate as required.

THE OPERATING ENVIRONMENT

Following a period of significant global uncertainty, the economic outlook is now improving. While the Euro zone remains weak, the US and Asia – particularly China – are expected to lead global growth and prospects for the next few years. The most recent data from China continues to support the positive trend and appears to confirm that the trough in activity is behind us. In turn, this has supported confidence and activity in the Asia-Pacific region, including in Australia.

Mining investment, which has been a key driver of economic activity over recent years, is peaking but likely to remain at high levels for some time to come. This should sustain a good level of construction opportunities for the Leighton Group in Australia. As these projects enter production they are also likely to provide contract mining opportunities for the Group. Additionally, a number of oil and gas-related projects are still being developed which suit the Group's core construction competency.

Investment by governments in economic infrastructure such as roads, rail, ports, airports, power and water is expected to remain at or around historically high levels for the foreseeable future. Government funding in Australia for social infrastructure is peaking with many large scale hospitals and universities now awarded and under construction. Conscious of the credit rating and political implications of further expanding debt burdens, budget positions have tightened significantly at all levels of government.

In Asia, China is expected to grow at around 8% per annum over the next few years driven, in part, by a shift to more domestic consumption. China's growth, and its role as the major regional player, should encourage similar growth for the rest of Asia which augurs well for construction and mining opportunities across the region.

OUTLOOK

The Leighton Group has been focusing on the 'stabilise' and 'rebasing' phases of our strategy. The Group has reported a solid underlying net profit after tax[1] for 2012 and achieved completion of the two major legacy projects, the AirportlinkM7 project and the Victorian Desalination Project. We are establishing a solid platform for future profitability by strengthening our balance sheet, aligning our portfolio of assets, embedding a performance-based culture, improving financial management and reporting, and enhancing our governance and risk management.

Our focus is not about growth for the sake of growth or the pursuit of revenue in the hope that profitability will follow, without regard to the potential value it creates for shareholders. The Leighton Group is absolutely committed to improving margins and thereby returns to shareholders. This means developing synergies and business development opportunities across and between Operating Companies. It is about delivering improved performance from the same capital structure. It also means positioning the Leighton Group as one of the world's leading providers of integrated services to the resources, infrastructure and property markets so as to deliver sustainable returns to shareholders.

In conclusion, I wish to thank our shareholders for their support as we make these necessary changes at Leighton. Your patience is appreciated and we look forward to repaying you as the hard work being done by our people is reflected in our improved performance. I also thank our 56,323 direct employees for enabling us to deliver this year's result.

Finally, to my colleagues on the Board, I look forward to working with you as the Chairman as we build the foundations for a sustainable future for the Leighton Group. ■

Robert Humphris
Chairman
24 March 2013

Chief Executive's review

In 2012, we set out to stabilise the business, refocusing on our vision and values, and delivering on three strategic objectives: reshaping the operating model, building the balance sheet and improving margins. We have also fostered a cooperative Group culture, reset the dial on risk and improved clarity in all things from data and processes to objectives and expectations. In 2013, we will focus on rebasing our operations, preparing the Leighton Group for sustainable growth in 2014 and beyond.

Hamish Tyrwhitt Chief Executive Officer

INTRODUCTION

In 2012, the Leighton Group made substantial progress on our strategy to stabilise, rebase and grow the business, setting a sustainable platform for the future. We delivered our major legacy projects and produced a solid profit result for shareholders. Our business is strong, with a good level of work in hand and substantial opportunities in the pipeline.

STRATEGY

The Leighton Group's strategy is to take our core competencies to diverse markets and to deliver excellence in services and projects through our people, diversity and financial strength. We are working through a business transformation strategy of 'stabilise' and 'rebase' which will create a platform for 'growth' in 2014 and beyond. Key to this business transformation is the need to improve margins and to deleverage our balance sheet.

Much has been achieved over the past year in the 'stabilise' phase of our strategy, including:

- establishing Leighton Holdings as a 'strategic management company' and putting in place the right teams to deliver our objectives;
- completion of our major legacy projects, AirportlinkM7 and the Victorian Desalination Project;
- implementing the recovery strategy for the Habtoor Leighton Group;
- enhancing our risk management approach and systems;
- reducing our gearing;
- embedding a performance-based culture aligned with the creation of value for our shareholders; and
- improving our financial management and reporting systems.

As a strategic management company, our focus at Leighton Holdings is on growing profitability from the existing capital base by generating better capital returns and improving our business practice. To do this, in 2012 we have:

- realigned the Group's portfolio of assets;
- improved discipline in the tendering and execution of projects;
- enhanced our management of capital;
- reduced operating costs; and
- improved bottom-line performance by leveraging synergies across the Group.

Improving net margins is central to our business transformation strategy. In the past our focus has largely been on increasing revenue to generate growth. We are currently focusing on opportunities to increase margins and profitability by:

- improving our tendering discipline, focusing on the right jobs and increasing our win rate to reduce tender costs;
- enhancing project execution so that we deliver tendered margins;
- working smarter to reduce overheads; and
- seeking synergies in strategic procurement and shared services.

From 2014 onwards, we plan to generate growth not only from net margin expansion but also from top-line revenue, by exporting our skills to markets where our services are valued and where we can extract value. We see the growth for the business primarily from our international operations and from the many opportunities that exist for us in our current and target overseas markets.

FINANCIAL PERFORMANCE

The Leighton Group reported a solid profit result for the 12 months to 31 December 2012.

Revenue for the period totalled $23.1 billion with $19.1 billion generated from the Australia/Pacific region and $4.0 billion from the Group's international operations.

The major revenue-generating sectors for the Group during the year were infrastructure $11.9 billion, resources $9.1 billion and property $1.5 billion. Our Operating Companies provided a range of services to these sectors including construction worth $14.3 billion, contract mining worth $5.4 billion, and operations and maintenance worth $2.3 billion. In the resources sector, in addition to contract mining we undertook substantial construction work in the oil and gas sector, primarily for several major liquefied natural gas projects currently underway, and a small amount of bulk commodities construction.

The Group has also successfully recycled capital during the year, selling the Thiess Waste Management business to free up $179 million to repay debt.

We are well advanced in the divestment of our telecommunications infrastructure assets – Nextgen Networks, Metronode and Infoplex. The Group has entered into exclusive negotiations to sell 70% of these telecommunications assets to the Ontario Teachers' Pension Plan and the sale price values 100% of these assets at $885 million. The sale is subject to final negotiations, definitive documentation, the completion of due diligence and closing conditions such as the consent of various counter-parties. The sale will further reduce our gearing and provide a balance sheet structure that will support our growth strategy.

We remain absolutely committed to the telecommunications contracting market with its numerous construction, maintenance and field services opportunities being delivered through our subsidiary brands Visionstream and Silcar (which is 50% owned by Thiess).

During the year, the Group improved its funding capacity and maintained gearing within its self-imposed range. We secured US$500 million of guaranteed senior notes that provided a reliable source of long-term debt capital and further diversified our funding profile. The majority of the proceeds were used to refinance existing short-term debt facilities.

RISK MANAGEMENT

High quality risk management is essential to creating shareholder value. Recognising this, in 2012 we set out to further enhance our risk management capability to better measure, manage and control risk across the Group.

Much of our focus has been on improving our tender risk controls, including an update to our criteria for determining levels of risk in tenders. We have also introduced a '5 gate' tender review and approval process, with separate approvals required to:

- pursue a prospect;
- prepare and submit a non-binding proposal;
- prepare a tender;
- submit a tender; and
- execute a contract.

We have also strengthened the levels of management authority required to approve tenders and taken additional steps to enhance our independent internal audit function and assurance program.

We are progressively upgrading our systems to improve clarity by using best practice information management reporting systems and applications. This enables real time meaningful data to be available, analysed and tracked so our people have improved visibility of the current and projected performance of individual projects.

PEOPLE AND SAFETY

The 2012 year saw the retirement of our Company Secretary, Ashley Moir, who joined Leighton in 1990. Ashley was a valued member of the management team and a loyal servant of the Board. I thank him for his contribution to the Group and wish him well in his retirement.

I welcome Richard Willcock to the role of Group Company Secretary and General Counsel. I would also like to congratulate Ian Edwards on his promotion to Managing Director of Leighton Asia, India and Offshore.

The number of direct employees was 56,323 at year-end. Importantly, the diversity of our workforce continues to increase with a focus on improving local employment in our international operations, female participation in under-represented areas of the business and representation of Indigenous employees in our Australian workforce. In an evolving global marketplace, we recognise the importance of fostering communities of people and embracing an inclusive culture in order to develop a workforce that reflects the diversity of the clients we serve and the broader communities in which we operate. →

Safety is a core value of the Group and a key priority of mine. We are committed to continuously improving safety performance toward achieving a zero harm environment. In recognition of safety leadership being essential in creating a stronger safety culture, in 2012 the leadership team and I have committed to measurable safety key performance indicators. In 2012, Leighton Holdings also initiated the safety verification program to monitor the implementation of our revised Group Health and Safety Policy and Standards. This verification program will continue to be rolled out throughout the Group in 2013.

OPERATIONAL REVIEW

The Group's Operating Companies recorded a number of successes in 2012 across a diverse range of sectors and geographies.

Infrastructure

Highlights in infrastructure delivery include the completion of the AirportlinkM7 project by the Thiess John Holland joint venture and the Victorian Desalination Project by Thiess.

AirportlinkM7 is the largest road infrastructure project, and one of the most complex engineering projects, ever completed in Australia. The centrepiece of a $4.8 billion investment in Brisbane's transport infrastructure, AirportlinkM7 was opened within three and a half weeks of its four-year contractual timeframe.

The Victorian Desalination Project, another of the largest and most complex infrastructure projects undertaken in Australia in recent years, was completed in just over 36 months. The desalination plant can deliver up to 150 billion litres of high quality drinking water per year.

In December 2012, we announced our interest in acquiring selected construction projects from Macmahon Holdings Limited. Following a due diligence review, we acquired these construction projects for approximately $26.2 million. The purchase includes plant and equipment worth $16 million for the delivery of these projects and other work, most of which will transition to John Holland. The acquisition brings the Group an additional $513 million worth of work in hand, builds on John Holland's core competencies and expands its presence in the Northern Territory.

Government funded infrastructure projects continued to deliver opportunities in 2012.

An alliance including John Holland won a $570 million contract to deliver the City to Maribyrnong River section of Victoria's Regional Rail Link project, a key section of the first major new rail line for metropolitan Melbourne in 80 years.

Leighton Contractors' subsidiary Visionstream secured contracts worth $300 million to bring high speed, fibre optic broadband and other telecommunication services to Tasmania, Victoria and Queensland.

Group involvement in delivering government funded social infrastructure included the delivery by Thiess of Sydney's $950 million Royal North Shore Hospital redevelopment ahead of schedule. Thiess will manage and maintain the hospital facilities for the next 25 years.

Thiess also won a $205 million contract for stages three and four of the Townsville Hospital Redevelopment project following good progress on the first two stages.

In South Australia, a consortium including Leighton Contractors is delivering the new Royal Adelaide Hospital as a public-private partnership which will undertake the financing, design, construction and operation of the non-clinical services of the hospital for 35 years.

In Western Australia, John Holland won an $850 million contract for stage two of the New Children's Hospital Project after successfully completing the first stage of the $1.2 billion project. John Holland was also appointed to design, construct and maintain the Eastern Goldfields Regional Prison replacement. The $232 million project involves construction of a state-of-the-art 350 bed prison at Kalgoorlie.

Resources

The Leighton Group is the largest contract miner in the world and has maintained a strong position in this market during the year, providing contract mining services in six countries and in relation to six bulk commodities, being thermal and coking coal, iron ore, gold, copper, and diamonds. Contract mining delivers around one quarter of Group revenue.

Thiess won a $2.3 billion contract to extend mining operations at the Jellinbah Group's Lake Vermont coal mine in Queensland's Bowen Basin. The six-year agreement doubles production from four million to eight million tonnes per year. Thiess' partnership with the Jellinbah Group began with the establishment of the mine in 2007.

Thiess extended another mining relationship with a new six-year mining contract at OZ Minerals' Prominent Hill copper and gold mine in South Australia. The expected cumulative value of the contract is $1 billion.

After divesting the HWE Mining iron ore business in 2011, Leighton Contractors returned to the market in 2012 with the award of a $1.5 billion full service, five-year contract (with a two-year extension option) at Fortescue's Firetail deposit. Leighton Contractors will deliver whole-of-mine management to process 20 million tonnes of iron ore per year. Fortescue is providing the bulk of the capital to purchase plant and equipment.

Leighton Contractors was also awarded a three-year $604 million contract for mining services at the Peak Downs coal mine in Central Queensland.

Consistent with our strategy of improving portfolio alignment and building core competencies, John Holland's contract mining and mine services arrangements at the Isaac Plains and Jellinbah coal mines were transitioned to Leighton Contractors at the end of 2012.

Australia's emergence as a major exporter of gas – both liquefied natural gas (LNG) and coal seam methane – presents a range of opportunities.

In 2012, Group Operating Companies were actively involved in a number of multi-billion dollar projects across northern Australia. Leighton Contractors has a number of contracts at the Ichthys LNG plant near Darwin, including:

- a $923 million contract to deliver the main civil infrastructure;
- a $93 million contract for temporary buildings, utilities and civil works;
- a $126 million building package to deliver the operations complex; and
- a $280 million operations and maintenance contract for four years.

A John Holland joint venture also won a $340 million contract to deliver civil works at the Ichthys project.

At Western Australia's Wheatstone LNG Project, Thiess won four contracts worth more than $1.2 billion for a range of joint venture construction contracts. Thiess is also completing the construction village, site preparation and temporary facilities for the Gorgon LNG project at Barrow Island in Western Australia.

Leighton Contractors is also currently delivering two projects for Gorgon. The first is a $1.8 billion package to provide all the civil works and underground services for the three LNG trains which was expanded from $1 billion in February 2013. As part of a joint venture, Leighton Contractors is also delivering a $1.85 billion jetty and marine structures contract which was expanded from $1 billion during 2012.

In Queensland, Leighton Contractors won two Australia Pacific LNG contracts worth $800 million to install gas and water infrastructure across rural and central Queensland.

In nearby Dalby in Queensland, Thiess won a $325 million contract to construct gas processing facilities for the Curtis LNG Project.

Property

Leighton Properties, which celebrated its 40th anniversary in 2012, had a number of successes during the year. The Eclipse Tower, developed in joint venture, was sold for $167.5 million. Constructed by John Holland, the landmark office building in Parramatta achieved a Green Star Office Design v2 rating and a 5 Star Green Star rating (Design).

In Melbourne, Leighton Properties is developing a 26 storey office tower at 567 Collins Street. Leighton Contractors will construct the 55,000m^2 building which was pre-sold for approximately $462 million in March 2013.

In Erskineville in Sydney, Leighton Properties is transforming a 1.6 hectare former industrial site into a residential community, and in Perth construction will start in 2013 on the first commercial building at Kings Square on the former Perth Entertainment Centre site.

Asia

Following the successful construction of the Wynn Macau casino and resort, Leighton Asia was selected by Wynn Resorts to design and build the Wynn Cotai integrated hotel resort in Macau. The project, expected to be worth more than $3.5 billion, includes the construction of a luxury hotel and mixed-use facilities.

As part of a joint venture, Leighton Asia is building the new Australian Embassy compound in Jakarta under a contract worth approximately $230 million.

Leighton Asia has also been awarded further mining work in Indonesia including a $420 million contract at the MGM coal mine in Central Kalimantan.

Thiess was also awarded a US$393 million five-year coal mining contract at the Tamtama project in Central Kalimantan, Indonesia. Demand for the Group's contract mining services in Indonesia slowed during the second half of 2012, reducing the revenue and profit contribution from that market. However, China's recovery late in the year and a consequent rise in coal prices bodes well for demand for Indonesian coal and longer-term mining opportunities.

The Leighton Welspun business continued to develop its strong position in India's oil and gas industry. The company was awarded its fifth project by India's Oil & Natural Gas Corporation, the $256 million Pipeline Replacement Project 3. Leighton Welspun was also awarded engineering, procurement and construction contracts by Cairn Energy at two of its oil installations.

Following the success of Tata Real Estate Limited's Ramanujan IT Park project, Leighton Welspun was awarded a new alliance project to develop five residential towers in Kochi. →

Leighton Offshore successfully finalised two major projects in 2012. A Single Point Mooring System was installed for the Tanzanian Ports Authority south east of the Port of Dar Es Salaam and, in November 2012, the first tanker of imported diesel was offloaded. An operations and maintenance contract for the Iraq Crude Oil Export Expansion Project was also completed in 2012. From March to November 2012, Leighton Offshore successfully loaded 78 tankers with nearly 144 million barrels of oil without any safety or environmental incidents. Installation of a fourth mooring system is underway.

Middle East

The Leighton Group's operations in the Middle East are conducted through our 45% owned entity, the Habtoor Leighton Group (HLG). The Group's total exposure to HLG as at 31 December 2012 was $1.1 billion, made up of $298 million of carrying value and $807 million in loans, letters of credit, interest and receivables. The loans and letters of credit are facilitating the completion of legacy projects which are now either completed or drawing to an end.

During 2012, the carrying value of the Group's investment in HLG decreased by $82 million to $298 million due to operating losses of $47 million, foreign exchange losses of $15 million and a $20 million impairment. The impairment was due to a downward revision to the operating cash flow forecast, reflecting HLG's recent performance and prevailing market conditions.

Reduction in the HLG exposure remains a priority. As already signalled to the market, the turnaround is a medium-term initiative and the 2016 'IPO-ready' target remains the key deliverable. The approach is two-fold:

- Leighton Holdings, together with local HLG management, will continue to drive the collection of outstanding legacy receivables; and
- development of the 'new HLG' is being progressed under the new CEO and Managing Director, José López-Monís, through diversifying the client and geographic base and focusing on government infrastructure projects, while leveraging the skills of the rest of the Group through joint ventures and operational relationships, and by reducing overhead costs to a more sustainable level.

The Middle East market showed signs of recovery in 2012 with a number of new projects being awarded. HLG (in joint venture) was awarded a US$765 million aircraft maintenance facility project in Saudi Arabia. This is HLG's first major project in Saudi Arabia, the largest market in the Middle East, and leverages the Group's Australian and Asian experience in delivering airport infrastructure.

Also in Saudi Arabia, a joint venture involving HLG was awarded a US$316 million project for the construction of medical centres in Riyadh.

In Dubai, HLG won a US$515 million contract to build what will become the largest integrated hotel complex in the Middle East, the US$1.3 billion Habtoor Palace.

HLG has also diversified into the resources market, entering into a US$169 million joint venture contract to construct infrastructure for a bauxite mine in Saudi Arabia. Again, HLG leveraged the Group's experience in Australia and Asia to its advantage in tendering this work.

A consortium including HLG was awarded a US$412 million contract for a People Mover System in Doha, Qatar. The project will be the first operating rail transport system in Qatar and represents the start of the country's US$35 billion investment in rail infrastructure over the next 10 years as part of the 2022 FIFA World Cup infrastructure program.

In Southern Iraq, HLG was awarded a subcontract worth more than $200 million for the construction of oil-related infrastructure to deliver a central production facility.

THE OUTLOOK

Asia is the fastest growing region in the world and is expected to contribute around half of global GDP by 2030 and two-thirds by 2060. Given their size, China and India will drive this growth, but other countries such as Indonesia, the Philippines and Vietnam will make important contributions. Significant increased demand for power and increased investment in infrastructure will be a hallmark of this growth, and the attendant improvement in per capita incomes and urbanisation across the region.

Sitting at the foundation of the Asian century, Australia continues to benefit from its integration into the Asia-Pacific region and to outperform its advanced-economy peers. The outlook for resource and construction activity is good, notwithstanding the near-term peak in mining capital expenditure, productivity challenges and funding issues for both Federal and State governments.

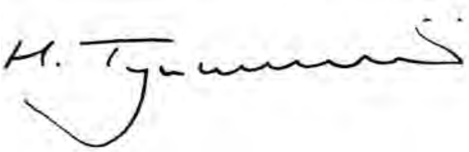
The Leighton Group is uniquely placed as the only construction and mining services company with a full, long-established footprint across Asia, as well as operations throughout Australia and New Zealand, and in the Middle East and Southern Africa.

We are harnessing our core competencies into centres of excellence across the Group, including contract mining, construction services (such as tunnelling and remote location site work), and telecommunications contracting.

We plan to grow by exporting these centres of excellence into markets where we are valued and where we can extract value.

Target markets include the fast-growing Asian economies where we already operate, and other markets such as Sub-Saharan Africa, where resources-rich deposits are yet to be fully developed, and the Middle East and North Africa, where civil and social construction opportunities are emerging.

With the combination of our unique Asian footprint, our ability to export the skills that are needed in the Asian and Southern African regions, and our focus on expansion of net margins, we remain optimistic about the future and about our ability to deliver increased profitability and sustainable returns to shareholders. ■



Hamish Tyrwhitt
Chief Executive Officer
13 March 2013

Investments

ENGINEERING AND INFRASTRUCTURE

- **AquaSure**
  Thiess has a 5.2% equity share of the company that has contracted to finance, design, build, operate and maintain the Victorian Desalination Project.
- **BrisConnections**
  Thiess and John Holland have invested $200 million in the company that owns, operates and maintains the AirportlinkM7 project in Brisbane.
- **Aspire Schools**
  Leighton Contractors has a 1% equity share of the consortium that has contracted to finance, design, construct and maintain seven schools in South-East Queensland for 30 years.
- **Cross City Motorway**
  Leighton Contractors has a 6% equity share of the company that owns, operates and maintains the Cross City Tunnel in Sydney.
- **SA Health Partnership**
  Leighton Contractors has a 9.95% equity share in the company that has contracted to finance, design, construct and maintain the new Royal Adelaide Hospital for 35 years.
- **Leighton Co-Investment Unit Trust**
  Leighton Contractors has a 20% equity share in the Leighton Co-Investment Unit Trust that invests funds into public-private partnership equity.

MINING AND RESOURCES

- **Cockatoo Island Project**
  HWE Cockatoo is a 50:50 joint venture partner in an iron ore mine in Western Australia.

LISTED ENTITIES

- **Sedgman Limited**
  Leighton Holdings owns 32.62% of the listed resources engineering company.
- **Macmahon Holdings Limited**
  Leighton Holdings owns 19.55% of the listed engineering and mining contracting company.

Information is reported as at 13 March 2013

Macarthur Windfarm, Victoria, Australia
Leighton Contractors

Board and senior management

Directors' resumes*

The Directors during or since the end of the 2012 Financial Year are:

HAMISH GORDON TYRWHITT (49)
Managing Director and Chief Executive Officer
BEng (Civil), FIE Aust, CPEng. MemIEHK, FTSE
An Executive Director and Chief Executive Officer since August 2011 and a Director of each of the Group's Operating Companies. Mr Tyrwhitt started his 27 year career with the Leighton Group at John Holland and subsequently worked for Leighton International, Leighton Contractors and Leighton Asia. He was appointed Managing Director of Leighton Asia in 2007 and, in 2011, was given responsibility for the Indian and Offshore operations of the Group. Much of his career has been in Asia working across the region in the building, mining and infrastructure sectors.

Mr Tyrwhitt holds a Bachelor of Engineering (Civil) from the University of Western Australia. He is a Fellow of the Institution of Engineers Australia, and a Fellow of the Australian Academy of Technological Sciences and Engineering.

Mr Tyrwhitt is a Member of the Advisory Board of Infrastructure Partnerships Australia, a Member of the College of Civil Engineers Australia, and a Member of the Hong Kong Institution of Engineers. He is also a Governor of the World Economic Forum's (WEF) Infrastructure and Urbanisation Group where he has a leading role in driving the WEF's Strategic Infrastructure Initiative. He was also recently appointed to the Leadership Group of the Business 20, the business advisory group for the G20.

PETER ALLAN GREGG (58)
Executive Director and Chief Financial Officer
BEc, FFTA, MAICD
An Executive Director since December 2010 (formerly an Independent Non-executive Director from July 2006 to October 2009) and a Director of each of the Group's Operating Companies. A Director of Leighton Welspun Contractors Pvt Ltd since April 2011 and an Alternate Director of Habtoor Leighton Group for Mr Hamish Tyrwhitt since November 2011. Mr Gregg holds a Bachelor of Economics degree from the University of Queensland. Formerly Chief Financial Officer and Executive General Manager Strategy for the Qantas Group, he was appointed Chief Financial Officer of Leighton Holdings in October 2009. A Fellow of the Finance and Treasury Association, a Member of the Australian Institute of Company Directors and a Commissioner of the Australian Rugby League Commission.

Mr Gregg is a former Director of the following other ASX listed entities: Qantas Airways Limited from September 2000 to September 2008 and former Chairman of the Singapore-based Jetstar, and its parent company Orangestar, Stanwell Corporation Limited until September 2009, Skilled Group Limited and Skilled Rail Services Pty Ltd from March 2009 to February 2011, and QR Limited (Queensland Railways) a Queensland Government owned corporation from May 2009 to November 2009.

* As at 24 March 2013.

ROBERT DOUGLAS HUMPHRIS OAM (70)
Chairman
ARSM, BSc (Eng) (Hons), CEng, FIMMM, FAIMM
An Independent Non-executive Director since September 2004. Elected Chairman on 24 March 2013. Chairman of the Advisory Board of Leighton Contractors Pty Limited and a member of the Advisory Board of Leighton Asia, India and Offshore since November 2012. Mr Humphris is an Honours graduate in Mining Engineering at the Royal School of Mines, Imperial College, London University. Chairman of Ampcontrol Pty Limited. Former Managing Director of Peabody Resources Pty Limited (previously Costain Australia Limited). Former Chairman of Eroc Holdings Pty Limited, New South Wales Mineral Council, Australian Coal Association and Newcastle Coal Shippers Limited. Former Director of Australian Coal Research Limited and Port Waratah Coal Services Limited. Former Director of Leighton Contractors Pty Limited from February 2012 to November 2012, former Director of Leighton Asia Limited from November 2011 to September 2012, and former Director of Leighton International Limited from September 2007 to November 2011.

As at 31 December 2012, Mr Humphris was a Director of the following other ASX listed entity: Australian Infrastructure Fund Limited since August 2006.

PAULA JANE DWYER (52)
Deputy Chairman and Non-executive Director
BCom, FCA, FAICD, FFin
An Independent Non-executive Director since January 2012. Elected Deputy Chairman on 24 March 2013. A member of the Advisory Board of John Holland Group Pty Limited since December 2012. She is a graduate of the University of Melbourne - Bachelor of Commerce. Ms Dwyer is a Fellow of the Institute of Chartered Accountants in Australia, the Australian Institute of Company Directors and the Financial Services Institute of Australasia. Ms Dwyer had an executive career in finance, holding senior positions in investment management, investment banking and chartered accounting with Ord Minnett (now JP Morgan) and PricewaterhouseCoopers. Ms Dwyer is a member of the Takeovers Panel, a Director of Lion Pty Ltd since March 2012, a member of the Kirin Holdings International Advisory Board since 2012, a Board member of the Faculty of Business and Economics at the University of Melbourne, a Member of the ASIC External Advisory Panel and Deputy Chairman of the Baker IDI Heart and Diabetes Institute.

As at 31 December 2012, Ms Dwyer was a Director of the following other ASX listed entities: Chairman of Tabcorp Holdings Limited since June 2011 (Director since August 2005), and Director of Australia and New Zealand Banking Group Limited (ANZ) since April 2012.

Ms Dwyer was formerly a Director of Suncorp Group Limited (from April 2007 to February 2012), Foster's Group Limited (from May to December 2011), Healthscope Limited (from March to October 2010), Astro Japan Property Group Limited (from February 2005 to December 2011), Promina Group Limited (from 2002 to 2007), David Jones Limited (from 2003 to 2006) and RACV Limited (from 2001 to 2002).

Directors' resumes* continued

DAVID PAUL ROBINSON (57)
Non-executive Director
MCom, BEc, FCA, CTA
A Non-executive Director since December 1990. Alternate Director for Mr Peter Sassenfeld since November 2011. A graduate of the University of Sydney. Registered company auditor and tax agent. A chartered accountant and principal of the firm Harveys Chartered Accountants in Sydney. Adviser to local and overseas companies with interests in Australia. Participates in construction industry affairs. Chairman of Trustees of Mary Aikenhead Ministries, the responsible entity for the health, aged care and education works of the Sisters of Charity in Australia. A Director of HOCHTIEF Australia Holdings Limited. A former Director of Leighton Properties Pty Limited from May 2000 to August 2012.

Mr Robinson was formerly a Director of the ASX listed entity Valad Property Group (from February 2010 to August 2011).

PETER-WILHELM SASSENFELD (46)
Non-executive Director
MBA
A Non-executive Director since November 2011. Mr Sassenfeld joined HOCHTIEF AG in November 2011 as the Chief Financial Officer and prior to this role he was Chief Financial Officer of Ferrostaal AG. Mr Sassenfeld has also worked as Chief Financial Officer at Krauss Maffei AG and in senior finance roles at Bayer AG and the Mannesmann Group. Mr Sassenfeld graduated in 1991 from the University of Saarland, Germany with an MBA (Diplom-Kaufmann).

MARCELINO FERNÁNDEZ VERDES (57)
Non-executive Director
A Non-executive Director since October 2012. Member of the Executive Board and Chief Executive Officer (CEO) of HOCHTIEF AG in Essen since November 2012. Former Chief Operating Officer of HOCHTIEF from April to November 2012. Mr Fernández Verdes studied civil engineering at the University of Barcelona and has held a variety of positions in the construction industry since 1984. In 1997, he became General Manager of ACS Proyectos, Obras y Construcciones, and then took over as Chairman and CEO in 2000. Following the merger between Grupo ACS and Grupo Dragados in 2003, Mr Fernández Verdes took office as Chairman and CEO of Dragados S.A. in 2004. He served as Chairman and CEO of Construction, Environment and Concessions at ACS Actividades de Construcción y Servicios S.A. from 2006. Mr Fernández Verdes was appointed to the Executive Committee of Grupo ACS in 2000, and to the Board of Directors of ACS Servicios y Concesiones, S.L. (Chairman and CEO) in 2006.

* As at 24 March 2013.

ALTERNATE DIRECTOR

ROBERT LESLIE SEIDLER AM (64)
Alternate Director
LLB
An Alternate Director for Mr David Robinson since November 2012. Previously an Alternate Director for Dr Frank Stieler from May 2011 to November 2012, for Mr Manfred Wennemer from November 2011 to October 2012, for Dr Herbert Lütkestratkötter from July 2007 to May 2011 and for Dr Hans-Peter Keitel from November 2003 to July 2007. The Chairman of the Advisory Boards of Leighton Properties Pty Limited and Leighton Asia, India and Offshore since November 2012. A graduate of the University of Sydney. Former partner of Blake Dawson (now Ashurst). Vice-President of Australia Japan Business Cooperation Committee and Chairman of Hunter Philip Japan Limited. A member of the Australian Government's Corporations and Markets Advisory Committee, and a member of the NSW Multicultural Business Advisory Panel. A Director of HOCHTIEF Australia Holdings Limited since November 2011. The former Chairman of Leighton Asia Limited from November 2011 to September 2012 and a former Director of Leighton Properties Pty Limited from May 2010 to August 2012. A former Director of Leighton International Limited from November 2009 to November 2011.

Mr Seidler was formerly a Director of the ASX listed entity Valad Funds Management Limited from February 2005 to August 2011.

COMPANY SECRETARIES

RICHARD WILLCOCK (54)
Group Company Secretary and General Counsel
BA, LLB, MBA, FCIS
Mr Willcock was appointed in June 2012. He is a law graduate with an MBA from the University of Sydney. Before joining the Group, Mr Willcock was employed by the Australian Government as the National Director, Strategy Risk and Coordination with the Australian Customs and Border Protection Service. Prior to that role he was an adviser on financial services and governance in Australia and in Timor Leste.

Mr Willcock has also served 12 years at Westpac Banking Corporation in roles including Head of Legal Services, General Manager of Risk for BT Financial Group, Trustee of The Westpac Foundation, and Group Company Secretary and General Counsel (from 2003 to 2009).

VANESSA ROBYN REES (43)
Company Secretary
Dip Law, FCIS
Ms Rees was appointed in April 2009. She has a financial and legal background and has previously held various listed Company Secretarial positions with Ascalon Capital Managers Limited and Investa Property Group. Ms Rees is a Fellow of Chartered Secretaries Australia (CSA) and is on CSA's Legislative Review and NSW Professional Development Committees.

Directors' resumes* continued

RETIRED DIRECTORS *during or since the 2012 Financial Year are:*

STEPHEN PAUL JOHNS (65)
Chairman
BEc, FAICD, FCA
An Independent Non-executive Director from December 2009. Elected Chairman in August 2011. Resigned as Chairman and Director on 22 March 2013. A graduate in Economics from the University of Sydney. Fellow of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors. Appointed an Executive Director of Westfield Holdings Limited in November 1985, Mr Johns held a number of positions within Westfield, including Finance Director from 1985 to 2002 and became a Non-executive Director of the Westfield Group in October 2003. Mr Johns is a Director of Brambles Limited. He is a former Director of John Holland Group Pty Ltd from July 2011 to November 2012.

As at 31 December 2012, Mr Johns was a Director of the following other ASX listed entities: Westfield Holdings Limited since November 1985# and Brambles Limited since December 2006 (formerly Director of Brambles Industries Limited and Brambles Industries plc since August 2004). He was formerly a Director and Chairman of the ASX listed entity Spark Infrastructure Group from November 2005 to September 2011.

\# The securities of Westfield Holdings Limited are stapled to those of Westfield Trust and Westfield America Trust, the responsible entities of which are Westfield Management Limited (appointed 11 November 1985) and Westfield America Management Limited (appointed 20 February 1996). The three entities comprise the Westfield Group, the stapled securities of which trade as one security on the ASX.

IAN JOHN MACFARLANE AC (66)
Non-executive Director
BEc (Hons), MEc
An Independent Non-executive Director from June 2007. Resigned as a Director on 22 March 2013. A graduate in Economics from Monash University. Previously Governor of the Reserve Bank of Australia from 1996 to 2006, and Deputy Governor of the Reserve Bank of Australia from 1992 to 1996. Member of International Advisory Board of Goldman Sachs, CHAMP Private Equity and the China Bank Regulatory Commission. Director of the Lowy Institute for International Policy.

As at 31 December 2012, Mr Macfarlane was a Director of the following other ASX listed entities: Woolworths Limited since January 2007 and Australia and New Zealand Banking Group Limited (ANZ) since February 2007.

WAYNE GEOFFREY OSBORN (61)
Non-executive Director
Dip EE, MBA, FTSE, MIE Aust, FAICD
An Independent Non-executive Director from November 2008. Resigned as a Director on 22 March 2013. Chair of the Council of the Australian Institute of Marine Science, Fellow of the Australian Academy of Technological Sciences and Engineering, Fellow of the Explorers Club – New York, Member of the Institution of Engineers Australia and former Chair of Australian Aluminium Council. A Director of Alinta Holdings (formerly Amber Holdings) since March 2011. Mr Osborn has 35 years of experience in the Australian mining, resources and manufacturing sectors and was a former Chairman and Managing Director of Alcoa of Australia Limited. He is the former Chairman of Thiess Pty Limited from October 2008 (Director since October 2005) to September 2012.

As at 31 December 2012, Mr Osborn was a Director of the following other ASX listed entities: Wesfarmers Limited since March 2010 and Iluka Resources Limited since March 2010.

* As at 24 March 2013.

ACHIM DRESCHER (71)
Non-executive Director
BEc
An Independent Non-executive Director from November 1996 and a Director of Leighton Contractors Pty Limited from November 2003. Resigned as an Independent Non-executive Director and as a Director of Leighton Contractors in May 2012.

DR FRANK STIELER (53)
Non-executive Director
Dr. jur
A Non-executive Director from May 2011. Resigned as a Director in November 2012.

MANFRED HEINRICH WENNEMER (65)
Non-executive Director
A Non-executive Director from October 2011 and an Alternate Director for Mr Marcelino Fernández Verdes from October 2012. Resigned as a Director in October 2012 and as an Alternate Director in December 2012.

Group executives

HAMISH GORDON TYRWHITT (49)
Managing Director and Chief Executive Officer Leighton Holdings

DHARMA CHANDRAN (49)
Chief Human Resources Officer Leighton Holdings

PETER ALLAN GREGG (58)
Chief Financial Officer Leighton Holdings

MICHAEL JOHN ROLLO (53)
Chief Risk Officer Leighton Holdings

RICHARD WILLCOCK (54)
Group Company Secretary and General Counsel Leighton Holdings

IAN LESLIE EDWARDS (50)*
Managing Director Leighton Asia, India and Offshore

MARK CHARLES GRAY (61)*
Managing Director Leighton Properties

CRAIG ALLEN LASLETT (51)*
Managing Director Leighton Contractors

BRUCE ALWIN MUNRO (60)*
Managing Director Thiess

GLENN MICHAEL PALIN (55)*
Managing Director John Holland Group

* The Operating Company Managing Directors have also been appointed as Associate Directors.

One One One Eagle Street Development, Queensland, Australia
Leighton Contractors

Corporate Governance Statement

Corporate Governance Statement

INTRODUCTION

The Board and management of Leighton Holdings Limited believe that for the company to achieve its vision of being renowned for excellence, it is necessary that the company meet the highest standards of safety, environmental performance, governance and business conduct across all of its operations in Australia and internationally.

Our approach to governance is based on the belief that there is a link between striving for high quality corporate governance and the creation of long-term shareholder value. We believe that good corporate governance must be embedded in our culture to support our values of discipline, integrity, safety and success, which are fundamental to the sustainability of our business.

GOVERNANCE AT LEIGHTON

The Board and management have given a great deal of focus to corporate governance during the financial year ended 31 December 2012 (the 2012 Financial Year), the highlights of which include:

- the establishment of the Board's Tender Review and Risk Committee which has met 11 times and its sub-committees which have met a further 7 times since the formation of the Committee in February 2012;
- changes to governance arrangements with the Boards of our operating companies; and
- the introduction and review of a number of corporate governance policies, codes and standards, for example, the Leighton Group Code of Business Conduct, the Leighton Group Health and Safety Policy and Standards, and the Leighton Group Strength through Diversity Policy (Strength through Diversity Policy).

In March 2012, we entered into an Enforceable Undertaking with the Australian Securities and Investments Commission (ASIC) in relation to our continuous disclosure practices. We subsequently engaged Ernst & Young to conduct a review of our continuous disclosure policies and procedures. On 12 February 2013, we adopted a revised Market Disclosure and Communications Framework and have formed a Continuous Disclosure Committee taking into account the recommendations of Ernst & Young. For further information, please refer to the *Market Disclosure* section on page 40 of this Corporate Governance Statement (Statement).

Our corporate governance policies, codes and standards are designed to achieve high standards of corporate governance within Leighton Holdings and the entities it controls (collectively, the Group). We comply with the *Corporations Act 2001* (Cth) (Corporations Act) and the Listing Rules of the Australian Securities Exchange (ASX).

This Statement addresses each of the eight ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (ASX Principles and Recommendations). As required by the ASX Listing Rules, the information in this Statement is current as at 13 March 2013. A checklist summarising our compliance during the 2012 Financial Year is included at the end of this Statement. In summary, we believe that we have followed all of the ASX Principles and Recommendations for the 2012 Financial Year, other than Recommendation 2.1. An explanation as to why this recommendation was not followed is set out in the *Independence* section on page 28 of this Statement.

GOVERNANCE FRAMEWORK

The Board is responsible to shareholders for the long-term performance of the Group and for overseeing the implementation of high standards of corporate governance concerning the Group's affairs.

On 7 November 2012 the company announced its intention to create Advisory Boards for each of its main operating businesses:

- Leighton Contractors Pty Limited;
- John Holland Group Pty Ltd;
- Thiess Pty Ltd;
- Leighton Asia, India and Offshore; and
- Leighton Properties Pty Limited,

(collectively, our Operating Companies).

These Advisory Boards have since been established.

The Board considers the creation of Advisory Boards as an important step in the way the Board, Chief Executive Officer (CEO) and senior executives govern the Group in the future. In conjunction with the creation of the Advisory Boards, the role of the continuing Operating Company Boards (Statutory Boards) has changed to focus on statutory compliance matters and now comprise senior executives of both Leighton Holdings and the specific Operating Company.

A detailed description of the objectives of each of the four main corporate governance bodies that play a role within the Group's governance framework is set out in the table on the opposite page.

The Board considers these changes to be an important step in the transition of Leighton Holdings to a ‘strategic management company’.

Objectives of Leighton Holdings corporate governance bodies

Corporate governance body	Objectives
Leighton Holdings Board	• Exercises the authority delegated to the Board by the Leighton Holdings Constitution • Is accountable to the company's shareholders • Delegates parts of its authority to the Board Committees and to the Leighton CEO • Has the primary and overarching responsibility for the strategy and oversight of the Group's businesses, including those which are conducted by our Operating Companies
Leighton Holdings Board Committees	• Have specific responsibilities delegated to them by the Board • Perform the roles and exercise the authorities stipulated in the terms of the Board's delegation and the relevant Committees' Charters (which are available online at: www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach)
Operating Company Advisory Boards	• Perform a purely advisory role by providing advice and guidance to the Operating Company Managing Director and executives by drawing on business and industry experience • Are governed by the terms of the relevant Operating Company Advisory Board Charter • Do not exercise approval, decision-making or other authority
Operating Company Statutory Boards	• Have responsibility for the discharge of the Operating Company's statutory responsibilities and have regard to Leighton Holdings' interests • Do not otherwise have unfettered authority and must act in a manner consistent with the Leighton Group Governance System • Are able to exercise approval, decision-making and other authority limited to the extent that it is appropriate and necessary to discharge their statutory responsibilities • Are governed by the terms of the relevant Operating Company Constitution and Operating Company Statutory Board Charter

As part of our governance framework, we set governance guidelines and minimum operating standards for our Operating Companies through the Leighton Group Governance System, which covers the following seven key areas of business activity:

- managing strategic direction;
- fulfilling secretarial and legal obligations;
- maintaining financial control;
- managing project and contract risks;
- managing whole of business risks;
- developing group capabilities; and
- handling investor relations and external affairs.

Each area of business activity is supported by more detailed operational guidelines or standards that articulate the objectives, strategies for management, and control and reporting requirements, which are then incorporated into each Operating Company's individual work procedures and practices. Procedures and practices are also regularly reviewed to monitor compliance and encourage continuous improvement.

LEIGHTON HOLDINGS BOARD OF DIRECTORS

Roles and responsibilities

The key responsibilities of the Board are to:

- decide, review and oversee the Group's corporate strategy;
- establish goals for management and monitor the achievement of these goals;
- review and approve the Group's Business Plan (which includes operating budgets);
- select, appoint and evaluate from time to time the performance of the CEO and the CEO's direct reports;
- decide the remuneration of, and planning the succession for, the CEO and the CEO's direct reports;
- review procedures for the appointment of, and evaluation of the performance of, senior management;
- review, ratify and monitor systems of risk management and internal control. This includes reviewing the main risks associated with the Group's businesses and the implementation of appropriate systems to manage those risks;

Corporate Governance Statement continued

- approve all significant business transactions including acquisitions, divestments, property developments, project tenders and capital expenditure;
- monitor and review management processes in place aimed at ensuring the integrity of financial and other reporting;
- receive, consider and approve financial and other reports to shareholders;
- monitor and review policies and processes in place relating to work health and safety, regulatory compliance, and the maintenance of high ethical standards;
- promote diversity within all levels of the Group, including setting measurable objectives under the Strength through Diversity Policy for achieving diversity at all levels within the Group and annually assessing the Group's progress towards achieving them;
- consider and approve donations and sponsorship budgets; and
- perform such other functions as are prescribed by law or are assigned to the Board.

Delegated authority

Through the governance framework, the Board and senior executives maintain oversight and provide direction via a tiered system of responsibility and accountability that exists throughout the Group.

Committees of the Board

All authority to act is ultimately derived from our shareholders through the company's Constitution and our Board. The Board delegates its authority to the standing Board Committees, the CEO and for specific purposes as it sees fit.

The roles and responsibilities delegated to each of our Board Committees are captured in the Charters of each Board Committee. A more detailed description of the responsibilities of each of our Board Committees is contained in the table on page 34. Our Board Committee Charters are available online (see: www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach).

CEO and management

The Board has delegated to the CEO, and through the CEO to senior executives of Leighton Holdings and our Operating Companies, responsibility for the day-to-day management of our business. The scope of, and limitations to, management's delegated authority are outlined in annual business plans, in their position descriptions and letters of appointment and through formal performance reviews conducted by the CEO. Management's key responsibilities cover areas such as:

- operating and capital expenditure;
- approving tender submissions;
- development of strategies for consideration by the Board;
- the management and performance of the business and operations;
- providing information to the Leighton Holdings Continuous Disclosure Committee in a timely manner;
- making recommendations for the appointment of senior executives; and
- establishing and maintaining effective risk management frameworks.

These delegations balance effective oversight with appropriate empowerment and accountability of management, which is in line with our vision.

Independence

The Board has adopted a definition of independence which is derived from the definition set out in the ASX Principles and Recommendations. In assessing the independence of each Director the Board considers, among other things, whether the Director:

- is a substantial shareholder of the company (as defined by the Corporations Act) or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- is or has been employed in an executive capacity by the Group, or been a Director after ceasing to hold any such employment, within the last three years;
- is or has been a principal of a material professional adviser or a material consultant to the Group, or an employee materially associated with the service provided, within the last three years;
- is a material supplier or customer of the Group, or an officer of or a person who is otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Group other than as a Director;
- has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the company.

Materiality is assessed on a case-by-case basis with reference to each Director's individual circumstances rather than by applying general materiality thresholds.

The table below sets out the Board's assessment of the independence of each Director.

Name	Role	Independent/ non-independent	First appointed	Last elected by shareholders
Directors				
Stephen P Johns	Non-executive Director (Chairman)	Independent	21 December 2009	4 November 2010
Hamish G Tyrwhitt	Executive Director and Chief Executive Officer	Non-independent	24 August 2011	11 November 2011
Paula J Dwyer[1]	Non-executive Director	Independent	1 January 2012	22 May 2012
Marcelino Fernández Verdes[2]	Non-executive Director	Non-independent*	10 October 2012	See footnote 2
Peter A Gregg	Executive Director and Chief Financial Officer	Non-independent	23 December 2010	11 November 2011
Robert D Humphris OAM	Non-executive Director	Independent	6 September 2004	4 November 2010
Ian J Macfarlane AC	Non-executive Director	Independent	1 June 2007	4 November 2010
Wayne G Osborn	Non-executive Director	Independent	6 November 2008	22 May 2012
David P Robinson[3]	Non-executive Director	Non-independent*	17 December 1990	4 November 2010
Peter W Sassenfeld	Non-executive Director	Non-independent*	29 November 2011	22 May 2012
Alternate Director				
Robert L Seidler AM[4]	Alternate Director for Mr David Robinson	Non-independent*	20 November 2012	N/A
Retired Directors				
Achim Drescher[5]	Non-executive Director	Independent	26 November 1996	5 November 2009
Dr Frank Stieler[6]	Non-executive Director	Non-independent*	16 May 2011	11 November 2011
Manfred H Wennemer[7]	Non-executive Director and Alternate Director for Mr Marcelino Fernández Verdes	Non-independent*	6 October 2011	11 November 2011

* Representing our majority shareholder, HOCHTIEF Australia Holdings Limited.

1 Ms Dwyer was appointed as a Director and Chairman of the Audit Committee on 1 January 2012 and became a member of the Remuneration and Nominations Committee on 21 May 2012.

2 Mr Fernández Verdes replaced Mr Wennemer as a Non-executive Director on 10 October 2012 (he was formerly the Alternate Director for Mr Wennemer from 21 May 2012 to 10 October 2012) and became a member of the Remuneration and Nominations Committee on 5 December 2012. Mr Fernández Verdes will seek election at the company's Annual General Meeting on 20 May 2013 in accordance with the company's Constitution.

3 Mr Robinson is also the Alternate Director for Mr Sassenfeld.

4 Mr Seidler was the Alternate Director for Dr Stieler from 16 May 2011 to 20 November 2012 and for Mr Wennemer from 10 November 2011 to 10 October 2012, and has acted as an Alternate Director for other Non-independent Directors since 28 November 2003.

5 Mr Drescher retired as a Director and a member of the Remuneration and Nominations Committee following the company's Annual General Meeting on 22 May 2012.

6 Dr Stieler resigned as a Director and as a member of the Remuneration and Nominations Committee on 20 November 2012.

7 Mr Wennemer resigned as a Non-executive Director on 10 October 2012 and he was appointed as an Alternate Director for Mr Fernández Verdes on 10 October 2012 and resigned on 31 December 2012.

Corporate Governance Statement continued

As at the date of this Statement, five of our ten Directors are independent Directors.

The Chairman of the Board is an independent Director and is entitled to exercise a casting vote in the event of a deadlock. Each of the Board's Committees is chaired by an independent Director and has a majority of members who are independent Directors (except in the case of the Ethics and Compliance Committee which comprises a majority of Non-executive Directors). In addition, all Directors are entitled to seek independent professional advice and Non-executive Directors confer on an as needs basis without management in attendance.

The Board considers HOCHTIEF AG's (HOCHTIEF) Board representation to be reasonable and appropriate given that HOCHTIEF owns a majority interest of 53.4% of the company's shares as at the date of this Statement.

Although the composition of the Board does not strictly comply with Recommendation 2.1 of the ASX Principles and Recommendations (that a majority of the Board should be independent Directors), the Board believes that independent judgment is achieved and maintained in respect of its decision-making processes.

Governance arrangements following change of control of HOCHTIEF

For many years, Leighton Holdings and its German-based majority shareholder, HOCHTIEF, have followed a set of governance principles which have seen us operate with a Board and management structure in which the majority of Directors are independent of HOCHTIEF.

In September 2010, Spanish-based company Actividades de Construcción y Servicios, SA (ACS) announced a public takeover offer for HOCHTIEF and has subsequently moved to control of HOCHTIEF. In November 2010, ACS indicated that, to the extent that the arrangements bind HOCHTIEF, ACS would seek to continue the existing governance arrangements.

Board composition

The Board is balanced in its composition with our Directors bringing a range of complementary skills and experience to the Group. Further details regarding the relevant skills, experience, tenure and expertise of each Director are set out on pages 18 to 23 of this Concise Annual Report.

The composition of our Board has regard to the findings from our Board performance assessment process which is covered in greater detail in the *Performance review* section on page 31.

The Chairman

The role of the Chairman includes:

- providing leadership to the Board in relation to all Board matters;
- representing the views of the Board to the public;
- acting as a conduit between management and the Board and being the primary point of contact between the Board and the CEO;
- overseeing Board performance, appraisal and succession;
- guiding the Board agenda and conducting all Board meetings;
- overseeing and conducting the company's Annual General Meeting (AGM) and other shareholder meetings; and
- in conjunction with the Group Company Secretary, ensuring that Board meetings are held regularly throughout the year.

The CEO

The CEO is accountable to the Board for the management of the Group. Our CEO has the authority to approve capital expenditure and business transactions within the levels prescribed by the Board. Specific responsibilities of the CEO include:

- leadership of the senior executive team;
- providing strategic direction for the Group;
- ensuring business development and tendering activities are in accordance with the Group's overall strategy and Group tendering standards;
- keeping the Board informed of all major project proposals in Australia and overseas by way of specific reports; and
- setting remuneration levels and bonus payments with the assistance of the Chief Human Resources Officer (CHRO) of all personnel, except for the senior executives reporting directly to him.

Board meetings

The Board has 10 scheduled meetings per year (which includes 1 Board planning meeting) with additional meetings held as required. In 2012, the Board met 13 times and special Board Committees met on 6 occasions. Senior executives, Operating Company Managing Directors (MDs) and other selected employees are invited to participate in Board meetings, where appropriate.

The Board attends an annual planning session to discuss our strategic plan and approve our overall strategic direction. Our Directors also attend occasional project site visits and safety briefings. These activities, some of which occur at remote locations, help our Directors gain an understanding of the opportunities and challenges which can arise within our business and within the environments in which our people work.

In addition to their roles as Directors of our Board, some of our Directors also serve as members of the Advisory Boards of our Operating Companies. This is described in the *Changes to Operating Company governance* section on pages 35 to 36 of this Statement.

Board selection, appointment and re-election

The Board's Remuneration and Nominations Committee reviews the composition of the Board so that there is an appropriate mix of abilities, experience and diversity of backgrounds to serve the interests of all shareholders and having regard to the strategic direction of the Group. The Board aims to achieve a membership which reflects:

- experience across relevant industries (including resources, infrastructure and property);
- involvement in relevant activities (for example, construction, contract mining, services, development and investment activities, and offshore activities);
- experience operating in various geographic locations (including Australia/Pacific, Asia, the Middle East and Africa);
- a variety of technical skills and expertise (for example, engineering, accounting, legal, risk management and property development); and
- a diversity of backgrounds (for example, gender, previous work roles and educational qualifications).

In assessing both the performance of incumbent Directors and the suitability of new candidates, we also have regard to the individual capabilities and attributes that contribute to an effective Board dynamic including strategic thinking, strong communication skills, high ethical standards and sound judgment.

Independent consultants are engaged, where appropriate, to identify possible new candidates for the Board.

The Remuneration and Nominations Committee assesses candidates for the role and in doing so considers their background, experience, personal qualities, diversity and professional skills. Following this assessment, the Committee provides its recommendation of the preferred candidate(s) for the Board to consider prior to the Board making the appointment.

Performance review

The Board engages in an annual performance review process. In 2012, this was undertaken as a self-assessment process where each Director completed a questionnaire enabling Directors to evaluate and comment upon the effectiveness and the role of the Board and Board Committees as part of Leighton's ongoing corporate governance practices.

The results of the questionnaire were consolidated and analysed in order to facilitate an assessment of:

- the Board's effectiveness in carrying out the key aspects of its role; and
- specific aspects of the Board's effectiveness surrounding:
  - Board composition;
  - Board meetings and Board papers;
  - Board Committees;
  - Board communication and openness;
  - relationship between the Board and CEO; and
  - the Chairman's role and style.

The 2012 self-assessment process was wide-ranging and indicated that the Board is functioning effectively against most of the criteria. The Board also noted that there were some opportunities identified to improve Board effectiveness.

The Board is currently undertaking a further self-assessment process for 2013.

Diversity on the Board

The Board is committed to addressing gender diversity on the Board. In August 2011, the Board committed to a target of appointing at least two female directors to the Board by 2016, with best endeavours to achieve this target earlier.

The Board has also sought to achieve gender diversity in the selection of members for each of the Advisory Boards for our Operating Companies.

Corporate Governance Statement continued

Term of office

The tenure of our Directors is governed by our Constitution (clauses 17 to 19) and the ASX Listing Rules. In summary:

- one-third of the Directors (excluding the CEO) must stand for election at each AGM;
- a Director (other than the CEO) must not hold office for the longer of three years or three successive AGMs without seeking re-election; and
- a Director appointed by the Board (either to fill a casual vacancy or as an addition to existing Directors) only holds office until the next AGM or general meeting after their appointment.

Directors required to retire at a meeting, or only hold office until that meeting, are eligible for re-election or election (as appropriate).

Where incumbent Directors are to be nominated for re-election, their performance is reviewed by the Remuneration and Nominations Committee. The Committee then makes recommendations to the Board as to their nomination for re-election. The Board then makes recommendations to shareholders in the Notice of Meeting concerning the re-election of any Director.

Induction and training

Upon appointment, Directors receive an induction pack which includes information about the Group’s business. The pack also includes:

- a letter of appointment, which refers to and summarises the Securities Trading Policy and the Market Disclosure and Communications Framework;
- a copy of the Leighton Holdings Code of Ethics (Code of Ethics) and the Leighton Group Code of Business Conduct (Code of Business Conduct);
- the company's Constitution;
- a Director’s interests disclosure agreement; and
- a Deed of Indemnity, Insurance and Access.

At the time of their appointment, new Directors are also introduced to the senior executive team and receive briefings about the Group’s business, values and governance arrangements.

The Directors are also provided with a variety of continuing learning and training programs. These range from site visits to specific subject training. For example, in 2012 the Board received extensive training on the model work health and safety laws and the implications for the Board.

Access to information and advice

All Directors have access to company records and information, and receive regular detailed financial information and operational reports concerning our Operating Companies.

The Chairman and Non-executive Directors regularly consult with the CEO, Chief Financial Officer (CFO) and other senior executives, and may consult with, and request additional information from, any of our employees.

In addition to the support the Directors receive from the Board Committees, Company Secretaries, and the senior executive team, Directors are able to seek independent professional advice at the company’s expense (subject to Board approval).

BOARD COMMITTEES

The Board has four standing Board Committees:

- Audit Committee;
- Ethics and Compliance Committee;
- Remuneration and Nominations Committee; and
- Tender Review and Risk Committee.

From time to time and as appropriate, special Board Committees or sub-committees are formed to enable the Board to give guidance and provide oversight concerning specific matters. For example, in 2012 a special Board Committee was formed in relation to the company's US$500 million bond offering and several sub-committees of the Tender Review and Risk Committee were formed for probity purposes to review the Group's tenders.

A Director may attend any Committee meeting unless they have a material personal interest in a matter being considered or for probity reasons. Senior executives and other selected employees are invited to attend Committee meetings as required.

Details regarding the membership, attendance and the number of Board Committee meetings held during the 2012 Financial Year are set out in the table opposite. Details regarding the qualifications of the members of our Board Committees are set out on pages 18 to 23 of this Concise Annual Report.

Board Committee	Membership	Number of meetings attended	Number of meetings held*
Audit Committee	Paula J Dwyer (Chairman)	9	9
	Stephen P Johns	9	9
	David P Robinson	9	9
	Standing invitees:		
	Hamish G Tyrwhitt (CEO)	8	9
	Peter A Gregg (CFO)	9	9
Ethics and Compliance Committee	Wayne G Osborn (Chairman)	5	5
	Hamish G Tyrwhitt	5	5
	Robert D Humphris OAM	5	5
	Robert L Seidler AM	4	5
	Standing invitees:		
	Stephen P Johns	5	5
Remuneration and Nominations Committee	Stephen P Johns (Chairman)	8	8
	Paula J Dwyer	4	4
	Marcelino Fernández Verdes	1	1
	Wayne G Osborn	8	8
	Robert L Seidler AM	8	8
	Standing invitees:		
	Hamish G Tyrwhitt	8	8
	Retired members:		
	Achim Drescher	4	4
	Dr Frank Stieler	7	7
Tender Review and Risk Committee	Robert D Humphris OAM (Chairman)	11	11
	Ian J Macfarlane AC	9	11
	Wayne G Osborn	8	11
	Robert L Seidler AM	10	11
	Standing invitees:		
	Stephen P Johns	4	11
	Hamish G Tyrwhitt	11	11
	Peter A Gregg	7	11
Special Tender Review and Risk Committee No. 1[1]	Robert D Humphris OAM (Chairman)	5	5
	Hamish G Tyrwhitt	5	5
	Ian J Macfarlane AC	4	5
	Robert L Seidler AM	4	5
	Standing invitees:		
	Stephen P Johns	3	5
Special Tender Review and Risk Committee No. 2[1]	Wayne G Osborn (Chairman)	2	2
	Peter A Gregg	2	2

* Reflects the number of meetings held during the time the Committee member held office during the 2012 Financial Year.
1 Represents sub-committees of the Tender Review and Risk Committee.

Corporate Governance Statement continued

Details regarding the role of our Committees is set out in the table below.

<table>
<tr><th>Board Committee</th><th>Role</th></tr>
<tr><td>Audit Committee</td><td>The Audit Committee assists the Board in fulfilling its corporate governance and oversight responsibilities in relation to financial reporting, risk management and internal control.

Under its Charter (see: www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach), the Audit Committee is responsible for:
• monitoring and reviewing the integrity of the Group's financial statements and internal control systems;
• reviewing and monitoring the objectivity and effectiveness of the internal auditors;
• overseeing the process for selecting external auditors;
• making recommendations to the Board on the appointment of the external auditors, the approval of their remuneration and the terms of their engagement; and
• annually assessing the independence, objectivity and effectiveness of the external auditor, having regard to the provision of non-audit services.

The Charter of External Auditor Independence (see: www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach) sets out the circumstances in which the company's external auditor may perform Non-Audit Related Services so that the Audit Committee, the Board and our shareholders can be satisfied that the external auditor is, and is seen to be, independent at all times.</td></tr>
<tr><td>Ethics and Compliance Committee</td><td>Under the Ethics and Compliance Committee Charter (see: www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach), the objective and purpose of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities by:
• monitoring and reviewing:
  o the ethical standards and practices generally within the Group and compliance with our codes of ethics and business conduct;
  o compliance with applicable legal and regulatory requirements and internal policies, procedures and standards in the areas of work health and safety, environment, competition and consumer protection, and business conduct; and
• making recommendations to the Board or any Operating Company regarding changes to the Group's standards, practices, codes, policies, procedures and compliance activities in each of these areas, or approving such changes that do not require Board approval.

The Committee reviews reports on any Class 1 incidents, which comprise fatalities and permanent disabling injuries. Where appropriate, the Committee makes recommendations to the Board or any Operating Company regarding any proposed amendments to the Group's standards, practices, codes, policies, procedures and compliance activities (including our Group Health and Safety Policy and our Group Health and Safety Standards) and makes appropriate enquiries of Leighton and our Operating Companies to monitor compliance with all applicable work health and safety legal and regulatory requirements. The Committee gains assurance about the health and safety practices in the Group's operations through regular work health and safety reporting and auditing processes established to assess adherence to the Group Health and Safety Policy and Standards by our Operating Companies.

The Committee reviews reports on ethical standards and practices from Leighton and our Operating Companies and makes recommendations to the Board as necessary, and makes appropriate enquiries of Leighton and our Operating Companies to monitor compliance with the minimum expectations as set out in the Code of Ethics and the Code of Business Conduct.

The Committee also reviews reports on environmental performance and compliance, competition and consumer laws compliance and probity compliance from Leighton and our Operating Companies (excluding Leighton Asia, India and Offshore in respect of probity compliance) and reports to the Board as necessary.</td></tr>
</table>

Board Committee	Role
Remuneration and Nominations Committee	The Remuneration and Nominations Committee assists the Board in fulfilling its duties and obligations regarding the appointment and remuneration of its Directors, executives and employees, including to establish remuneration policies and practices, and to provide reasonable assurance that appropriate succession planning is taking place. Under its Charter (see: www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach), the Committee's objectives include establishing policies and processes which: • enable the Group to attract, retain and motivate Directors, executives and employees with the experience and skills necessary to lead, manage and operate the company for the benefit of shareholders; • reward executives having regard to financial and operational performance, the performance of the executive and the external economic and governance environment; • enable the Board to be comprised of individuals who are able to discharge the responsibilities of Directors; • provide for effective development and succession planning for Group executives and other senior leaders in key positions; and • comply with the provisions of the ASX Listing Rules and Corporations Act.
Tender Review and Risk Committee	Under its Charter (see: www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach), the objectives and purpose of the Committee are to assist the Board in fulfilling its corporate governance and oversight responsibilities by: • monitoring and reviewing: o the Group's overall risk tolerance and strategy; and o the integrity, adequacy and utility of the Group's risk management systems, controls and metrics having regard to the Group's overall risk tolerance and strategy; • approving proposals from management for the Group to tender for key projects; • approving tenders by the Group for key projects; and • where the Committee determines that it is appropriate, referring approval of tenders for key projects to the Board. The Board recognises that certain risk-related matters may be relevant to the roles of one or more of the Board's Committees. When considering relevant risk-related matters, the Tender Review and Risk Committee is focused on the operational and whole-of-business risk implications which requires the review of mitigating actions and processes.

CHANGES TO OPERATING COMPANY GOVERNANCE

During 2012, the Board and senior executives reviewed the corporate governance arrangements for our Operating Companies. Following that review, the Board decided to make a number of important changes to these arrangements. These were announced to the market on 7 November 2012.

One key change to the corporate governance arrangements was the creation of an Advisory Board for each of our Operating Companies. The Advisory Boards are comprised entirely of non-executive members, each with relevant industry or professional experience.

The Advisory Boards have no approval, decision-making or other authority. Their role is to provide the Operating Company MD and their senior executives with access to deep industry and professional experience.

The Advisory Board members are appointed by the Leighton Holdings Board. In each case there is at least one Leighton Holdings Director or Alternate Director serving as a member of each Advisory Board.

In conjunction with the creation of Advisory Boards, the role and composition of the continuing Statutory Boards for our Operating Companies has also changed. Whereas these Boards formerly included Non-executive Directors, following the review the Statutory Boards of our Operating Companies now comprise Executive Directors only who are appointed by the Leighton Holdings Board.

This change is intended to facilitate the Group being managed and administered as a homogenous group with Leighton Holdings being a strategic management company.

The composition of the Advisory Boards and Statutory Boards of our Operating Companies is set out in the table overleaf.

Corporate Governance Statement continued

Composition of Operating Company Advisory and Statutory Boards

Operating Company	Advisory Board composition	Statutory Board composition
Leighton Contractors Pty Ltd	Robert D Humphris OAM (Chairman) Kerry McDonald Gabrielle Trainor	Craig A Laslett, MD (Chairman) Michael K Metcalfe (Deputy MD, Executive General Manager, Infrastructure) Peter J Hicks, CFO Hamish G Tyrwhitt Peter A Gregg
John Holland Group Pty Ltd	Janet L Holmes à Court (Chairman) Paula J Dwyer	Glenn M Palin, MD (Chairman) Darryn A Ray, CFO Russell J Cuttler (Executive General Manager, Safety and Operational Services) Hamish G Tyrwhitt Peter A Gregg
Thiess Pty Ltd	Kirstin Ferguson (Chairman) Marcelino Fernández Verdes Shane L Stone AC, QC Professor Mark Dodgson	Bruce A Munro, MD (Chairman) Susan J Palmer, CFO Hamish G Tyrwhitt Peter A Gregg
Leighton Asia, India and Offshore[1]	Robert L Seidler AM (Chairman) Robert D Humphris OAM Nguyen Quoc Khanh Tan Yam Pin	Ian L Edwards, MD (Chairman) Peter G Pollard, CFO Hamish G Tyrwhitt Peter A Gregg
Leighton Properties Pty Ltd	Robert L Seidler AM (Chairman) Paul Say Andrew Martin Ian Frost	Mark C Gray, MD (Chairman) Robert G Dodd, CFO Hamish G Tyrwhitt Peter A Gregg

1 The members of the Leighton Asia, India and Offshore Statutory Board are appointed as Directors of Leighton Asia Limited.

SENIOR EXECUTIVES

Each Leighton Holdings senior executive and Operating Company MD has specified financial and other objectives which are reflected in the executive's remuneration outcomes. These objectives (which are described in more detail in the Remuneration Report commencing on page 71) are reviewed and approved by the Remuneration and Nominations Committee.

The CEO reviews the performance of all his direct reports by way of formal and informal reviews as appropriate. As part of the review process, the CEO considers the individual's performance against requisite standards, their business plans and their key performance indicators, and actively monitors their contribution to all aspects of the Group's performance, culture and values.

The performance of the senior executives is reviewed in accordance with this process.

Company Secretaries

Details regarding the Company Secretaries, including their experience and qualifications, are set out on page 21 of this Concise Annual Report.

ETHICS AND COMPLIANCE FRAMEWORK

The Board believes that the reputation and integrity of the Group demands that the senior executives and all employees observe the highest standards of conduct.

We expect our employees and business partners to:

- always act with honesty, integrity and fairness in accordance with our Code of Ethics and Code of Business Conduct and our core values;
- comply with the Leighton Group Governance System;
- comply with all policies and procedures implemented by the company or Operating Company as relevant; and
- comply with all applicable laws wherever we operate.

Ethical and responsible decision-making

Our commitment to ethical and responsible decision-making is encapsulated in our Code of Ethics and Code of Business Conduct (see: www.leighton.com.au/our-approach/board-and-governance/group-policies) which sets out the principles and values that guide our decisions and actions. This framework aims to promote an organisational culture that enables our employees to respond appropriately to situations and to be accountable for their decisions.

Code of Ethics

Our Code of Ethics is built on the Group's values of discipline, integrity, safety and success. These values act as guiding principles for our Operating Companies which embed these values whilst embracing their unique cultures and operating environments in the formulation of their own core values. Our Code of Ethics, along with our values, influence our Code of Business Conduct.

Code of Business Conduct

In August 2012, the Board adopted the Code of Business Conduct to reflect our values of discipline, integrity, safety and success. The Code of Business Conduct provides a decision-making framework by establishing the principles and values that guide our decisions and actions and promotes an organisational culture that enables our employees to respond appropriately to situations and to be accountable for their decisions. It clearly outlines the responsibilities of those working for the Group, whether that be in Australia or overseas, and includes matters such as:

- people and safety;
- environment and the community; and
- ethical business practices to consider bribery and corruption risk.

The Code of Business Conduct also provides clear direction on how to raise a business conduct concern. Anyone who raises a genuinely held business conduct concern will not be disadvantaged as a result of reporting the matter. The Code of Business Conduct applies to all people who work for the Group as an employee or officer, or people working under contract.

In order to encourage a culture of openness, we have established the Leighton Ethics Line which provides our employees with an independent and confidential reporting service. Anyone who makes a report in good faith will not be disadvantaged as a result of using this service.

Ethics and Compliance Committee

Details regarding the composition and role of the Ethics and Compliance Committee are set out in the tables on pages 33 and 34 of this Statement.

All Directors who are not members of the Ethics and Compliance Committee may attend meetings in an ex officio capacity. The Committee may also invite other persons to its meetings as it considers necessary, including senior executives and external advisers.

The Committee regularly reports to the Board on matters relevant to the Committee's role and responsibilities and the minutes of each Committee meeting are made available to all Directors.

Promotion of ethical and responsible decision-making throughout the Group

Our Operating Companies each have their own Ethics Committees or Reportable Conduct Groups (as defined in our Code of Business Conduct) to support the Board's Ethics and Compliance Committee in identifying enhancements to the ethics and compliance framework which shapes the Group's ethical policy direction and reporting.

The Code of Ethics and Code of Business Conduct are actively promoted throughout the Group and are easily accessible to new and existing employees through the Group's internal websites. It is a condition of employment that our employees accept and adhere to both the Code of Ethics and Code of Business Conduct.

The Group has also implemented an Ethical Dimension Reporting system which requires Leighton Holdings and each Operating Company to submit a quarterly report to the Board's Ethics and Compliance Committee with the objective of maintaining ethical practices within the Group and to achieve continual improvement in this area. Breaches of the Code of Ethics and Code of Business Conduct that are reported through this process or through the Leighton Ethics Line are examined and appropriate action is taken, which may include disciplinary measures.

Conflicts

All Directors are required to disclose any actual or potential conflict of interest at the time of their appointment and are expected to keep these disclosures up to date.

Directors who have a conflict of interest in relation to a particular item of business being considered by the Board or its Committees must declare their potential conflict and, where appropriate, absent themselves from the Board or Committee meeting before commencement of discussion on the topic.

Corporate Governance Statement continued

Dealing in securities

Leighton Holdings has a Securities Trading Policy (see: www.leighton.com.au/our-approach/board-and-governance/group-policies) which sets out the circumstances in which our Directors and employees are permitted to deal in the company's shares (Trading Windows) and restricts dealings by our Directors and employees in the company's shares during designated prohibited periods (Blackout Periods) and at any time that they are in possession of price sensitive or 'inside' information. Our Directors and employees are also prohibited from passing on or communicating such information to other persons, including family members and friends.

We provide briefing sessions on the Securities Trading Policy and securities trading law for senior executives and employees as part of our continuing employee education initiatives. We also monitor dealings in the company's shares with the assistance of Computershare, our share registry.

DIVERSITY

Group policy

In 2012, the Board adopted a revised Group policy for workforce diversity, the Strength through Diversity Policy (see: www.leighton.com.au/our-approach/board-and-governance/group-policies). This policy acts as a framework for the Group in building our diverse and inclusive workforce and in developing initiatives aimed at specific demographic segments. The main principles contained in this framework have been adopted by each Operating Company through their own policies, procedures and practices which reflect their operating conditions.

The Strength through Diversity Policy outlines our intent to identify and embrace the diverse thought and contributions of our people and to be more innovative and relevant to the clients that we serve and the communities in which we operate.

The five key objectives of the Strength through Diversity Policy allow us to embrace the diverse contributions of our people. These are as follows:

- we will identify, foster and leverage diverse thinking in our teams;
- we will create, support and leverage a culture of inclusive practices and behaviours;
- we will have a workforce that reflects the diversity of the clients we serve and the broader communities in which we operate;
- we will make remuneration and promotion decisions that are fair and free from bias; and
- we will measure the value that diversity and inclusion brings to the business.

We are currently developing a framework to effectively monitor and regularly assess the Strength through Diversity Policy objectives and the Group's progress in achieving them.

Meeting the objectives and setting performance targets is the responsibility of the Board, which is supported by the Remuneration and Nominations Committee, the senior executives and the Group Heads of Diversity Forum (at which all Operating Companies are represented).

Gender targets and progress

The Board has established the following measurable targets in relation to female participation at Leighton Holdings:

- appoint at least two female directors to the Board by 2016; and
- increase the number of women in executive and management positions at Leighton Holdings to 40% by 2016.

Over the 2012 Financial Year, our progress towards achieving these targets was as follows:

- on 1 January 2012, Ms Paula Dwyer was appointed as a Non-executive Director and as Chairman of the Audit Committee and became a member of the Remuneration and Nominations Committee on 21 May 2012; and
- at Leighton Holdings, female participation at the executive and management level increased from 22% at 31 December 2011 to 25% at 31 December 2012. The classification of executive and management has changed from historical periods and data has been updated accordingly.

Our Operating Companies have set individual gender diversity targets consistent with regulatory requirements. The Leighton Group is working towards reconciling the Operating Companies' circumstances to understand group-wide female participation. We will seek to establish measurable objectives for achieving gender diversity where appropriate, so as to measure the Group's progress towards achieving the Strength through Diversity Policy objectives.

The table below shows female participation across the Group at all levels, in addition to executive and management.

	No. of women Dec 2012	%	No. of women Dec 2011#	%
Leighton Holdings				
Board	1	10	0	0
Employees				
Executive and management[1]	7	25	6	22
Other	63	41	56	41
Total employees	**70**	**39**	**62**	**38**
Australian operations[2]				
Operating Company Statutory Boards	1	6	4	12
Operating Company Advisory Boards	3*	33*	n/a^	n/a^
Employees				
Executive and management[1]	25	12	22	11
Other	4,829	17	4,723	17
Total employees	**4,854**	**17**	**4,745**	**16**
International operations[2]				
Operating Company Statutory Boards	0	0	0	0
Operating Company Advisory Boards	0	0	n/a^	n/a^
Employees				
Executive and management[1]	2	3	2	4
Other	1,917	7	1,769	7
Total employees	**1,919**	**7**	**1,771**	**7**

Classification of executive and management has changed from historical periods and data has been updated accordingly.
* Excludes Thiess Pty Ltd as the initial Advisory Board Members were not appointed until 12 February 2013.
^ Operating Company Advisory Boards did not exist at 31 December 2011.
1 Executive and management at Leighton Holdings comprise all Leighton Holdings Group Executives, Executive General Managers, General Managers and their equivalents; and at the Operating Companies comprise MDs and their direct reports, Business Unit Managers, Executive General Managers and Branch General Managers.
2 Australian operations include New Zealand. International operations exclude Habtoor Leighton Group.

FINANCIAL REPORTING

Approach to financial reporting

Our approach to financial reporting reflects four principles:

- that our financial reports reflect a true and fair view of the Leighton Group;
- that our accounting policies and procedures comply with applicable accounting standards, rules and policies;
- that our external auditor is independent and represents shareholders' interests; and
- that our internal auditor is independent of management.

The Board, through the Audit Committee, monitors Australian and international developments relevant to these principles and reviews and updates our practices accordingly.

Audit Committee

Details regarding the composition and role of the Audit Committee are set out in the tables on pages 33 and 34 of this Statement. All Directors who are not members of the Audit Committee may attend meetings in an ex officio capacity. The Committee may also invite other persons to its meetings as it considers necessary, including senior executives and external advisers.

The Committee regularly reports to the Board on matters relevant to the Committee's role and responsibilities and the minutes of each Committee meeting are made available to all Directors.

Financial knowledge

All Audit Committee members have appropriate financial or accounting experience and an understanding of the construction and contracting industry, and therefore satisfy the composition requirements under the ASX Principles and Recommendations.

External auditor

Our external auditor is Deloitte Touche Tohmatsu (Deloitte) and was appointed following our AGM on 22 May 2012. Notwithstanding the date of their appointment, Deloitte performed their audit for the full financial year.

All Audit Committee papers are available to our external auditor, and they are invited to attend all Audit Committee meetings and are available to Audit Committee members at any time. Our external auditor also attends our AGM to answer any questions from shareholders.

Corporate Governance Statement continued

As our external auditor, Deloitte is required to confirm its independence and compliance with specified independence standards. Our Charter of External Auditor Independence (see: www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach), revised in March 2013, assists the Audit Committee, the Board and our shareholders to be satisfied that Deloitte is independent at all times, and sets out the circumstances in which Deloitte can perform audit and non-audit related services and the procedures to be followed to obtain approval for those services where they are permitted.

The Audit Committee also provides oversight of the rotation of external audit engagement partners every five years. If circumstances arise where it becomes necessary to replace the external auditor, the Audit Committee will recommend to the Board the external auditor to be appointed to fill the vacancy.

Deloitte's independence declaration is contained on page 70 of this Concise Annual Report.

Internal Audit

The Internal Audit function provides independent and objective assurance on the adequacy and effectiveness of the Group's systems for risk management, internal control and governance along with recommendations to improve the efficiency and effectiveness of these systems and processes.

The function operates independently of management under a mandate approved by the Audit Committee and has full access to all functions, records, property and personnel of the Group. The head of Internal Audit reports functionally to the Chairman of the Audit Committee and provides the Committee with information relevant to the Committee's roles and responsibilities.

A risk-based approach is used to focus assurance activities on high risk areas and audit plans are presented annually to the Audit Committee for approval.

MARKET DISCLOSURE

We are committed to complying with our continuous disclosure obligations under the ASX Listing Rules and the Corporations Act so that shareholders and investors have equal and timely access to material information about the Group.

In order to comply with these obligations, the Board has adopted a revised Market Disclosure and Communications Framework (see: www.leighton.com.au/our-approach/board-and-governance/group-policies).

The key elements of the Market Disclosure and Communications Framework are:

- the company has two Disclosure Officers, being the CEO and the CFO;
- to assist with the identification of information which may be market sensitive and warrant the company making a market disclosure, the Market Disclosure and Communications Framework incorporates guidelines about the types of information which the Board or the Leighton Holdings Continuous Disclosure Committee may consider; and
- the Leighton Holdings Continuous Disclosure Committee may appoint Information Disclosure Officers within the Operating Companies. Currently, there are designated Information Disclosure Officers in Leighton Holdings and in each of our Operating Companies.

SHAREHOLDER COMMUNICATION

Leighton Holdings strives to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on our operations and results. Our Group Policy for Shareholder Communications is available online (see: www.leighton.com.au/our-approach/board-and-governance/group-policies).

We provide regular shareholder communications such as Quarterly Shareholder Updates (for March and September quarters), Half Yearly and Annual Reports, and the Group's Full Financial Report. We also provide shareholders with access to communications through the use of information technology such as:

- our website, which includes the above shareholder communications as well as newsletters, media releases, ASX announcements, significant group briefings and other presentations to analysts;
- webcasting of important events including financial results presentations and the AGM; and
- facilitating the electronic delivery of reports and updates to shareholders through Computershare, our share registry.

Participation at AGMs

Our Board and senior executives believe that the AGM is an important opportunity for us to engage and communicate with our shareholders. We encourage shareholders to attend and actively participate in our AGM to promote a high level of accountability and understanding of the Group's strategy and goals. Shareholders who are unable to attend the AGM can lodge their proxies through a number of channels described on the proxy form.

The proceedings of the AGM are webcast live to maximise communication with shareholders. A video of proceedings at the AGM is also made available on our website for viewing by shareholders for a period of at least 6 months after the AGM.

RISK

The assessment and management of risk is embedded in all activities of the Group and is a core part of the Group's culture.

At Leighton Holdings, risk management involves the identification, assessment, treatment, monitoring and reporting of all business risks that may have the potential to materially impact our operations, our people, the environment and communities in which we operate, our reputation and the financial outcomes of the Group.

Operational risk management

Operational risk management activities throughout the Leighton Group are conducted in accordance with a policy framework designed to ensure that the Group's material business risks are identified and that adequate controls are in place and function effectively. This framework incorporates the maintenance of comprehensive policies, procedures and standards which span the Group's diverse contracting and project development activities, including setting financial controls, conducting business audits, investment and acquisition overview, and ensuring high standards in corporate communications and external affairs.

Our risk policy framework covers areas such as:

- tendering and contract negotiation;
- design and project management;
- work health and safety;
- environmental management;
- competition and consumer laws;
- interest rate and foreign currency exposures;
- ethical conduct;
- gathering and release of material information;
- crisis management and IT disaster recovery; and
- business continuity planning.

The risk management framework forms part of the Leighton Group Governance System.

The Leighton Group Governance System documents the policies and minimum standards which our Operating Companies are required to observe. Each standard details the activities required for compliance in a particular area, a reporting framework and a periodic review schedule.

Consistent with our operating model, each Operating Company incorporates the Group standards into its own internal systems and controls, supplementing the Group standards where necessary (but not derogating from them) so as to align them with the individual Operating Company's operating framework and commercial context.

The Leighton Group Governance System and the guidelines and standards which underpin it provide management across the Group with a clear and consistent framework for the incorporation of risk management processes and procedures which are considered appropriate into operational activities. Supported by specialist risk management professionals where appropriate, they constitute a key source of assurance for the Board. It must be recognised, however, that risk is an inherent element of the Group's operational activities. No risk management framework can guarantee that risk-related issues will not arise, and these may on occasions be significant. The Group's risk management framework is therefore intended to minimise the potential for significant or unacceptable risk.

It is essential that the Group's risk management and control framework evolves to address anticipated changes to the Group's risk profile, as well as to respond to any issues which may emerge. As part of this ongoing process, steps were undertaken during the year to strengthen the Group's approach to pre-contract risk management. In 2012, a new framework was developed to enhance the manner in which we assess risks in the procurement of new work. All new work opportunities now go through a five gate approval process. Levels of authority for approving tenders have been reviewed and updated. New work procurement standards have been developed, which document the minimum requirements for accepting risk in tenders.

Oversight and management of material business risks

The Board is responsible for the oversight of the Group's risk management and control framework. The Tender Review and Risk Committee and Audit Committee assists the Board in fulfilling its responsibilities in this regard by reviewing and monitoring the financial and reporting aspects of the Group's risk management and control framework.

Responsibility for control and risk management is delegated to the appropriate level of management within the Group, with the CEO, CFO and Chief Risk Officer (CRO) having ultimate accountability to the Board for the risk management and control framework.

Corporate Governance Statement continued

Risk management and internal control system

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

- regular reports are made to the Tender Review and Risk Committee by the CRO and the pre-contracts team concerning new work opportunities and potential impacts on whole-of-business risks in relation to financial, strategic and operational risk management;
- regular reports are made to the Audit Committee by the project delivery review team concerning the program for, and results of, project reviews;
- regular reports are made to the Audit Committee by the Executive General Manager, Internal Audit in relation to internal processes and internal control systems;
- quarterly reports are made to the Ethics and Compliance Committee by Leighton Holdings and the Operating Companies concerning compliance with laws and regulations and Group standards and practices in the areas of work health and safety, the environment, competition and consumer law, and probity procedures for tender approval standards and practices;
- reports are made to the Board by the Chairman of each of the Audit Committee, the Ethics and Compliance Committee and the Tender Review and Risk Committee, and minutes of these Committee meetings are circulated to the Board;
- attendance and reports are made by the MDs of our Operating Companies at Board meetings as required; and
- presentations are made to the Board or its Committees throughout the year by the CRO, and by other appropriate members of the Group's management team (and/or independent advisers, where necessary) on the nature of particular risks and details of the measures which are either in place or can be adopted to manage or mitigate the risk.

The Board has also adopted reporting and other procedures which allow it to:

- monitor the Group's compliance with the continuous disclosure requirements of the ASX Listing Rules (as discussed in the *Market Disclosure* section on page 40 of this Statement); and
- assess the effectiveness of its risk management system and its implementation.

In accordance with the systems and procedures outlined above, management regularly reported to the Board as to the effectiveness of the Group's management of its material business risks during the 2012 Financial Year.

In addition to the information provided above, further details on the way risks arising from financial instruments are managed are set out in the Full Financial Report.

Reviews of tenders

The Group's procedures require a formal review of every tender offer. Tender risk assessments and detailed checklists are used during tender preparation. This is designed so that areas of concern are addressed with appropriate levels of pricing for accepted risks, and that measures are implemented to transfer or reject risk where appropriate.

If the value or risk profile of a tender exceeds the delegated authority limits of the Operating Company MD, the tender will require approval from the CEO or the Tender Review and Risk Committee prior to submission.

Tender Review and Risk Committee

Details regarding the composition and role of the Tender Review and Risk Committee are set out in the tables on pages 33 and 35 of this Statement. All Directors who are not members of the Tender Review and Risk Committee may attend meetings in an ex officio capacity. Further, the Tender Review and Risk Committee may invite other persons to its meetings as it considers necessary, including senior executives and external advisers. Sub-committees of the Tender Review and Risk Committee have been formed during the 2012 Financial Year where matters of probity have arisen. The Tender Review and Risk Committee also regularly reports to the Board on matters relevant to the Tender Review and Risk Committee's role and responsibilities, and minutes of each Tender Review and Risk Committee meeting are circulated to all Directors.

In 2012, the Committee met 11 times and sub-committees of the Committee met a further 7 times. In total, 18 tenders were reviewed with a total combined project value of $37 billion.

CEO and CFO assurance

The CEO and CFO have given a declaration to the Board concerning the Group's financial statements in accordance with section 295A of the Corporations Act and Recommendation 7.3 of the ASX Principles and Recommendations concerning financial reporting risks.

REMUNERATION

Remuneration and Nominations Committee

Details regarding the composition and role of the Remuneration and Nominations Committee are set out in the tables on pages 33 and 35 of this Statement.

The CEO, CHRO and the Group General Manager, Performance and Reward have a standing invitation to attend all Committee meetings, but cannot participate in any part of any meeting which relates to their own remuneration. The Committee may seek input from senior executives on remuneration policies, and the Chairman may request that any person in attendance at a meeting not be present for part of the meeting when a matter that may have the potential to be a conflict of interest is being considered.

The Committee meets as frequently as required but not less than four times a year. The Committee may engage the assistance of remuneration consultants from time to time, and further details are contained in the Remuneration Report on page 76 of this Concise Annual Report.

Comparison of remuneration structures

As disclosed in the Remuneration Report on pages 71 to 105 of this Concise Annual Report, we have designed our remuneration policy in such a way that it motivates senior executives to pursue the long-term growth and success of the Group and demonstrates a clear relationship between senior executives' performance and remuneration.

Consistent with the requirements of the Corporations Act and our Securities Trading Policy, senior executives are prohibited from entering into any hedging arrangements or other transactions in financial products that operate to limit the economic risk associated with their entitlements under equity-based remuneration schemes.

The payment of equity-based executive remuneration is made in accordance with plans approved by shareholders.

The Board has established a minimum shareholding guideline to apply to Independent Non-executive Directors, which encourages those Directors to build and maintain a meaningful value of shares in the company and thereby align the Directors' interests with the interests of shareholders. The Independent Directors are encouraged to accumulate a minimum shareholding in Leighton Holdings shares equivalent in value to one year's base fee after allowing for tax.

Non-executive Directors receive fees as remuneration for acting as a Director and, if applicable, as a member of a Board Committee or sub-committee of the Board. In addition, Non-executive Directors who are members of one or more of the Advisory Boards of our Operating Companies also receive fees for those roles. Non-executive Directors' fees depend on the extent of each of the Director's responsibilities, but do not include shares, options or any performance-related incentives. Non-executive Directors appointed after 5 November 2003 are not entitled to any retirement benefits other than superannuation in accordance with our statutory superannuation obligations. Details of Non-executive Directors' retirement benefits as at 31 December 2012 are set out in the Remuneration Report on page 98 of this Concise Annual Report.

Further details regarding remuneration of Non-executive Directors, Executive Directors and other senior executives are set out in the Remuneration Report on pages 71 to 105 of this Concise Annual Report.

Corporate Governance Statement continued

Checklist of the company's compliance with the ASX Principles and Recommendations

	ASX Principles and Recommendations	Reference	Compliance (Y/N)
Principle 1	**Lay solid foundations for management and oversight**		
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Refer to the following sections: • *Governance Framework* page 26 • *Leighton Holdings Board of Directors, roles and responsibilities* page 27 • *Delegated authority* page 28 • *CEO and management* page 28 • *The Chairman* page 30 • *The CEO* page 30 • *Induction and training* page 32	Y
1.2	Disclose the process for evaluating the performance of senior executives.	Refer to the *Senior Executives* section on page 36	Y
1.3	Companies should provide the following information in the corporate governance statement in the annual report:		
	• an explanation of any departure from Recommendations 1.1, 1.2 or 1.3;		N/A
	• whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed.	Refer to the *Senior Executives* section on page 36	Y
	A statement of matters reserved for the board, or the board charter or the statement of areas of delegated authority to senior executives should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section.	Our Corporate Governance Statement can be found on our website at: www.leighton.com.au/investor-and-media-centre/publications	Y

Principle 2	**Structure the Board to add value**		
2.1	A majority of the board should be independent directors.	Refer to the following sections: • *Independence* page 28 • *Table assessing the independence of each Director* page 29 • *Board composition* page 30	N
2.2	The chair should be an independent director.	Refer to the *table assessing the independence of each Director* on page 29	Y
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Refer to the following sections: • *Table assessing the independence of each Director* page 29 • *The Chairman* page 30 • *The CEO* page 30	Y
2.4	The board should establish a nomination committee.	Refer to the following sections: • *Table assessing the independence of each Director* page 29 • *Table detailing the membership, attendance and number of Committee meetings held during the 2012 Financial Year* page 33 • *Table regarding the role of our Committees* page 34 • *Board Committees* page 32 • *Board selection, appointment and re-election* page 31	Y
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	Refer to the following sections: • *Board meetings* page 30 • *Performance review* page 31 • *Term of office* page 32 • *Induction and training* page 32 • *Access to information and advice* page 32	Y

	ASX Principles and Recommendations	Reference	Compliance (Y/N)
2.6	Companies should provide the following information in the corporate governance statement in the annual report:		
	• the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report;	Refer to pages 18 to 23 of the Concise Annual Report	Y
	• the names of the directors considered by the board to constitute independent directors and the company's materiality thresholds;	Refer to the *Independence* section on page 28	Y
	• the existence of any of the relationships listed in Box 2.1 and an explanation of why the board considers a director to be independent, notwithstanding the existence of those relationships;	Refer to the following sections: • *Independence* page 28 • *Table assessing the independence of each Director* page 29 • *Board composition* page 30	Y
	• a statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company;	Refer to the *Access to information and advice* section on page 32	Y
	• a statement as to the mix of skills and diversity for which the board of directors is looking to achieve in membership of the board;	Refer to the *Board composition* section on page 30	Y
	• the period of office held by each director in office at the date of the annual report;	Refer to the *table assessing the independence of each Director* on page 29	Y
	• the names of members of the nomination committee and their attendance at meetings of the committee;	Refer to the *table detailing the membership, attendance and the number of Committee meetings held during the 2012 Financial Year* on page 33	Y
	• whether a performance evaluation for the board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed;	Refer to the *Performance review* section on page 31	Y
	• an explanation of any departures from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6.	Refer to the *Independence* section on page 28	Y
	The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:		
	• a description of the procedure for the selection and appointment of new directors and the re-election of incumbent directors;	Our procedures are disclosed in this Corporate Governance Statement which can be found on our website at: www.leighton.com.au/investor-and-media-centre/publications	Y
	• the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee;	Our Remuneration and Nominations Committee Charter can be found on our website at: www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach	Y
	• the board's policy for the nomination and appointment of directors.	Although we do not have a specific Board policy for the nomination and appointment of directors, this Corporate Governance Statement sets out the Board's principles in this regard and is available on our website at: www.leighton.com.au/investor-and-media-centre/publications	Part comply

Corporate Governance Statement continued

	ASX Principles and Recommendations	Reference	Compliance (Y/N)
Principle 3	**Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Refer to the following sections: • *Ethics and compliance framework* page 36 • *Ethical and responsible decision-making* page 37 • *Code of Ethics* page 37 • *Code of Business Conduct* page 37 • *Ethics and Compliance Committee* page 37 • *Promotion of ethical and responsible decision-making throughout the Group* page 37	Y
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy.	Refer to the *Diversity* section on page 38	Y
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Refer to the following sections: • *Diversity* page 38 • *Gender targets and progress* page 38	Y
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Refer to the *table showing female participation across the Group* on page 39	Y
3.5	An explanation of any departure from Recommendations 3.1, 3.2, 3.3, 3.4 or 3.5 should be included in the corporate governance statement in the annual report. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: • any applicable code of conduct or a summary; and • the diversity policy or a summary of its main provisions.	Our Code of Business Conduct and Strength through Diversity Policy can be found on our website at: www.leighton.com.au/our-approach/board-and-governance/group-policies	N/A Y Y

Principle 4	**Safeguard integrity in financial reporting**		
4.1	Establish an audit committee.	Refer to the following sections: • *Board Committees* page 32 • *Table detailing the membership, attendance and the number of Committee meetings held during the 2012 Financial Year* page 33 • *Audit Committee* page 39	Y
4.2	Structure the audit committee so that it: • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; and • has at least three members.	Refer to the following sections: • *Table assessing the independence of each Director* page 29 • *Table detailing the membership, attendance and the number of Committee meetings held during the 2012 Financial Year* page 33	Y
4.3	The audit committee should have a formal charter.	Refer to the following sections: • *Committees of the Board* page 28 • *Table regarding the role of our Committees* page 34	Y

	ASX Principles and Recommendations	Reference	Compliance (Y/N)
4.4	Companies should provide the following information in the corporate governance statement in the annual report: • the names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee; • the number of meetings of the audit committee; • explanation of any departures from Recommendations 4.1, 4.2, 4.3 or 4.4.	Refer to pages 18 to 23 of the Concise Annual Report regarding qualifications, and the following section of the Statement: • *Table detailing the membership, attendance and the number of Committee meetings held during the 2012 Financial Year* page 33	Y Y N/A
	The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: • the audit committee charter;	Our Audit Committee Charter can be found on our website at: www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach	Y
	• information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.	Refer to the *External auditor* section on page 39	Y

Principle 5	**Make timely and balanced disclosure**		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Refer to the following sections: • *Governance at Leighton* page 26 • *Market disclosure* page 40	Y
5.2	An explanation of any departures from Recommendations 5.1 or 5.2 should be included in the corporate governance statement in the annual report.		N/A
	The policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements should be made publicly available, ideally by posting them to the company's website in a clearly marked corporate governance section.	Our Market Disclosure and Communications Framework can be found on our website at: www.leighton.com.au/our-approach/board-and-governance/group-policies	Y

Principle 6	**Respect the rights of shareholders**		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Refer to the following sections: • *Shareholder communication* page 40 • *Participation at AGMs* page 40	Y
6.2	An explanation of any departure from Recommendations 6.1 or 6.2 should be included in the corporate governance statement in the annual report.		N/A
	The company should describe how it will communicate with its shareholders publicly, ideally by posting this information on the company's website in a clearly marked corporate governance section.	Our Group Policy for Shareholder Communications can be found on our website at: www.leighton.com.au/our-approach/board-and-governance/group-policies	Y

Corporate Governance Statement continued

	ASX Principles and Recommendations	Reference	Compliance (Y/N)
Principle 7	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Refer to the following sections: • *Operational risk management* page 41 • *Oversight and management of material business risks* page 41	Y
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Refer to the *Risk management and internal control system* section on page 42	Y
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Refer to the *CEO and CFO assurance* section on page 42	Y
7.4	The following material should be included in the corporate governance statement in the annual report:		
	• an explanation of any departures from Recommendations 7.1, 7.2, 7.3 or 7.4;		N/A
	• whether the board has received the report from management under Recommendation 7.2;	Refer to the *Risk management and internal control system* section on page 42	Y
	• whether the board has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 7.3.	Refer to the *CEO and CFO assurance* section on page 42	Y
	The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:		
	• a summary of the company's policies on risk oversight and management of material business risks.	Refer to the *Risk management* section of our website at: www.leighton.com.au/our-approach/risk-management	Y

	ASX Principles and Recommendations	Reference	Compliance (Y/N)
Principle 8	**Remunerate fairly and responsibly**		
8.1	Establish a remuneration committee.	Refer to the following sections: • *Board Committees* page 32 • *Table detailing the membership, attendance and the number of Committee meetings held during the 2012 Financial Year* page 33 • *Table regarding the role of our Committees* page 34 • *Remuneration and Nominations Committee* page 43	Y
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors; • is chaired by an independent chair; and • has at least three members.	Refer to the following sections of the Statement: • *Table assessing the independence of each Director* page 29 • *Table detailing the membership, attendance and the number of Committee meetings held during the 2012 Financial Year* page 33	Y
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Refer to the *Comparison of remuneration structures* section on page 43	Y
8.4	The following material or a clear cross reference to the location of the material should be included in the corporate governance statement in the annual report: • the names of the members of the remuneration committee and their attendance at meetings of the committee; • the existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors;	Refer to the following sections: • *Table detailing the membership, attendance and the number of Committee meetings held during the 2012 Financial Year* page 33 • *Comparison of remuneration structures* page 43	Y
	• an explanation of any departures from Recommendations 8.1, 8.2, 8.3 or 8.4. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:		N/A
	• the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee;	Our Remuneration and Nominations Committee Charter can be found on our website at: www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach	Y
	• a summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.	Our Securities Trading Policy can be found on our website at: www.leighton.com.au/our-approach/board-and-governance/group-policies	Y

Pipeline Replacement Project*, Central India
Leighton Asia, India and Offshore

*Source – Oil and Natural Gas Corporation

Directors' Report

Directors' Report

The Directors of Leighton Holdings Limited present their report for the 12 month financial period ended 31 December 2012 (2012 Financial Year) in respect of the consolidated entity constituted by Leighton Holdings and the entities it controlled during the 2012 Financial Year (referred to in this Directors' Report as the 'Group'). This Directors' Report has been prepared in accordance with the requirements of Division 1 of Part 2M.3 of the *Corporations Act 2001* (Cth) (Corporations Act) and is dated 13 February 2013 (as set out on page 105).

REVIEW OF OPERATIONS

A review of the Group's operations and results for the 2012 Financial Year is contained on pages 6 to 15 of this Concise Annual Report.

SIGNIFICANT CHANGES

Significant changes in the state of affairs of the Group during the 2012 Financial Year were as follows:

- completion of the Brisbane AirportlinkM7 project in August 2012 and the Victorian Desalination Project in December 2012;
- the sale of the Thiess Waste Management business resulting in a pre-tax capital gain on sale of $115.2 million ($80.6 million after tax) and a reduction of work in hand of $929 million;
- an impairment of $63 million ($44.1 million after tax) on the deferred equity commitment in BrisConnections held by Thiess and John Holland;
- an impairment of $20 million ($20 million after tax) on the equity accounted investment in associate Habtoor Leighton Group (HLG), together with a trading loss of $47 million;
- an impairment of $15 million ($15 million after tax) on the equity accounted investment in associate Macmahon Holdings Limited;
- the active marketing of the Leighton Contractors Telecommunications Infrastructure business for sale that is expected to complete within one year, with assets and associated liabilities now classified as held for sale at 31 December 2012;
- the sale of the Eclipse office development in Station Street in Parramatta, Sydney;
- the issue in November 2012 of US$500 million of 10-Year Fixed-Rate Guaranteed Notes;
- the entry into a syndicated Finance Lease Facility of $425 million with a maximum lease term of five years;
- the entry into a syndicated performance bond facility in November 2012 of $1.4 billion for a term of three years, doubling the size of the existing $700 million syndicated performance bond facility; and
- the declaration of a final dividend of 60 cents per share, 50% franked, for the 2012 Financial Year on 13 February 2013, which is payable on 28 March 2013.

Further details regarding these significant changes in the state of affairs and the activities of the Group are provided throughout this Concise Annual Report and the Full Financial Report.

FINANCIAL RESULTS

Total revenue, including revenue from joint ventures and associates of $4.2 billion, for the Group for the 2012 Financial Year was $23.1 billion, compared to $12.2 billion for the 6 month period ended 31 December 2011.

Profit after tax attributable to the members of the parent entity was $450.1 million, compared to $340.0 million for the 6 month period ended 31 December 2011.

Further details regarding the financial results of the Group are set out in the Chairman's review, Chief Executive Officer's review and the Concise Financial Report.

DIVIDENDS

A final dividend of 60 cents per share, 50% franked, was announced on 13 February 2013, and will be paid on 28 March 2013. A 20 cent per share unfranked interim dividend was paid in September 2012, resulting in a total dividend of 80 cents per share for the year.

PRINCIPAL ACTIVITIES

During the 2012 Financial Year there were no significant changes in the nature of the Group's principal activities which were and continue to be building, civil engineering, construction, contract mining, telecommunications, environmental services, property development and project management in Australia and select geographies in Asia, the Middle East and Africa. The Group also performs offshore work in oil and gas.

EVENTS AFTER THE END OF THE 2012 FINANCIAL YEAR

The Directors are not aware of any specific developments, not outlined in this Concise Annual Report, that have arisen since the end of the 2012 Financial Year and that have or may have a significant effect on the Group's state of affairs, its operations or the results of those operations in future financial years.

Note 11 of the Concise Financial Report on page 123 of this Concise Annual Report outlines events which have occurred since the end of the 2012 Financial Year, and states that subsequent to the reporting date the Group:

- declared a 50% franked final dividend of 60.0 cents per share.

FUTURE DEVELOPMENTS

Likely developments in the operations of the Group in future financial years, and their anticipated results, are referred to on pages 6 to 15 of this Concise Annual Report. Further information on likely developments in the operations of the Group, including the expected results of those operations in future financial years, would, in the Directors' opinion, result in unreasonable prejudice to the Group and has therefore not been included in this Directors' Report.

This Concise Annual Report contains the information that shareholders would reasonably require to make an informed assessment of the Group's operations, financial position, business strategies, environmental, social and governance performance, and prospects for future financial years (other than any information relating to the Group's business strategies and prospects for future financial years which, in the Directors' opinion, would also result in unreasonable prejudice to the Group).

SUSTAINABILITY

The integration of environmental, social and governance factors into decision-making creates short and long-term shareholder value. Strong performance in these areas strengthens our social licence to operate, protects our existing primary assets, and creates value through new and emerging opportunities. We engage with internal and external stakeholders to identify the environmental, social and governance issues that may materially affect our performance, our communities and our environment.

During 2012, we undertook the following initiatives to improve the Group's commitment to sustainability:

- strengthened our environmental, social and governance policies, standards and internal reporting;
- commenced embedding the Leighton Group Code of Business Conduct and bribery and corruption awareness, communication and training throughout the Group;
- continued to improve the robustness of data collation and analysis; and
- strengthened external reporting of environmental, social and governance activities.

We continue to focus on the following four areas:

- safe workplace and practices;
- workforce diversity;
- environmental and carbon management; and
- community investment.

Each focus area has clear objectives, governance frameworks, targets (as appropriate), and a monitoring and reporting framework.

SAFE WORKPLACE AND PRACTICES

The Group is committed to eliminating fatalities and permanent disabling injuries (Class 1 injuries), and systematically reducing all other injuries across our operations.

In pursuit of this objective, we have revised our Group Health and Safety Policy and Standards, which outline the Group's commitment to ensuring safe workplaces through:

- committed and active leadership;
- effective and robust health and safety management systems focused on identifying and controlling hazards and risks;
- compliance with all requirements relevant to health and safety including legislative, regulatory and internal requirements;
- continuous training and development of our employees to enable them to perform their work safely and contribute to the continuous improvement of health and safety systems and culture; and
- the provision of clear roles and responsibilities for all employees which include health and safety specific accountabilities.

Directors' Report continued

During 2012, the Group undertook the following initiatives to improve health and safety performance:

- linked executive remuneration to safety performance;
- revised safety key performance indicators (KPIs) to include a broader range of leading indicators that provide a clearer picture of performance and encourage an open culture of reporting;
- improved Board reporting of key Group risks to monitor the effectiveness of strategies in place to manage and reduce these risks;
- commenced the pilot verification process to identify and address any gaps in the implementation of the Group Health and Safety Policy and Standards; and
- increased initiatives to share safety lessons across the Group, with a focus on actual and potential Class 1 incidents.

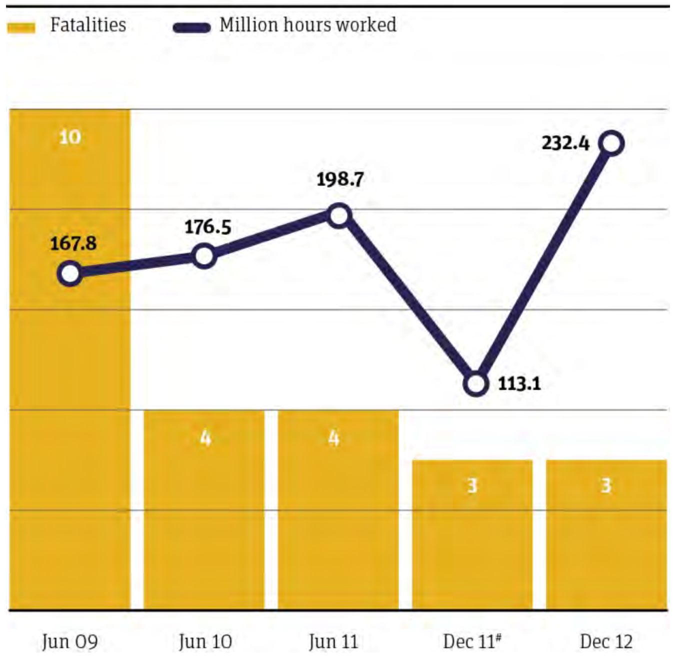
In the 2012 Financial Year, there was:

- one fatality and a total of four Class 1 injuries in our Australian operations; and
- two fatalities and a total of six Class 1 injuries in our international operations.

Operating Company	Project name	Geography	Worker type/ description
Leighton Contractors (LCPL)	Energy 2U Alliance Project	New South Wales, Australia	LCPL sub-contractor – Fall from height
Leighton Asia, India and Offshore (LAIO) joint venture	North Lantau Hospital Project	Hong Kong	LAIO sub-contractor – Electrocution
LAIO	Chenani Nashri Tunnel Project	Northern India	LAIO employee – Electrocution

These three fatalities are deeply regretted by the Group. The Group continues to focus on eliminating Class 1 injuries by implementing improved strategies and where possible applying "hard" engineering controls to prevent recurrences.

Number of fatalities vs. million hours worked



Group fatalities and Class 1 incidents*

	Jun 2009	Jun 2010	Jun 2011	Dec 2011#	Dec 2012
Fatalities					
Australia	4	2	1	2	1
International	6	2	3	1	2
Total	**10**	**4**	**4**	**3**	**3**
Actual Class 1 injuries					
Australia	10	5	2	2	4
International	8	6	7	3	6
Total	**18**	**11**	**9**	**5**	**10**
Million hours worked					
Australia	92.8	103.2	114.4	62.2	116.3
International	75.0	73.3	84.3	50.9	116.1
Total	**167.8**	**176.5**	**198.7**	**113.1**	**232.4**

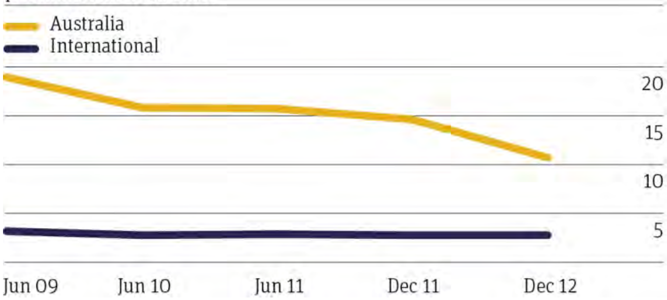
* Australian operations include New Zealand. International operations include Leighton Africa and Leighton Services from 1 January 2012 to 30 June 2012 only, and exclude HLG.

\# The December 2011 Transitional Financial Year was the 6 month period from 1 July 2011 to 31 December 2011, and as such the information presented above is not entirely comparable.

In the 2012 Financial Year, the Group's Total Recordable Injury Frequency Rate (TRIFR), measured per million hours worked, has:

- decreased from 14.6 in 2011 to 10.7 in our Australian operations; and
- remained unchanged since 2011 at 2.8 in our international operations.

Group TRIFR*
per million hours worked

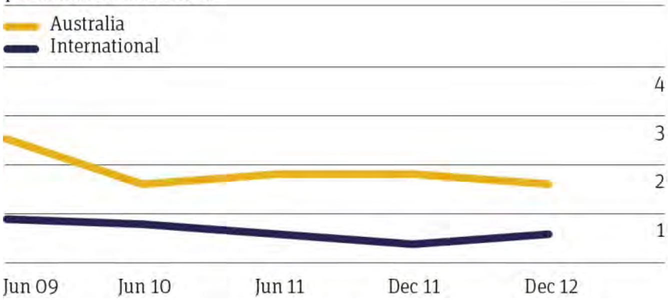


* TRIFR is an indicator of injuries (comprising Class 1 injuries, lost time injuries, medical treatment injuries and alternate work injuries) for each million hours worked. Australian operations include New Zealand. International operations include Leighton Africa and Leighton Services from 1 January 2012 to 30 June 2012 only, and exclude HLG. Rolling 12 month average.

In the 2012 Financial Year, the Group's Lost Time Injury Frequency Rate (LTIFR), measured per million hours worked, has:

- decreased from 1.8 in 2011 to 1.6 in our Australian operations; and
- increased from 0.4 in 2011 to 0.6 in our international operations.

Group LTIFR*
per million hours worked



* LTIFR is an indicator of the number of occurrences of lost time, injury or disease for each million hours worked. Australian operations include New Zealand. International operations include Leighton Africa and Leighton Services from 1 January 2012 to 30 June 2012 only, and exclude HLG. Rolling 12 month average.

In our Australian operations, the number of injuries per million hours worked continue to decrease. In our international operations, the LTIFR increase in 2012 reflects continuous improvements in categorisation and reporting of injuries.

The Group continues to focus on lead indicators. These are currently monitored through:

- potential Class 1 incidents, as set out in the table below; and
- Group key risks, measured by the number of actual and potential Class 1 incidents.

Group potential Class 1 incidents*

	Jun 2009	Jun 2010	Jun 2011	Dec 2011#	Dec 2012
Australia	636	616	451	216	466
International	84	73	108	55	134
Total	**720**	**689**	**559**	**271**	**600**

* Australian operations include New Zealand. International operations include Leighton Africa and Leighton Services from 1 January 2012 to 30 June 2012 only, and exclude HLG.

\# The December 2011 Transitional Financial Year was the 6 month period from 1 July 2011 to 31 December 2011, and as such the information presented above is not entirely comparable.

The Group's top five safety risks in the 2012 Financial Year were:

- working at heights;
- mobile plant interaction;
- working with utilities and services;
- lifting operations; and
- electrical.

In our Australian operations, we continue to focus on the implementation of more effective risk management strategies to address key safety risks and reduce injuries. In our international operations, we are focused on improving risk and safety awareness to encourage increased reporting of potential Class 1 incidents and all other injuries.

In 2013, we intend to undertake the following initiatives to improve Group safety performance:

- introduce safety KPIs directly linked to remuneration for direct reports to Operating Company Managing Directors;
- continue to improve reporting of safety leading indicators;
- continue to improve Board and executive leadership focus on key health and safety risks;
- extend the safety verification program across the Group to identify and address any gaps in the implementation of the Group Health and Safety Policy and Standards; and
- extend initiatives to share safety lessons across the Group beyond Class 1 incidents.

Directors' Report continued

WORKFORCE DIVERSITY

Number of direct employees*

* Australian operations include New Zealand. International operations exclude HLG.

The Group workforce was 56,323 direct employees at 31 December 2012 compared to 53,141 direct employees at 31 December 2011. The Group's workforce now comprises:

- 51% Australian operations, equating to 28,721 direct employees; and
- 49% international operations, equating to 27,602 direct employees.

This growth has been driven by an increase in employees in trade-related jobs in our international operations, and the recruitment of all other non-trade employees group-wide.

We recognise that through identifying, respecting and embracing the diverse thoughts and contributions of our people we will be more innovative, productive and relevant to the clients and communities we serve. In order to achieve this goal, we foster diverse teams that are underpinned by an inclusive culture.

In 2012, we adopted the Leighton Group Strength through Diversity Policy which identifies five key objectives which allow us to embrace the diverse contributions of our people. These are as follows:

- we will identify, foster and leverage diverse thinking in our teams;
- we will create, support and leverage a culture of inclusive practices and behaviours;
- we will have a workforce that reflects the diversity of the clients we serve and the broader communities in which we operate;
- we will make remuneration and promotion decisions that are fair and free from bias; and
- we will measure the value that diversity and inclusion brings to the business.

We are developing a framework to effectively monitor and assess the Strength through Diversity Policy objectives and the Group's progress in achieving them.

In the 2012 Financial Year, we also undertook the following initiatives to improve our commitment to diversity:

- implemented gender pay equity reviews at several Operating Companies; and
- strengthened group-wide sharing by establishing the Group Heads of Diversity Forum at which all Operating Companies are represented.

Gender

In the 2012 Financial Year, we continued our focus on gender diversity. A significant portion of our workforce is in engineering-related jobs. As a result, our initiatives focus on increasing female participation in those areas of the business with traditionally low levels of female representation. We are committed to supporting women in our workforce, equity in promotion and remuneration, and enhancing female retention.

Our progress towards increasing female participation across the Group is outlined in the table below.

	No. of women Dec 2012	%	No. of women Dec 2011[#]	%
Leighton Holdings				
Executive and management[1]	7	25	6	22
Other	63	41	56	41
Total Leighton Holdings	**70**	**39**	**62**	**38**
Australian operations[2]				
Executive and management[1]	25	12	22	11
Other	4,829	17	4,723	17
Total Australian operations	**4,854**	**17**	**4,745**	**16**
International operations[2]				
Executive and management[1]	2	3	2	4
Other	1,917	7	1,769	7
Total international operations	**1,919**	**7**	**1,771**	**7**

\# Classification of executive and management has changed from historical periods and data here has been updated accordingly.

1 Executive and management at Leighton Holdings comprises all Leighton Holdings Group Executives, Executive General Managers, General Managers and their equivalents; and at the Operating Companies comprises Managing Directors and their direct reports, Business Unit Managers, Executive General Managers and Branch General Managers.

2 Australian operations include New Zealand. International operations exclude HLG.

Local employment

We aim to employ an international workforce that reflects the population in which we operate. By doing so, we better understand the needs of our clients, expand our international pools of expertise, and better align our operating strategies with local working cultures. Our people strategy in our international operations is focused on creating opportunities for increasing local participation, and we have continued to invest in employing a local workforce through our international apprenticeship and graduate programs. We currently employ 91.7% of our direct staff from the local countries in which we operate.

Indigenous

Building Indigenous participation by improving employment outcomes for Indigenous people is a continued focus for the Group. We support CareerTrackers, an organisation that facilitates internship opportunities for Indigenous students with leading private sector employers. In those areas of our operations with a high Indigenous population, we continue to invest in employing Indigenous people in our workforce. We currently employ 2.1% of Aboriginal and Torres Strait Islanders in our domestic workforce (equating to 594 people), which is an increase from 1.5% in 2011. Leighton Contractors is a 50% shareholder in Ngarda Civil and Mining Pty Limited, one of Australia's largest Indigenous contracting companies, which now has 150 Indigenous employees.

Our approach to increasing participation is to engage Indigenous communities and partners through cultural awareness and support programs. The Group supports the Jawun program, which provides Group employees with an opportunity to work with Indigenous communities and businesses in order to transfer skills and capabilities. We also seek to increase opportunities for indirect Indigenous participation through our partnership with Supply Nation (formerly known as Australian Indigenous Minority Supply Council). This organisation provides a direct business-to-business purchasing link between companies, government agencies and Indigenous owned businesses. To date, the Group has spent more than $1 million with Supply Nation certified suppliers.

Directors' Report continued

Age

Having the right balance of age groups in our workforce is important. By doing so, we can retain the experience of our older workers, whilst introducing diversity of thought and robust succession planning through younger talent. As at 31 December 2012, employees under the age of 35 years accounted for 43.6% of our workforce (for which age has been recorded), and we currently employ 625 graduates and 508 trainees and apprentices.

Group workforce* by age

<25	4,174	9.5%
25 – 34	15,035	34.1%
35 – 44	12,897	29.3%
45 – 54	8,091	18.3%
55+	3,891	8.8%
Total age recorded	**44,088**	
Age not recorded#	12,235	
Total workforce	**56,323**	

* Australian operations include New Zealand. International operations exclude HLG.
\# This information is not currently collected by some Operating Companies.

In 2013, we intend to undertake the following initiatives to improve our commitment to diversity:

- undertake a group-wide gender pay equity review led by Leighton Holdings;
- strengthen diversity awareness and capability in our leadership team;
- develop a Group Reconciliation Action Plan; and
- strengthen Board reporting to reflect our updated diversity policy objectives and initiatives.

ENVIRONMENTAL AND CARBON MANAGEMENT

We are focused on three priority areas for environmental and carbon management:

- respecting the environment;
- complying with all applicable environmental statutory and contractual requirements; and
- managing a price on carbon.

Respect for the environment

Respect for the environment demonstrates our core values and is expected by our key stakeholders.

The Group is committed to identifying potential risks to the environment from our operations and taking all reasonable steps to prevent or otherwise mitigate and remediate their effects. Accordingly, we have established our key environmental objective to prevent Level 1 environmental incidents while systematically improving the Group's environmental performance and resource efficiency through effective risk and opportunity management.

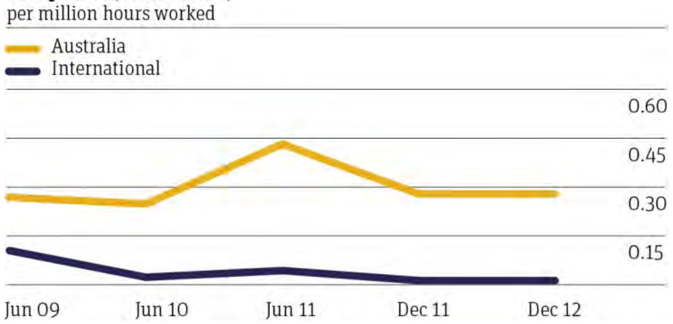
To help us achieve this objective, we have an Environmental Framework which provides the foundation for our approach to environmental management. The Framework sets the minimum expectations of our Operating Companies with a specific focus on critical risks that could result in Level 1 environmental harm.

Over the past 12 months, we continued to closely monitor our KPIs for environmental incidents for Australian and international operations, and undertook initiatives and improvements to enhance our commitment and performance in respecting the environment, with a particular emphasis on resource efficiency.

For the 2012 Financial Year, we are pleased to report no Level 1 environmental incidents and a small decrease in the total number of Level 2 environmental incidents on an annualised basis. As the decrease was only slight, the Environmental Incident Frequency Rate (EIFR), being the frequency of Level 1 and 2 environmental incidents per million hours worked, remained static at 0.28 in our Australian operations and 0.02 in our international operations.

For minor incidents, we continue to observe an increase in the total number of Level 3 environmental incidents reported. However, this can be attributed to an increase in the scale of our projects and an emphasis on reporting minor occurrences, rather than a deterioration in performance, as we continued to focus on encouraging an open reporting culture which we believe is key to continuous improvement.

Group EIFR (Level 1 and 2)*
per million hours worked



Group environmental incidents*

	Jun 2009	Jun 2010	Jun 2011	Dec 2011#	Dec 2012
Australia					
Level 1	1	0	2	0	0
Level 2	24	26	48	17	32
Level 3	901	1,150	1,343	892	1,663
Breaches	7	32	25	28	25
EIFR	0.27	0.25	0.43	0.28	0.28
International					
Level 1	0	0	0	0	0
Level 2	8	2	4	1	2
Level 3	78	66	89	31	206
Breaches	0	0	2	1	1
EIFR	0.11	0.03	0.05	0.02	0.02

* Operating Companies utilise a Group-wide Environmental Incident Classification and Severity Standard which categorises incidents as high (Level 1), medium (Level 2) or low (Level 3). The severity rating is measured according to specified criteria relating to the nature of the incident, breaches or non-compliance with statutory requirements or approval conditions, reputational impact and cost thresholds. Australian operations include New Zealand. International operations exclude HLG.

\# The December 2011 Transitional Financial Year was the 6 month period from 1 July 2011 to 31 December 2011, and as such the information presented above is not entirely comparable.

In relation to resource efficiency, we achieved a key milestone through the implementation of a new Group Environment Reporting Standard which provides an improved reporting framework for greenhouse gas (GHG) emissions, energy, water and waste. This information is essential to better understand and manage our use of, and impact on, natural resources. Going forward, we will continue to focus on improving the quality of reported information to establish a strong baseline, which is critical for the development of KPIs and setting targets for the Group.

Environmental compliance

In Australia, we are subject to reporting requirements under the *National Greenhouse and Energy Reporting Act 2007* (Cth) (NGER Act) and the *Energy Efficiency Opportunities Act 2006* (Cth). Our reporting obligations are undertaken by Leighton Contractors, Thiess and John Holland. Copies of each of their public reports are made available each year on our website and on each of their respective websites.

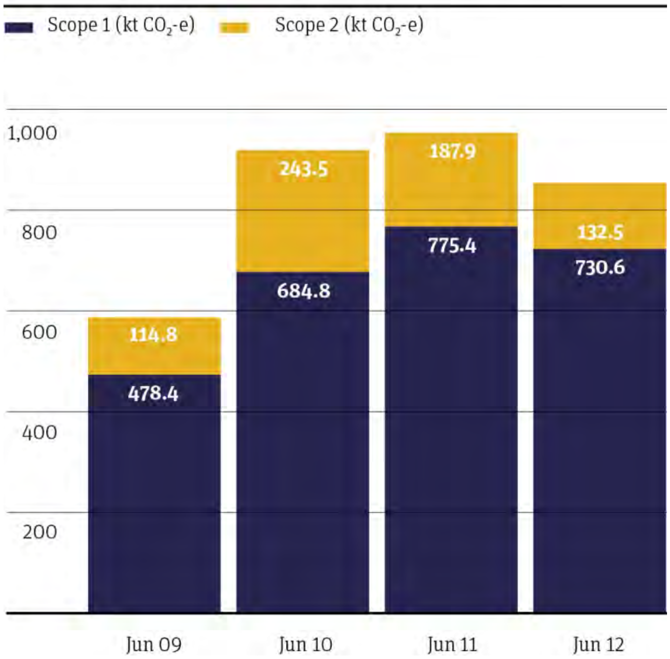
In October 2012, we submitted our fourth NGER report for the 12 month period from 1 July 2011 to 30 June 2012. The report includes Scope 1 and 2 GHG emissions and energy data for Australian facilities for which the Group has operational control, with Net Balance Management Group providing 'limited assurance'[1] of our reported data for the second year in a row. While the Group is a large energy user, much of our energy and GHG emissions data is reported through to our clients who have operational control and report to the government regulator accordingly.

[1] NGER Regulations specify three levels of third party assurance – 'nil' for no assurance, 'limited' which assesses 60% of Group energy and emissions, and 'reasonable' which assesses 80% of Group energy and emissions.

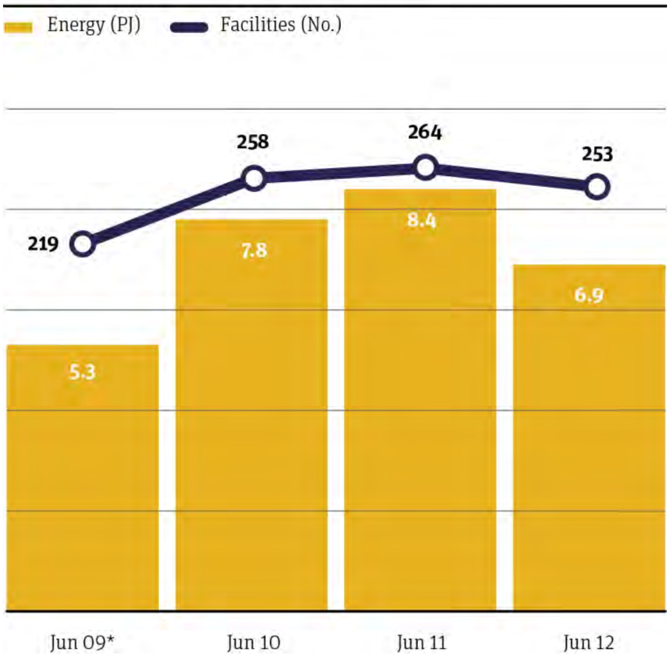
Directors' Report continued

In the 12 months to 30 June 2012, total GHG emissions decreased from 963.3 to 863.1 kilotonnes (kt) of carbon dioxide equivalent (CO_2-e) (a 10.4% decrease), and energy consumed decreased from 8.4 to 6.9 petajoules (PJ), which is a 17.9% decrease compared to the previous 12 month period. This result is a consequence of a reduction in activity where several large projects reached completion and two mining projects transferred operational control to the client.

Total GHG emissions as reported under NGER Act 2007



Energy consumed as reported under NGER Act 2007



* Number of facilities under operational control for June 2009 has been adjusted to account for changes to the Group's entity structure between the June 2009 and June 2010 reports, where we consolidated 21 facilities into four facilities.

For our fifth NGER report for the 12 months to 30 June 2013, we expect total GHG emissions and energy consumption to decrease further due to:

- more projects transferring operational control to our clients;
- completion of major projects such as AirportlinkM7 and the Victorian Desalination Project; and
- the sale of the Thiess Waste Management business.

Managing a carbon price

On 1 July 2012, Australia introduced a price on carbon.[2] While it is unlikely that we will trigger the 25kt CO_2-e threshold for direct permit liabilities, there are certain activities where we may be exposed, including fugitive emissions from coal mining and non-legacy waste emissions from landfill operations. However, for these activities, the permit liability will be either contractually managed through the application of the definition of operational control or, for activities where we have operational control, the utilisation of liability transfer certificates to pass through the liability to our clients. As a result of these actions, the permit liability will be either avoided entirely or the cost reinstated.

The majority of our efforts remain concentrated on understanding and managing the flow-on effects of the carbon price on operational inputs such as fuels,[3] electricity, concrete and steel. As reported in our last Concise Annual Report, in 2009 the Australian Operating Companies reviewed existing contract provisions and provided assurance of their ability to pass through costs arising from a price on carbon. In 2011, we also commissioned external modelling of the price impact on key operational inputs through to 2020 to assist with planning and tendering. During the year we commenced monitoring these impacts and the effectiveness of our controls for cost pass-through, which found the impact minimal compared to other price impacts. In 2013, we will continue to monitor and revise our controls as appropriate.

[2] A key element of the Australian Government's Clean Energy Legislative Package is the Carbon Pricing Mechanism which effectively places a price on the emission of certain GHGs (carbon dioxide, methane, nitrous oxide and perfluorocarbons from aluminium smelting) by covering sectors of Australian industry.
[3] Some fuels are directly impacted through cuts to fuel tax credits.

RESPONSIBLE AND ACCOUNTABLE

The Group recognises that its success over many years has been built on a foundation of values – discipline, integrity, safety and success. We seek to align these values with the needs of our key stakeholders, being our shareholders, clients, suppliers, employees and the communities in which we operate.

Our values are aimed at ensuring that our people are responsible and accountable for their actions. They guide our engagement with the community at many levels and the relationships we have with our stakeholders, which are fundamental to our ongoing success.

Some of these stakeholders, such as current and potential shareholders and employees, interact primarily with Leighton Holdings. However, the broader community and clients primarily interact with our Operating Companies. Dealing with certain issues, such as a major legislative change, therefore requires a level of cooperation and coordination across the Group.

The Group engages with its stakeholders in a number of ways including employee surveys that shape human resources policies and practices, community relations strategies to respond to concerns or create opportunities in projects, and government relations activities that shape policy and legislation. As a publicly listed company, we aim to communicate with our shareholders, regulators, the financial community, the media and other stakeholders in an open and timely manner so that financial markets have sufficient information to make informed investment decisions.

Further information in relation to our Shareholder Communications Policy is set out in the Corporate Governance Statement on page 40 of this Concise Annual Report.

Political donations

The Group does not make direct political donations. We retain the flexibility to attend functions that specifically build relationships and offer opportunities to participate in policy dialogue. Expenditure reflected in the following table includes payment for membership of business forums and attendance at budget speeches, policy announcements and discussion forums.

Political expenditure 12 months to 31 December 2012	$
Coalition (Liberal and National Party)	44,900
Australian Labor Party	39,300
Total	**84,200**

As attendance at these events delivers a commercial benefit, this expenditure does not meet the strict definition of a political donation. However, given the ambiguity of the various definitions in State and Federal legislation and in the interests of transparency, the Group maintains an ongoing relationship with the Australian Electoral Commission.

COMMUNITY INVESTMENT

The Group engages with the community at many levels and has an active sponsorship program. We also encourage our employees in their community endeavours and support their fundraising efforts for causes that are important to them.

We aim to give back to the communities within which we operate, and to achieve positive long-term effects that continue after our infrastructure, resource or property projects are finished. We contribute money, time, products, services, leadership and other resources to the communities in which we operate.

One example of this is Care, Thiess' social responsibility program. Care provides a framework for company-wide community investment and opportunities for team and individual participation. During the year, seven charities in the Hunter Valley region of New South Wales benefited from funding as a result of this program. Thiess also supported initiatives as diverse as a life education program, a camp for children with cancer, a program to support disadvantaged teenage boys and medical equipment for cancer patients.

Directors' Report continued

John Holland's approach is that every workplace is encouraged to participate in initiatives that support local communities and deliver lasting benefits. John Holland invests in the community through partnerships at the whole-of-business and business stream, business unit and project level. These initiatives are undertaken in the spirit of community development and are measured by the long-term partnerships and value created by employees for the communities in which we operate.

Within this framework, there is opportunity for employees to actively participate in fundraising efforts for causes important to themselves and their colleagues. Throughout the year, John Holland and its employees provided funding and in-kind support to organisations including Ronald McDonald House, the Daniel Morcombe Foundation, Starlight Children's Foundation, Camp Quality, Legacy and initiatives supporting children's health, breast cancer, cystic fibrosis and multiple sclerosis.

Leighton Contractors has a community investment program that provides a strategic framework to guide its company-wide commitments and seeks to ensure that its support creates sustainable outcomes for communities in which it operates. Leighton Contractors' community partnerships focus on the areas of environment, Indigenous, and disadvantaged youth, with support provided through a combination of donations, community sponsorships, volunteering and fundraising. Organisations currently supported include the Beacon Foundation, the Clontarf Foundation, the Australian Indigenous Education Foundation, the Earthwatch Institute, the Touched By Olivia Foundation and the Foundation for Youth Development in New Zealand.

Internationally, Leighton Asia, India and Offshore (LAIO) provides meaningful support and assistance through a number of community initiatives designed to improve the lives of the disadvantaged. Examples include the Leighton Gives Back charity program that benefits the elderly, disabled and underprivileged children in Indonesia, and the annual Tour de Sabah cycling event in Malaysia that raises funds for local charities. In India, Leighton Welspun organises free eye camps offering medical treatment to those living in remote areas, as well as a Women's Empowerment Vocational Training Centre to equip women from the local community with the skills needed to better their lives.

In addition, we direct strategic corporate community investments to proposals that build the Group's future skills base, protect the environment and promote excellence through arts and culture.

In the 2012 Financial Year, the Group contributed $6.42 million to the community through a combination of major partnerships with community organisations, sponsorships, charitable donations and workplace giving.

Major partnerships focused on six priority areas during the year: Indigenous, education, youth, health, the environment, and arts and culture.

Major community partnerships by focus area	$	
Indigenous	735,400	26.1%
Education	518,059	18.4%
Youth	466,815	16.5%
Health	391,000	13.8%
Environment	366,000	13.0%
Arts and culture	343,600	12.2%

Indigenous

Leighton Holdings continues to support Indigenous Australian Engineering Summer Schools held in Sydney and Perth by Engineering Aid Australia. Since its creation in 1996, Engineering Aid Australia has teamed with universities to bring Indigenous high school students to summer schools as an introduction to the engineering profession. These schools enable Indigenous students across Australia to spend a week living on a university campus while attending lectures and site visits. The program aims to inspire students to consider engineering as a career.

Leighton Contractors supports a number of Indigenous organisations including The Clontarf Foundation, the Australian Indigenous Education Foundation, Garnduwa Amboorny Wirnan, Kimberley Girls and the David Wirrpanda Foundation. Leighton Contractors has also developed, in partnership with Curtin University in Western Australia, the Leighton Contractors' John Jones Indigenous Scholarship in honour of the late John Jones, who was a senior manager within Leighton Contractors and the HWE Mining business (formerly a wholly owned subsidiary), and worked for the Group for 30 years. The scholarship promotes John's vision to provide opportunities for Indigenous people, particularly younger generations, by offering students financial assistance with their studies, paid work experience as part of Leighton Contractors' cadetship program, and access to mentoring and leadership development.

Since its inception in 2010, Thiess' award-winning Pre-Employment Program for Indigenous Australians has seen 48 participants successfully graduate from the 20 week course. Graduates are offered full-time employment with Thiess or program partner Hastings Deering. The program has maintained a 96% graduation rate to date.

Thiess has also developed a Reconciliation Action Plan to build on the practical actions already undertaken to support Aboriginal communities. A working group is also consulting across the Thiess business to foster employment for Indigenous Australians, promote Indigenous businesses and support Indigenous enterprises.

John Holland partners with Jawun to share skills and knowledge through corporate secondees with developing Indigenous businesses in Redfern, New South Wales and Shepparton, Victoria.

Education

The Group has a long-term strategy to provide access to training and education to promote employment in construction, mining, and operations and maintenance. This strategy aims to reduce the impact of any potential skills shortages across the Group, particularly given the challenges of Australia's changing demographics. Our education strategy supports students at all levels in the development of technical skills.

Leighton Holdings has a long-term partnership with the University of New South Wales through which we supported 12 engineering scholarships during the year.

Our support of Primary Science Matters and its 'Science in a Box' program provided science resources and teacher training to schools in the Northern Territory and regional New South Wales. In 2012, we helped expand the program's presence in the Darwin area and the Tiwi Islands.

Our Operating Companies provide a number of scholarships for students to study at leading universities including Monash, Queensland, New South Wales, Newcastle and Griffith.

Through its Care program, Thiess also supports The Engineering Link Group which delivers maths and science courses to high school students to encourage them to pursue careers in engineering.

Similarly, John Holland has partnered with Engineers Without Borders to provide its graduates with opportunities to participate in leadership and other training programs.

As a standalone Thiess initiative, the inaugural Spaghetti Bridge competition, which is aimed at testing engineering problem-solving skills, was undertaken in conjunction with Thiess' Ekka 2012 display in Queensland. This engaged 37 teams from 20 schools from the Greater Brisbane region.

We also remain a sponsor and long-term supporter of Robogals, which is an international student-run organisation dedicated to promoting engineering to women, and was founded by Marita Cheng, the 2012 Young Australian of the Year.

Youth

The Leighton Group remains a proud supporter of initiatives for young people.

For four years, Leighton Contractors has supported the Beacon Foundation, a national organisation working in more than 120 secondary schools to help young people from disadvantaged backgrounds.

Leighton Contractors' Youth Drive Safe Initiative is a road safety education and training program for school-based learner drivers. The initiative is aimed at equipping young learner drivers with essential knowledge, practical skills and on-road experience before gaining their provisional licence. Since its launch in 2008, the program has offered more than 11,000 hours of professional driving instruction to more than 2,200 students, and nearly 13,000 students have attended the initiative's road safety education presentations across Queensland.

Thiess' school-aged traineeship programs aim to give back to industry as well as local communities. For example, the TrackStar Alliance in Queensland is supporting five trainees through the year-long Constructive Kids course in attaining a Certificate II in Civil Construction. The program exposes them to construction work and, ideally, sets them on the path to a career in the industry.

In Mongolia, LAIO is a keen supporter of the Lotus Children's Centre, which cares for vulnerable and homeless children. Technical expertise and project management services were provided for the construction of a new complex to accommodate school, dormitory and office buildings, together with donations from employees and fundraising events.

Directors' Report continued

Health
Leighton Holdings is committed to developing and maintaining a safety-conscious culture throughout the Group. We believe in creating a safe, challenging and fun workplace, while striving to ensure that our employees return home each day in the same health and condition as when they arrived.

Leighton Holdings and our Operating Companies continue to support the Royal Flying Doctor Service.

Leighton Contractors has provided support for the Kimberley Remote Response Ready Helicopter, which provides emergency response and health care services. Leighton Contractors' Ord Irrigation Expansion Project also provided equipment to improve the helicopter's rescue capability.

In India, a partnership between Thiess India and local aid organisation Nav Bharat Jagriti Kendra has provided vital cataract surgery to restore the eyesight of 69 people through its community health program. In total, more than 9,000 patients have visited the health centre so far – a key feature of the community services offered in the region since the program was established in 2011.

In Mongolia, staff at LAIO's Khushuut coal mine have supported the health of elderly residents of Mongolia's sole state-funded nursing home. Fundraising by the project's staff was enthusiastically supported by the Mongolian operations and has been used to provide care for many disadvantaged people.

Environment
The Group is committed to operating in a sustainable manner, aiming to maintain high standards for environmental management and to cause the least possible disruption to a project's surroundings. Our approach is also to commit a significant portion of our Corporate Community Investment budget to community organisations that aim to protect the environment.

Leighton has maintained a partnership with Landcare Australia for more than 15 years. We are proud to remain a major sponsor of the National Landcare Awards, sponsoring the Leighton Indigenous Landcare Award which will be awarded in 2013.

Leighton Contractors supports the environment through a partnership with Earthwatch, a scientist-led organisation committed to managing the environmental impacts of human activities and conducting environmental research.

Thiess' three-year partnership agreement with the International River Foundation will leverage its expertise in the restoration and protection of river catchments to improve sustainability outcomes at Thiess projects. Thiess has been a sponsor of the International Riverprize since 1999. This award is presented annually by the International River Foundation and recognised as one of the most prestigious environmental prizes in the world.

Thiess is also a Platinum Business Supporter of the Clean Up Australia Day campaign.

In addition, a free school nursery program, sponsored by Thiess Services as part of its 25th anniversary celebration, has given more than 1,000 students new skills to support a healthier environment. Students have potted more than 2,100 plants which are now growing in Greening Australia's community nurseries. These plants will be used in major restoration projects such as the Great Eastern Ranges Initiative, one of Australia's largest conservation efforts.

Arts and culture
We are proud of our 10-year partnership with the Sydney Symphony Orchestra. In addition to being the Presenting Partner of the Sydney Sinfonia mentoring orchestra, we have been the Presenting Partner of the Sinfonietta since July 2011. This is a national composition project that gives talented high school music students the opportunity to have their original compositions performed by the Sydney Sinfonia.

Leighton Holdings is also a proud supporter of talented music students from across Australia through our continuing sponsorship of the Australian National Academy of Music.

John Holland is the Major Sponsor and Community Partner of Victorian Opera, a partnership that has promoted emerging artists and access to opera in communities right across Victoria.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors in office at the date of this Directors' Report are listed below together with details of their relevant interest (and related party interests) in the securities of Leighton Holdings at that date.

	Relevant interest in ordinary shares held	Related party interests in ordinary shares	Total interest in ordinary shares held	No. of options held	No. of share rights held
Stephen P Johns	14,112	5,954	**20,066**	-	-
Hamish G Tyrwhitt	1,110	1,000	**2,110**	80,000[1]	104,499[2]
Peter A Gregg	3,652	-	**3,652**	-	114,663[3]
Paula J Dwyer	5,000	-	**5,000**	-	-
Marcelino Fernández Verdes	2,745	-	**2,745**	-	-
Robert D Humphris OAM	30,000	-	**30,000**	-	-
Ian J Macfarlane AC	6,795	-	**6,795**	-	-
Wayne G Osborn	7,673	-	**7,673**	-	-
David P Robinson[4]	1,489	-	**1,489**	-	-
Peter W Sassenfeld	1,858	-	**1,858**	-	-

1 Further details about the options held by Mr Tyrwhitt are set out in the Remuneration Report on page 104 of this Concise Annual Report.
2 Further details about the share rights held by Mr Tyrwhitt are set out in the Remuneration Report on page 89 of this Concise Annual Report.
3 Further details about the share rights held by Mr Gregg are set out in the Remuneration Report on pages 89 and 104 of this Concise Annual Report.
4 Robert L Seidler AM is the Alternate Director for Mr Robinson, and holds 100 ordinary shares, 0 options and 0 share rights.

BOARD AND COMMITTEES

Details of the membership of the Board and its Committees, as well as relevant officers of the company, are shown on pages 18 to 24 of this Concise Annual Report. Details of the qualifications, experience and special responsibilities of each Director, including the period for which they have held office and their directorships of other listed companies, are also disclosed on pages 18 to 23 of this Concise Annual Report.

In addition, details of all Directors who retired during or since the 2012 Financial Year are set out on pages 22 to 23 of this Concise Annual Report.

COMPANY SECRETARIES

Details of the qualifications and experience of the Company Secretaries are set out on page 21 of this Concise Annual Report.

DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

Details of our remuneration policy and remuneration paid in respect of the Group's Key Management Personnel are detailed in the Remuneration Report on pages 71 to 105 of this Concise Annual Report.

CEO/CFO DECLARATION

The Chief Executive Officer and Chief Financial Officer have given a declaration to the Board concerning the Group's financial statements in accordance with section 295A of the Corporations Act and Recommendation 7.3 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations.*

Directors' Report continued

BOARD MEETINGS

The number of Board and Committee meetings held, and the number of meetings attended by each Director, during the 2012 Financial Year are set out in the table below.

	Membership	Number of meetings attended	Number of meetings held*
Board	Stephen P Johns (Chairman)	13	13
	Hamish G Tyrwhitt (CEO)	13	13
	Peter A Gregg (CFO)	13	13
	Paula J Dwyer	11	13
	Marcelino Fernández Verdes	3	3
	Robert D Humphris OAM	12	13
	Ian J Macfarlane AC	12	13
	Wayne G Osborn	11	13
	David P Robinson	13	13
	Peter W Sassenfeld[1]	13	13
	Retired Directors:		
	Achim Drescher	3	4
	Dr Frank Stieler[2]	12	12
	Manfred H Wennemer[3]	10	10
Special Board Committees[4]	Paula J Dwyer	6	6
	Peter A Gregg	1	1
	Stephen P Johns	6	6
	David P Robinson	5	5
Audit Committee	Paula J Dwyer (Chairman)	9	9
	Stephen P Johns	9	9
	David P Robinson	9	9
	Standing invitees:		
	Hamish G Tyrwhitt	8	9
	Peter A Gregg	9	9
Ethics and Compliance Committee	Wayne G Osborn (Chairman)	5	5
	Hamish G Tyrwhitt	5	5
	Robert D Humphris OAM	5	5
	Robert L Seidler AM[5]	4	5
	Standing invitees:		
	Stephen P Johns	5	5

	Membership	Number of meetings attended	Number of meetings held*
Remuneration and Nominations Committee	Stephen P Johns (Chairman)	8	8
	Paula J Dwyer	4	4
	Marcelino Fernández Verdes	1	1
	Wayne G Osborn	8	8
	Robert L Seidler AM[5]	8	8
	Standing invitees:		
	Hamish G Tyrwhitt	8	8
	Retired members:		
	Achim Drescher	4	4
	Dr Frank Stieler	7	7
Tender Review and Risk Committee	Robert D Humphris OAM (Chairman)	11	11
	Ian J Macfarlane AC	9	11
	Wayne G Osborn	8	11
	Robert L Seidler AM[5]	10	11
	Standing invitees:		
	Stephen P Johns	4	11
	Hamish G Tyrwhitt	11	11
	Peter A Gregg	7	11
Special Tender Review and Risk Committee No. 1[6]	Robert D Humphris OAM (Chairman)	5	5
	Hamish G Tyrwhitt	5	5
	Ian J Macfarlane AC	4	5
	Robert L Seidler AM[5]	4	5
	Standing invitees:		
	Stephen P Johns	3	5
Special Tender Review and Risk Committee No. 2[6]	Wayne G Osborn (Chairman)	2	2
	Peter A Gregg	2	2

* Reflects the number of meetings held during the time the Director held office during the 2012 Financial Year.

1 Seven Board meetings were attended in person and six by his alternate.
2 Ten Board meetings were attended in person and two by his alternate.
3 Five Board meetings were attended in person and five by his alternates.
4 Represents sub-committees of the Board.
5 Mr Seidler was the Alternate Director for Dr Stieler from 16 May 2011 to 20 November 2012, and for Mr Wennemer from 10 November 2011 to 10 October 2012. He was appointed as the Alternate Director for Mr Robinson on 20 November 2012.
6 Represents sub-committees of the Tender Review and Risk Committee.

Directors' Report continued

LEIGHTON SENIOR EXECUTIVE OPTION PLAN (LSEOP)

The LSEOP was approved by shareholders at the Annual General Meeting (AGM) held in 2006. Options over shares in the company were first granted under the LSEOP in 2006 and subsequently in 2008 (2008 Options) and 2009 (2009 Options). Each option entitles the holder to one fully paid ordinary share upon exercise (subject to satisfaction of exercise conditions). The total number of options over unissued ordinary shares in the company outstanding under the LSEOP at the date of this Directors' Report is detailed in the table below.

	2008 Options	2009 Options
No. of executives participating	157	323
Date of grant	25 Jan 2008	4 May 2009
Exercise price	$44.91[1]	$18.87[1]
Expiry date	25 Jan 2013	4 May 2014
	No. of options	**No. of options**
Original grant	1,461,000	4,833,500
On issue 13 Feb 2012[2]	666,351	4,031,000
Exercised since 13 Feb 2012	-	-
Vested since 13 Feb 2012	-	1,961,750
Lapsed since 13 Feb 2012	666,351	77,500
On issue 13 Feb 2013	**-**	**3,953,500**

1 The LSEOP Rules approved by shareholders on 9 November 2006 require that, in the event of a pro-rata issue of shares, the exercise price of options on issue be reduced in accordance with the ASX Listing Rules. With effect from 1 July 2011, the amended exercise price for the 2008 and 2009 Options granted under the LSEOP is as follows:

Grant Date	Original Exercise Price	Adjusted Exercise Price due to 1:14 Entitlement Offer 18 Aug 2008	Adjusted Exercise Price due to 1:9 Entitlement Offer 11 Apr 2011
25 Jan 2008	$46.06	$45.53	$44.91
4 May 2009	$19.49	n/a	$18.87

2 Date of the Directors' Report contained in the December 2011 Concise Annual Report for the 6 month financial period ended 31 December 2011.

Further details regarding participation in the LSEOP (and other employee share schemes) can be found in the *Shareholdings* section on page 129 of this Concise Annual Report and note 36: *Employee Benefits* of the 2012 Full Financial Report.

Details of the exercise conditions of options under the LSEOP are contained in the Remuneration Report on pages 101 to 102 of this Concise Annual Report.

The names of the persons who currently hold options under the LSEOP are entered in the register of options kept by the company pursuant to section 170 of the Corporations Act.

These options do not entitle the holder to participate in any share issue prior to exercise.

There are no unissued shares in the company under option as at the date of this Directors' Report, other than those issued under the LSEOP referred to in the table on this page.

No options have been issued since the end of the 2012 Financial Year over unissued shares in the company.

AUDIT

The declaration by the Group's external auditor to the Directors in relation to the auditor's compliance with the independence requirements of the Corporations Act and any applicable code of professional conduct for external auditors is set out on page 70 of this Concise Annual Report.

No person who was an officer of the company during the 2012 Financial Year was a director or partner of the Group's external auditor at a time when the Group's external auditor conducted an audit of the Group.

INDEMNITY FOR GROUP OFFICERS AND AUDITORS

Constitution

Our Constitution includes indemnities in favour of persons who are, or have been, an Officer or auditor of the company.

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

To the extent permitted by law, we indemnify every person who is or has been:

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

The current Directors and Company Secretaries of the company are set out on pages 18 to 21 of this Concise Annual Report, our Group executives are set out on page 24 of this Concise Annual Report, and our current auditors are Deloitte Touche Tohmatsu (Deloitte).

Directors' Deeds

Consistent with the shareholder approval obtained at the 1999 AGM, we have entered into a Deed of Indemnity, Insurance and Access (Directors' Deed) with current and former Directors. These Directors' Deeds formalise the arrangements between us and the Directors as to indemnities, insurance and access to Board records. Under each Directors' Deed, we indemnify the Director to the extent permitted by law against any liability (including liability for legal defence costs) incurred by the Director as an Officer or former Officer of the company or any Operating Company, or while acting at the request of the company or any Operating Company as an Officer of a non-controlled entity.

Deeds of Indemnity for certain Officers

We have entered into Deeds of Indemnity with particular Officers or former Officers of the company or an Operating Company. These Deeds give similar indemnities in favour of those Officers or former Officers in respect of liabilities incurred by the Officers while acting as an Officer of the company or any Operating Company, or while acting at the request of the company or any Operating Company as an Officer of a non-controlled entity.

The Officers who have the benefit of such a Deed of Indemnity are, or were at the time, a Secretary of the company, Directors of an Operating Company, or a General Manager or Senior Manager within the Group.

The Board has recently resolved to extend the Deeds of Indemnity to any person that is or becomes:

- a Director, Secretary, General Counsel or an executive (in a role that has been approved by the CEO, CFO or Secretary) of the company, an Operating Company or a subsidiary of an Operating Company;
- a Director, Secretary or an executive (in a role that has been approved by the CEO, CFO or Secretary) of a non-controlled entity at the request of the company or Operating Company; or
- a member of an Advisory Board of an Operating Company.

No claims under the Constitution, Directors' Deeds or Deeds of Indemnity have been made against the company during or since the end of the 2012 Financial Year.

INSURANCE FOR GROUP OFFICERS

During and since the end of the 2012 Financial Year, we have paid or agreed to pay premiums in respect of contracts insuring persons who are or have been a Group Officer against certain liabilities (including legal costs) incurred in that capacity. 'Group Officer' for this purpose means any Director or Secretary of Leighton Holdings or any subsidiary and includes any other person who is concerned, or takes part, in the management of the company or any of its subsidiaries.

Under the Directors' Deeds or Deeds of Indemnity described above, we have undertaken to the relevant Officer or former Officer that we will insure the Officer against certain liabilities incurred in their capacity as an Officer of the company or any subsidiary or as an Officer of a non-controlled entity where the office is or was held at the request of the company or any subsidiary.

The insurance contracts entered into by us prohibit disclosure of the specific nature of the liabilities covered by the insurance contracts and the amount of the premiums.

Directors' Report continued

NON-AUDIT SERVICES

Details of the amounts paid or payable to our external auditor, Deloitte, for non-audit services provided during the year to entities within the Group are set out below.

The Board has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of non-audit services during the 2012 Financial Year is compatible with the general standard of independence for auditors imposed by the Corporations Act. The Board is satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

- all non-audit services have been reviewed by the Audit Committee and the Committee believes that they do not impact the impartiality and objectivity of the auditor because of the nature of the services provided during the period and the quantum of the fees which relate to non-audit advisory services compared to the overall fees;
- the Directors believe that none of the services undermine the general principles relating to auditor independence, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards; and
- these assignments were carried out in accordance with the Charter of External Auditor Independence.

The non-audit services supplied to entities within the Group by the Group's external auditor, Deloitte, and the amount paid or payable by type of non-audit service during the 2012 Financial Year are as follows:

Non-audit services	Amount paid / payable $'000
Other assurance services[1]	306
Taxation and other services[2]	1,269
Total	**1,575**

1 These services were provided after 22 May 2012, being the date of appointment as auditor of the company.
2 Deloitte was engaged to provide taxation and other services prior to the date of appointment as auditor of the company.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Leighton Holdings Limited.

As lead audit partner for the audit of the financial report of Leighton Holdings Limited for the financial year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G. Couttas

G Couttas
Partner
Chartered Accountants

Sydney, 13 February 2013

ROUNDING OFF OF AMOUNTS

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

Sludge Treatment Facility, Hong Kong
John Holland and Leighton Asia

Remuneration Report

Directors' Report continued
Remuneration Report (Audited)

MESSAGE FROM THE BOARD

A comprehensive review of the Group's approach to executive remuneration was commenced in late 2011. The outcome of this review and the changes in the way we intended to structure executive remuneration were detailed in last year's Remuneration Report.

Remuneration framework

We are pleased to report that the revised remuneration framework was successfully implemented during 2012. Our executive remuneration is designed to:

- provide a balance between:
  - fixed and performance-based remuneration;
  - remuneration paid in cash and through the issue of equity; and
  - short and long term performance horizons;
- ensure that executives are rewarded on the basis of performance measures which support the Group's business plans and are consistent with our values of discipline, integrity, safety and success;
- align the interests of executives and shareholders by focusing on those characteristics which underpin growth in shareholder value; and
- attract and retain key talent.

Our remuneration framework comprises three basic elements:

- total fixed remuneration;
- a short-term incentive (STI) plan with a deferred component which is subject to clawback in circumstances determined by the Board; and
- a long-term incentive (LTI) plan based on earnings per share growth and total shareholder return.

Key Management Personnel

A major change in 2012 saw Leighton Holdings shifting from being a relatively passive holding company to a strategic management company. This important change is reflected in the introduction of three new Leighton Holdings senior executives from outside the Group to complement the capabilities of long standing senior executives. In addition to the Non-executive Directors, the Key Management Personnel are the senior executive team currently comprising:

- Hamish Tyrwhitt, Chief Executive Officer;
- Peter Gregg, Chief Financial Officer;
- the Managing Directors of the Group's Operating Companies; and
- the three new Leighton Holdings senior executives – Dharma Chandran (Chief Human Resources Officer), Mike Rollo (Chief Risk Officer) and Richard Willcock (Group Company Secretary and General Counsel).

During 2012, a significant volume of work was undertaken to transition these senior executives and their direct reports to the new remuneration framework with standardised Executive Service Agreements. All of the continuing senior executives and the majority of their direct reports have accepted and entered into these new agreements. As a result, substantial progress has been made in strengthening our performance-based culture and introducing a high degree of consistency across the Group in the way our executives are rewarded.

Mr Laurie Voyer, a long standing executive of the Group and most recently on secondment to Habtoor Leighton Group as its Managing Director, completed his employment contract in December 2012. In view of his impending departure, he did not enter into a new Executive Service Agreement. The payments made to Mr Voyer during 2012 reflect his past remuneration arrangements.

Mr José López-Monís was appointed as the new Managing Director of Habtoor Leighton Group. Unlike Mr Voyer, Mr López-Monís is an employee of Habtoor Leighton Group and therefore is not a member of our Key Management Personnel or subject to the Leighton Group remuneration framework.

2012 Financial Year

As a result of the circumstances of the Group at the time, the STIs for 2012 placed the major emphasis on financial Key Performance Indicators (KPIs) for the senior executives. For Leighton Holdings executives, the focus was on underlying net profit after tax[1](UNPAT) for the Group. The financial KPIs for the Operating Company Managing Directors comprised the Group UNPAT supplemented by specific Operating Company KPIs, namely profit before tax, operating cashflow and adherence to capital expenditure limits. The non-financial portion of the scorecards of the senior executives focused on personal objectives that related predominantly to strategic initiatives, safety and Leighton values.

[1] UNPAT is net profit after tax adjusted for gains/losses on sale and impairments on investments.

This Remuneration Report details how the senior executives performed against these scorecards and how these translated into STI outcomes for each individual. It is also important to note that a substantial portion of the 2012 STIs – 50% for the Chief Executive Officer and Chief Financial Officer, and 40% for the other senior executives – is deferred for two years in the form of equity and is potentially subject to clawback.

The market guidance provided for 2012 was an UNPAT of $600 million to $650 million. This was reduced to $400 million to $450 million following the profit downgrades in March 2012. In light of this, the STIs paid to senior executives for 2012 were well below target (ranging between 26% and 64% of their target opportunity). In the case of the Chief Executive Officer we applied a clawback to his 2011 STI. The Board believes the STIs for 2012 are appropriate considering the financial performance achieved from March 2012 through to year-end and the contributions made by the leaders of our business in stabilising the Group, and setting us up for future success.

The LTI grants have two performance measures, namely relative total shareholder return and earnings per share growth targets. These grants will be tested in accordance with the plan rules at the end of the three-year period ending on 31 December 2014.

We made significant progress in 2012 with the implementation of the new remuneration framework but the Board recognises that refinements may be needed in the coming years to ensure it continues to support the Group's strategy and align the interests of executives with those of shareholders.

During the year the Board implemented a minimum shareholding guideline for Independent Non-executive Directors. This new guideline came into effect on 1 January 2013 and encourages Independent Non-executive Directors to accumulate a minimum shareholding in Leighton Holdings shares equivalent in value to one year's base fee after allowing for tax.

Looking forward to 2013

The remuneration framework requires carefully chosen performance measures and targets to be set each year for the STI and LTI plans.

In 2013, additional financial KPIs will be introduced, namely economic profit, which emphasises the cash component of profit and takes into account the capital requirements of the various business activities, and our gearing falling within a targeted range. This aligns the remuneration of the senior executives with our focus on optimising the allocation of capital, managing operating cashflow and reducing net debt on our balance sheet.

The 2013 LTI grants will continue to use relative total shareholder return and earnings per share growth as the two performance measures. The earnings per share targets for the 2013 grant have been set in consideration of our 2012 financial results, our business plan targets and ASX 50 market practice. The compound growth targets of 10% per annum for threshold vesting to 14% per annum for full vesting use our 2012 financial result as the base year for the performance test, and are higher than the 2012 LTI grant targets and general market practice.

We invite you to read this Remuneration Report and welcome any questions you may have at our Annual General Meeting in May 2013.

Leighton Holdings Limited

13 February 2013

Directors' Report continued
Remuneration Report continued

TABLE OF CONTENTS

1. INTRODUCTION

This section describes the scope of this Remuneration Report and the individuals whose remuneration details are disclosed.

1.1 SCOPE

This Remuneration Report sets out, in accordance with the relevant *Corporations Act 2001* (Cth) (Corporations Act) and accounting standard requirements, the remuneration arrangements in place for the Key Management Personnel of the Group during the financial year ended 31 December 2012 (2012 Financial Year).

As a result of the transition last year to the new financial year-end of 31 December, the comparative information presented in this Remuneration Report relates to the prior 6 month financial period ended 31 December 2011 (December 2011 Transitional Financial Year) and is not directly comparable.

The information provided in this Remuneration Report has been audited, with the exception of the table on page 91 setting out the total remuneration realised in the 2012 Financial Year.

1.2 KEY MANAGEMENT PERSONNEL FOR THE 2012 FINANCIAL YEAR

For the purposes of this Remuneration Report, the Key Management Personnel are referred to as either senior executives or Non-executive Directors. In addition to the Key Management Personnel, disclosure is provided in relation to Alternate Directors as applicable.

The senior executives and the Non-executive Directors as at year-end are set out in the table opposite.

Key Management Personnel (as at year-end)

Name	Title (at year-end)	Change during the 2012 Financial Year
Non-executive Directors		
Stephen P Johns	Chairman and Independent Non-executive Director	
Paula J Dwyer	Independent Non-executive Director	Appointed 1 January 2012
Robert D Humphris OAM	Independent Non-executive Director	
Ian J Macfarlane AC	Independent Non-executive Director	
Wayne G Osborn	Independent Non-executive Director	
Marcelino Fernández Verdes	Non-executive Director	Appointed 10 October 2012
David P Robinson	Non-executive Director	
Peter W Sassenfeld	Non-executive Director	
Senior executives		
Executive Directors		
Hamish G Tyrwhitt	Chief Executive Officer (CEO)	
Peter A Gregg	Chief Financial Officer (CFO)	
Leighton Holdings executives		
Dharma Chandran	Chief Human Resources Officer (CHRO)	Appointed 1 January 2012
Michael J Rollo	Chief Risk Officer (CRO)	Appointed 1 March 2012
Richard Willcock	Group Company Secretary and General Counsel	Appointed 12 June 2012
Operating Company Managing Directors		
Ian L Edwards	Managing Director, Leighton Asia, India and Offshore (LAIO)	Appointed 1 April 2012
Mark C Gray	Managing Director, Leighton Properties	
Craig A Laslett	Managing Director, Leighton Contractors	
Bruce A Munro	Managing Director, Thiess	
Glenn M Palin	Managing Director, John Holland	
Laurie W Voyer	Managing Director and CEO, Habtoor Leighton Group (on secondment from Leighton)	Previously Managing Director of Leighton Middle East and Africa until 1 July 2012 Ceased to be the Managing Director and CEO, Habtoor Leighton Group on 1 October 2012 Ceased employment with the Leighton Group on 31 December 2012

Key Management Personnel (departures during the 2012 Financial Year)

Name	Title	Change during the 2012 Financial Year
Achim Drescher	Non-executive Director	Retired on 22 May 2012
Dr Frank Stieler	Non-executive Director	Resigned on 20 November 2012
Manfred H Wennemer	Non-executive Director	Resigned on 10 October 2012
Craig A van der Laan	Chief Risk Officer and Group General Counsel, Leighton Holdings	Ceased to be the Chief Risk Officer and Group General Counsel on 29 February 2012, and ceased employment on 15 May 2012
Robert R Cooke	Acting Managing Director, LAIO	Ceased to be the Acting Managing Director of LAIO on 1 April 2012, and ceased employment on 30 April 2012

Directors' Report continued
Remuneration Report continued

2. REMUNERATION GOVERNANCE

This section describes the role of the Board, the Remuneration and Nominations Committee, and the use of external advisers when making remuneration decisions.

2.1 ROLE OF THE BOARD AND THE REMUNERATION AND NOMINATIONS COMMITTEE

The Board is responsible for the Group's approach to remuneration. Consistent with this responsibility, the Board has established a Remuneration and Nominations Committee which comprises a majority of Independent Directors.

The role of the Remuneration and Nominations Committee is set out in its Charter, which was revised and approved by the Board on 5 December 2012. With respect to its remuneration functions, its role is to:

- review and approve the remuneration strategy and policies for the Group;
- consider and propose to the Board the remuneration of the CEO and consider and approve the remuneration for all other senior executives;
- review and approve the Group's short-term incentive (STI) and long-term incentive (LTI) plans, and the amount, terms of grants and payments made to senior executives under those plans;
- determine and approve the treatment of equity awards when senior executives cease employment; and
- review and make recommendations to the Board regarding the remuneration of Non-executive Directors.

In making its decisions, the Remuneration and Nominations Committee considers advice from the CEO and other members of management (except in relation to their own remuneration) and from external advisers.

Further information on the Remuneration and Nominations Committee's role, responsibilities and membership is contained in the Corporate Governance Statement on pages 33 and 35 of this Concise Annual Report.

2.2 USE OF EXTERNAL ADVISERS

The Remuneration and Nominations Committee seeks and considers advice from external advisers when required. Such advice will typically cover Non-executive Director remuneration, senior executive remuneration and advice in relation to the equity plans.

Ernst & Young has been approved by the Remuneration and Nominations Committee to be the Group's principal adviser on executive remuneration. During the 2012 Financial Year, the main focus of Ernst & Young's role has been assisting with the implementation of the new executive remuneration arrangements. The Remuneration and Nominations Committee has delegated responsibility to the CHRO and his team to work directly with Ernst & Young on the implementation.

In addition, Ernst & Young also provided:

- market information relating to Committee fees payable to members of the new Tender Review and Risk Committee; and
- market review information relating to remuneration levels for senior executives.

During the 2012 Financial Year, no remuneration recommendations, as defined by the Corporations Act, were provided by Ernst & Young, nor were any other external advisers engaged to provide such recommendations.

3. EXECUTIVE REMUNERATION

This section describes the remuneration approach that applied during the 2012 Financial Year, as well as how performance has been linked to reward under the executive remuneration framework.

3.1 REMUNERATION PRINCIPLES

The key remuneration principles are to:

- provide a balance between:
  - fixed and performance-based remuneration;
  - remuneration paid in cash and through the issue of equity; and
  - short and long term performance horizons;
- ensure that executives are rewarded on the basis of performance measures which support the Group's business plans and are consistent with our values of discipline, integrity, safety and success;
- align the interests of executives and shareholders by focusing on those characteristics which underpin growth in shareholder value; and
- attract and retain key talent.

How each of the components of executive remuneration aligns with, and supports, the Group's business strategy is shown in the diagram below.

Executive remuneration framework

Business strategy
Our aim is to be renowned for excellence, delivered through our operating brands and the empowerment of our people. Our strategy is to take our core competencies to diverse markets and deliver value-added services and projects for clients, through our empowered people, diversity and financial strength.

<table>
<tr><th colspan="4">Remuneration framework</th></tr>
<tr><th>Fixed remuneration</th><th colspan="2">STI plan</th><th>LTI plan</th></tr>
<tr><td rowspan="2">Reviewed annually.
Defined peer groups for comparison.
A defined policy regarding how remuneration should compare to those peer groups.</td><td colspan="2">The Leighton Holdings executives have a portion of their STI determined by Group financial performance and a portion determined by non-financial measures relevant to their specific role.
The Managing Directors of the Operating Companies have a portion of their STI determined by Group financial performance, a portion determined by their Operating Company's financial performance, and a portion determined by non-financial measures relevant to their role.
This can be withheld or clawed back at the judgment of the Remuneration and Nominations Committee.</td><td rowspan="2">Annual LTI grants are made under the new plan approved at the May 2012 Annual General Meeting.
The new plan provides the Remuneration and Nominations Committee with the flexibility to determine the nature, terms and conditions of each grant each year.
The 2012 grant operates as an award of share rights (i.e. a right to receive a share in three years' time if specific performance measures are met).
The performance measures for the 2012 grant are total shareholder return measured against a group of peer companies and compound annual earnings per share growth measured against pre-determined targets. Both performance measures are assessed over the same three-year period.
It is anticipated that, unless there is an identified business or market need to change, future LTI grants will also be share rights with a three year performance period and both earnings per share and total shareholder return performance measures.</td></tr>
<tr><td>Part of the STI is paid in cash.</td><td>A portion of the STI earned (50% for the CEO and CFO and 40% for all other senior executives) is deferred into share rights for two years starting at the end of the STI performance period.
The Remuneration and Nominations Committee has the ability to reduce the number of deferred share rights that vest if subsequent events show such a reduction to be appropriate.</td></tr>
</table>

<table>
<tr><th colspan="3">Outcomes</th></tr>
<tr><td>Market competitive remuneration to attract and retain executives.</td><td>STIs should encourage the achievement of our annual targets and business strategy by focusing on a combination of Group financial performance, Operating Company financial performance and non-financial performance measures over a 12-month period.
Deferral of a portion of the STI earned into share rights ensures executives are only rewarded if Group and Operating Company performance is sustainable, assists with retention of key executives and provides the Remuneration and Nominations Committee with the ability to reduce the deferred amount, if appropriate, with the benefit of hindsight.</td><td>The 2012 LTI grant focuses on growing Group earnings and shareholder returns over the next three years.
On an ongoing basis, alignment with shareholders and retention will be enhanced through annual LTI grants. These annual LTI grants will result in continuing exposure to the Group's share price and a focus on rolling performance periods, thereby encouraging stable growth.</td></tr>
</table>

Directors' Report continued
Remuneration Report continued

3.2 TIMING OF EXECUTIVE REMUNERATION COMPONENTS

Executive remuneration for the 2012 Financial Year was a mix of fixed and variable remuneration. Variable remuneration can be earned through the STI and LTI components. The different components of remuneration reflect a focus on both short-term and long-term performance, and delivery of these components occur over different time frames.

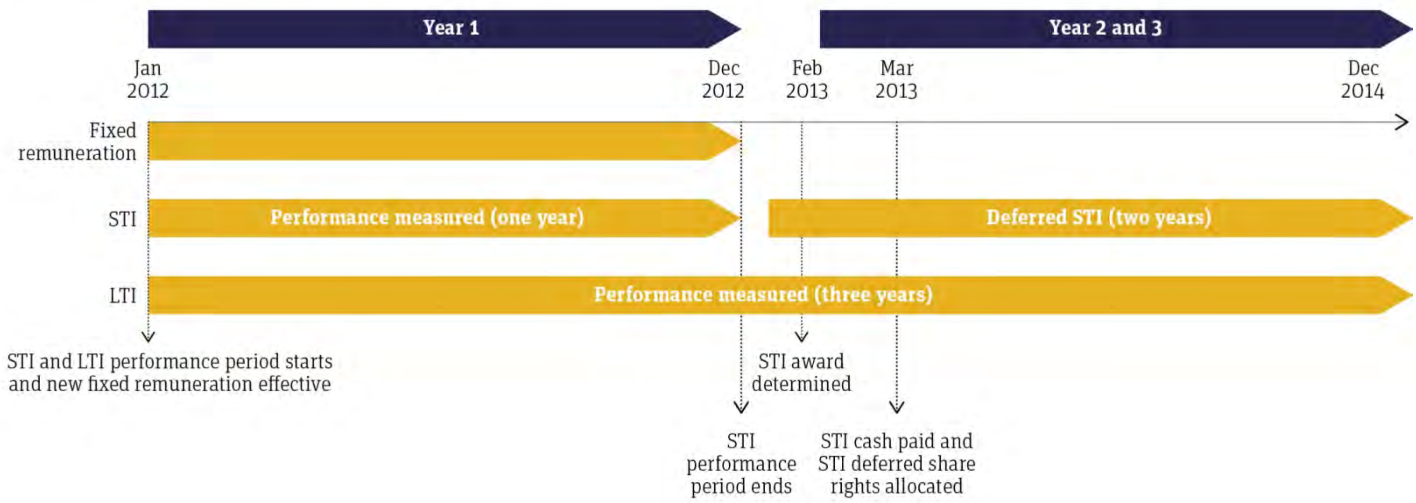
As outlined in the diagram below, the process and timing for determining executive remuneration that applied during the 2012 Financial Year were as follows:

- STI targets were set for the period from 1 January 2012 to 31 December 2012, with performance assessed in February 2013;
- following this STI assessment, in March 2013 the cash component of the STI will be paid and the deferred share rights granted; and
- LTI award performance will be assessed over the three-year period from 1 January 2012 to 31 December 2014.

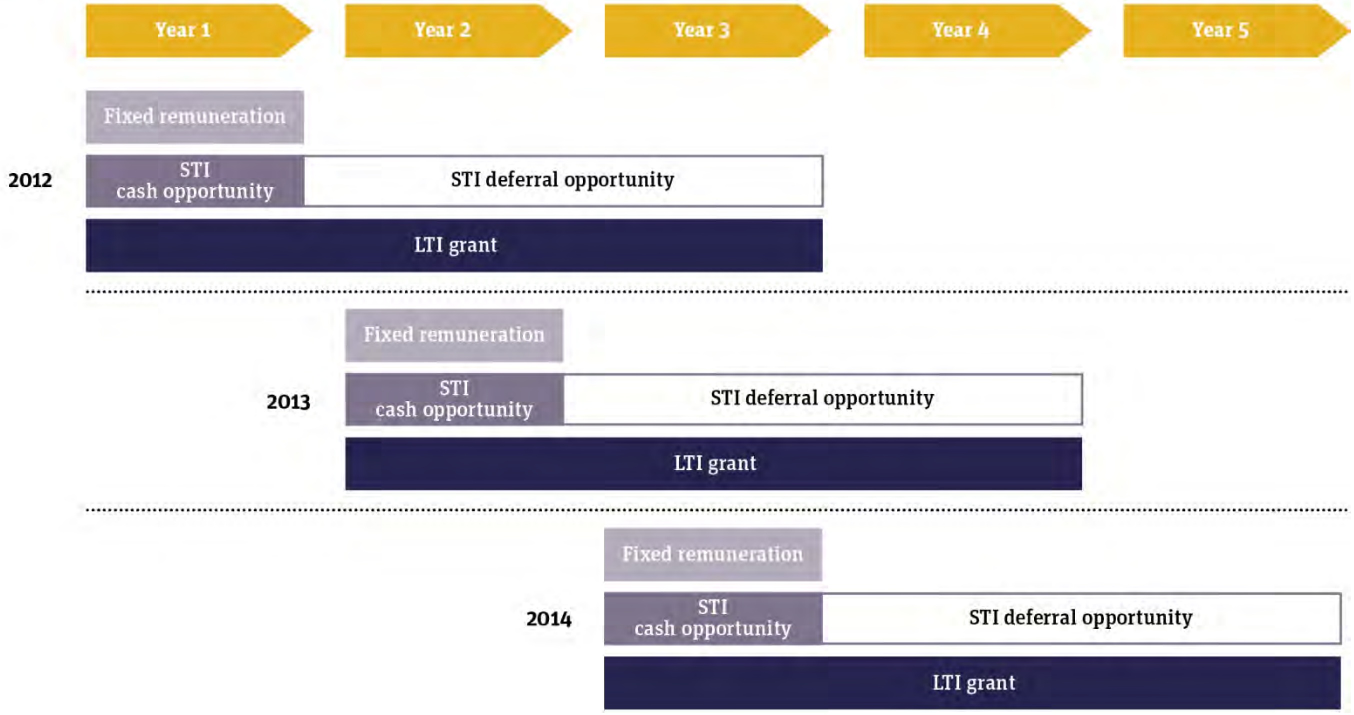
Retention of executives is assisted by the deferred component of the STI plan (if any), and the annual award and multi-year performance period of the LTI plan. The granting of equity to senior executives under the STI and LTI plans ensures senior executives' rewards are aligned with shareholder returns by having ongoing exposure to the company's share price.

The layered retention effect created by the design of the remuneration framework and the annual award cycle is shown in the diagram opposite.

Delivery of total remuneration for 2012



Creation of layered retention effect



3.3 APPROACH TO SETTING REMUNERATION LEVELS AND MIX

Remuneration levels are reviewed annually and upon change of position. Individual remuneration is determined by the policy remuneration mix, referencing available market data and consideration of factors specific to the individual. The policy remuneration mix, outlined below, is applied to each of the senior executives in accordance with the terms of their Executive Services Agreements.

The market data referenced in reviewing remuneration is for comparable roles in similar-sized Australian listed companies based on market capitalisation, Group revenue and Operating Company revenue, as relevant. Consideration is also given, where appropriate, to employee numbers and specific peer companies.

Fixed remuneration and total target remuneration is typically positioned at around the 75th percentile of the relevant market. The objective of this target positioning is to facilitate the attraction and retention of the best talent in a competitive market.

Actual market positioning for each individual may deviate from the positioning policy (above or below) due to consideration of internal relativities, experience, tenure in role and individual performance.

Policy remuneration mix

Role	Policy remuneration mix (% of total remuneration)		
	Fixed remuneration	Target STI (including deferral)	LTI (grant value)
CEO and CFO	33.3%	33.3% (i.e. 100% of fixed remuneration)	33.3% (i.e. 100% of fixed remuneration)
Managing Directors of Operating Companies	40.0%	30.0% (i.e. 75% of fixed remuneration)	30.0% (i.e. 75% of fixed remuneration)
CHRO, CRO and Group Company Secretary and General Counsel	45.4%	27.3% (i.e. 60% of fixed remuneration)	27.3% (i.e. 60% of fixed remuneration)

Directors' Report continued
Remuneration Report continued

3.4 EXECUTIVE REMUNERATION COMPONENTS

The components of remuneration for senior executives for the 2012 Financial Year are set out below.

Components of total remuneration

	Summary	Comments
Fixed remuneration	Base salary, non-monetary benefits and superannuation.	
STI	Annual variable remuneration.	Subject to annual financial and personal performance measures.
LTI	Long-term equity based award.	LTI grants are made under the new plan using the approach described in this Remuneration Report. However, some legacy grants made under previous plans still remain on foot. The legacy grants are described in section 5 of this Remuneration Report.
Other remuneration (service and retention awards)	Additional remuneration in accordance with employment contracts.	No new service or retention awards were put in place in the 2012 Financial Year. These do not form part of our current approach to executive remuneration. Legacy contractual arrangements have been paid out or replaced with deferred share rights where the vesting period was of longer duration.

In addition to the above components, some senior executives continue to hold grants of medium-term incentives (MTIs) from 2010 of deferred cash entitlements to be paid after three years, subject to certain performance conditions. The MTI plan is now closed, and no new MTI grants were made during the 2012 Financial Year. The legacy MTI plan is described in section 5 of this Remuneration Report.

3.4.1 FIXED REMUNERATION

Fixed remuneration received by senior executives comprised base salary, superannuation and non-monetary benefits, and was subject to approval by the Remuneration and Nominations Committee.

In accordance with the terms of their Executive Services Agreements, a review of each senior executive's remuneration was undertaken at the commencement of the 2012 Financial Year. As a result of the review, Mr Gregg, Mr Laslett, Mr Munro, Mr Palin and Mr van der Laan all received increases to their fixed remuneration effective from 1 January 2012.

Mr Edwards received an increase to his fixed remuneration during the 2012 Financial Year due to his promotion to the role of Managing Director, LAIO.

No other changes were made to fixed remuneration for senior executive roles in the 2012 Financial Year compared to the previous period.

Non-cash benefits provided as part of fixed remuneration included such items as one or more of company motor vehicles, car allowances, novated vehicle leases, voluntary superannuation contributions, fringe benefits and other salary sacrificed benefits agreed from time to time. Expatriate benefits were provided to senior executives in overseas locations.

3.4.2 STI PLAN

2012 Financial Year STI

The diagram below provides an illustration of how the 2012 Financial Year STI operates for senior executives (other than the CEO), and further details are set out in the table overleaf. Details of the CEO's arrangements are set out on pages 84 to 85 of this Remuneration Report.

Illustration of the 2012 Financial Year STI for senior executives (other than the CEO)

Gateways

- Leighton Group Financial Threshold
- Operating Company Financial Threshold
- Individual "meeting expectations"

Scorecards

	Leighton Group	Operating Company	Individual
Leighton Group Executives (including the CFO)	70%	–	30%
Operating Company MDs	30%	40%	30%

Penalties

Safety: if the Group or Operating Company target (as relevant) of nil fatalities is not achieved, the total calculated STI will be reduced by 10% (CEO, CHRO and Operating Company Managing Directors)

CAPEX limits: a breach of the CAPEX limits will lead to a reduction in the Operating Company financial component of the STI of up to 30% (Operating Company Managing Directors only)

How do the gateways work?
If all the gateways are met the scorecard opens and is used to calculate the STI.
If any of the gateways are not met, the payment of any STI is at the judgment of the Remuneration and Nominations Committee.

Financial KPIs based on the 2012 business plan:
- **Group:** Underlying net profit after tax
- **Operating Companies** *(excluding Leighton Properties):* Profit before tax and operating cash flow
- **Leighton Properties:** Profit before tax and a funds employed limit

Focus on:
- **Strategic initiatives** – relevant initiatives for the role
- **Safety** – a qualitative lead indicator based on safety sharing (CHRO and Operating Company MDs)
- **Values** – a qualitative measure of demonstrating the values

Directors' Report continued
Remuneration Report continued

Summary of the 2012 Financial Year STI for senior executives (other than the CEO)

Who participated?	All senior executives (other than the CEO).
How much could executives earn under the 2012 Financial Year STI?	The STI provides a threshold opportunity (for minimum acceptable performance against targets) of 60% of target, a target opportunity, and a stretch opportunity of 150% of target. The STI opportunities for 2012 were: • CFO – 60% of fixed remuneration at threshold performance, 100% of fixed remuneration at target performance, and 150% of fixed remuneration at stretch performance. • Managing Directors of Operating Companies (excluding Leighton Properties) – 45% of fixed remuneration at threshold performance, 75% of fixed remuneration at target performance, and 112.5% of fixed remuneration at stretch performance. • Managing Director of Leighton Properties and Managing Director of Habtoor Leighton Group – 60% of fixed remuneration at threshold performance, 100% of fixed remuneration at target performance, and 150% of fixed remuneration at stretch performance (and no LTI participation). • CRO, CHRO and Group Company Secretary and General Counsel – 36% of fixed remuneration at threshold performance, 60% of fixed remuneration at target performance, and 90% of fixed remuneration at stretch performance. The amount of STI payable for threshold financial performance against the Group underlying net profit after tax (UNPAT) component and the Operating Company operating cashflow components were reduced from 60% of target to 42.5% of target. This reduction in opportunity was to reflect the fact that the thresholds for UNPAT and Operating Company operating cashflow were set based on the March 2012 market guidance and March 2012 forecast operating cashflow respectively.
Over what period was performance measured?	The 2012 Financial Year from 1 January 2012 to 31 December 2012.
What were the performance conditions?	**Financial measures** 70% of the amount that could be earned as STI was based on performance against financial measures and targets. For Leighton Holdings senior executives, this financial component was based on Group UNPAT. For the Managing Directors of Operating Companies, 30% was based on Group UNPAT and 40% was based on the relevant individual Operating Company financial performance. For Leighton Contractors, Thiess, John Holland and LAIO, Operating Company financial performance was measured by reference to profit before tax and operating cash flow. Additionally, a penalty of up to 30% can be applied against the earned Operating Company financial component of the STI for failure to adhere to capital expenditure limits. For Leighton Properties, Operating Company financial performance was measured by reference to profit before tax (PBT) and a funds employed limit. Additionally, threshold Leighton Holdings financial performance must be met before any STIs will be paid to senior executives (unless the Remuneration and Nominations Committee in its judgment determines otherwise). For 2012, the Group financial threshold was set at the middle of our March 2012 market guidance, being $425 million UNPAT. **Non-financial measures** 30% of the amount that could be earned as STI was based on performance against non-financial measures and targets that were tailored to the role of the relevant executive. While the non-financial measures are tailored to each senior executive's role, the measures typically focused on safety and the management of our people. For the 2012 Financial Year, these included: • key role-specific strategic initiatives for the year consistent with the Group strategy; • demonstration of behaviours aligned with Leighton Holdings and/or Operating Company values; and • safety measures, such as leadership, sharing of safety learnings and, as a penalty measure, a 10% reduction in total STI where nil fatalities is not achieved. **Managing Director and CEO of Habtoor Leighton Group** The 2012 STI for Mr Voyer solely focused on a financial target related to our operations in the Middle East.

Summary of the 2012 Financial Year STI for senior executives (other than the CEO) - continued

Why were those performance measures chosen?	The financial measures chosen ensure that a significant proportion of total remuneration is determined by performance against relevant financial objectives. This aligns executive interests with the Group's and Operating Company's financial performance. The non-financial measures were chosen to ensure a direct relationship between the measures set and the individual executive's role. They also ensure that critical initiatives, such as enhancing our approach to managing risk and implementing our leadership development program, are recognised and rewarded.
How is performance against targets assessed?	Performance against each of the financial and non-financial performance measures was assessed following the end of the 2012 Financial Year to determine the STI payments. Senior executive performance against the non-financial performance measures is assessed by the CEO with additional feedback sought from other parties, such as peers and key stakeholders, where relevant. The CEO recommends the STI payments for each senior executive to the Remuneration and Nominations Committee for approval. Overall, the Remuneration and Nominations Committee has ability to adjust STIs, taking into account relevant circumstances, and can apply the clawback described below.
How is the STI paid?	**Cash** 60% of the STIs earned by senior executives (50% for the CFO) will be paid in cash once the annual financial statements of the Group have been finalised and audited for the 2012 Financial Year. **Deferred share rights** The remaining 40% (50% for the CFO) is delivered as share rights, the vesting of which is deferred for a further two years commencing at the end of the 2012 Financial Year and without any additional performance measures. On vesting of the share rights, the senior executive receives one share for each share right that vests. The share rights do not carry any voting or dividend rights. However, on vesting, the senior executive will receive a payment equivalent to any dividends that would have been paid during the two year period on the shares if they had been granted at the start of the two year deferral period. It is intended that the dividend-equivalent payment will be delivered in cash; however, the Remuneration and Nominations Committee has the ability to provide shares if considered appropriate. The Remuneration and Nominations Committee has the ability to reduce the number of shares a senior executive receives (i.e. clawback) if subsequent events show such a reduction to be appropriate. In making this determination, the Remuneration and Nominations Committee may consider material changes or reversals in the Group's financial position or profitability from one period to the next.
What happens to the deferred share rights in the event of a change of control?	If a change of control occurs, the Board may determine whether, and the extent to which, any unvested share rights will vest having regard to all relevant circumstances.
What happens to the deferred share rights if a senior executive ceases employment?	In general, if a senior executive resigns or is terminated for cause, then any unvested deferred share rights will lapse. If a senior executive leaves due to any other circumstances (for example, redundancy, retirement or total and permanent disability), the unvested deferred share rights will continue on foot and vest at the end of the two-year deferral period, but will be paid to the senior executive in cash.

Directors' Report continued
Remuneration Report continued

CEO STI

The CEO's STI provides a threshold opportunity (for minimum acceptable performance against targets) of 60% of fixed remuneration, a target opportunity of 100% of fixed remuneration, and a stretch opportunity of 150% of fixed remuneration. The CEO's STI for the 2012 Financial Year is based on a transitional STI plan pursuant to the terms of his Executive Services Agreement.

The transitional STI covers an 18 month period from 1 July 2011 to 31 December 2012 to take into consideration the company's move to a 31 December year-end, and represents one and a half times the CEO's annual STI opportunity over the period for target financial performance.

In order to assess performance, the 18 month transitional STI was divided into three periods:

- **Period 1: the 6 months ending 31 December 2011**
  This period was both a performance assessment and provided a 6 month STI opportunity that was paid in cash;
- **Period 2: the 12 months ending 30 June 2012**
  This period was a performance assessment only and did not provide a payment. The outcome of this period operates as a clawback if performance targets are not achieved; and
- **Period 3: the 12 months ending 31 December 2012**
  This period was both a performance assessment and a payment. The potential STI was a 12 month STI opportunity based on:
  - the financial performance for the second 6 months of Period 3 less any clawback in respect of Period 2; and
  - the non-financial performance for the full Period 3, namely the 2012 Financial Year.

  50% is paid in cash and 50% is deferred as share rights for two years.

The applicable financial performance measure for the transitional STI is Group UNPAT, while the CEO's personal objectives focused on supporting the Middle East recovery, strengthening our balance sheet, enhancing risk management, our safety performance and demonstration of the Leighton values.

Commencing 1 January 2013, the CEO's STI will be made under the new STI plan on terms similar to all other senior executives.

Link between STI payments, Group and Operating Company performance

STI payments for the 2012 Financial Year were determined based on senior executive performance against the applicable financial targets and non-financial targets.

As already noted, 40% of the STI earned in the 2012 Financial Year (or 50% for the CEO and CFO) has been deferred into share rights, which vest at the end of a further two-year period which commenced at the end of the 2012 Financial Year.

CEO STI

The CEO's STI for the 2012 Financial Year forms part of his 18 month transitional STI as previously outlined. The Group UNPAT for Period 3 was between target and stretch, and his individual performance was especially strong in leading our strategy of stabilise, rebase and grow. Notable contributions and outcomes relate to his work in the Middle East, his leadership to achieve the upper end of our March 2012 profit guidance, our improved cash flow, our reduced net debt/gearing and our strengthened balance sheet. The CEO also successfully led key initiatives including the enhancement of our risk management, the transition of Leighton Holdings to a strategic management company, our safety sharing forums, and the development and rollout of the Leighton Group Code of Business Conduct.

A penalty of 10% was applied due to the fatalities that occurred during the year and a clawback has been applied as the Period 2 financial outcome was below the Period 2 threshold. The clawback applied was 50% of the cash STI paid to the CEO for Period 1.

The resulting STI of $1,510,800 (i.e. $1,976,400 less $465,600 clawback) represented 62.95% of his target STI, and 41.97% of his maximum STI.

Senior executives STI

The table below and overleaf sets out for the senior executives (other than the CEO), the percentage of the target and maximum STI for the 2012 Financial Year, together with a brief summary of how each STI was determined.

Percentage of available STI earned (inclusive of deferral) and link to performance

Senior executive	STI earned (A$)	Percentage of target STI	Percentage of maximum STI	Link between STI award and performance	
Leighton Holdings executives				**Group financial**	**Non-financial**
D Chandran	238,290	61.10%	40.73%	Group UNPAT was between threshold and target.	Strong performance leading the implementation of the new remuneration framework, and the rollout of our leadership development and succession planning initiatives. 10% penalty was applied for the fatalities that occurred.
P A Gregg	1,118,250	63.90%	42.60%	Group UNPAT was between threshold and target.	Strong performance in our finance transformation efforts and rebuilding our balance sheet.
M J Rollo*	250,000	58.73%	39.16%	Group UNPAT was between threshold and target.	Successfully led our efforts to enhance how we manage risk at the tendering and delivery stages of projects.
R Willcock*	128,869	55.40%	36.93%	Group UNPAT was between threshold and target.	Enhanced our company secretariat and legal functions and played a key role in revisiting our internal governance processes.

* The STIs for Mr Rollo and Mr Willcock were pro-rated given that they had only been in the role for part of the performance period.

Directors' Report continued
Remuneration Report continued

Percentage of available STI earned (inclusive of deferral) and link to performance - continued

Senior executive	STI earned (A$)	Percentage of target STI	Percentage of maximum STI	Link between STI award and performance		
Operating Company Managing Directors				**Group financial**	**Operating Company financial**	**Non-financial**
I L Edwards	HKD1,586,345	55.17%	36.80%	Group UNPAT was between threshold and target.	Achieved profit before tax (PBT) target. However, STI reduced based on broader assessment of financial performance for 2012.	Strong leadership contribution in taking over the role of Managing Director. 10% fatality penalty was applied.
M C Gray**	250,000	26.88%	17.92%	Group UNPAT was between threshold and target.	Disappointing financial outcome in a challenging market. However, remained within Funds Employed limit to support the Group.	Strong individual contribution to positioning Leighton Properties and the Group for the future.
C A Laslett	450,000	50.00%	33.33%	Group UNPAT was between threshold and target.	Achieved PBT target. However, STI reduced based on broader assessment of the financial performance for 2012.	Significant efforts in repositioning and restructuring Leighton Contractors for the future. 10% fatality penalty was applied.
B A Munro**	500,000	55.56%	37.04%	Group UNPAT was between threshold and target.	Very strong underlying performance of the Thiess business and good cash flow result. However, STI reduced due to PBT being below threshold as a result of the legacy Victorian Desalination Project and AirportlinkM7 project.	Contributed well supporting the Group through the sale of the Thiess Waste Management business.
G M Palin**	450,000	50.00%	33.33%	Group UNPAT was between threshold and target.	Strong underlying performance of the John Holland business and very positive cash flow result, but STI reduced due to PBT being below threshold as a result of the legacy AirportlinkM7 project.	Strong leadership in enhancing John Holland's approach in the areas of markets, customers, people, support services and diversity.
L W Voyer	0	0%	0%	n/a	Financial threshold not achieved.	n/a

** The Operating Company profit before tax gateways were not met for Thiess, John Holland and Leighton Properties. The Remuneration and Nominations Committee approved STIs to be paid on a reduced basis to the Managing Directors of these three Operating Companies on the basis of various factors relating to each company, including the following:

- the significant efforts and strong performance since March 2012 to ensure we not only achieved our revised market guidance but achieved UNPAT at the top end of that guidance;
- Thiess and John Holland 2012 PBT being significantly impacted by the legacy Victorian Desalination Project and AirportlinkM7 project, whilst the underlying performance of both businesses has been strong;
- significantly improved operating cashflow at Thiess and John Holland from that which was forecast in March 2012; and
- the achievement of the non-financial component of the scorecards by the Managing Directors.

3.4.3 2012 LTIs

Details of 2012 LTI grants

As previously noted, a new LTI plan was established during 2011 and was approved at the Annual General Meeting (AGM) held in May 2012. The new plan provides flexibility for the Board to determine the type of equity instruments to be granted and the terms and conditions of any such grant.

The terms of the LTI grants that were made to senior executives in the 2012 Financial Year under the new plan are outlined in the table below.

Summary of 2012 LTI grants

What is granted?	The 2012 LTI grants were made in the form of share rights. The share rights were granted for no cost and entitle the participant to receive one fully-paid ordinary share in the company per right, subject to the terms and conditions determined by the Remuneration and Nominations Committee, including vesting conditions that are linked to service and performance over the three-year performance period. In 2012, LTIs were granted to all senior executives excluding Mr Gray and Mr Voyer.
What are the performance measures?	Parcel A (50%) will be tested against a relative total shareholder return performance measure. Parcel B (50%) will be tested against growth in earnings per share.
How is total shareholder return performance measured?	Total shareholder return measures the growth in the company's share price together with the value of dividends during that period, assuming that those dividends are reinvested into new shares. Relative total shareholder return is measured as a percentile ranking compared to a comparator group of listed entities over the performance period (from 1 January 2012 to 31 December 2014). The comparator group comprises the entities in the S&P / ASX100 Index as at 1 January 2012. This comparator group has been chosen as it represents the companies in which most of the company's shareholders could invest as an alternative to the company. Awards vest based on the ranking against the comparator group companies in accordance with the following schedule:

Company's total shareholder return ranking in the comparator group	% of Parcel A vesting
Below 51st percentile	Nil
At 51st percentile	50%
Between 51st and 75th percentiles	Between 50% and 100% increasing on a straight line basis
At or above 75th percentile	100%

How is the earnings per share performance measured?	The company's annual compound earnings per share growth is measured over the three-year performance period to 31 December 2014. While the company's earnings per share growth would ordinarily be measured using the prior financial year as the base year, this was not appropriate for the 2012 LTI grants as: • the change in the Group's financial year-end in 2011 meant the previous financial year was a 6 month period; and • the 12 month period to 31 December 2011 does not give a meaningful base earnings per share figure due to the financial loss during the financial year ending 30 June 2011. As such, a notional earnings per share of $1.783 (being a notional net profit after tax of $600 million divided by the shares on issue as at 1 January 2012) was agreed by the Remuneration and Nominations Committee for the 2012 LTI grant which takes into account the Group's market guidance at the start of the 2012 Financial Year.

Directors' Report continued
Remuneration Report continued

Summary of 2012 LTI grants - continued

<table>
<tr><td>How is the earnings per share performance measured? (continued)</td><td>The portion of the 2012 grant that will vest is determined based on the results of testing against the earnings per share performance measure which is assessed in accordance with the following schedule:

<table><tr><th>Earnings per share growth per annum</th><th>% of Parcel B vesting</th></tr><tr><td>Below 8%</td><td>Nil</td></tr><tr><td>Equal to 8%</td><td>50%</td></tr><tr><td>Between 8% and 13%</td><td>Between 50% and 100% increasing on a straight line basis</td></tr><tr><td>13% or greater</td><td>100%</td></tr></table>
The earnings per share targets were set taking into account the company's business plan earnings forecasts, its historic earnings per share performance, analyst expectations of the company's earnings growth and the earnings per share growth targets that have been set by other ASX 50 companies under their LTI plans.

To ensure alignment with shareholders and that sustainable performance is rewarded, if a financial loss occurs in any of the years during the three-year performance period, the Remuneration and Nominations Committee can reduce (to zero, if appropriate) the number of earnings per share rights that vest irrespective of performance against the above targets.</td></tr>
<tr><td>Why were these performance measures chosen?</td><td>The performance measures are aligned with the long-term direction and strategy of the Group as the measures encourage a focus on earnings per share growth and the achievement of stable top quartile shareholder returns.

Total shareholder return was chosen because it provides a direct link between senior executive reward and returns to shareholders. Senior executives will not derive any benefit from that portion of the grants unless the company's performance is at the 51st percentile or above. In addition, this hurdle provides a relative, external, market-based performance measure against those companies with which the company competes for capital, customers and executives.

Earnings per share was chosen because it encourages stable earnings growth over the relevant period.</td></tr>
<tr><td>When will performance be tested?</td><td>Testing of performance for both Parcel A and B will occur once the financial results for the 2014 Financial Year are known in February 2015.

There will be no re-testing of performance. Any share rights that do not vest will lapse.</td></tr>
<tr><td>Do the share rights attract dividends and voting rights?</td><td>The share rights do not carry any rights to dividends or voting.

Shares allocated upon exercise of vested share rights rank equally with other ordinary shares on issue.</td></tr>
<tr><td>What happens in the event of a change of control?</td><td>If a change of control occurs, the Board may determine whether, and the extent to which, any unvested LTI will vest having regard to all relevant circumstances, including pro-rata performance and the nature of the change of control.</td></tr>
<tr><td>What if a senior executive ceases employment?</td><td>In general, if a senior executive resigns or is terminated for cause, any unvested LTI grants will lapse.

If a senior executive leaves due to any other circumstances (for example, redundancy, retirement or total and permanent disability), a pro-rata portion of the senior executive's LTI grant will remain on foot following their termination and will vest, subject to satisfaction of the relevant performance hurdles, at the usual vesting date. In these circumstances, any amount payable on vesting will be paid in cash based on the share price at the date of vesting.</td></tr>
<tr><td>Can participants hedge against the risk under the LTI grants?</td><td>The Corporations Act and the Group's Securities Trading Policy prohibits senior executives from entering into hedging arrangements regarding both vested and unvested securities, which includes LTI grants.</td></tr>
</table>

2012 LTI grants to senior executives

Name	Grant date	Number granted	VWAP at date of award (A$)[1]	Value at date of award (A$)	First test date	Balance of interest 31 Dec 2011	Balance of interest 31 Dec 2012	Fair Value of grant in 2012 Financial Year (A$)[2]
Performance rights awarded to senior executives for 2012 LTI grant								
H G Tyrwhitt	01.01.2012	104,499	22.9667	2,400,000	31.12.14	-	104,499	438,547
D Chandran	01.01.2012	16,978	22.97	390,000	31.12.14	-	16,978	71,251
I L Edwards	01.01.2012	17,504	22.97	402,082	31.12.14	-	17,504	73,458
P A Gregg	01.01.2012	76,197	22.9667	1,750,000	31.12.14	-	76,197	612,243
C A Laslett	01.01.2012	39,182	22.97	900,000	31.12.14	-	39,182	164,434
B A Munro	01.01.2012	39,182	22.97	900,000	31.12.14	-	39,182	164,434
G M Palin	01.01.2012	39,182	22.97	900,000	31.12.14	-	39,182	164,434
M J Rollo[3]	01.01.2012	22,202	22.97	510,000	31.12.14	-	22,202	93,174
R Willcock[3]	01.01.2012	18,284	22.97	420,000	31.12.14	-	18,284	76,732
Total		**373,210**		**8,572,082**		**-**	**373,210**	**1,858,707**

1 The Volume Weighted Average Price (VWAP) of Leighton Holdings Limited securities over 5 trading days following 14 February 2012 (the announcement of the financial results for the December 2011 Transitional Financial Year) was $22.97. The VWAP applied for Mr Tyrwhitt and Mr Gregg is denominated to four decimal places in accordance with the shareholder approval at the May 2012 AGM as specified in the Notice of Meeting.
2 The fair value of equity instruments is determined as at the date of interest granted (in accordance with AASB 2) and is progressively expensed over the vesting period. The amount included as remuneration expense in accordance with AASB 2 is not related to or indicative of the benefit (if any) that senior executives may ultimately realise should the equity instruments vest.
3 LTI grants were made on commencement of employment in March and June 2012. The terms and conditions of the grants were identical to those of the other disclosed executives and the grant dates were deemed to be 1 January 2012.

As required by the Corporations Act, the five-year performance of the Group (in Australian dollars) has been set out below.

Year-on-year performance snapshot

	Opening share price[1] ($)	Closing share price ($)	Share price appreciation (%)	Dividend p/share paid ($)	Total shareholder return[2] (%)	Earnings per share ($)	Profit before tax ($m)	Net profit after tax ($m)	Return on equity (%)	Cash flow from operations ($m)	Gross debt equity ratio (%)
December 2012	19.25	17.88	(7.1)	0.80	(45.75)	1.33	563	450	16	1,211	94.6
December 2011 Transitional Financial Year[3]	20.99	19.04	(9.3)	0.00	(6.8)	1.01	475	340	13	328	77.5
June 2011	27.99	20.85	(25.5)	0.60	(50.6)	(1.33)	(491)	(409)	(17)	1,700	78.7
June 2010	22.40	29.00	29.5	1.50	(7.4)	2.05	843	612	25	1,987	65.0
June 2009	49.90	23.50	(52.9)	1.15	15.8	1.50	585	440	23	1,302	54.7
June 2008	41.60	50.40	21.2	1.45	69.9	2.19	768	608	43	1,223	103.6

1 The opening share price takes into account trades after market close on the last day of the financial year.
2 Total shareholder return is determined over a rolling three-year period.
3 The December 2011 Transitional Financial Year relates to a 6 month financial period. As such, the information presented above is not entirely comparable to the 2008 to 2011 and the 2012 Financial Year information in this table.

Directors' Report continued
Remuneration Report continued

3.4.4 SERVICE AND RETENTION AWARDS

As noted earlier, new standard form executive contracts that reflect contemporary best practice have now been entered into with each of the continuing senior executives.

As part of the transition and consistent with our new approach to executive remuneration, any existing service and retention payments that the senior executives were entitled to receive under their previous agreements with the Group have either been:

- paid out (where the payment was due in the short-term); or
- replaced with a one-off grant of share rights (where the payment was due over the longer-term).

The amounts paid may be recovered or the number of shares to vest may be reduced where the senior executive leaves the Group in certain circumstances (such as resignation or termination for cause) prior to the original intended date for payment.

Applying the above principles to replace existing contractual entitlements, cash payments were made to Mr Edwards (HKD440,484), Mr Gray ($651,000), Mr Laslett ($1,053,548) and Mr Palin ($580,110) during the 2012 Financial Year. Meanwhile, one-off grants of deferred share rights were made to executives as set out in the table below.

The grants made to senior executives (other than Mr Laslett) have approximately the same value as at the date of grant as the original service or retention payment that is being replaced (calculated by dividing the cash value of the original payment by the volume weighted average price of fully paid ordinary shares in the company) and:

- vest approximately 6 months earlier than the date that the original service or retention payments were due to be paid (this was to encourage acceptance of the substitution);
- entitle the executive to one share in the company for each share right that vests;
- lapse where the executive resigns or is terminated for cause;
- will generally remain on foot where the executive leaves under any other circumstances and will vest in the normal course at the end of the relevant vesting period; and
- do not carry any voting or dividend rights prior to vesting; however, the executive will receive a cash amount equivalent to any dividends that would have been payable on those shares that vest had they been held by the executive over the full vesting period.

The one-off grant of share rights to Mr Laslett was made as an LTI grant applying the same terms and conditions and performance measures as the 2012 LTI grant, but assessing performance over a 3-year, 4-year and 5-year period.

One-off awards granted to senior executives in 2012

Name	Grant date	Number granted	VWAP at date of award (A$)[1]	Value at date of award (A$)	Vesting date	Balance of interest 31 Dec 2011	Balance of interest 31 Dec 2012	Fair Value of grant in 2012 Financial Year (A$)[2]
Deferred share rights awarded to senior executives								
D Chandran	01.01.2012	16,822	19.32	325,000	01.01.14	-	16,822	162,500
I L Edwards	01.04.2012	7,410	22.1918	164,433	31.12.14	-	7,410	44,845
M C Gray	01.01.2012	33,696	19.32	651,000	30.06.14	-	33,696	260,400
B A Munro	01.01.2012	50,207	19.32	970,000	31.12.14	-	50,207	323,333
G M Palin	01.01.2012	49,690	19.32	960,000	31.08.16	-	49,690	205,714
Performance rights awarded to senior executives								
C A Laslett	01.01.2012	21,768	22.97	500,000	31.12.14	-	21,768	91,353
C A Laslett	01.01.2012	21,768	22.97	500,000	31.12.15	-	21,768	65,712
C A Laslett	01.01.2012	21,768	22.97	500,000	31.12.16	-	21,768	50,262
Total		**223,129**		**4,570,433**		**-**	**223,129**	**1,204,119**

1 The VWAP of Leighton Holdings Limited securities over 5 trading days up to and including the grant dates of 1 January 2012 and 1 April 2012 was $19.32 and $22.1918 respectively. The VWAP of Leighton Holdings Limited securities over 5 trading days following 14 February 2012 (the announcement of the financial results for the December 2011 Transitional Financial Year) was $22.97.

2 The fair value of equity instruments is determined as at the date of interest granted (in accordance with AASB 2) and is progressively expensed over the vesting period. The amount included as remuneration expensed in accordance with AASB 2 is not related to or indicative of the benefit (if any) that senior executives may ultimately realise should the equity instruments vest.

3.5 SENIOR EXECUTIVE TOTAL REMUNERATION

Details of the Group's senior executive remuneration have been set out on pages 92 and 93 of this Remuneration Report in accordance with the Corporations Act and accounting standards.

However, recognising that the required presentation of this information can make it difficult for shareholders to understand the actual value senior executives derived from the various components of their remuneration, the table below sets out the value of fixed remuneration, STI earned, the value of any LTI that has vested, and any other payments received by the Group's senior executives during the 2012 Financial Year. This includes the value of any prior year awards where the executive realised value from these awards in the 2012 Financial Year.

This table provides additional information and is not intended to reflect the disclosures that are made elsewhere in this Concise Annual Report which have been prepared in accordance with the accounting standards and the requirements of the Corporations Act. As a consequence the table has not been audited.

Total remuneration realised for senior executives during the 2012 Financial Year in Australian dollars (Unaudited)

Name	Cash salary	Super-annuation	Other[1]	STI earned (and paid in early 2013)[2]	STI deferral (value vested during the 2012 Financial Year)[3]	LTI (value vested during the 2012 Financial Year)[4]	Total remuneration for the 2012 Financial Year	Transitional payments in 2012 Financial Year[5]
H G Tyrwhitt	2,383,872	16,128	-	755,400	-	43,600	3,199,000	-
D Chandran	633,870	16,128	-	142,974	-	-	792,972	-
I L Edwards (from 1 April 2012)	572,158	54,918	12,440	118,408	-	16,350	774,274	54,797
M C Gray	887,496	38,000	12,815	150,000	-	19,075	1,107,386	651,000
P A Gregg	1,733,872	16,128	-	559,125	-	-	2,309,125	-
C A Laslett	1,155,266	38,636	24,971	270,000	-	13,625	1,502,498	1,053,548
B A Munro	1,183,877	16,123	-	300,000	-	13,625	1,513,625	-
G M Palin	1,149,653	50,347	12,256	270,000	-	27,250	1,509,506	580,110
M J Rollo (from 1 March 2012)	694,834	13,498	-	150,000	-	-	858,332	-
R Willcock (from 12 June 2012)	376,342	11,350	-	77,321	-	-	465,013	-

1 Includes the value of fringe benefits but excludes the costs associated with spouse travel where the Group has specifically requested the attendance of spouses.
2 This amount represents the portion of STI earned for the 2012 Financial Year that is paid as cash.
3 No STI deferral vested in the 2012 Financial Year.
4 This amount represents the value to the executive at the vesting date of the 2009 share options that vested on 4 May 2012 (share price of $19.96, exercise price of $18.87). No options were exercised during the 2012 Financial Year.
5 Cash payments made in the 2012 Financial Year to substitute existing contractual retention and service agreements.

Directors' Report continued
Remuneration Report continued

As previously noted, full details of total remuneration for the CEO and other senior executives (in Australian dollars) are set out in the table below. This table is prepared in accordance with applicable accounting standards.

Statutory senior executive remuneration table

		SHORT-TERM EMPLOYEE BENEFITS				POST-EMPLOYMENT		SUBTOTAL
		Cash salary	Bonuses [a]	Non-monetary benefits [b]	Other	Superannuation benefits	Termination benefits	
Senior executives	**H G Tyrwhitt[1]**							
	2012 Financial Year	2,383,872	755,400	-	-	16,128	-	3,155,400
	December 2011 Transitional Financial Year	1,304,239	931,200	37,563	800,000	79,109	-	3,152,111
	D Chandran						-	
	2012 Financial Year	633,870	142,974	-	-	16,128	-	792,972
	December 2011 Transitional Financial Year	-	-	-	-	-	-	-
	I L Edwards[2]							
	2012 Financial Year	572,158	118,408	12,440	-	54,918	-	757,924
	December 2011 Transitional Financial Year	-	-	-	-	-	-	-
	M C Gray[3]							
	2012 Financial Year	887,496	150,000	12,815	651,000	38,000	-	1,739,311
	December 2011 Transitional Financial Year	428,556	100,000	2,500	-	25,001	-	556,057
	P A Gregg							
	2012 Financial Year	1,733,872	559,125	-	-	16,128	-	2,309,125
	December 2011 Transitional Financial Year	822,495	867,000	-	-	7,890	-	1,697,385
	C A Laslett[4]							
	2012 Financial Year	1,155,266	270,000	24,971	1,053,548	38,636	-	2,542,421
	December 2011 Transitional Financial Year	520,809	800,000	18,533	-	25,000	-	1,364,342
	B A Munro							
	2012 Financial Year	1,183,877	300,000	-	-	16,123	-	1,500,000
	December 2011 Transitional Financial Year	475,348	300,000	-	-	7,888	-	783,236
	G M Palin[5]							
	2012 Financial Year	1,149,653	270,000	12,256	580,110	50,347	-	2,062,366
	December 2011 Transitional Financial Year	580,132	300,000	3,000	-	25,000	-	908,132
	M J Rollo[6]							
	2012 Financial Year	694,834	150,000	-	150,000	13,498	-	1,008,332
	December 2011 Transitional Financial Year	-	-	-	-	-	-	-
	L W Voyer[7]							
	2012 Financial Year	1,411,243	-	180,704	3,628,000	-	-	5,219,947
	December 2011 Transitional Financial Year	523,614	-	94,935	-	-	-	618,549
	R Willcock[8]							
	2012 Financial Year	376,342	77,321	-	-	11,350	-	465,013
	December 2011 Transitional Financial Year	-	-	-	-	-	-	-
Former senior executives	**C A van der Laan[9]**							
	2012 Financial Year	393,641	-	-	894,620	6,807	225,000	1,520,069
	December 2011 Transitional Financial Year	505,802	307,000	-	-	12,480	-	825,282
	R R Cooke[10]							
	2012 Financial Year	273,753	-	35,082	-	12,409	182,698	503,942
	December 2011 Transitional Financial Year	258,841	290,206	24,714	-	17,675	-	591,436

1 Mr Tyrwhitt was appointed Managing Director and CEO of Leighton Holdings on 24 August 2011. Contractual arrangements under his contract as Managing Director of LAIO were paid out (as discussed in last year's Remuneration Report).

2 Mr Edwards was appointed Managing Director of LAIO on 1 April 2012. Mr Edwards was paid a retention payment of HKD440,484 accrued in his previous contract on transition to a new contract. The amounts in the table reflect payments made after that date. In addition, Mr Edwards received a sign-on award of 7,410 deferred share rights.

3 Mr Gray was paid a retention payment of $651,000 accrued in his previous contract on transition to a new contract. In addition, Mr Gray received a sign-on award of 33,696 deferred share rights.

4 Mr Laslett was paid a retention payment of $1,053,548 accrued in his previous contract on transition to a new contract.

5 Mr Palin was paid a retention payment of $580,110 accrued in his previous contract on transition to a new contract. In addition, Mr Palin received a sign-on award of 49,690 deferred share rights.

6 Mr Rollo was appointed CRO of Leighton Holdings on 1 March 2012. The amounts in the table reflect payments made after that date. The figures disclosed in the table above include a sign-on payment of $150,000 was made to an associated consulting business (WatermanBurns Associates Pty Limited) to obtain Mr Rollo's release.

7 Mr Voyer ceased to be an employee on 31 December 2012. During the 2012 Financial Year, Mr Voyer received payment of $350,000 of previously agreed back pay, earned deferred bonuses relating to past service of $550,000 (paid in August 2012) and $2,728,000 (paid in December 2012).

8 Mr Willcock was appointed Group Company Secretary and General Counsel on 12 June 2012. The amounts in the table reflect payments made after that date.

9 Mr van der Laan ceased to be CRO and Group General Counsel on 29 February 2012, and he ceased employment with the Group on 15 May 2012. Mr van der Laan's termination payment was as per his contractual terms and are summarised in section 3.7 of this Remuneration Report. Included in his termination arrangements was a payment in respect of past services encompassing any STI and LTI payment totalling $894,620.

10 Mr Cooke was appointed Acting Managing Director of LAIO on 24 August 2011. He ceased employment with the Group on 30 April 2012. The amounts in the table reflect payments made between 24 August 2011 and 31 December 2011 for the December 2011 Transitional Financial Year, and between 1 January 2012 and 30 April 2012 for the 2012 Financial Year. His termination arrangements were as per his contractual terms and are summarised in section 3.7 of this Remuneration Report.

LONG-TERM EMPLOYEE BENEFITS				TOTAL PAYMENTS & ACCRUALS			
Share rights fair value (sign on awards)[c]	Share rights fair value (LTI and STI deferral)	Options fair value	Contract / retention accrued in period[d]		Cumulative contract / retention accrued[e]	Percentage of cash bonuses (STI) [f]	Percentage of share-based incentive [g]
-	690,347	100,900	-	3,946,647	-	19.14%	20.05%
-	-	87,938	1,624,515	4,864,564	-	29.50%	2.80%
162,500	103,023	-	-	1,058,495	-	13.51%	25.08%
-	-	-	-	-	-	-	-
44,845	99,771	37,838	-	940,378	-	12.59%	19.40%
-	-	-	-	-	-	-	-
260,400	33,333	44,144	(837,437)	1,239,751	-	12.10%	27.25%
-	-	31,453	93,728	681,238	837,437	18.00%	5.70%
-	798,618	-	-	3,107,743	-	17.99%	25.70%
-	196,306	-	-	1,893,691	-	51.10%	11.60%
207,328	224,434	31,531	(977,230)	2,028,484	-	13.31%	22.84%
-	-	15,781	113,804	1,493,927	977,230	58.60%	1.20%
323,333	231,100	31,531	(200,433)	1,885,532	-	15.91%	31.08%
-	-	15,781	67,299	866,316	200,433	38.30%	2.00%
205,714	224,434	63,063	(1,156,946)	1,398,631	-	19.30%	35.26%
-	-	31,563	264,986	1,204,681	1,156,946	33.00%	3.50%
-	126,508	-	-	1,134,840	-	13.22%	11.15%
-	-	-	-	-	-	-	-
-	-	44,144	(1,401,022)	3,863,069	-	0.00%	1.14%
-	-	31,453	342,261	992,263	1,401,022	0.00%	5.10%
-	93,915	-	-	558,928	-	13.83%	16.80%
-	-	-	-	-	-	-	-
-	-						
-	-	-	-	1,520,069	-	0.00%	0.00%
-	-	-	-	825,282	-	0.00%	0.00%
-	-	22,703	-	526,644	-	0.00%	4.31%
-	-	10,749	-	602,185	-	49.10%	1.80%

(a) This amount represents cash STI payments to the senior executive for the 2012 Financial Year to be paid in March 2013.

(b) Includes the value of fringe benefits but excludes the costs associated with spouse travel where the Group has specifically requested the attendance of spouses.

(c) In accordance with the requirements of the Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the 2012 Financial Year (i.e. options awarded under the Leighton Senior Executive Option Plan that remained unvested, grants of STI deferred share rights and 2012 LTI grants as at 31 December 2012). The fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that senior executives may ultimately realise should the equity instruments vest. The fair value of options and equities at the date of their grant has been determined in accordance with AASB 2.

(d) The amounts shown for contract/retention benefits are the amounts accrued during the period for benefits due under each senior executive's service contract, assuming the senior executive remains an employee for the whole retention period and earns their full benefit entitlement. However, if the senior executive is paid out their contract/retention, the full accrual is accounted for in the 2012 Financial Year.

(e) The amounts shown for contract/retention benefits to 31 December 2012 are the amounts accrued to 31 December 2012 from contract commencement date. A nil balance indicates that the contract/retention has been paid out and there is no further cash contract/retention component.

(f) Percentage calculation is based on the cash STI received in the 2012 Financial Year as a percentage of total payments and accruals. It excludes retention and service payments paid out during the 2012 Financial Year.

(g) The percentage of each senior executive's remuneration for the 2012 Financial Year that consisted of equity as a percentage of total payments and accruals.

Directors' Report continued
Remuneration Report continued

3.6 SUMMARY OF EXECUTIVE SERVICE AGREEMENTS

Remuneration and other terms of employment for the Key Management Personnel who were continuing senior executives as at 31 December 2012 are formalised in service agreements.

During the 2012 Financial Year, new service agreements were put in place with all continuing senior executives to standardise the terms of these agreements.

The key standard terms of the new service agreements for the continuing senior executives are:

- either party is able to terminate the agreement on 6 months' notice;
- there is no specified term (i.e. they are "evergreen" contracts);
- there are no specified payments to be made to the senior executive on termination; and
- a 6 month paid restraint period applies following termination (or 12 months in the case of the CEO and CFO).

3.7 PAYMENTS TO DEPARTING SENIOR EXECUTIVES DURING THE 2012 FINANCIAL YEAR

The following arrangements applied to outgoing senior executives. All payments were in accordance with individual contracts.

Mr Cooke

Mr Cooke ceased to be the Acting Managing Director of LAIO on 1 April 2012 and ceased employment on 30 April 2012.

Mr Cooke's termination arrangements were in line with his service agreement and comprised:

- payment in lieu of notice (equal to 3 months' fixed remuneration) of HK$1,419,900;
- accrued annual leave totalling HK$327,336; and
- a severance payment of HK$48,700.

Mr van der Laan

Mr van der Laan ceased to be the CRO and Group General Counsel on 29 February 2012 and ceased employment with the Group on 15 May 2012.

Mr van der Laan's termination arrangements were in line with his agreed terms of employment and comprised:

- payment in lieu of notice of $225,000;
- accrued statutory entitlements totalling $24,808;
- STI payment in respect of past services of $230,307; and
- LTI payment (representing his 2012 LTI contractual entitlement) of $664,313.

Mr Voyer

As already noted, Mr Voyer ceased to be the Managing Director and CEO of Habtoor Leighton Group on 1 October 2012 and ceased employment with the Leighton Group on 31 December 2012.

On ceasing employment with the Group, Mr Voyer received accrued statutory entitlements totalling $166,419.

His 2011 deferred incentive of $250,000 remains on foot following his termination and will be paid on 30 June 2014 subject to Habtoor Leighton Group's profit before tax growing year-on-year in each successive 12 month period from 1 July 2011 to 30 June 2014.

3.8 FINALISATION OF TERMINATION ARRANGEMENTS FOR FORMER CEO

As disclosed in last year's Remuneration Report, Mr David Stewart ceased to be Managing Director and CEO of Leighton Holdings on 24 August 2011 and ceased employment with the Group on 19 November 2011.

At the time of publishing last year's Remuneration Report, Mr Stewart had not yet received payment in lieu of notice nor been allocated the 75,423 fully paid shares in Leighton Holdings contractually due to him. Payment in lieu of notice of $2,400,000 has now been paid, and the shares allocated.

Further, the $1,000,000 payment relating to compliance with his restraint obligations was made in December 2012. There are no further amounts payable to Mr Stewart.

4. NON-EXECUTIVE DIRECTOR REMUNERATION

This section explains the remuneration arrangements for Non-executive Directors. Details of the Non-executive Directors and their Board Committee memberships as at 31 December 2012 are set out below.

Non-executive Directors

Director	Position	Board Committees (as at 31 December 2012)
S P Johns	Chairman and Independent Non-executive Director	Remuneration and Nominations – Chairman Audit
P J Dwyer	Independent Non-executive Director	Audit – Chairman Remuneration and Nominations
M Fernández Verdes[1]	Non-executive Director*	Remuneration and Nominations
R D Humphris OAM	Independent Non-executive Director	Tender Review and Risk – Chairman Ethics and Compliance
I J Macfarlane AC	Independent Non-executive Director	Tender Review and Risk
W G Osborn	Independent Non-executive Director	Ethics and Compliance – Chairman Remuneration and Nominations Tender Review and Risk
D P Robinson[2]	Non-executive Director*	Audit
P W Sassenfeld	Non-executive Director*	
R L Seidler AM[3]	*Alternate Director**	*Ethics and Compliance* *Remuneration and Nominations* *Tender Review and Risk*

* Representing our majority shareholder, HOCHTIEF Australia Holdings Limited.

1 Mr Fernández Verdes replaced Mr Wennemer as a Non-executive Director on 10 October 2012 (he was formerly the Alternate Director for Mr Wennemer from 21 May 2012 to 10 October 2012). Mr Wennemer was appointed as his Alternate Director on 10 October 2012 and resigned on 31 December 2012.

2 Mr Robinson is also the Alternate Director for Mr Sassenfeld.

3 Mr Seidler was the Alternate Director for Dr Stieler from 16 May 2011 to 20 November 2012, and for Mr Wennemer from 10 November 2011 to 10 October 2012. He was appointed as the Alternate Director for Mr Robinson on 20 November 2012.

Directors' Report continued
Remuneration Report continued

4.1 SETTING NON-EXECUTIVE DIRECTOR REMUNERATION

The Remuneration and Nominations Committee reviews and makes recommendations to the Board regarding Non-executive Directors' fees and Committee fees annually.

The Remuneration and Nominations Committee may seek advice from independent remuneration advisers in forming their recommendations.

Remuneration for Non-executive Directors is designed to ensure that the Group can attract and retain suitably qualified and experienced Directors. Fees are based on a comparison to market for Director fees in companies of a similar size and complexity.

In recognition of the additional responsibilities and time commitment of Committee Chairmen and members, additional fees are paid to Committee members in line with market practice.

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

4.2 CURRENT FEE LEVELS AND FEE POOL

Directors' fees have not been increased since 1 July 2010.

The aggregate annual fees payable to the Non-executive Directors for their services as Directors are limited to the maximum annual amount approved by shareholders. The maximum annual amount is currently $3,500,000 (including superannuation contributions) as approved by shareholders at the 2007 AGM.

The fees paid to Directors for the 2012 Financial Year are set out in the table on page 99 and total $2,490,821. In addition to these fees, superannuation contributions will be made for the benefit of all Non-executive Directors capped at the maximum amount required under the Superannuation Guarantee Legislation.

Board and Committee fees in Australian dollars

	Chairman[1]	Member
Board	620,000	185,000
Audit Committee	46,000	23,000
Ethics and Compliance Committee	40,000	20,000
Remuneration and Nominations Committee	40,000	20,000
Tender Review and Risk Committee[2]	40,000	20,000
Special Committee fee[3]	3,850	3,850

1 The Chairman of the Board, who is also the Chairman of the Remuneration and Nominations Committee and a member of the Audit Committee, receives no standing Committee fees in addition to his Board fees.
2 This fee covers up to 4 meetings per year. Where more than 4 meetings are held during the year, an additional fee of $3,850 per meeting for the Chairman and $2,500 for members is payable (capped at 8 meetings). If the total number of meetings held in a year significantly exceeds 12 meetings, the Board can pay further fees.
3 This fee is payable to all Non-executive Directors for each day of service on a Special Committee.

4.3 MINIMUM SHAREHOLDING GUIDELINES

The Board has approved minimum shareholding guidelines for Independent Non-executive Directors. Under these guidelines, all Independent Non-executive Directors are encouraged to accumulate a minimum shareholding in Leighton Holdings shares equivalent in value to one year's base fee after allowing for tax.

The guidelines were implemented on 1 January 2013. All Independent Non-executive Directors are expected to acquire the relevant number of shares over three years from the later of the date of their appointment or the date of implementation of the guidelines.

4.4 OPERATING COMPANY APPOINTMENTS

Certain Non-executive Directors received additional fees for acting as a Director of one or more Operating Companies of the Group during the 2012 Financial Year. The roles held by Non-executive Directors as Directors of Operating Companies during the 2012 Financial Year and up to the date of this Remuneration Report are set out in the table below.

The restructure of the Operating Company Boards (as described on pages 35 to 36 of this Concise Annual Report) resulted in a change to the role and composition of the Operating Company Boards.

The Operating Company Boards are now constituted solely of executives who receive no fees for serving on the respective boards (Operating Company Statutory Boards).

Some of the Non-executive Directors originally acting as Directors on the Operating Company Boards have been appointed to Operating Company Advisory Boards as set out in the table below, and will receive fees for being a member of these Advisory Boards. The fees have been set at $90,000 for the Chairman and $75,000 for a member, plus superannuation. Payments will commence in 2013 and will relate to the periods of service from the date of their appointment.

Operating Company appointments

Director	Operating Company	Role
S P Johns	John Holland Group Pty Limited	Non-executive Director until 7 November 2012
P J Dwyer	John Holland Group Pty Limited	Member of Advisory Board from 5 December 2012
M Fernández Verdes	Thiess Pty Limited	Member of Advisory Board from 12 February 2013
R D Humphris OAM	Leighton Asia, India and Offshore	Member of Advisory Board from 2 November 2012
	Leighton Asia Limited	Non-executive Director until 21 September 2012
	Leighton Contractors Pty Limited	Non-executive Director until 19 November 2012
		Chairman of Advisory Board from 2 November 2012
W G Osborn	Thiess Pty Limited	Non-executive Director and Chairman until 28 September 2012
D P Robinson	Leighton Properties Pty Limited	Non-executive Director until 21 August 2012
R L Seidler AM (Alternate Director)	Leighton Asia, India and Offshore	Chairman of Advisory Board from 2 November 2012
	Leighton Asia Limited	Non-executive Director and Chairman until 21 September 2012
	Leighton Properties Pty Limited	Non-executive Director until 21 August 2012
		Chairman of Advisory Board from 2 November 2012

Directors' Report continued
Remuneration Report continued

4.5 ALTERNATE DIRECTORS

Leighton Holdings does not pay Board fees to Alternate Directors. Financial arrangements for Alternate Directors are a private matter between the Non-executive Director and the relevant Alternate Director.

Mr Seidler is a member of the Board's Remuneration and Nominations, Ethics and Compliance, and Tender Review and Risk Committees, and received Committee membership fees of $122,833 in respect of these roles for the 2012 Financial Year.

He was also a Non-executive Director of Leighton Properties Pty Limited and Leighton Asia Limited during the 2012 Financial Year for which he received Director's fees directly from the relevant Operating Company.

4.6 NON-EXECUTIVE DIRECTORS' RETIREMENT BENEFITS

The company previously operated a Non-executive Directors' Retirement Plan that was approved by shareholders at the 1996 AGM. On 5 November 2003, the Board resolved to remove retirement benefits for Non-executive Directors who were appointed after that date. All Non-executive Directors appointed from this date were paid increased Board fees as compensation for the removal of the retirement benefits.

On 1 July 2008, the Board resolved to close the plan from that date with the effect that there was no further increase in benefits payable to the Non-executive Directors remaining in the plan.

As at 31 December 2012, only one Non-executive Director remained in the plan, being Mr Robinson. Mr Robinson will receive a maximum benefit on retirement limited to his entitlement under the plan as if he had retired on 1 July 2008. This entitlement totals $363,495.

Mr Drescher retired as a Non-executive Director on 22 May 2012 after 15 years of service. Mr Drescher received Directors fees of $78,890 (including superannuation) for the period from 1 January 2012 to his retirement date. On 12 June 2012, Mr Drescher also received a defined retirement benefit of $385,966 (being $498,500 less $112,535 previously contributed) which had been previously accrued and disclosed to shareholders.

4.7 NON-EXECUTIVE DIRECTOR TOTAL REMUNERATION

Details of Non-executive Directors' remuneration in Australian dollars for the 2012 Financial Year and the December 2011 Transitional Financial Year are set out below.

Non-executive Director remuneration

		SHORT-TERM BENEFITS				POST-EMPLOYMENT BENEFITS		TOTAL
		Board & Committee fees	Other	Operating Company Board fees and extra service fees[a]	Non-monetary benefits	Superannuation contributions	Termination benefits	Remuneration for services as a Non-executive Director
Current	**S P Johns**[1]							
	2012 Financial Year	623,945	-	62,844	-	17,839	-	704,628
	December 2011 Transitional Financial Year	252,534	-	31,422	-	10,718	-	294,674
	P J Dwyer[2]							
	2012 Financial Year	258,707	-	-	-	16,128	-	274,835
	December 2011 Transitional Financial Year	-	-	-	-	-	-	-
	M Fernández Verdes[3]							
	2012 Financial Year	41,276	-	-	-	3,715	-	44,991
	December 2011 Transitional Financial Year	-	-	-	-	-	-	0
	R D Humphris OAM							
	2012 Financial Year	269,133	-	145,423	2,359	22,916	-	439,832
	December 2011 Transitional Financial Year	95,500	-	17,500	-	14,890	-	127,890
	I J Macfarlane AC							
	2012 Financial Year	219,166	-	-	-	16,128	-	235,294
	December 2011 Transitional Financial Year	92,500	-	-	-	7,890	-	100,390
	W G Osborn							
	2012 Financial Year	271,666	-	102,375	-	26,253	-	400,294
	December 2011 Transitional Financial Year	122,500	-	68,250	-	14,640	-	205,390
	D P Robinson							
	2012 Financial Year	223,400	-	-	-	16,128	-	239,528
	December 2011 Transitional Financial Year	104,000	-	-	-	7,890	-	111,890
	P W Sassenfeld[4]							
	2012 Financial Year	185,000	-	-	-	16,128	-	201,128
	December 2011 Transitional Financial Year	17,077	-	-	-	1,537	-	18,614
Former	**A Drescher**[5]							
	2012 Financial Year	72,576	-	46,023	-	10,917	-	129,515
	December 2011 Transitional Financial Year	112,833	-	51,136	-	13,004	-	176,973
	Dr F Stieler[6]							
	2012 Financial Year	182,222	-	-	-	14,755	-	196,977
	December 2011 Transitional Financial Year	129,308	-	-	-	10,303	-	139,611
	M H Wennemer[7]							
	2012 Financial Year	143,730	-	-	-	12,457	-	156,187
	December 2011 Transitional Financial Year	44,115	-	-	-	3,945	-	48,060

1 Mr Johns was appointed Chairman of the Board, Chairman of the Remuneration and Nominations Committee and Chairman of the Plan Committee on 24 August 2011. Following his appointment as Chairman of the Board, Mr Johns ceased to be Chairman of the Audit Committee but remains a member of the Audit Committee. The Plan Committee became a management Plan Committee on 10 February 2012. Mr Johns' Board fees includes an overpayment of $3,945 that is to be deducted from Board fees paid for the 2013 Financial Year.

2 Ms Dwyer was appointed a Non-executive Director on 1 January 2012.

3 Mr Fernández Verdes was appointed a Non-executive Director on 10 October 2012. The amounts in the table reflect payments due to be made in 2013 in respect of the 2012 Financial Year.

4 Mr Sassenfeld was appointed a Non-executive Director on 29 November 2011.

5 Mr Drescher retired as an Independent Non-executive Director on 22 May 2012.

6 Dr Stieler resigned as a Non-executive Director on 20 November 2012.

7 Mr Wennemer was appointed a Non-executive Director on 6 October 2011 and resigned as a Non-executive Director on 10 October 2012.

(a) This amount represents the total fees paid to Operating Company Board members. Refer to section 4.4 of this Remuneration Report regarding the restructure of the Operating Company Boards and creation of Operating Company Advisory Boards. The Advisory Board fees are expected to be determined and paid in early 2013 for the 2012 Financial Year.

Directors' Report continued
Remuneration Report continued

5. ADDITIONAL INCENTIVE PLAN DISCLOSURES

This section provides additional incentive plan information as required by the Corporations Act and applicable accounting standards.

5.1 LEGACY INCENTIVE PLANS

5.1.1 MTI - LEGACY PLAN

The MTI plan, described below, is closed to participation and there were no new awards of MTIs during the 2012 Financial Year. However, as a result of MTI participation in the 2010 MTI plan, the following individuals have 2010 MTIs that are payable on 31 July 2013: Mr Edwards (US$235,294), Mr Palin (A$75,000) and Mr Munro (A$300,000).

Summary of legacy MTI plan for senior executives

Who participated in the MTI plan?	The Managing Directors and Deputy Managing Directors of the Operating Companies, and other senior members of their teams, as well as other Leighton Holdings senior executives.
Over what period is performance assessed?	Over a one year period to determine the award. However, as noted below, subsequent years' performance during the three-year deferral period can reduce the size of the award.
What were the performance conditions?	If an Operating Company (or the Group, for those who are Leighton Holdings senior executives) achieves a year-on-year increase in profit, a pool of 5% of the profit increase is available for allocation to the relevant executives. The size of the profit increase therefore determines the total bonus opportunity. Separate incentive pools are calculated for each relevant individual Operating Company and the Group. The actual proportion of the pool that an individual is awarded is based on their level of responsibility and individual performance. 20% of each pool is allocated to the respective Managing Director of the Operating Company, and they then allocate the remainder of their pool. The maximum MTI any individual can be awarded is 80% of fixed remuneration. It is not mandatory to allocate the entire pool that is available. Payment of any amount allocated is deferred for three years and is subject to the reduction described below. If, in any given year, year-on-year profit growth is not achieved, no awards will be allocated for that year. In addition, if that year falls within the three-year deferral period for a previous award, any deferred incentive previously awarded but as yet unpaid will be reduced by up to 50%, although the Remuneration and Nominations Committee can in appropriate cases mitigate the reduction. Accordingly, the maximum amount payable at the end of any three-year deferral period is 100% of the original deferred amount and the minimum payable is 12.5% of the original deferred amount.
Why were those performance measures chosen?	The MTI and its assessment of performance provide an incentive for senior executives to increase the profit results of their Operating Company or the Group (as the case may be), on a year-on-year basis over the relevant period.
Who assessed performance?	Performance is measured and the pools quantitatively determined. The Remuneration and Nominations Committee approves the awards and may make adjustments. Such adjustments may be made as a result of under or over achievements against the performance targets and may take into account non-financial indicators of performance.
What happens if a senior executive ceases employment?	Senior executives who resign from the Group prior to the date that the MTI is payable forfeit any unpaid incentive, except where the senior executive is made redundant, retires, dies or resigns due to serious injury or ill health, in which case the award is payable. If the company terminates a senior executive's employment, the Remuneration and Nominations Committee can determine that a pro-rata payment may be made in exceptional circumstances.

5.1.2 LTI - LEGACY PLAN CLOSED TO NEW GRANTS

The following legacy LTI grants remain in place and will be tested at their respective performance measurement dates:

- 2009 LTI share option grants made under the Leighton Senior Executive Option Plan (LSEOP) (2009 Options); and
- 2011 LTI grant to Mr Gregg as approved by shareholders at the November 2011 AGM.

The terms of the 2008 LTI share option grants made under the LSEOP (2008 Options) (which lapsed on 25 January 2013) and 2009 Options and the 2011 LTI grant to Mr Gregg are outlined below.

Summary of legacy LTI plan grants

<table>
<tr><th></th><th>2008 and 2009 Options</th><th>2011 LTI grant to Mr Gregg</th></tr>
<tr><td>What is granted?</td><td>Grants were made in the form of share options that vest after three years subject to performance against the relevant performance measures. Upon exercise of these options, ordinary shares in the company will be provided to the participant.</td><td>The grant was made in the form of share rights. The share rights are granted for no cost and entitle the participant to receive one fully paid ordinary share in the company per right, subject to the terms and conditions determined by the Remuneration and Nominations Committee, including vesting conditions linked to service and performance over the three to five year performance period. This grant was disclosed in previous Remuneration Reports.</td></tr>
<tr><td>What are the performance measures?</td><td colspan="2">Parcel A (50%) will be tested against a relative total shareholder return hurdle.
Parcel B (50%) will be tested against a growth in earnings per share hurdle.</td></tr>
<tr><td>How is total shareholder return performance measured?</td><td colspan="2">The total shareholder return of the company is measured as a percentile ranking compared to a comparator group of listed entities over the performance period (from grant date to test date). The comparator group is the entities in the S&P / ASX100 Index (and for the 2011 LTI grant to Mr Gregg, the comparator group is the entities in the S&P / ASX100 Index, excluding financial organisations and real estate investment trusts).
Awards vest based on the ranking against the comparator group companies in accordance with the following schedule:
<table>
<tr><th>Company’s total shareholder return ranking in the comparator group</th><th>% of Parcel A vesting</th></tr>
<tr><td>Below 50th percentile</td><td>Nil</td></tr>
<tr><td>At 50th percentile</td><td>50%</td></tr>
<tr><td>Between 50th and 75th percentiles</td><td>Between 50% and 100% increasing on a straight line basis</td></tr>
<tr><td>At or above 75th percentile</td><td>100%</td></tr>
</table></td></tr>
<tr><td>How is the earnings per share performance measured?</td><td colspan="2">The company’s annual compound earnings per share growth is measured over the three-year performance period. Awards vest based on the growth in earnings per share in accordance with the following schedule:
<table>
<tr><th>Earnings per share growth per annum</th><th>% of Parcel B vesting</th></tr>
<tr><td>Below 8%</td><td>Nil</td></tr>
<tr><td>Equal to 8%</td><td>20%</td></tr>
<tr><td>Between 8% and 12%</td><td>Between 20% and 100% increasing on a straight line basis</td></tr>
<tr><td>12% or greater</td><td>100%</td></tr>
</table></td></tr>
</table>

Directors' Report continued
Remuneration Report continued

Summary of legacy LTI plan grants - continued

	2008 and 2009 Options	2011 LTI grant to Mr Gregg
Why were these performance measures chosen?	The performance measures are aligned with the long-term direction and strategy of the Group as the measures encourage a focus on earnings per share growth and the achievement of stable top quartile shareholder returns. Total shareholder return was chosen because it provides a direct link between senior executive reward and returns to shareholders. Senior executives will not derive any benefit from that portion of the grants unless the company's performance is at least at the 50th percentile or higher of the comparator group. In addition, this hurdle provides a relative, external, market-based performance measure against those companies with which the company competes for capital, customers and executives. Earnings per share was chosen because it encourages stable earnings growth over the relevant period.	
When will performance be tested?	There are four test dates for the share options, being 3, 3.5, 4 and 4.5 years after the date the share options were granted.	Testing of both Parcel A and Parcel B will first occur on 31 December 2013. If the performance measures are not met on that date, 25% of the award lapses, and the remaining 75% is tested again after 6 months. If the performance measures are not met on the re-test date, a further 25% of the award lapses, and the remaining 50% is tested again after 6 months. Any share rights that remain unvested on 31 December 2014 will lapse.
Do the share options and share rights attract dividends and voting rights?	Share options do not carry voting or dividend rights. Shares allocated upon exercise of vested share options rank equally with other ordinary shares on issue.	The share rights do not carry any rights to dividends or voting. Shares allocated upon exercise of vested share rights rank equally with other ordinary shares on issue.
What happens in the event of a change of control?	If a change of control event occurs, the share options vest and become exercisable.	If a change of control occurs, there will be no accelerated vesting of the share rights.
What if a senior executive ceases employment?	Share options will lapse if either: • the senior executive's employment ceases (other than due to special circumstances, which includes death, total and permanent disability, normal retirement or redundancy or such other circumstances as the Management Plan Committee may determine); or • if the senior executive is dismissed. Where a senior executive's employment ceases due to special circumstances, the exercise conditions attaching to the share options may be reduced or waived. Should a senior executive retire, generally any unexercised share options held at the date of retirement will not lapse; and unvested share options will continue on foot following the senior executive's departure and will remain subject to the same performance measures (i.e. vesting of the share options will only occur if the performance measures are satisfied at the test date).	If employment ceases due to retirement, resignation or termination for cause, all unvested share rights will lapse. If employment ceases for any other reason and the cessation occurs on or before 31 December 2012, any unvested share rights will vest in full.
Can participants hedge against the risk under the LTI grants?	The Corporations Act and the Group's Securities Trading Policy prohibits senior executives from entering into hedging arrangements regarding both vested and unvested securities, which includes LTI grants.	

5.2 Link between legacy LTI grant outcomes and Group performance

During the 2012 Financial Year, the remaining tranche of 2008 Options was re-tested against the applicable total shareholder return performance hurdle on 25 July 2012 and again on 4 November 2012. These 2008 Options lapsed on 25 January 2013.

Meanwhile, the 2009 Options were tested for the first time against a total shareholder return performance hurdle (which applied to half of the grant) and earnings per share performance hurdle (which applied to the remaining half of the grant).

The outcomes of these tests for the 2008 and 2009 Options are set out below.

Summary of legacy LTI grants

Year of grant	Total shareholder return performance	Earnings per share performance
2008	Re-tested on 25 July 2012 and on 4 November 2012. Performance below the median company in the comparator group resulted in no vesting.	Not applicable as no re-test on the earnings per share portion.
2009	First tested on 4 May 2012 and re-tested on 4 November 2012. Performance below the median company in the comparator group resulted in no vesting. Further re-testing will take place on 4 May and 4 November in the 2013 Financial Year.	Tested over 3 year performance period from 31 December 2008 to 31 December 2011. The earnings per share growth resulted in 100% of this tranche vesting (i.e. 50% of total 2009 Options).

Directors' Report continued
Remuneration Report continued

5.3 Movement in LTIs

The following table sets out the movement in LTIs during the 2012 Financial Year.

Name	Date of grant	Number granted/ awarded	Adjusted Exercise Price (A$)[1]	Vested (first test date)	Balance of options 31 December 2011	Number of options vested in 2012 Financial Year[2]
2008 Options were granted on 25 January 2008, the exercise price was $45.53, the first test date was 25 January 2011, and all unexercised 2008 Options lapsed on 25 January 2013						
H G Tyrwhitt	25.01.08	50,000	44.91	25.01.11	30,032	-
R R Cooke	25.01.08	10,000	44.91	25.01.11	6,006	-
M C Gray	25.01.08	25,000	44.91	25.01.11	15,016	-
L W Voyer	25.01.08	25,000	44.91	25.01.11	15,016	-
2009 Options were granted on 4 May 2009, the exercise price was $19.49, the first test date was 4 May 2012, and all unexercised 2009 Options will lapse on 4 May 2014						
H G Tyrwhitt	04.05.09	80,000	18.87	04.05.12	80,000	40,000
R R Cooke	04.05.09	18,000	18.87	04.05.12	18,000	9,000
M C Gray	04.05.09	35,000	18.87	04.05.12	35,000	17,500
I L Edwards	04.05.09	30,000	18.87	04.05.12	30,000	15,000
C A Laslett	04.05.09	25,000	18.87	04.05.12	25,000	12,500
G M Palin	04.05.09	50,000	18.87	04.05.12	50,000	25,000
B A Munro	04.05.09	25,000	18.87	04.05.12	25,000	12,500
L W Voyer	04.05.09	35,000	18.87	04.05.12	35,000	17,500
Performance rights granted on 1 January 2011, the exercise price is nil, the first test date is 1 January 2014, and all performance rights that do not vest following testing will lapse						
P A Gregg[9]	01.01.11	38,466	-	01.01.14	38,466	-
TOTAL		**446,466**			**402,536**	**149,000**

1 The exercise price for the options was amended as at 1 July 2011 as per the ASX Listing Rule formula and notified to the ASX on 24 June 2011. This table represents the exercise price as at 31 December 2012.
2 The total shareholder return tranche of the 2008 Options did not meet the hurdles on the first or subsequent test dates being 25 January 2011, 25 July 2011, 25 January 2012 and 25 July 2012. The tranche lapsed on 25 January 2013. For the 2009 Options, the earnings per share hurdle was met on 4 May 2012 and 100% of the earnings per share parcel vested. The total shareholder return tranche did not meet the hurdles on the first or second test dates being 4 May 2012 and 4 November 2012 respectively.
3 The options in this column represent the portion of the 2008 and 2009 Options earnings per share parcel that vested being 20.13% and 100% respectively. 79.87% of the lapsed 2008 Options earnings per share portion were previously reported.
4 On the exercise of each option, by paying the exercise price (being $44.91 for the 2008 Options and $18.87 for the 2009 Options), the holder receives one fully paid ordinary share in Leighton Holdings Limited. No options were exercised in 2012.
5 These represent options that lapsed during the 2012 Financial Year due to a failure to fully satisfy performance conditions, a failure to exercise the options, and/or unvested options that were forfeited upon cessation of employment with the Group.
6 The amount is based on the weighted average closing market price on the date the options were exercised less the exercise price per option (which is based on the VWAP over 20 trading days up to and including the date the grant was made) multiplied by the number of options exercised.
7 This amount is the weighted average closing market price on the dates the options were exercised or lapsed. The ultimate value to the senior executive will depend on the actual market price on the ultimate date of sale.
8 The amount is based on the weighted average closing market price on the date the options lapsed less the exercise price per option (which is based on the VWAP over 20 trading days up to and including the date the grant was made) multiplied by the number of options which lapsed.
9 Mr Gregg was appointed as CFO on 14 October 2009 and an Executive Director on 23 December 2010. He was entitled to an annual award of securities under his previous executive contract based on 75% fixed remuneration divided by $33.14639 (VWAP). Shareholder approval was received at the November 2011 AGM for this award.

Number of options exercisable in 2012 Financial Year[3]	Number of options exercised in 2012 Financial Year[4]	Number of options forfeited / lapsed[5]	Balance of options 31 Dec 2012	Value exercised in 2012 Financial Year (A$)[6]	Closing share price on exercise date (A$)[7]	Value forfeited / lapsed (A$)[8]
5,032	-	-	30,032	-	-	-
1,006	-	-	6,006	-	-	-
2,516	-	-	15,016	-	-	-
2,516	-	-	15,016	-	-	-
40,000	-	-	80,000	-	-	-
9,000	-	-	18,000	-	-	-
17,500	-	-	35,000	-	-	-
15,000	-	-	30,000	-	-	-
12,500	-	-	25,000	-	-	-
25,000	-	-	50,000	-	-	-
12,500	-	-	25,000	-	-	-
17,500	-	-	35,000	-	-	-
-	-	-	38,466	-	-	-
160,070	**-**	**-**	**402,536**	**-**	**-**	**-**

The Leighton Holdings Limited Directors' Report for the 2012 Financial Year is signed at Sydney on the 13th day of February 2013 in accordance with a resolution of the Directors.

S P Johns
Chairman

H G Tyrwhitt
Chief Executive Officer

Victorian Desalination Plant, Victoria, Australia
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Concise Financial Report

Concise Financial Report

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2012

	Note	12 months to December 2012 $m	6 months to December 2011 $m
Revenue	2	18,951.7	10,169.2
Expenses	3	(18,142.4)	(9,365.5)
Finance costs	4	(210.1)	(90.5)
Share of profits / (losses) of associates and joint venture entities		(36.1)	(237.8)
Profit / (loss) before tax		563.1	475.4
Income tax (expense) / benefit		(121.0)	(130.5)
Profit / (loss) for the year		442.1	344.9
Attributable to:			
Members of the parent entity		450.1	340.0
Minority interest		(8.0)	4.9
Profit / (loss) for the year		442.1	344.9
Dividends per share - Final (31 December 2012)†	6	60.0¢	n/a
Dividends per share - Interim (30 June 2012)†	6	20.0¢	n/a
Dividends per share - Final (31 December 2011)†	6	n/a	60.0¢
Basic earnings per share		133.5¢	101.0¢
Diluted earnings per share		133.1¢	101.0¢

† *The effect of the change in the financial year to a 31 December year end date is that a dividend declared in respect of a 6 month period ended 31 December is a final dividend and a dividend declared in respect of a 6 month period ended 30 June is an interim dividend.*

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	12 months to December 2012 $m	6 months to December 2011 $m
Profit / (loss) for the year (before minority interest)	442.1	344.9
Other comprehensive income:		
- Foreign exchange translation differences (net of tax)	(47.9)	68.5
- Effective portion of changes in fair value of cash flow hedges (net of tax)	26.2	30.4
- Change in value of equity reserves (net of tax)	(11.4)	(0.8)
Net gain / (loss) recognised directly in equity	(33.1)	98.1
Total comprehensive income / (expense) for the year	409.0	443.0
Attributable to:		
Members of the parent entity	417.0	438.1
Minority interest	(8.0)	4.9
Total comprehensive income / (expense) for the year	409.0	443.0

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the Concise Financial Report.

Concise Financial Report continued

CONSOLIDATED BALANCE SHEET
as at 31 December 2012

	Note	December 2012 $m	December 2011 $m
Assets			
Cash and cash equivalents		1,847.0	1,503.2
Trade and other receivables		3,440.8	2,461.6
Current tax assets		10.1	92.6
Inventories: consumables and development properties		549.5	481.3
Assets held for sale	8	672.8	4.6
Total current assets		6,520.2	4,543.3
Trade and other receivables		673.4	777.9
Inventories: development properties		473.4	420.4
Investments accounted for using the equity method		876.8	998.8
Other investments		97.0	63.6
Deferred tax assets		246.0	307.3
Property, plant and equipment		2,064.1	2,520.0
Intangibles		255.3	269.1
Total non-current assets		4,686.0	5,357.1
Total assets		11,206.2	9,900.4
Liabilities			
Trade and other payables		4,507.3	4,025.8
Current tax liabilities		76.7	59.3
Provisions		401.7	305.3
Interest bearing liabilities	9	634.3	669.8
Liabilities associated with assets held for sale	8	174.3	-
Total current liabilities		5,794.3	5,060.2
Trade and other payables		195.4	352.3
Provisions		173.4	247.1
Interest bearing liabilities	9	2,126.2	1,473.9
Total non-current liabilities		2,495.0	2,073.3
Total liabilities		8,289.3	7,133.5
Net assets		2,916.9	2,766.9
Equity			
Share capital		2,027.2	2,027.2
Reserves		(229.4)	(209.3)
Retained earnings		1,046.7	866.2
Total equity attributable to equity holders of the parent		2,844.5	2,684.1
Minority interest		72.4	82.8
Total equity		2,916.9	2,766.9

The Consolidated Balance Sheet is to be read in conjunction with the notes to the Concise Financial Report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

	Share Capital $m	Reserves $m	Retained Earnings $m	Attributable to Equity Holders $m	Minority Interest $m	Total Equity $m
Total equity at 30 June 2011	2,016.2	(305.7)	526.2	2,236.7	83.2	2,319.9
Total comprehensive income	-	98.1	340.0	438.1	4.9	443.0
Transactions with owners in their capacity as owners:						
- Contributions of equity	11.0			11.0		11.0
- Dividends				-		-
- Share based payments		(1.7)		(1.7)		(1.7)
- Other				-	(5.3)	(5.3)
Total transactions with owners	11.0	(1.7)	-	9.3	(5.3)	4.0
Total equity at 31 December 2011	2,027.2	(209.3)	866.2	2,684.1	82.8	2,766.9
Total comprehensive income	-	(33.1)	450.1	417.0	(8.0)	409.0
Transactions with owners in their capacity as owners:						
- Contributions of equity				-		-
- Dividends			(269.6)	(269.6)		(269.6)
- Share based payments		13.0		13.0		13.0
- Other				-	(2.4)	(2.4)
Total transactions with owners	-	13.0	(269.6)	(256.6)	(2.4)	(259.0)
Total equity at 31 December 2012	2,027.2	(229.4)	1,046.7	2,844.5	72.4	2,916.9

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the Concise Financial Report.

Concise Financial Report continued

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2012

	12 months to December 2012 $m	6 months to December 2011 $m
Cash flows from operating activities		
Cash receipts in the course of operations (including GST)	19,945.4	11,000.7
Cash payments in the course of operations (including GST)	(18,734.1)	(10,672.8)
Cash flows from operating activities	1,211.3	327.9
Dividends received	19.1	-
Interest received	28.9	24.0
Finance costs paid	(199.5)	(66.9)
Income taxes received / (paid)	49.6	(50.8)
Net cash from operating activities	1,109.4	234.2
Cash flows from investing activities		
Payments for intangibles	(44.7)	(30.8)
Payments for plant and equipment	(1,216.7)	(502.3)
Proceeds from sale of property, plant and equipment	102.1	44.8
Payments for investments in controlled entities and businesses	(10.8)	(5.0)
Proceeds from sale of investments in controlled entities and businesses	172.4	458.5
Proceeds from sale of other investments	-	0.8
Payments for other investments	(43.7)	-
Loans to associates	(39.2)	(122.3)
Net cash from investing activities	(1,080.6)	(156.3)
Cash flows from financing activities		
Proceeds from share issues	-	11.0
Proceeds from borrowings	896.3	223.0
Repayment of borrowings	(542.6)	(199.5)
Proceeds from sale and finance leaseback of property, plant and equipment	433.9	-
Repayment of finance leases	(173.9)	(68.8)
Dividends paid to minority interest	(3.4)	(5.1)
Dividends paid to owners of the Company	(269.6)	-
Net cash from financing activities	340.7	(39.4)
Net increase / (decrease) in cash held	369.5	38.5
Net cash at the beginning of the reporting period	1,503.2	1,414.7
Effects of exchange rate fluctuations on cash held	(25.7)	50.0
Net cash at reporting date	1,847.0	1,503.2

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the Concise Financial Report.

Notes to the Concise Financial Report

NOTE 1 BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT

Leighton Holdings Limited (the "Company") obtained approval from the Australian Securities and Investments Commission ("ASIC") to change its financial year end date from 30 June to 31 December. Effective 1 January 2012, the financial years of the Company are for twelve month periods ending 31 December which aligns with the financial year of its major shareholder, HOCHTIEF AG ("HOCHTIEF") and its ultimate parent, Actividades de Construcción y Servicios, S.A. ("ACS").

The results for the twelve months ended 31 December 2012 reflect the first full financial year since the Company changed its financial year to 31 December. As a result, the comparative period presented in this report is for the previous six month period ended 31 December 2011.

The Concise Financial Report has been prepared in accordance with the *Corporations Act 2001* and Accounting Standard AASB 1039 *Concise Financial Reports*. The financial statements and specific disclosures required by AASB 1039 have been derived from the Full Financial Report in respect of the consolidated entity constituted by the Company and the entities it controlled (Consolidated Entity) for the financial period. Other information included in the Concise Financial Report is consistent with the Consolidated Entity's Full Financial Report. The Concise Financial Report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the Full Financial Report. Further financial information can be obtained from the Consolidated Entity's Full Financial Report which is available free of charge on request.

The Concise Financial Report is presented in Australian dollars and has been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale assets that have been measured at fair value at reporting date. All financial information presented in Australian dollars has been rounded off to the nearest hundred thousand dollars, unless otherwise stated. The Consolidated Entity's accounting policies have been consistently applied by each entity in the Group and are consistent with those in the previous year. A full description of the accounting policies adopted by the Consolidated Entity may be found in the Consolidated Entity's full financial report.

NOTE 2 REVENUE

	Note	12 months to December 2012 $m	6 months to December 2011 $m
Construction contracting services		11,720.6	5,798.2
Mining contracting services		5,374.1	3,138.5
Property development revenue		438.8	519.1
Other services revenue		1,360.4	683.4
Revenue from external customers		18,893.9	10,139.2
Interest			
- Related parties		20.7	8.6
- Other parties		26.6	15.5
Unwinding of discounts on non-current receivables			
- Related parties		6.3	3.5
- Other parties		4.2	2.4
Interest revenue		57.8	30.0
Total revenue	5	18,951.7	10,169.2

Concise Financial Report continued
Notes continued

NOTE 3 EXPENSES

	Note	12 months to December 2012 $m	6 months to December 2011 $m
Materials		(4,239.0)	(2,369.4)
Subcontractors		(5,062.7)	(2,364.8)
Plant costs		(1,322.3)	(779.3)
Personnel costs		(5,001.1)	(2,292.0)
Depreciation of property, plant and equipment	4	(1,032.1)	(512.7)
Amortisation of intangibles	4	(24.4)	(33.0)
Net gain / (loss) on sale of assets	4	135.3	244.8
Impairments	4	(98.0)	(123.9)
Property development and property joint ventures write-downs		(17.2)	(0.6)
Property development - cost of goods sold		(416.8)	(548.7)
Foreign exchange gains / (losses)		(6.2)	(8.7)
Operating lease payments - plant and equipment		(244.1)	(151.3)
Operating lease payments - other		(115.9)	(46.2)
Design, engineering and technical consulting fees		(179.9)	(91.6)
Other expenses		(518.0)	(288.1)
Total expenses		(18,142.4)	(9,365.5)

NOTE 4 ITEMS INCLUDED IN PROFIT / (LOSS) BEFORE TAX

	Note	12 months to December 2012 $m	6 months to December 2011 $m
Finance costs			
Interest			
- Related parties		(1.0)	(1.2)
- Other parties		(128.9)	(52.0)
Finance charge for finance leases		(30.9)	(9.6)
Facility fees			
- Bank guarantees, insurance bonds and letters of credit		(36.9)	(11.1)
- Other		(8.9)	(5.2)
Impact of discounting			
- Related parties		-	(10.5)
- Other		(2.3)	-
Interest rate swap close out transferred from equity		(1.2)	(0.9)
Total finance costs		(210.1)	(90.5)
Depreciation of property, plant and equipment			
- Buildings		(2.3)	(1.4)
- Plant and equipment		(1,016.2)	(505.5)
- Leasehold land, buildings and improvements		(13.6)	(5.8)
Total depreciation of property, plant and equipment		(1,032.1)	(512.7)
Amortisation			
- Intangibles		(24.4)	(33.0)
Net gain / (loss) on sale of assets			
- Controlled entities and businesses	7	115.2	229.3
- Plant and equipment		20.1	15.5
Total gain / (loss) on sale of assets		135.3	244.8
Impairments			
- Investments in infrastructure toll road companies		(63.0)	(70.0)
- Investments accounted for using the equity method		(35.0)	(50.0)
- Other investments		-	(0.8)
- Intangibles		-	(3.1)
Total impairments		(98.0)	(123.9)

Concise Financial Report continued
Notes continued

NOTE 5 SEGMENT INFORMATION

12 months to December 2012	Leighton Contractors $m	Thiess $m	John Holland $m	Leighton Asia, India & Offshore $m	Habtoor Leighton Group $m	Commercial & Residential $m	Corporate $m	Eliminations $m	Total $m
Revenue									
Segment revenue before interest	7,136.4	7,231.3	4,545.7	2,629.2	444.6	557.6	524.6	(0.2)	23,069.2
Interest revenue	-	5.7	-	-	-	-	52.1	-	57.8
Segment revenue	7,136.4	7,237.0	4,545.7	2,629.2	444.6	557.6	576.7	(0.2)	23,127.0
Inter-segment revenue	-	-	-	(0.2)	-	-	-	0.2	-
Segment joint venture and associate revenue	(693.7)	(1,169.1)	(831.2)	(422.1)	(444.6)	(90.0)	(524.6)	-	(4,175.3)
External revenue	6,442.7	6,067.9	3,714.5	2,206.9	-	467.6	52.1	-	18,951.7
Result									
Segment result before interest, gains on sale and impairments	342.9	237.7	85.3	208.6	(33.2)	23.8	(109.1)	-	756.0
Interest	(53.3)	(22.6)	(20.3)	(38.6)	(13.8)	(49.7)	(11.8)	-	(210.1)
Segment result before gains on sale and impairments*	289.6	215.1	65.0	170.0	(47.0)	(25.9)	(120.9)	-	545.9
Gain on sale of controlled entities and businesses	-	115.2	-	-	-	-	-	-	115.2
Impairments	-	(31.5)	(31.5)	-	(20.0)	-	(15.0)	-	(98.0)
Segment result	289.6	298.8	33.5	170.0	(67.0)	(25.9)	(135.9)	-	563.1
Income tax (expense) / benefit									(121.0)
Profit / (loss) for the year*									442.1
Other									
Share of profit / (loss) of associates and joint venture entities	(8.9)	(58.4)	34.4	26.5	(47.0)	13.8	3.5	-	(36.1)
Depreciation	(274.6)	(469.4)	(92.4)	(190.5)	-	(1.2)	(4.0)	-	(1,032.1)
Other material non-cash expenses	(21.9)	(31.5)	(31.5)	-	(20.0)	(17.2)	(17.5)	-	(139.6)
Assets and liabilities									
Reportable segment assets	2,748.5	1,736.9	1,025.2	1,753.1	1,119.3	890.1	2,543.7	-	11,816.8
Reportable segment liabilities	1,505.8	1,668.5	1,037.5	752.4	107.3	290.1	3,538.3	-	8,899.9

* *Profit after tax attributable to members of the parent entity before gains on sale and impairments was $448.1 million.*

NOTE 5 SEGMENT INFORMATION – CONTINUED

6 months to December 2011	Leighton Contractors $m	Thiess $m	John Holland $m	Leighton Asia, India & Offshore $m	Habtoor Leighton Group $m	Commercial & Residential $m	Corporate $m	Eliminations $m	Total $m
Revenue									
Segment revenue before interest	3,594.5	3,809.3	2,400.0	1,388.6	329.8	527.8	205.4	(108.5)	12,146.9
Interest revenue	-	0.2	-	-	-	-	29.8	-	30.0
Segment revenue	3,594.5	3,809.5	2,400.0	1,388.6	329.8	527.8	235.2	(108.5)	12,176.9
Inter-segment revenue	(14.4)	-	-	-	-	(89.8)	(4.3)	108.5	-
Segment joint venture and associate revenue	(250.3)	(703.8)	(305.5)	(215.4)	(329.8)	(2.7)	(200.2)	-	(2,007.7)
External revenue	3,329.8	3,105.7	2,094.5	1,173.2	-	435.3	30.7	-	10,169.2
Result									
Segment result before interest, gains on sale and impairments	279.8	61.8	67.9	145.0	(71.1)	18.3	(41.2)	-	460.5
Interest	(16.5)	-	(7.9)	(9.8)	(32.8)	(17.3)	(6.2)	-	(90.5)
Segment result before gains on sale and impairments*	263.3	61.8	60.0	135.2	(103.9)	1.0	(47.4)	-	370.0
Gain on sale of controlled entities and businesses	229.3	-	-	-	-	-	-	-	229.3
Impairments	(0.3)	(37.8)	(35.0)	-	(50.0)	-	(0.8)	-	(123.9)
Segment result	492.3	24.0	25.0	135.2	(153.9)	1.0	(48.2)	-	475.4
Income tax (expense) / benefit									(130.5)
Profit / (loss) for the period*									344.9
Other									
Share of profit / (loss) of associates and joint venture entities	(28.3)	(170.0)	20.0	14.1	(78.2)	1.1	3.5	-	(237.8)
Depreciation	(156.9)	(221.8)	(41.7)	(90.0)	-	(0.5)	(1.8)	-	(512.7)
Other material non-cash expenses	(32.2)	(37.8)	(35.0)	-	(50.0)	(0.6)	(2.0)	-	(157.6)
Assets and liabilities									
Reportable segment assets	2,000.9	1,602.9	998.4	1,512.1	1,118.0	903.1	2,433.0	-	10,568.4
Reportable segment liabilities	1,142.3	1,637.6	1,003.0	615.6	20.3	278.1	3,104.6	-	7,801.5

* *Profit after tax attributable to members of the parent entity before gains on sale and impairments was $272.0 million.*

Concise Financial Report continued
Notes continued

NOTE 6 DIVIDENDS

	Cents per share	$m
2012 final dividend		
Subsequent to reporting date the Company announced a 50% franked final dividend in respect of the year ended 31 December 2012.^ The dividend is payable on 28 March 2013. This dividend has not been provided for in the balance sheet.	60.0	202.3
Dividends recognised in the reporting period to 31 December 2012†		
30 June 2012 interim ordinary dividend unfranked paid on 28 September 2012	20.0	67.4
31 December 2011 final ordinary dividend unfranked paid on 30 March 2012	60.0	202.2
		269.6
Dividends recognised in the 6 month reporting period to 31 December 2011†		
No final dividend was declared by the Company in respect of the period ended 30 June 2011	nil	nil

^ *The unfranked portion of the dividend has been declared Conduit Foreign Income.*

† *The effect of the change in the financial year to a 31 December year end date is that a dividend declared in respect of a 6 month period ended 31 December is a final dividend and a dividend declared in respect of a 6 month period ended 30 June is an interim dividend.*

NOTE 7 DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES

As a result of the disposal of Thiess Waste Management business ("TWM"), the following table summarises the consideration transferred, along with the effect on the Group's assets and liabilities at the disposal date in the current financial period.

Disposals - Thiess Waste Management business

12 months to December 2012	$m
Consideration transferred	
Consideration	179.1
Carrying amount on disposal	(63.9)
Net gain on disposal of controlled entities before tax	115.2
Carrying value of assets and liabilities of entities and businesses disposed	
Cash and cash equivalents	0.1
Inventories: consumables	0.3
Trade and other receivables	1.1
Property, plant and equipment	65.7
Investments in related entities	4.7
Trade and other payables	(0.5)
Provisions - employee and other provisions	(7.5)
Net assets disposed	63.9
Cash inflow resulting from sale	172.4
Deferred consideration	6.7
Consideration	179.1

On 9 July 2012, the Group signed a business sale agreement for the sale of TWM to Remondis AG & Co KG. The sale completed on 28 September 2012.

The disposal has been accounted for as follows: the total consideration of $179.1 million less the carrying value of the TWM net assets of $63.9 million, resulting in a gain before tax of $115.2 million (refer to note 4: *Items included in profit / (loss) before tax*). The gain on sale after tax was $80.6 million. The TWM contribution to net profit after tax during the reporting period was $24.3 million (31 December 2011: $9.4 million).

Concise Financial Report continued
Notes continued

NOTE 8 HELD FOR SALE

Telecommunication Infrastructure Business ("TIB")
During the reporting period, a plan to sell TIB was initiated and is currently being actively marketed for sale. The completion of the sale is expected within one year from the reporting date.

TIB comprises entities and assets that provide telecommunications infrastructure to both external and internal parties of the Group. The assets and associated liabilities to be sold shown below are presented in the Leighton Contractors segment at 31 December 2012.

	December 2012 $m
Assets	
Cash and cash equivalents^	10.0
Trade and other receivables	10.3
Inventories: consumables	1.5
Total current assets	21.8
Deferred tax assets	25.4
Property, plant and equipment*	575.9
Intangibles	35.5
Total non-current assets	636.8
Total assets	658.6
Liabilities	
Trade and other payables^	112.7
Current tax liabilities	19.0
Provisions	4.4
Total current liabilities	136.1
Provisions	1.7
Interest bearing liabilities^	36.5
Total non-current liabilities	38.2
Total liabilities	174.3

Other held for sale*
Held for sale also includes rail equipment and barge assets of $14.2 million (31 December 2011: $4.6 million) actively marketed for sale.

* *Total Property, plant and equipment of $585.5 million was reclassified to assets held for sale during the reporting period (includes $575.9 million in relation to TIB and an additional $9.6 million transferred to 'Other held for sale' above during the reporting period).*

^ *Net debt held for sale was $49.5 million (cash $10.0 million less overdraft included in trade and other payables of $23.0 million and interest bearing liabilities of $36.5 million).*

NOTE 9 INTEREST BEARING LIABILITIES

	December 2012 $m	December 2011 $m
Current		
Interest bearing loans	322.3	460.4
Finance lease liabilities	206.8	155.6
Interest bearing liabilities - limited recourse loans	105.2	53.8
Total current interest bearing liabilities	634.3	669.8
Non-current		
Interest bearing loans	1,328.5	914.0
Finance lease liabilities	707.8	418.5
Interest bearing liabilities - limited recourse loans	89.9	141.4
Total non-current interest bearing liabilities	2,126.2	1,473.9
Total interest bearing liabilities	2,760.5	2,143.7

Interest Bearing Loans

Syndicated Loans
On 10 October 2008, Leighton Finance Limited, a wholly owned subsidiary of the Company, entered into a syndicated bank facility for $520.0 million, maturing on 10 October 2011. On 8 December 2010, the syndicated bank facility was amended and restated to $600.0 million, maturing on 8 December 2013. Carrying amount at 31 December 2012: $nil (31 December 2011: $nil).

On 28 September 2012, LMENA No.1 Pty Limited, a wholly owned subsidiary of the Company, repaid a syndicated bank loan of US$368.2 million in full. Carrying amount at 31 December 2012: US$nil (31 December 2011: US$312.3 million) equivalent to $nil (31 December 2011: $312.3 million).

Guaranteed Senior Notes
Leighton Finance Limited (2008)
On 15 October 2008, Leighton Finance Limited, a wholly owned subsidiary of the Company, issued a total of US$280.0 million Guaranteed Senior Notes in three series:

- Series A Notes: US$111.0 million Guaranteed Senior Notes at the rate of 6.91% maturing on 15 October 2013
- Series B Notes: US$90.0 million Guaranteed Senior Notes at the rate of 7.19% maturing on 15 October 2015
- Series C Notes: US$79.0 million Guaranteed Senior Notes at the rate of 7.66% maturing on 15 October 2018

Interest on the above notes is paid semi-annually on the 15th day of April and October in each year. Carrying amount at 31 December 2012: US$279.5 million (31 December 2011: US$278.9 million) equivalent to $268.8 million (31 December 2011: $278.9 million), of which US$111.0 million, equivalent to $106.7 million, is due for repayment within twelve months from the reporting date.

Leighton Finance (USA) Pty Limited (2010)
On 21 July 2010, Leighton Finance (USA) Pty Limited, a wholly owned subsidiary of the Company, issued a total of US$350.0 million Guaranteed Senior Notes in three series:

- Series A Notes: US$90.0 million Guaranteed Senior Notes at the rate of 4.51% maturing on 21 July 2015
- Series B Notes: US$145.0 million Guaranteed Senior Notes at the rate of 5.22% maturing on 21 July 2017
- Series C Notes: US$115.0 million Guaranteed Senior Notes at the rate of 5.78% maturing on 21 July 2020

Interest on the above notes is paid semi-annually on the 21st day of January and July in each year. Carrying amount at 31 December 2012: US$349.0 million (31 December 2011: US$348.6 million) equivalent to $335.6 million (31 December 2011: $348.6 million).

Concise Financial Report continued

Notes continued

NOTE 9 INTEREST BEARING LIABILITIES - CONTINUED

Guaranteed Senior Notes - continued

Leighton Finance (USA) Pty Limited (2012)

On 13 November 2012, Leighton Finance (USA) Pty Limited, a wholly-owned subsidiary of the Company, issued US$500.0 million of 10-Year Fixed-Rate Guaranteed Notes.

The notes bear interest from 13 November 2012 at the rate of 5.95% per annum and mature on 13 November 2022. Interest on the notes will be paid semi-annually on the 13th day of May and November in each year, commencing on 13 May 2013. Carrying amount at 31 December 2012: US$491.7 million (31 December 2011: US$nil) equivalent to $472.8 million (31 December 2011: nil).

Medium Term Notes

Leighton Finance Limited, a wholly owned subsidiary of the Company, issued a total of $280.0 million Medium Term Notes on the following dates:

- 28 July 2009: $230.0 million
- 12 August 2009: $50.0 million

The notes bear interest at the rate of 9.5% paid quarterly and mature on 28 July 2014.

Bilateral Loans

On 4 August 2011, Leighton Finance (USA) Pty Limited, a wholly owned subsidiary of the Company, entered into a bilateral bank facility for US$110.0 million, maturing on 31 July 2013. Carrying amount at 31 December 2011: US$110.0 million equivalent to $110.0 million. On 14 November 2012, the facility was repaid in full.

On 23 April 2012, Leighton Finance Limited, a wholly owned subsidiary of the Company, entered into a bilateral facility for $125.0 million, maturing on 23 April 2013. Carrying amount at 30 June 2012: $125.0 million (31 December 2011: $nil). On 14 November 2012, the facility was repaid in full.

On 10 September 2012, Leighton Finance Limited, a wholly owned subsidiary of the Company, entered into a bilateral facility for $75.0 million, maturing on 10 March 2014. Carrying amount at 31 December 2012: $75.0 million.

On 25 September 2012, Leighton Finance Limited, a wholly owned subsidiary of the Company, entered into a bilateral facility for $100.0 million, maturing on 25 September 2013. Carrying amount at 31 December 2012: $100.0 million.

On 27 September 2012, Leighton Finance Limited, a wholly owned subsidiary of the Company, entered into a bilateral facility for $150.0 million, comprising two $75.0 million tranches each maturing on 27 April 2013 and 27 September 2013 respectively. During the reporting period, $75.0 million of the facility has been repaid. Carrying amount at 31 December 2012: $75.0 million.

Other Unsecured Loans

Other unsecured loans outstanding as at 31 December 2012: $43.7 million (31 December 2011: $44.6 million). Other unsecured loans expected to be settled more than twelve months after reporting date: $3.1 million (31 December 2011: $6.5 million).

Finance Lease Liabilities

The Group has leased mining plant and equipment in Indonesia, Mongolia and Australia under finance leases that expire within five years of the reporting date.

On 26 March 2012, the Group entered into a Master Finance Lease Agreement as part of a Syndicated Lease facility of $425.0 million. The facility has a twelve month availability period and maximum lease term of five years.

Limited Recourse Loans

The Group has limited recourse property development loans secured against certain property development assets. Carrying amount as at 31 December 2012: $195.1 million (31 December 2011: $195.2 million).

NOTE 10 CONTINGENT LIABILITIES

Bank guarantees, insurance bonds and letters of credit

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

	December 2012 $m	December 2011 $m
Bank guarantees	2,346.7	2,531.2
Insurance, performance and payment bonds	739.1	586.7
Letters of credit	720.2	437.8

Letters of credit include those provided for the Group's capital commitments totalling $234.1 million (31 December 2011: $315.3 million) and those provided on behalf of Habtoor Leighton Group to the lender totalling $130.8 million (31 December 2011: $40.0 million). Guarantees of $130.8 million have also been provided on behalf of Habtoor Leighton Group to the lender.

Other contingencies

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 is indeterminable in amount.

ii) There exists in some members of the Group the normal design liability in relation to completed design and construction projects.

iii) Certain members of the Group have the normal contractor's liability in relation to construction contracts. This liability may include litigation by or against the Group and / or joint venture arrangements in which the Group has an interest. It is not possible to estimate the financial effect of these claims should they be successful. The Directors are of the opinion that adequate allowance has been made and that disclosure of any further information about the claims would be prejudicial to the interests of the Group.

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 the Leighton Holdings Limited Financial Report 31 December 2012, note 38: *Leighton Holdings Limited and controlled entities*, the Company has entered into approved deeds of indemnity for the cross-guarantee of liabilities with participating Australian subsidiary companies.

vi) On 13 February 2012, the Company announced to the Australian Securities Exchange that it had reported to the Australian Federal Police ("AFP") a possible breach of its Code of Ethics that, if substantiated, may contravene Australian laws. The possible breach related to payments that may have been made by a subsidiary company Leighton Offshore Pte. Limited in connection with work to expand offshore loading facilities for Iraq's crude oil exports. At this stage it is not known whether there has been any wrongful or illegal conduct, or whether there will be any adverse financial consequences for the Company. The AFP investigation is ongoing and accordingly the Company is not in a position to make any further comment.

NOTE 11 EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to reporting date the Group:

- declared a 50% franked final dividend of 60.0 cents per share.

AirportlinkM7, Queensland, Australia
Thiess and John Holland

Statutory statements and shareholder information

Statutory statements

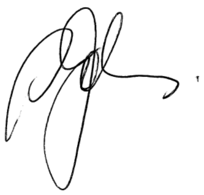
DIRECTORS' DECLARATION

In the opinion of the Directors of Leighton Holdings Limited, the accompanying Concise Financial Report of Leighton Holdings Limited and its controlled entities for the 12 months ended 31 December 2012 as set out on pages 107 to 123:

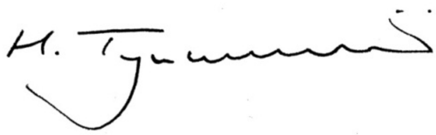
a) has been derived from, or is consistent with, the full financial report for the 12 months ended 31 December 2012; and

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

Signed for and on behalf of the Board in accordance with a resolution of the Directors:



S P Johns
Chairman



H G Tyrwhitt
Chief Executive Officer

Dated at Sydney this 13th day of February 2013

DELOITTE INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEIGHTON HOLDINGS LIMITED

Report on the concise financial report

We have audited the accompanying concise financial report of Leighton Holdings Limited ("the Company") which comprises the Consolidated Balance Sheet as at 31 December 2012, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and related notes, derived from the audited financial report of Leighton Holdings Limited for the year ended 31 December 2012 as set out on pages 107 to 123. The concise financial report does not contain all the disclosures required by Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

Directors' Responsibility for the Concise Financial Report

The directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports* and the *Corporations Act 2001,* and for such internal control as the directors determine is necessary to enable the preparation of the concise financial report.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements.* We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Leighton Holdings Limited for the year ended 31 December 2012. We expressed an unmodified audit opinion on that financial report in our report dated 13 February 2013. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.* We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Leighton Holdings Limited would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion, the concise financial report of Leighton Holdings Limited for the year ended 31 December 2012 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports.*

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 71 to 105 of the Directors' Report for the year ended 31 December 2012. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Leighton Holdings Limited for the year ended 31 December 2012, complies with section 300A of the *Corporations Act 2001.*

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G. Couttas

G Couttas
Partner
Chartered Accountants
Sydney, 13 February 2013

Shareholdings

Information as to the company's shareholders on 13 March 2013 is as follows:

TWENTY LARGEST SHAREHOLDERS – 13 MARCH 2013

The percentage of the total holding of the 20 largest shareholders, as shown in the company's register of members, is 80.88% and their names and number of shares held are as follows:

Name	No. of shares	% of issued capital
HOCHTIEF Australia Holdings Limited	180,101,517	53.41
J P Morgan Nominees Australia Limited	22,496,215	6.67
HSBC Custody Nominees (Australia) Limited	20,222,258	6.00
National Nominees Limited	17,712,311	5.25
Citicorp Nominees Pty Limited	11,799,416	3.50
JP Morgan Nominees Australia Limited <Cash Income A/C>	10,303,140	3.06
BNP Paribas Noms Pty Ltd <DRP>	2,282,032	0.68
Citicorp Nominees Pty Limited <Colonial First State INV A/C>	1,074,051	0.32
CS Third Nominees Pty Ltd <37 T A/C>	782,070	0.23
Milton Corporation Limited	757,865	0.22
BNP Paribas Nominees Pty Ltd <Agency Lending Collateral>	749,000	0.22
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	696,230	0.21
Gwynvill Investments Pty Limited	683,500	0.20
AMP Life Limited	663,021	0.20
Argo Investments Limited	583,572	0.17
Navigator Australia Ltd <MLC Investment Sett A/C>	437,556	0.13
M F Custodians Ltd	411,538	0.12
Merrill Lynch (Australia) Nominees Pty Limited	341,835	0.10
HSBC Custody Nominees (Australia) Limited-GSCO ECA	322,875	0.10
SBN Nominees Pty Limited <10004 Account>	300,000	0.09
Total	**272,720,002**	**80.88**

Total shares on issue	**337,228,938**

SHARE CLASSES AND DISTRIBUTION SCHEDULE

As at 13 March 2013, the company had 337,228,938 ordinary shares on issue, and had no other class of shares on issue as at that date. The distribution of shareholders on that date was as follows:

Size of shareholding	No. of shareholders	Ordinary shares held*	% of issued capital
1 – 1,000[1]	42,900	13,506,502	4.01
1,001 – 5,000	12,196	24,968,032	7.40
5,001 – 10,000	1,224	8,461,176	2.51
10,001 – 100,000	625	13,719,806	4.07
100,001 and over	45	276,573,422	82.01
Total	**56,990**	**337,228,938**	**100.00**

* The voting rights for ordinary shares are as follows: On a show of hands every member present in person or by proxy or attorney or duly appointed representative has one vote, and on a poll every member so present has one vote for every fully paid share held by that member.

1 There were 1,330 shareholders with less than a marketable parcel (23 shares), based on the market price of $22.15 as at 13 March 2013.

SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders and the numbers of equity securities in which they have a relevant interest, as disclosed in substantial holding notices given to the company under the *Corporations Act 2001* (Cth), are:

Name	No. of shares	Voting power*
HOCHTIEF Australia Holdings Limited (date of notice: 27 May 2011) The following companies also hold a relevant interest in these shares: • HOCHTIEF Asia Pacific GmbH (the parent company of HOCHTIEF Australia Holdings Limited) • HOCHTIEF Aktiengesellschaft (the ultimate holding company of HOCHTIEF Australia Holdings Limited)	182,049,587	54.29%
Actividades de Construcción y Servicios, S.A. (the ultimate holding company of HOCHTIEF Aktiengesellschaft) (date of notice: 16 September 2010)	163,844,626	54.48%

* Voting power as at the date of change in relevant interests as specified in the notice.

INTERESTS ARISING FROM EMPLOYEE INCENTIVE SCHEMES

The table below outlines the options and rights granted over unissued shares or interests in the company under employee incentive schemes. There are no other classes of rights or options as at 13 March 2013. Holders of options and rights over unissued shares or interests receive no voting rights and are not entitled to participate in any share or rights issue made by the company.

Employee incentive scheme	Type of instrument	Number on issue*	Number of holders*
Leighton Senior Executive Option Plan (LSEOP)[1]	2009 Options	3,892,750	264
Long-Term Incentive Plan (LTIP)[2] – 2011 Award	Performance Rights	38,466	1
Equity Incentive Plan (EIP)	Performance Rights	608,628	48
	Deferred share rights[3]	809,849	29

* As at 13 March 2013.

1 Further details of the 2009 Options are provided in the Directors' Report on page 68 of the Concise Annual Report. The 2009 Options are the only grants that remain on foot under the LSEOP.

2 These are the share rights granted in 2011 to the Executive Directors (being Peter Gregg and David Stewart at that time).

3 Deferred share rights have been used for one-off share rights granted to selected employees. Deferred share rights will also be used for the deferred component of the 2012 short-term incentive award; however, these have not yet been granted as at 13 March 2013. See note 36: *Employee Benefits* of the 2012 Full Financial Report for further details.

5 year statistical summary

	December 2012	December 2011#	June 2011	June 2010	June 2009
Summary of financial position					
Share capital	2,027.2	2,027.2	2,016.2	1,232.9	1,171.8
Total equity attributable to equity holders of the parent	2,844.5	2,684.1	2,236.7	2,564.7	2,339.3
Total equity	2,916.9	2,766.9	2,319.9	2,568.1	2,338.6
Total liabilities	8,289.3	7,133.5	7,480.3	6,197.7	5,353.7
Total assets	11,206.2	9,900.4	9,800.2	8,765.8	7,692.3
Summary of financial performance					
Revenue - Group, joint ventures and associates	23,127.0	12,176.9	19,376.7	18,642.1	18,315.3
Profit before finance costs and tax	773.2	565.9	(331.3)	1,022.7	744.8
Profit / (loss) before tax	563.1	475.4	(490.9)	842.6	585.2
Income tax (expense) / benefit	(121.0)	(130.5)	85.2	(227.5)	(146.0)
Profit / (loss) for the period	442.1	344.9	(405.7)	615.1	439.2
Profit / (loss) for the period attributable to members of the parent entity	450.1	340.0	(408.8)	612.0	440.0
Financial statistics					
Dividends per ordinary share	80.0¢	60.0¢	60.0¢	150.0¢	115.0¢
Earnings per ordinary share					
- basic	133.5	101.0¢	(133.1¢)	204.6¢	149.5¢
- diluted	133.1	101.0¢	(133.1¢)	201.9¢	149.0¢
Return on average equity attributable to members of the parent entity	16.5%	13.8%	(17.0%)	25.0%	23.0%
Return on total assets	4.0%	3.4%	(4.2%)	7.0%	5.7%
Profit before finance costs and tax to total revenue	3.3%	4.7%	(1.7%)	5.5%	4.1%
Profit for the period attributable to members of the parent entity to total revenue	1.9%	2.8%	(2.1%)	3.3%	2.4%
Dividend times covered	1.7%	1.7	(2.2)	1.4	1.3
Dividend payout ratio	59.9%	59.4%	(45.1%)	73.3%	77.9%
Interest times covered	3.7	6.3	(2.1)	5.7	4.7
Net tangible assets per ordinary share	$7.89	$7.41	$6.43	$8.13	$7.43
Current ratio	1.1	0.9	0.9	1.0	1.0
Total equity to total assets	26.0%	28.0%	23.7%	29.3%	30.4%
Total equity to total liabilities	35.2%	38.8%	31.0%	41.4%	43.7%
Gross borrowings to total equity	94.6%	77.5%	78.7%	65.0%	54.7%

The December 2011 Transitional Financial Year was the 6 month period from 1 July 2011 to 31 December 2011, and as such the information presented above is not entirely comparable.

	December 2012	December 2011#	June 2011	June 2010	June 2009
Safety statistics^~					
Fatalities (Australia)	1	2	1	2	4
Fatalities (international)	2	1	3	2	6
TRIFR (Australia)[1]	10.7	14.6	15.7	15.8	18.9
TRIFR (international)[1]	2.8	2.8	2.9	2.8	3.2
LTIFR (Australia)[2]	1.6	1.8	1.8	1.6	2.5
LTIFR (international)[2]	0.6	0.4	0.6	0.8	0.9
Potential Class 1 (Australia)[3]	466	216	451	616	636
Potential Class 1 (international)[3]	134	55	108	73	84
Actual Class 1 (Australia)	4	2	2	5	10
Actual Class 1 (international)	6	3	7	6	8
Workforce statistics^					
Number of employees	56,323	53,141	51,075	45,340	39,327
Female participation (Australia)	17%	16%	16%	15%	15%
Female participation (international)	7%	7%	8%	7%	9%
Indigenous participation (Australia)	2.1%	1.5%	1.5%	1.6%	-†
Local participation (international)[4]	91.7%	92.9%	-†	-†	-†
Environment statistics^					
EIFR (Australia)[5]	0.28	0.28	0.43	0.25	0.27
EIFR (international)[5]	0.02	0.02	0.05	0.03	0.11
Scope 1 and 2 emissions[6]	863,058 t CO_2-e*	N/A*	963,328 t CO_2-e	928,246 t CO_2-e	593,229 t CO_2-e
Community statistics					
Corporate Community Investment	$6.42m	$2.64m	$7.89m	$4.64m	$5.21m

The December 2011 Transitional Financial Year was the 6 month period from 1 July 2011 to 31 December 2011, and as such the information presented above is not entirely comparable.
^ Australian operations include New Zealand. International operations exclude HLG.
~ International operations include Leighton Africa and Leighton Services from 1 January 2012 to 30 June 2012 only.
† Data not collected.
* Data is reported on a 12 month basis from 1 July 2011 to 30 June 2012.

1 Total recordable injury frequency rate (per million hours worked). Rolling 12 month average.
2 Lost time injury frequency rate (per million hours worked). Rolling 12 month average.
3 Class 1 risks are those which could cause a fatality or permanent disabling injury.
4 Local participation refers to percentage of locally employed full-time equivalent staff in our international operations.
5 Environmental incident frequency rate (Level 1 and 2) per million hours worked.
6 Direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions for Australian operations for which Operating Companies have operational control as reported under the *National Greenhouse and Energy Reporting Act 2007* (Cth).

Shareholder information

REQUEST A COPY OF THE 2012 FULL FINANCIAL REPORT

A copy of the Group's 2012 Full Financial Report, including the independent Audit Report, is available to all shareholders and will be sent to shareholders without charge upon request. The 2012 Full Financial Report can be requested by telephone from our Public Information Coordinator on (02) 9925 6636 and is available online (see: www.leighton.com.au/investor-and-media-centre/publications).

ENQUIRIES

If you have any questions about your shareholding, dividend payments, tax file number, change of address or any other enquiry, you should contact our Shareholder Enquiry Line at Computershare Investor Services Pty Limited:

- by phone on 1300 855 080 (local) or +61 3 9415 4000 (international)
- by fax on (03) 9473 2500 (local) or +61 3 9473 2500 (international)
- by email at www.investorcentre.com/contact
- in writing to:
  Computershare Investor Services Pty Limited
  GPO Box 2975
  Melbourne VIC 3001
  Australia

DIVIDEND PAYMENT

The final dividend payment of 60 cents per share will be paid on 28 March 2013 and will be franked to 50%.

DIRECT DIVIDEND DEPOSIT INTO BANK ACCOUNTS

If you are an Australian resident shareholder, any dividends will be paid directly into your nominated bank, building society or credit union account in Australia on the dividend payment date. Details of dividend payments will be confirmed by an advice mailed or emailed to you on that date.

If you have not provided your bank account details you will not receive your dividend until you do so. You can provide your bank account details by contacting the Share Registrar, Computershare Investor Services Pty Limited, as set out above. If you subsequently change your bank account details, please promptly notify the Registrar in writing quoting your old bank account number as an added security check.

TAX FILE NUMBERS

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

If you have not already done so, a Tax File Number Notification form or Tax File Number Exemption form should be completed for each holding and returned to our Share Registrar, Computershare Investor Services Pty Limited. Please note you are not required by law to provide your tax file number if you do not wish to do so.

SECURITIES EXCHANGE LISTINGS

Leighton Holdings is listed on the Australian Securities Exchange (ASX). The home branch is Sydney, Australia. Leighton Finance (USA) Pty Ltd Notes are listed on the Singapore Exchange (SGX).

SHAREHOLDERS

Information regarding the twenty largest shareholders, distribution schedule, substantial shareholders and Leighton employee incentive schemes is on pages 128 to 129 of this Concise Annual Report.

SHARE BUY-BACK

We do not have a current on-market buy-back program.

OTHER AVAILABLE PUBLICATIONS

In addition to the Concise Annual Reports we distribute Shareholder Updates to all shareholders who have indicated their preference to receive publications. Other interested parties wishing to receive publications should contact the Public Information Coordinator on (02) 9925 6636.

FINANCIAL CALENDAR

A current financial calendar is available online (see: www.leighton.com.au/investor-and-media-centre/financial-and-event-calendar). Please note that timing of events can be subject to change.

Directory and offices*

LEIGHTON HOLDINGS LIMITED

Principal Registered Office in Australia

Leighton Holdings Limited
ABN 57 004 482 982

Head Office
472 Pacific Highway
St Leonards NSW 2065
Australia

T: +61 2 9925 6666
F: +61 2 9925 6000

www.leighton.com.au
E: leighton@leighton.com.au

Board of Directors

Robert Douglas Humphris OAM
Paula Jane Dwyer
Hamish Gordon Tyrwhitt
Peter Allan Gregg
Marcelino Fernández Verdes
David Paul Robinson
Peter-Wilhelm Sassenfeld

Alternate Director
Robert Leslie Seidler AM

Associate Directors
Ian Leslie Edwards
Mark Charles Gray
Craig Allen Laslett
Bruce Alwin Munro
Glenn Michael Palin

Company Secretaries
Richard Willcock
Vanessa Robyn Rees

Principal Bankers

Australia and New Zealand Banking Group Limited
Level 1, 20 Martin Place
Sydney NSW 2000 Australia

Commonwealth Bank of Australia
48 Martin Place
Sydney NSW 2000 Australia

National Australia Bank Limited
255 George Street
Sydney NSW 2000 Australia

Westpac Banking Corporation
Level 3, Westpac Place
275 Kent Street
Sydney NSW 2000 Australia

Auditor

Deloitte Touche Tohmatsu
Level 9, Grosvenor Place
225 George Street
Sydney NSW 2000 Australia

Share Registry

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000 Australia

T: 1300 855 080 (local)
T: +61 3 9415 4000 (international)

LEIGHTON GROUP OPERATING COMPANIES

Australia/Pacific

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ABN 98 000 893 667

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ABN 41 009 765 379

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Asia/India/Offshore

Leighton Asia Limited
Leighton Welspun Contractors Pvt Ltd
Leighton Offshore Pte Ltd
Head Office
Level 23, Three Pacific Place
1 Queen's Road East
Hong Kong

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F: +852 3973 1188

www.laio.com
E: info@leightonasia.com

* As at 24 March 2013.

Lake Vermont Coal Mine, Queensland, Australia
Thiess

Leighton Holdings

FINANCIAL REPORT 2012

FOR THE YEAR ENDED 31 DECEMBER 2012

LEIGHTON HOLDINGS LIMITED

ABN 57 004 482 982

Leighton Holdings Limited
Financial Report 31 December 2012

ABN 57 004 482 982

The Financial Report includes Leighton Holdings Limited's Consolidated Financial Statements, Directors' Declaration and Independent Auditor's Report for the financial year ended 31 December 2012.

It should be read in conjunction with the Leighton Holdings Limited 2012 Concise Annual Report which provides an overview of the key activities for the year ended 31 December 2012. The Leighton Holdings Limited 2012 Concise Annual Report includes a message from the Chairman, the Chief Executive's Review, the Board of Directors' resumes, the Corporate Governance Statement, the Directors' Report (including environmental, social and governance reporting and the remuneration report), the Auditor's Independence Declaration, information for investors and Australian Securities Exchange information.

The full annual report of Leighton Holdings Limited for the year ended 31 December 2012 comprises the Financial Report 31 December 2012 and the Leighton Holdings Limited 2012 Concise Annual Report, in accordance with the *Corporations Act 2001*.

The Leighton Holdings Limited 2012 Concise Annual Report and the Financial Report 31 December 2012 can be found at the Leighton Holdings website: www.leighton.com.au

Annual General Meeting

Leighton Holdings Limited's next Annual General Meeting will be held in Sydney at the Grand Ballroom, The Four Seasons Hotel, 199 George Street, Sydney on 20 May 2013, commencing at 10.00 am.

Consolidated Income Statement

for the year ended 31 December 2012

	Note	12 months to December 2012 $m	6 months to December 2011 $m
Revenue	2	18,951.7	10,169.2
Expenses	3	(18,142.4)	(9,365.5)
Finance costs	4	(210.1)	(90.5)
Share of profits / (losses) of associates and joint venture entities		(36.1)	(237.8)
Profit / (loss) before tax		563.1	475.4
Income tax (expense) / benefit	6	(121.0)	(130.5)
Profit / (loss) for the period		442.1	344.9
Attributable to:			
Members of the parent entity	22	450.1	340.0
Minority interest		(8.0)	4.9
Profit / (loss) for the period		442.1	344.9
Dividends per share - Final*	23	60.0¢	n/a
- Interim*	23	20.0¢	n/a
Dividends per share - Final*	23	n/a	60.0¢
Basic earnings per share	24	133.5¢	101.0¢
Diluted earnings per share	24	133.1¢	101.0¢

* *The effect of the change in the financial year to a 31 December year end date is that a dividend declared in respect of a 6 month period ended 31 December is a final dividend and a dividend declared in respect of a 6 month period ended 30 June is an interim dividend.*

The consolidated income statement is to be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	Note	12 months to December 2012 $m	6 months to December 2011 $m
Profit / (loss) for the period (before minority interest)		442.1	344.9
Other comprehensive income:			
- Foreign exchange translation differences (net of tax)	21	(47.9)	68.5
- Effective portion of changes in fair value of cash flow hedges (net of tax)	21	26.2	30.4
- Change in value of equity reserves (net of tax)	21	(11.4)	(0.8)
Net gain / (loss) recognised directly in equity		(33.1)	98.1
Total comprehensive income / (expense) for the period		409.0	443.0
Attributable to:			
Members of the parent entity		417.0	438.1
Minority interest		(8.0)	4.9
Total comprehensive income / (expense) for the period		409.0	443.0

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the consolidated financial statements.

Consolidated Balance Sheet

as at 31 December 2012

	Note	December 2012 $m	December 2011 $m
Assets			
Cash and cash equivalents	7	1,847.0	1,503.2
Trade and other receivables	8	3,440.8	2,461.6
Current tax assets	9	10.1	92.6
Inventories: consumables and development properties	10	549.5	481.3
Assets held for sale	30	672.8	4.6
Total current assets		6,520.2	4,543.3
Trade and other receivables	8	673.4	777.9
Inventories: development properties	10	473.4	420.4
Investments accounted for using the equity method	11	876.8	998.8
Other investments	12	97.0	63.6
Deferred tax assets	13	246.0	307.3
Property, plant and equipment	14	2,064.1	2,520.0
Intangibles	15	255.3	269.1
Total non-current assets		4,686.0	5,357.1
Total assets		11,206.2	9,900.4
Liabilities			
Trade and other payables	16	4,507.3	4,025.8
Current tax liabilities	17	76.7	59.3
Provisions	18	401.7	305.3
Interest bearing liabilities	19	634.3	669.8
Liabilities associated with assets held for sale	30	174.3	-
Total current liabilities		5,794.3	5,060.2
Trade and other payables	16	195.4	352.3
Provisions	18	173.4	247.1
Interest bearing liabilities	19	2,126.2	1,473.9
Total non-current liabilities		2,495.0	2,073.3
Total liabilities		8,289.3	7,133.5
Net assets		2,916.9	2,766.9
Equity			
Share capital	20	2,027.2	2,027.2
Reserves	21	(229.4)	(209.3)
Retained earnings	22	1,046.7	866.2
Total equity attributable to equity holders of the parent		2,844.5	2,684.1
Minority interest		72.4	82.8
Total equity		2,916.9	2,766.9

The consolidated balance sheet is to be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

	Share Capital $m	Reserves $m	Retained Earnings $m	Attributable to Equity Holders $m	Minority Interest $m	Total Equity $m
Total equity at 30 June 2011	2,016.2	(305.7)	526.2	2,236.7	83.2	2,319.9
Total comprehensive income	-	98.1	340.0	438.1	4.9	443.0
Transactions with owners in their capacity as owners:						
- Contributions of equity	11.0			11.0		11.0
- Dividends				-		-
- Share based payments		(1.7)		(1.7)		(1.7)
- Other				-	(5.3)	(5.3)
Total transactions with owners	11.0	(1.7)	-	9.3	(5.3)	4.0
Total equity at 31 December 2011	2,027.2	(209.3)	866.2	2,684.1	82.8	2,766.9
Total comprehensive income	-	(33.1)	450.1	417.0	(8.0)	409.0
Transactions with owners in their capacity as owners:						
- Contributions of equity				-		-
- Dividends			(269.6)	(269.6)		(269.6)
- Share based payments		13.0		13.0		13.0
- Other				-	(2.4)	(2.4)
Total transactions with owners	-	13.0	(269.6)	(256.6)	(2.4)	(259.0)
Total equity at 31 December 2012	2,027.2	(229.4)	1,046.7	2,844.5	72.4	2,916.9

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2012

	Note	12 months to December 2012 $m	6 months to December 2011 $m
Cash flows from operating activities			
Cash receipts in the course of operations (including GST)		19,945.4	11,000.7
Cash payments in the course of operations (including GST)		(18,734.1)	(10,672.8)
Cash flows from operating activities		1,211.3	327.9
Dividends received		19.1	-
Interest received		28.9	24.0
Finance costs paid		(199.5)	(66.9)
Income taxes received / (paid)		49.6	(50.8)
Net cash from operating activities	28	1,109.4	234.2
Cash flows from investing activities			
Payments for intangibles		(44.7)	(30.8)
Payments for plant and equipment		(1,216.7)	(502.3)
Proceeds from sale of property, plant and equipment		102.1	44.8
Payments for investments in controlled entities and businesses		(10.8)	(5.0)
Proceeds from sale of investments in controlled entities and businesses		172.4	458.5
Proceeds from sale of other investments		-	0.8
Payments for other investments		(43.7)	-
Loans to associates		(39.2)	(122.3)
Net cash from investing activities		(1,080.6)	(156.3)
Cash flows from financing activities			
Proceeds from share issues		-	11.0
Proceeds from borrowings		896.3	223.0
Repayment of borrowings		(542.6)	(199.5)
Proceeds from sale and finance leaseback of property, plant and equipment		433.9	-
Repayment of finance leases		(173.9)	(68.8)
Dividends paid to minority interest		(3.4)	(5.1)
Dividends paid to owners of the Company		(269.6)	-
Net cash from financing activities		340.7	(39.4)
Net increase / (decrease) in cash held		369.5	38.5
Net cash at the beginning of the period		1,503.2	1,414.7
Effects of exchange rate fluctuations on cash held		(25.7)	50.0
Net cash at reporting date	7	1,847.0	1,503.2

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

Leighton Holdings Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company comprise the Company and its controlled entities (the "Consolidated Entity" or "Group") and the Consolidated Entity's interest in associates and jointly controlled entities.

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and in accordance with the *Corporations Act 2001*.

The financial report of the Consolidated Entity also complies with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board.

The standards, amendments to standards and interpretations available for early adoption at reporting date that have not been applied in preparing this financial report are detailed in note 39: *New accounting standards.*

Basis of preparation

Change in financial year end date

Leighton Holdings Limited (the "Company") obtained approval from the Australian Securities and Investments Commission ("ASIC") to change its financial year end date from 30 June to 31 December. As a result, the current financial year of the Company is the 12 month period 1 January 2012 to 31 December 2012. The prior financial year of the Company is the six month period 1 July 2011 to 31 December 2011. As such, the amounts presented in the financial report are not entirely comparable.

Presentation

The financial report is presented in Australian dollars which is the Company's functional currency. All amounts disclosed in the financial report relate to the Group unless otherwise stated. The financial report has been prepared on the historical cost basis, except for available-for-sale assets and derivative financial instruments, which are measured at fair value.

The Company is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

The significant accounting policies adopted in the preparation of the financial report are set out below. These policies have been applied consistently to all periods presented in the financial report.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and are believed to be reasonable under the circumstances. Revisions to estimates are recognised in the period in which the estimate is revised and in any future period affected.

Judgements made in the application of AASBs that could have a significant effect on the financial report and estimates with a risk of adjustment in the next year are as follows:

- Construction and mining contracting projects:
  - determination of stage of completion;
  - estimation of total contract revenue and contract costs;
  - assessment of the probability of customer approval of variations and acceptance of claims;
  - estimation of project completion date; and
  - assumed levels of project execution productivity.

  It is reasonably possible on the basis of existing knowledge that outcomes within the next financial year that are different from the estimates and assumptions listed above could require a material adjustment to the carrying amount of amounts due from and due to customers (refer to note 8: *Trade and other receivables*) and amounts receivable from and payable to related parties (refer to note 8: *Trade and other receivables* and note 16: *Trade and other payables* respectively);
- Lease classification and asset disposals: determination as to whether the significant risks and rewards of ownership have transferred;
- Estimation of the economic life of property, plant and equipment;
- Measurement of restoration provisions;
- Asset impairment testing, including assumptions in value in use calculations;
- Assessment of the fair value of available-for-sale assets and derivatives; and
- Determination of the fair value of business combinations.

Basis of consolidation

Results of controlled entities are included in the consolidated income statement from the date control is obtained and excluded from the date the entity is no longer controlled. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Intragroup balances and transactions, and any unrealised gains or losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the controlled entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Any difference between the amount of the adjustment to non-controlling interests and the fair value of the consideration paid or received is recognised in the equity reserve.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss.

Revenue recognition

Revenue from construction contracting services is recognised using the percentage complete method. Stage of completion is measured by reference to costs incurred to date as a percentage of estimated total costs for each contract.

Where the project result can be reliably estimated, contract revenue and expenses are recognised in the income statement as incurred.

Where the project result cannot be reliably estimated, profits are deferred and the difference between revenue and expenses is carried forward as either a contract receivable or contract payable.

Once the contract result can be reliably estimated, the profit earned to that point is recognised immediately.

Revenue from mining contracts is recognised on the basis of the value of work completed.

Property development revenue includes sales of development properties, rental and fee income.

Revenue from the sale of property developments and land sales is recognised when the significant risks and rewards of ownership have been transferred. Rental income is recognised on a straight line basis over the term of the lease.

Other property development revenue is recognised as services are provided.

Revenue from other services, including telecommunications, environmental and utilities services, is recognised as services are provided.

Expected losses on all contracts are recognised in full as soon as they become apparent.

Interest revenue is recognised on an accruals basis.

Dividend income is recognised when the dividend is declared.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. When acquired, non-derivative financial instruments are recognised at fair value. At subsequent reporting dates they are measured at amortised cost unless specifically mentioned below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank and call deposits. For the purposes of the statement of cash flows, net cash includes cash on hand, at bank and short term deposits at call, net of bank overdrafts.

Trade and other receivables

Contract and trade debtors include all net receivables from construction and other services, and property development. Included in contract debtors is the progressive valuation of work completed. The valuation of work completed is made after bringing to account a proportion of the estimated contract profits and after recognising all known losses. Where payments received exceed the revenue recognised, the difference is recorded as a liability in the balance sheet.

Other amounts receivable generally arise from transactions other than the provision of services and include amounts in respect of sales of assets and taxes receivable. Interest may be charged at market rates based on individual debtor arrangements.

Contract and trade debtors are normally settled within 60 days of billing. Amounts receivable expected to be received after twelve months are discounted. Recoverability is assessed at reporting date and provision made for any doubtful debts.

Prepayments represent the future economic benefits receivable in respect of economic sacrifices made in the current or prior reporting period.

Available-for-sale financial assets

Available-for-sale assets are initially recognised at cost, being the fair value of the consideration given and include acquisition costs. Subsequently, available-for-sale assets are measured at fair value. Changes in fair value are recognised as a separate component of equity in the fair value reserve. When the asset is sold, collected or otherwise disposed, or if the asset is determined to be impaired, the cumulative gain or loss previously reported in equity is recognised in the income statement.

Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Trade and other payables

Liabilities are recognised for amounts to be paid for goods or services received. Trade payables are normally settled within 60 days.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Derivative financial instruments

Derivative financial instruments are stated at fair value, with changes in fair value recognised in the income statement. Where derivative financial instruments qualify for hedge accounting, recognition of changes in fair value depends on the nature of the item being hedged. Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires, is sold, terminated, exercised, or no longer qualifies for hedge accounting.

Cash flow hedge

Changes in the fair value of designated and qualifying cash flow hedges are deferred in equity. Where it is expected that all or a portion of a loss recognised directly in equity will not be recovered in future periods, that loss is recognised in the income statement.

Amounts deferred are included in the initial measurement of the cost of the asset or liability where the forecast transaction being hedged results in the recognition of a non-financial asset or a non-financial liability.

Cash flow hedges relating to operating activities are recognised in profit or loss in the same period the hedged item is recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss deferred in equity is recognised immediately in profit or loss.

Hedges of net investments in foreign operations

Gains or losses on the hedging instrument are recognised in the foreign currency translation reserve. Gains and losses deferred in the foreign currency translation reserve are recognised in profit or loss upon disposal of the foreign operation.

Fair value hedge

Changes in the fair value of designated and qualifying fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

When hedge accounting is discontinued the adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Share capital

Ordinary share capital

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

Dividends

Provision is not made for dividends unless the dividend has been declared by the Directors on or before the end of the period and not distributed at reporting date.

Finance costs

Finance 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 finance costs to be capitalised to qualifying assets is the weighted average interest rate applicable to the entity's outstanding borrowings during the period.

Finance 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.

Income tax

Income tax expense on the profit or loss for the period comprises current and deferred tax expense. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Group adopts the balance sheet liability method to provide for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Taxable temporary differences are not provided for the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The Company is the head entity in the Tax Consolidated Group comprising the Australian wholly-owned subsidiaries. The head entity recognises all of the current tax assets and liabilities and deferred tax assets in respect of tax losses of the Tax Consolidated Group (after elimination of intra-group transactions). Deferred tax assets and liabilities in respect of temporary differences are recognised in the subsidiaries' financial statements.

The Tax Consolidated Group has entered into a tax funding agreement that requires wholly-owned subsidiaries to make contributions to the head entity for current tax assets and liabilities occurring after the implementation of tax consolidation. Under the tax funding agreement, the contributions are calculated using the "group allocation" approach so that the contributions are equivalent to the

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

current tax balances generated by transactions entered into by wholly-owned subsidiaries. The contributions are payable as set out in the agreement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to current income tax.

Inventories

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

Property developments

Cost includes the costs of acquisition, development and holding costs such as rates, taxes and finance costs. Holding costs on property developments not under active development are expensed as incurred.

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.

Investments

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at cost less impairment.

Equity accounted investments

Investments in entities over which the Group has the ability to exercise significant influence but not control, and jointly controlled entities are accounted for using equity accounting principles. These investments are carried at cost (including goodwill) plus post-acquisition changes in the net assets of the investment. The consolidated income statement reflects the Group's share of the result of these investments. Where there has been a change recognised directly in equity, the Group recognises its share of that change.

Other investments

Other investments are accounted for as available-for-sale financial assets.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation and amortisation

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;
- major plant and equipment - component parts: cumulative number of hours worked - up to 10 years;
- leased plant and equipment: cumulative number of hours worked - up to 10 years;
- waste management assets: straight line method, economic life of the waste operations - up to 20 years;
- office and other equipment: diminishing value method - up to 10 years; and
- leasehold buildings and improvements: straight line method, over the terms of the leases - up to 40 years.

Subsequent costs

Subsequent costs are included in the carrying amount of property, plant and equipment only when it is probable that the associated future economic benefits will flow to the Group. All other costs are recognised in the income statement.

Leased assets

Leases under which the Group assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

A lease asset and a lease liability equal to the lower of the fair value of the leased property and the present value of the minimum lease payments is recorded at the inception of the lease. The finance lease liability is the net present value of future finance lease rentals and residuals. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals, which are potential incremental lease payments not fixed in amount as they relate to future changes, are expensed as incurred.

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease.

Assets held for sale and liabilities associated with assets held for sale

Assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Assets classified as held for sale are presented separately from the other assets in the balance sheet. Assets are not depreciated or amortised while they are classified as held for sale.

Liabilities associated with assets held for sale are presented separately from other liabilities in the balance sheet. Interest and other expenses attributable to the liabilities associated with assets held for sale continue to be recognised.

Business combinations

The acquisition method of accounting is used to account for all business combinations. The consideration for the acquisition of a controlled entity comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any pre-existing equity interest in the controlled entity. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill.

Where the consideration is less than the fair value of the net identifiable assets of the controlled entity acquired the difference is recognised directly in the income statement as a gain on acquisition of a controlled entity.

Intangible assets

(i) Goodwill

Goodwill on acquisition of controlled entities is included in intangible assets. Goodwill on acquisition of associates is included in equity accounted investments. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is not amortised but it is tested for impairment annually or more frequently if there is an indication that it might be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Brand name

Brand names acquired as part of a business combination are recognised separately from goodwill. The brand names are carried at their fair value at the date of acquisition less accumulated amortisation and any impairment losses. Where brand names' useful lives are assessed as indefinite, the brand names are not amortised but are tested for impairment annually, or more frequently whenever there is an indication that it might be impaired. Where brand names' useful lives are assessed as finite, the brand names are amortised over their estimated useful lives.

(iii) Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and any impairment losses. Where customer contracts' useful lives are assessed as indefinite, the customer contract is not amortised but is tested for impairment annually, or more frequently whenever there is an indication that it might be impaired. Where customer contracts' useful lives are assessed as finite, the customer contracts are amortised over their estimated useful lives.

(iv) IT systems

Costs incurred in developing systems and costs incurred in acquiring software and licenses that will provide future period economic benefits are capitalised to other intangibles. Costs capitalised include external direct costs of materials and services and direct payroll and payroll related costs of employees' time spent on the projects. IT systems are amortised over their estimated useful lives of up to 7 years.

IT systems are carried at cost less accumulated amortisation and any impairment losses.

Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of goodwill and indefinite lived intangible assets are reviewed at each reporting date irrespective of an indication of impairment.

An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount for an asset that does not generate largely independent cash flows is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the income statement unless the asset has been previously revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised in the income statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Reversals of impairment losses, other than in respect of goodwill and available-for-sale assets, are recognised in the income statement. Any increase above original cost of the asset is treated as a revaluation increase in equity.

Employee benefits

Liabilities in respect of employee benefits which are not due 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.

Wages, salaries, annual and long service leave

The provision for employee entitlements to wages, salaries and annual and long service leave represents the amount which the Group has a present obligation to pay resulting from employees' services provided up to the reporting date. Provisions have been calculated based on expected wage and salary rates and include related on-costs. In determining the liability for these employee entitlements, consideration has been given to estimated future increases in wage and rates, and the Group's experience with staff departures.

Superannuation

Defined benefit and defined contribution superannuation plans exist to provide benefits for eligible employees or their dependants. Contributions by the Group are expensed to the income statement as incurred. Actuarial gains and losses may arise in relation to defined benefit superannuation plans. To the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of fund assets, that portion of the actuarial gain or loss is recognised in the income statement over the expected average remaining working lives of the active employees participating in the fund. Otherwise, the actuarial gain or loss is not recognised.

Share-based payment transactions

Ownership based remuneration is provided to employees via the plans outlined in Note 36(c): *Employee Benefits*. The fair value of share options and share rights are recognised as an expense over the vesting period.

Shares are recognised when either options are exercised and the proceeds received or shares are issued to settle share rights.

Under the Leighton Management Share Plan, the Company is permitted to grant selected executives shares which the Company acquires on market.

Under the Leighton Employee Share Plan, the Company is permitted 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. These share offers are recognised as an expense at the time the shares are granted.

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.

The provisions are accrued on a pro-rata basis during the retention period and have been calculated based on salary rates, including related on-costs.

Annual bonus and deferred incentive arrangements

Annual bonuses and deferred incentives are provided at reporting date and include related on-costs. The Group recognises a provision where there is a contractual or constructive obligation.

Restoration provisions

Provisions for restoration represent restoration obligations in respect of landfills. The provisions are the best estimate of the present value of the expenditure required to settle the restoration obligation at reporting date, based on current legal requirements and technology. The amount of the provision for future restoration costs is capitalised as a waste management asset and amortised over the asset life.

Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Translation of controlled foreign entities
Assets and liabilities of controlled foreign entities are translated into the presentation currency at the rates of exchange at reporting date and the income statement is translated at the rates approximating foreign exchange rates ruling at the dates of the transactions. The resulting exchange differences are taken directly to the foreign currency translation reserve. Exchange gains and losses on transactions which form part of the net investments in foreign controlled entities together with any related income tax effect are recognised in the foreign currency translation reserve on consolidation. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign entity is recognised in the income statement as part of the gain or loss on sale.

Earnings per share

Basic earnings per share
Basic earnings per share is determined by dividing profit attributable to members of the parent entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

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 and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Notes continued

for the year ended 31 December 2012

2. REVENUE

	Note	12 months to December 2012 $m	6 months to December 2011 $m
Construction contracting services		11,720.6	5,798.2
Mining contracting services		5,374.1	3,138.5
Property development revenue		438.8	519.1
Other services revenue		1,360.4	683.4
Revenue from external customers		18,893.9	10,139.2
Interest			
- Related parties	37	20.7	8.6
- Other parties		26.6	15.5
Unwinding of discounts on non-current receivables			
- Related parties	37	6.3	3.5
- Other parties		4.2	2.4
Other revenue		57.8	30.0
Total revenue	31	18,951.7	10,169.2

3. EXPENSES

	Note	12 months to December 2012 $m	6 months to December 2011 $m
Materials		(4,239.0)	(2,369.4)
Subcontractors		(5,062.7)	(2,364.8)
Plant costs		(1,322.3)	(779.3)
Personnel costs		(5,001.1)	(2,292.0)
Depreciation of property, plant and equipment	4	(1,032.1)	(512.7)
Amortisation of intangibles	4	(24.4)	(33.0)
Net gain / (loss) on sale of assets	4	135.3	244.8
Impairments	4	(98.0)	(123.9)
Property development and property joint ventures write-downs	10	(17.2)	(0.6)
Property development - cost of goods sold		(416.8)	(548.7)
Foreign exchange gains / (losses)		(6.2)	(8.7)
Operating lease payments - plant and equipment		(244.1)	(151.3)
Operating lease payments - other		(115.9)	(46.2)
Design, engineering and technical consulting fees		(179.9)	(91.6)
Other expenses		(518.0)	(288.1)
Total expenses		(18,142.4)	(9,365.5)

Notes continued

for the year ended 31 December 2012

4. ITEMS INCLUDED IN PROFIT / (LOSS) BEFORE TAX

	Note	12 months to December 2012 $m	6 months to December 2011 $m
Finance costs			
Interest			
- Related parties	37 (e)	(1.0)	(1.2)
- Other parties		(128.9)	(52.0)
Finance charge for finance leases		(30.9)	(9.6)
Facility fees			
- Bank guarantees, insurance bonds and letters of credit		(36.9)	(11.1)
- Other		(8.9)	(5.2)
Impact of discounting			
- Related parties	37 (e)	-	(10.5)
- Other		(2.3)	-
Interest rate swap close out transferred from equity		(1.2)	(0.9)
Total finance costs		(210.1)	(90.5)
Depreciation of property, plant and equipment			
- Buildings		(2.3)	(1.4)
- Plant and equipment		(1,016.2)	(505.5)
- Leasehold land, buildings and improvements		(13.6)	(5.8)
Total depreciation of property, plant and equipment	27	(1,032.1)	(512.7)
Amortisation			
- Intangibles	15	(24.4)	(33.0)
Net gain / (loss) on sale of assets			
- Controlled entities and businesses	29	115.2	229.3
- Plant and equipment		20.1	15.5
Total gain / (loss) on sale of assets		135.3	244.8
Impairments			
- Investments in infrastructure toll road companies	35 (c)	(63.0)	(70.0)
- Investments accounted for using the equity method	25	(35.0)	(50.0)
- Other investments	35 (f)	-	(0.8)
- Intangibles	15	-	(3.1)
Total impairments		(98.0)	(123.9)

Notes continued

for the year ended 31 December 2012

5. AUDITOR'S REMUNERATION

	12 months to December 2012 $'000	6 months to December 2011 $'000
Audit and review services		
Auditors of the Company		
Deloitte Touche Tohmatsu ("Deloitte")		
- Audit and review of financial statements – Deloitte Australia	2,645	-
- Audit and review of financial statements – related overseas firms	955	-
KPMG		
- Audit and review of financial statements – KPMG Australia	-	2,220
- Audit and review of financial statements – related overseas firms	-	855
Audit and review services – Auditors of the Company	3,600	3,075
Other auditors		
- Audit and review of financial statements	382	692
Total remuneration for audit services	3,982	3,767
Other assurance services		
Auditors of the Company		
Deloitte		
- Other assurance services – Deloitte Australia	306	-
KPMG		
- Other assurance services – KPMG Australia	-	373
- Other assurance services – related overseas firms	-	-
Total remuneration for other assurance services	306	373
Other services		
Auditors of the Company		
Deloitte		
- In relation to taxation and other services – Deloitte Australia*	1,264	-
- In relation to taxation and other services – related overseas firms*	5	-
KPMG		
- In relation to taxation and other services – KPMG Australia	-	2,071
- In relation to taxation and other services – related overseas firms	-	238
Other services – Auditors for the Company	1,269	2,309
Other auditors		
- In relation to taxation and other services	18	656
Total remuneration for other services	1,287	2,965

The Group may use Deloitte on assignments in addition to their statutory audit duties to utilise their experience and expertise with the Group. These assignments are carried out in accordance with the *Charter of External Auditor Independence*.

* The engagement and commencement of the procedures in relation to the provision of taxation and other services noted above occurred prior to the appointment of Deloitte as the statutory auditor of the Group on 22 May 2012.

Notes continued

for the year ended 31 December 2012

6. INCOME TAX (EXPENSE) / BENEFIT

	12 months to December 2012 $m	6 months to December 2011 $m
Income tax (expense) / benefit recognised in the income statement		
Current tax expense	(83.7)	(6.3)
Deferred tax (expense) / benefit	(35.9)	(125.5)
(Under) / over provision in prior periods	(1.4)	1.3
Total income tax (expense) / benefit in income statement	(121.0)	(130.5)
Deferred tax recognised directly in equity		
Revaluation of cash flow hedges	(2.2)	(21.9)
Revaluation of available-for-sale assets	-	-
Total deferred tax (expense) / benefit recognised in equity	(2.2)	(21.9)
Reconciliation of prima facie tax to income tax (expense) / benefit		
Profit / (loss) before tax	563.1	475.4
Prima facie income tax (expense) / benefit at 30% (31 December 2011: 30%)	(168.9)	(142.6)
The following items have affected income tax (expense) / benefit for the period:		
Entertainment and other non-allowable items	(9.0)	(7.8)
Tax losses previously not recognised	32.1	-
Overseas income tax differential	(5.0)	11.6
Research and development credit	41.5	45.5
Movement in provision for taxes on retained earnings of controlled entities	(15.0)	(5.9)
Equity accounted and joint venture income tax differential	15.2	(16.6)
Asset impairments	(10.5)	(15.0)
Other	-	(1.0)
Current period income tax (expense) / benefit	(119.6)	(131.8)
(Under) / over provision in prior periods	(1.4)	1.3
Income tax (expense) / benefit	(121.0)	(130.5)

Notes continued

for the year ended 31 December 2012

7. CASH AND CASH EQUIVALENTS

	December 2012 $m	December 2011 $m
Funds on deposit	289.5	252.6
Cash at bank and on hand	1,557.5	1,250.6
Total cash and cash equivalents	1,847.0	1,503.2

8. TRADE AND OTHER RECEIVABLES

	Note	December 2012 $m	December 2011 $m
Contract debtors	35 (a)	2,590.2	1,499.5
Trade debtors		511.7	427.6
Other amounts receivable		231.9	325.3
Prepayments		80.0	110.0
Derivative financial assets	35 (b)	0.4	2.9
Non-current cash collateral[1]		-	218.5
Amounts receivable from related parties[2]	37 (e)	669.6	610.5
Non-current tax asset[3]		30.4	45.2
Total trade and other receivables		4,114.2	3,239.5
Current		3,440.8	2,461.6
Non-current		673.4	777.9
Total trade and other receivables		4,114.2	3,239.5

8. TRADE AND OTHER RECEIVABLES CONTINUED

			December 2012 $m	December 2011 $m
Additional information on contract debtors				
Amounts due from customers	-	contract debtors	2,590.2	1,499.5
Amounts due to customers	-	trade creditors	(510.4)	(430.6)
Net contract debtors			2,079.8	1,068.9
Net contract debtors excluding retentions			2,022.4	1,023.6
Retentions			57.4	45.3
Net contract debtors			2,079.8	1,068.9
Cash received to date			48,666.8	37,908.5
Total progressive value of all contracts in progress at reporting date			50,746.6	38,977.4

[1] Non-current cash collateral of US$232.5 million (31 December 2011: US$218.5 million), equivalent to $223.6 million (31 December 2011: $218.5 million) previously pledged as security against borrowings by HLG, was returned to the Group during the period in exchange for corporate guarantees and letters of credit noted below:

- The Group has also pledged the following security against borrowings by HLG under two facilities totalling US$272.1 million:
  - letters of credit of US$136.0 million (31 December 2011: US$40.0 million), equivalent to $130.8 million (31 December 2011: $40.0 million); and
  - guarantees of US$136.0 million (31 December 2011: US$nil), equivalent to $130.8 million (31 December 2011: $nil).

[2] The Group has the following trade and other receivables relating to HLG:

- loan receivables:
  - non-current interest free shareholder loans provided to HLG of US$117.2 million (31 December 2011: US$110.6 million) equivalent to $112.7 million (31 December 2011: $110.6 million) maturing on 31 March 2014; and
  - non-current interest bearing loans of US$415.0 million (31 December 2011: US$374.1 million) equivalent to $399.0 million (31 December 2011: $374.1 million) maturing on 31 March 2014;
- non-current interest receivable of US$30.1 million (31 December 2011: US$12.0 million), equivalent to $28.9 million (31 December 2011: $12.0 million), is receivable from HLG on the interest bearing shareholder loans; and
- trade and other receivables from HLG of $4.7 million (31 December 2011: $4.5 million).

[3] The non-current tax asset of $30.4 million (31 December 2011: $45.2 million) represents the amount of income taxes recoverable from the payment of tax in excess of the amounts due to the relevant tax authority not expected to be received within twelve months after reporting date.

9. CURRENT TAX ASSETS

The current tax asset of $10.1 million (31 December 2011: $92.6 million) represents the amount of income taxes recoverable from the payment of tax in excess of the amounts due to the relevant tax authority.

10. INVENTORIES

	December 2012 $m	December 2011 $m
Property developments		
Cost of acquisition	479.8	563.7
Development expenses capitalised	194.4	58.4
Rates, taxes, finance and other costs capitalised	55.5	62.7
Total property developments	729.7	684.8
Other inventories		
Raw materials and consumables at cost	293.2	216.9
Total other inventories	293.2	216.9
Total inventories	1,022.9	901.7
Current	549.5	481.3
Non-current	473.4	420.4
Total inventories	1,022.9	901.7

Finance costs capitalised to property developments during the period: $15.6 million (31 December 2011: $10.5 million). Property developments pledged as security for interest bearing liabilities - refer to note 35(j): *Financial instruments - Assets Pledged as Security*. Property development write-downs during the period: $17.2 million (31 December 2011: $0.6 million).

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	December 2012 $m	December 2011 $m
Associates	25	461.8	579.2
Joint venture entities	26	415.0	419.6
Total investments accounted for using the equity method		876.8	998.8

Notes continued

for the year ended 31 December 2012

12. OTHER INVESTMENTS

	Note	December 2012 $m	December 2011 $m
Equity and stapled securities available-for-sale			
Listed		1.6	1.6
Unlisted		95.4	62.0
Total equity and stapled securities available-for-sale	35 (f)	97.0	63.6
Current		-	-
Non-current		97.0	63.6
Total other investments		97.0	63.6

13. DEFERRED TAXES

	December 2012 $m	December 2011 $m
Recognised deferred tax assets / (liabilities)		
Deferred tax assets are attributed to the following:		
Contract debtors	53.6	31.9
Property developments	27.6	19.8
Other inventories	1.5	0.8
Property, plant and equipment	153.3	128.3
Employee benefits	172.0	151.7
Contract profit differential	(138.8)	(32.8)
Withholding tax on retained earnings of non-resident and controlled entities	(78.1)	(63.2)
Investment revaluations	102.3	84.9
(Gain) / loss on disposal / acquisition of controlled entities	(66.1)	(63.2)
Foreign exchange	3.8	0.6
Tax losses	24.4	57.2
Trade and other payables and other	(9.5)	(8.7)
Total deferred taxes	246.0	307.3
Unrecognised deferred tax assets		
Deferred tax assets which have not been recognised in respect of tax losses	2.0	1.6

Notes continued

for the year ended 31 December 2012

14. PROPERTY, PLANT AND EQUIPMENT

	Note	December 2012 $m	December 2011 $m
Land		12.8	15.3
Buildings		43.2	66.3
Accumulated depreciation		(15.9)	(15.2)
		27.3	51.1
Leasehold land, buildings and improvements		144.3	135.7
Accumulated depreciation		(69.1)	(59.0)
		75.2	76.7
Plant and equipment[1]		4,520.9	4,945.1
Accumulated depreciation		(2,572.1)	(2,568.2)
		1,948.8	2,376.9
Total property, plant and equipment	27	2,064.1	2,520.0
Non-current		2,064.1	2,520.0
Total property, plant and equipment		2,064.1	2,520.0

[1] *Plant and equipment of $854.0 million (31 December 2011: $490.3 million) is under finance lease.*

15. INTANGIBLES

	Note	Goodwill $m	Other intangibles[1] $m	Total intangibles $m
Cost				
Balance at 1 July 2011		138.3	32.0	170.3
Transfers		-	126.2	126.2
Additions		-	30.8	30.8
Acquisitions through business combinations	29	2.7	-	2.7
Disposal of controlled entities	29	(9.6)	-	(9.6)
Adjustment to the fair value of business combinations		-	(0.6)	(0.6)
Balance at 31 December 2011		131.4	188.4	319.8
Balance at 1 January 2012		131.4	188.4	319.8
Additions		-	44.7	44.7
Transfers	30	(35.5)	-	(35.5)
Acquisitions through business combinations	29	-	1.4	1.4
Adjustment to the fair value of business combinations		-	-	-
Balance at 31 December 2012		95.9	234.5	330.4
Amortisation and impairment				
Balance at 1 July 2011		(14.0)	(0.6)	(14.6)
Amortisation		-	(33.0)	(33.0)
Impairment		(2.8)	(0.3)	(3.1)
Balance at 31 December 2011		(16.8)	(33.9)	(50.7)
Balance at 1 January 2012		(16.8)	(33.9)	(50.7)
Amortisation		-	(24.4)	(24.4)
Balance at 31 December 2012		(16.8)	(58.3)	(75.1)
Carrying amounts				
Balance at 30 June 2011		124.3	31.4	155.7
Balance at 31 December 2011		114.6	154.5	269.1
Balance at 31 December 2012		79.1	176.2	255.3

[1] *Other intangibles include:*

- *IT software systems of $145.2 million with a useful life of up to 7 years;*
- *Devine Limited brand name of $24.0 million with an indefinite useful life. The recoverable amount is based on a value in use calculation, using five year cash flow projections based on forecast operating results. A pre-tax discount rate of 10% has been used in discounting the projected cash flows. The key assumptions used are consistent with those used in goodwill impairment testing disclosed overleaf;*
- *Customer contracts with useful lives of: indefinite - $4.1 million; 5 years - $1.5 million; and*
- *Wai Ming engineering license with useful life of: indefinite - $1.4 million.*

15. INTANGIBLES CONTINUED

	December 2012 $m	December 2011 $m
Impairment tests for cash-generating units containing goodwill		
The following cash-generating units have the following carrying amounts of goodwill:		
Thiess Group	5.6	5.6
Leighton Asia, India & Offshore ("LAIO") Group	17.5	17.5
John Holland Group	25.1	25.1
Leighton Contractors Group	30.9	66.4
Balance at reporting date	79.1	114.6

The recoverable amount of all cash-generating units is based on value in use calculations, using five year cash flow projections based on forecast operating results and the Leighton Holdings Group Business Plan. Pre-tax discount rates within a range of 7-15% (31 December 2011: 8-15%) have been used in discounting the projected cash flows. The recoverable amount of each cash-generating unit exceeds its carrying amount.

The key assumptions and the approach to determining the recoverable amount of all cash-generating units in the current and previous period are:

Market / segment growth	➢	Economic forecasts, taking into account the Group's participation in each market
Commodity price stability	➢	Analysis of price forecasts, adjusted for actual experience
Inflation / CPI rates and foreign currency rates	➢	World economic forecasts

16. TRADE AND OTHER PAYABLES

	Note	December 2012 $m	December 2011 $m
Trade creditors and accruals[1]		3,771.7	3,344.7
Other creditors		484.3	224.4
Amounts payable to related parties	37 (e)	433.9	652.4
Trade and other payables	35 (b)	4,689.9	4,221.5
Derivative financial liabilities	35 (b)	12.8	156.6
Total trade and other payables		4,702.7	4,378.1
Current[1]		4,507.3	4,025.8
Non-current		195.4	352.3
Total trade and other payables		4,702.7	4,378.1

[1] *31 December 2012: Includes $200.0 million in relation to BrisConnections.*

17. CURRENT TAX LIABILITIES

The current tax liability of $76.7 million (31 December 2011: $59.3 million) represents the amounts payable in respect of current and prior periods.

18. PROVISIONS

	Note	December 2012 $m	December 2011 $m
Employee benefits			
Balance at beginning of reporting period		518.1	510.6
Provisions made during the reporting period		479.8	241.2
Disposals		(2.4)	-
Provisions used during the reporting period		(418.3)	(237.2)
Effect of movements in foreign exchange		(2.1)	3.5
Balance at reporting date		575.1	518.1
Site restoration			
Balance at beginning of reporting period		34.3	35.7
Provisions made during the reporting period		-	-
Provisions used during the reporting period		(34.3)	(1.4)
Balance at reporting date		-	34.3
Total provisions		575.1	552.4
Current		401.7	305.3
Non-current		173.4	247.1
Total provisions		575.1	552.4

The provision for employee benefits relates to wages and salaries, annual leave, long service leave, retirement benefits and deferred bonuses. The provision for site restoration represents restoration obligations in respect of landfills, based on the Group's best estimate of the present value of the expenditure required to settle the restoration obligation.

19. INTEREST BEARING LIABILITIES

	Note	December 2012 $m	December 2011 $m
Current			
Interest bearing loans		322.3	460.4
Finance lease liabilities		206.8	155.6
Interest bearing liabilities - limited recourse loans		105.2	53.8
Total current liabilities	35	634.3	669.8
Non-current			
Interest bearing loans		1,328.5	914.0
Finance lease liabilities		707.8	418.5
Interest bearing liabilities - limited recourse loans		89.9	141.4
Total non-current liabilities	35	2,126.2	1,473.9
Total interest bearing liabilities	35	2,760.5	2,143.7

Notes continued

for the year ended 31 December 2012

20. EQUITY

	Company	
	December 2012 No. of shares	December 2011 No. of shares
Issued and fully paid share capital		
Balance at beginning of reporting period	337,087,596	336,515,596
Issue of executive share rights for nil consideration[1]	76,592	-
Exercise of options[2]	-	572,000
Balance at reporting date	337,164,188	337,087,596

	Company	
	12 months to December 2012 $m	6 months to December 2011 $m
Share capital		
Balance at beginning of reporting period	2,027.2	2,016.2
Contributions of equity	-	11.0
Balance at reporting date	2,027.2	2,027.2

[1] *During the 12 month period to 31 December 2012 the Company issued 76,592 shares for $nil consideration with no resultant change in share capital.*

[2] *During the 6 month period to 31 December 2011 the Company issued 572,000 shares to satisfy options issued in 2006 under the LSEOP at an issue price of $19.27, resulting in an increase in share capital of $11.0 million.*

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

for the year ended 31 December 2012

21. RESERVES

	12 months to December 2012 $m	6 months to December 2011 $m
Foreign currency translation reserve		
Balance at beginning of reporting period	(232.6)	(301.1)
Included in statement of comprehensive income	(47.9)	68.5
Balance at reporting date	(280.5)	(232.6)
Hedging reserve		
Balance at beginning of reporting period	(33.0)	(63.4)
Included in statement of comprehensive income[1]	26.2	30.4
Balance at reporting date	(6.8)	(33.0)
Fair value reserve		
Balance at beginning of reporting period	-	-
Included in statement of comprehensive income	-	-
Balance at reporting date	-	-
Associates equity reserve		
Balance at beginning of reporting period	21.2	21.1
Included in statement of comprehensive income	-	0.1
Balance at reporting date	21.2	21.2
Equity reserve		
Balance at beginning of reporting period	(6.2)	(5.3)
Included in statement of comprehensive income	(11.4)	(0.9)
Balance at reporting date	(17.6)	(6.2)
Share based payments reserve		
Balance at beginning of reporting period	41.3	43.0
Included in income statement	13.0	(1.7)
Balance at reporting date	54.3	41.3
Total reserves at reporting date	(229.4)	(209.3)

[1] *Includes amounts reclassified and included in the income statement in the period ended 31 December 2012 of $3.7 million (31 December 2011 of $49.9 million).*

Notes continued

for the year ended 31 December 2012

21. RESERVES CONTINUED

Nature and purpose of reserves

Foreign currency translation reserve
The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the Group, as well as from the translation of liabilities that hedge the Group's net investment in foreign operations.

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to future transactions.

Fair value reserve
The fair value reserve includes the cumulative net change in the fair value of available-for-sale assets until the asset is realised or impaired.

Associates equity reserve
The associates equity reserve is used to record the Group's share of the post-acquisition increases in the reserves of associates.

Equity reserve
The equity reserve accounts for the differences between the fair value of, and the amounts paid or received for, equity transactions with non-controlling interests (minority shareholders). During the reporting period, the Group acquired the residual minority interest in Broad Group Holdings Pty Ltd resulting in an increase in the equity reserve of $11.4 million.

Share based payments reserve
The share based payments reserve is used to recognise the fair value of options issued to employees over the vesting period.

22. RETAINED EARNINGS

	Note	12 months to December 2012 $m	6 months to December 2011 $m
Balance at beginning of reporting period		866.2	526.2
Included in income statement		450.1	340.0
Dividends paid	23	(269.6)	-
Balance at reporting date		1,046.7	866.2

Notes continued

for the year ended 31 December 2012

23. DIVIDENDS

	Cents per share	$m
2012 final dividend		
Subsequent to reporting date the Company announced a 50% franked final dividend in respect of the year ended 31 December 2012.^ The dividend is payable on 28 March 2013. This dividend has not been provided for in the balance sheet.	60.0	202.3
Dividends recognised in the reporting period to 31 December 2012 †		
30 June 2012 interim ordinary dividend unfranked paid on 28 September 2012	20.0	67.4
31 December 2011 final ordinary dividend unfranked paid on 30 March 2012	60.0	202.2
		269.6
Dividends recognised in the 6 month reporting period to 31 December 2011 †		
No final dividend was declared by the Company in respect of the period ended 30 June 2011	nil	nil

^ *The unfranked portion of the dividend has been declared Conduit Foreign Income.*

† *The effect of the change in the financial year to a 31 December year end date is that a dividend declared in respect of a 6 month period ended 31 December is a final dividend and a dividend declared in respect of a 6 month period ended 30 June is an interim dividend.*

	Company	
	December 2012 $m	December 2011 $m
Dividend franking account		
Balance of the franking account, adjusted for franking credits / debits which arise from the payment / refund of income tax provided for in the financial statements	89.8	30.8

The impact of the 2012 final dividend, declared after reporting date, on the dividend franking account will be a reduction of $43.3 million (2011: $nil).

24. EARNINGS PER SHARE

	12 months to December 2012	6 months to December 2011
Basic earnings per share	133.5¢	101.0¢
Diluted earnings per share	133.1¢	101.0¢
Profit / (loss) attributable to members of the parent entity used in the calculation of basic and diluted earnings per share ($m)	450.1	340.0
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	337,106,520	336,580,656
Weighted average effect of share options on issue	-	69,150
Weighted average effect of share options on issue[1]	-	-
Contingently issuable shares[2]	1,147,240	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	338,253,760	336,649,806

[1] *Share options are not dilutive for 31 December 2012 as the average share price during the reporting period did not exceed the exercise price of the options.*
[2] *Contingently issuable shares relate to share rights under plans disclosed in note 36: Employee Benefits.*

25. ASSOCIATES

The Group has the following investments in associates:

Name of entity	Principal activity	Country	Ownership interest December 2012 %	December 2011 %
Al Habtoor Leighton LLC	Construction	United Arab Emirates	45	45
Aurum Partnership Pty Limited[1]	Investment	Australia	33	33
Dunsborough Lakes Village Syndicate[1]	Development	Australia	20	20
LMACH Pty Limited[1]	Development	Australia	-	33
LCIP CO-Investment Unit Trust	Investment	Australia	25	-
Macmahon Holdings Limited[1,2]	Construction, Contract Mining	Australia	24	19
Metro Trains Melbourne Pty Limited[1]	Services	Australia	20	20
SA Health Partnership Holding Nominees Pty Ltd[1]	Investment	Australia	-	20
SA Health Partnership Nominees Pty Ltd[1]	Investment	Australia	-	20
Sedgman Limited[1]	Construction, Contract Mining	Australia	33	32

All associates have a statutory reporting date of 31 December with the following exceptions:

[1] *Entities have a 30 June statutory reporting date.*
[2] *The Group's investment has been equity accounted as a result of the Group's active participation on the respective Boards and the Group's ability to impact decision making.*

Al Habtoor Leighton LLC ("HLG")

During the reporting period, the carrying value of the Group's investment in HLG decreased from $379.4 million to $297.7 million (equivalent to US$379.4 million and US$309.6 million). The decrease was a result of the Group equity accounting its share of HLG's losses of $47.1 million, a foreign exchange translation loss of $14.6 million and an impairment of $20.0 million. Refer to note 4: *Items included in profit / (loss) before tax*. The impairment charge was due to a downward revision to forecast cash flow and a higher discount rate, in response to HLG's current performance and prevailing market conditions in the Middle East & North Africa ("MENA") region. The recoverable amount of the Group's investment was calculated using a value in use calculation.

The key assumptions used in the value in use calculation:

Discount rate	➢	16% (31 December 2011: 15%)
Growth rate	➢	3% (31 December 2011: 3%) for cash flows beyond five years. This rate does not exceed the expected long-term average growth rate for the MENA region
Legacy project receivables	➢	The economic downturn in the MENA region continues to delay payment from clients, particularly for projects in progress at the time the Group invested in HLG. It is assumed of the remaining unprovided legacy project receivables, 49% will be collected within twenty-four months and 51% collected subsequently (31 December 2011: 48% and 52% respectively)
Borrowings	➢	Borrowings obtained to fund working capital will be progressively repaid during the forecast period
Forecast cash flow	➢	The calculation uses five year cash flow projections based on forecasts provided by HLG's management, risk adjusted downward by the Group. Cash flows beyond five years are extrapolated using the estimated growth rate

Refer to note 8: *Trade and other receivables* for further details relating to cash security, loans and other receivables provided to HLG.

25. ASSOCIATES CONTINUED

The Group's share of associates' results, assets and liabilities are as follows:

	12 months to December 2012 $m	6 months to December 2011 $m
Revenue	1,162.2	622.3
Expenses	(1,185.2)	(683.5)
Profit / (loss) before tax	(23.0)	(61.2)
Income tax (expense) / benefit	(7.5)	(4.0)
Profit / (loss) for the period	(30.5)	(65.2)

	December 2012 $m	December 2011 $m
Current assets	1,009.4	1,245.5
Non-current assets	720.6	754.7
Total assets	1,730.0	2,000.2
Current liabilities	766.8	918.0
Non-current liabilities	501.4	503.0
Total liabilities	1,268.2	1,421.0
Equity accounted associates at reporting date[1]	461.8	579.2

[1] *Investments in listed associates for which there are published price quotations had a market value at reporting date of: $143.2 million (31 December 2011: $206.3 million).*

Impairments of investments in associates of $35.0 million arose due to a decline in the recoverable amount of the investments (31 December 2011: $50.0 million). Refer to note 4: *Items included in profit / (loss) before tax*. The recoverable amount of the investments are based on value in use calculations. Pre-tax discount rates within a range of 15-16% (31 December2011: 15-16%) were used in these calculations.

Notes continued

for the year ended 31 December 2012

26. JOINT VENTURE ENTITIES

Name of entity	Principal activity	Country	Ownership interest December 2012 %	Ownership interest December 2011 %
400 George Street Partnership[1]	Development	Australia	50	50
Abigroup Contractors Pty Ltd & Coleman Rail Pty Ltd & John Holland Pty Ltd (Integrate Rail JV)	Construction	Australia	40	-
APM Group (Aust) Pty Ltd & Broad Construction Services (NSW/VIC) Pty Ltd[1]	Construction	Australia	50	45
APN No. 19 Pty Ltd & Leighton Properties (VIC) Pty Ltd[1]	Development	Australia	50	50
Applemead Pty Ltd	Development	Australia	50	50
Aspire Schools (Qld) Pty Limited[1]	Construction, Services	Australia	-	50
Aspire Schools Financing (Qld) Pty Limited[1]	Investment	Australia	-	50
Aspire Schools Financing Services (Qld) Pty Limited[1]	Construction	Australia	-	50
Aspire Schools Holdings (Qld) Pty Limited[1]	Investment	Australia	-	50
Auckland Road Maintenance Alliance (West) Management JV[1]	Construction	New Zealand	50	50
Bac Devco Pty Limited[1]	Development	Australia	33	33
Barclay Mowlem Thiess Joint Venture[1]	Construction	Australia	50	50
Baulderstone Leighton Joint Venture[1]	Construction	Australia	50	50
Bayview Project Noosa Partnership[1]	Development	Australia	50	50
BGC & John Holland & Macmahon Joint Venture (Roy Hill Rail JV)[1]	Construction	Australia	40	40
BJB Joint Venture	Services	Australia	38	38
Brisbane Motorway Services Pty Limited[1]	Services	Australia	50	50
China State Leighton Joint Venture	Construction	Hong Kong	50	50
City West Property Holding Trust (Section 63 Trust)	Development	Australia	50	50
City West Property Holdings Pty Limited	Development	Australia	50	50
City West Property Investment (No. 1) Trust	Development	Australia	50	50
City West Property Investment (No. 2) Trust	Development	Australia	50	50
City West Property Investment (No. 3) Trust	Development	Australia	50	50
City West Property Investment (No. 4) Trust	Development	Australia	50	50
City West Property Investment (No. 5) Trust	Development	Australia	50	50
City West Property Investment (No. 6) Trust	Development	Australia	50	50
City West Property Investments (No. 1) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 2) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 3) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 4) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 5) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 6) Pty Limited	Development	Australia	50	50
Cockatoo Iron Ore[1]	Contract Mining	Australia	50	50

Notes continued

for the year ended 31 December 2011

26. JOINT VENTURE ENTITIES CONTINUED

Name of entity	Principal activity	Country	Ownership interest December 2012 %	Ownership interest December 2011 %
Cockatoo Mining Pty Ltd[1]	Contract Mining	Australia	50	50
Coleman Rail Pty Ltd & John Holland Pty Ltd & York Civil Pty Ltd Joint Venture (Tracksure Rail Upgrade)[1]	Construction	Australia	38	38
Coleman Rail Pty Ltd & John Holland Pty Ltd & York Civil Pty Ltd Joint Venture (Trackworks Upgrade Adelaide)[1]	Construction	Australia	38	38
Coleman Rail Pty Ltd & John Holland Pty Ltd Joint Venture (Rail Revitalisation Project, SA)[1]	Construction	Australia	50	50
Conneq Infrastructure Services (Australia) Pty Ltd and John Holland Pty Ltd[1]	Services	Australia	50	50
Copperstring Pty Ltd[1]	Construction	Australia	50	50
Cotter Googong Bulk Transfer Joint Venture[1]	Construction	Australia	50	50
Degremont Thiess Services Joint Venture[1]	Services	Australia	40	40
Erskineville Residential Project	Development	Australia	50	50
EV LNG Australia Pty Ltd & Thiess Pty Ltd (EVT JV)	Construction	Australia	50	50
Fallingwater Trust[1]	Development	Australia	15	15
Folkestone/Leighton JV Pty Limited[1]	Development	Australia	50	50
Gammon - Leighton Joint Venture	Construction	Hong Kong	50	50
Garlanja[1]	Construction	Australia	75	-
Garlanja Joint Venture	Construction	Australia	75	75
Gateway Motorway Services Pty Limited[1]	Services	Australia	50	50
GHD & John Holland Joint Venture (Perth City Link Rail Alliance)[1]	Construction	Australia	80	80
Great Eastern Alliance	Construction	Australia	75	75
Green Square Consortium Pty Ltd[1]	Development	Australia	50	50
Hassall Street Pty Ltd	Development	Australia	50	50
Hassall Street Trust	Development	Australia	50	50
Hazell Brothers John Holland Joint Venture[1]	Construction	Australia	50	50
Holland York Joint Venture[1]	Construction	Australia	50	50
HPAL Freehold Pty Limited	Development	Australia	50	50
HYLC Joint Venture[1]	Construction	Australia	50	50
Infocus Infrastructure Management Pty Limited[1]	Services	Australia	50	50
JM Joint Venture[1]	Construction	Australia	50	50
JM JV SIA Joint Venture[1]	Construction	Australia	80	80
John Holland & Leed & Macmahon Joint Venture (Urban Superway)[1]	Construction	Australia	40	40
John Holland & Leed Engineering Joint Venture (NIAW)[1]	Construction	Australia	67	67
John Holland & UGL Joint Venture (Murrumbidgee Irrigation)[1]	Construction	Australia	50	50
John Holland Abigroup Contractors Joint Venture (Bulk Water)[1]	Construction	Australia	50	50

Notes continued

for the year ended 31 December 2012

26. JOINT VENTURE ENTITIES CONTINUED

Name of entity	Principal activity	Country	Ownership interest December 2012 %	Ownership interest December 2011 %
John Holland Abigroup Contractors Joint Venture (Coffs Infrastructure)[1]	Construction	Australia	50	50
John Holland BRW Joint Venture[1]	Construction	Australia	50	50
John Holland Coleman Rail Joint Venture[1]	Construction	Australia	50	50
John Holland Colin Joss Joint Venture[1]	Construction	Australia	50	50
John Holland Downer EDI Engineering Power Joint Venture[1]	Construction	Australia	65	65
John Holland Downer EDI Joint Venture[1]	Construction	Australia	60	60
John Holland Fairbrother Joint Venture[1]	Construction	Australia	50	50
John Holland Fulton Hogan Joint Venture[1]	Construction	New Zealand	50	50
John Holland Laing O'Rourke Joint Venture[1]	Construction	Australia	50	50
John Holland Macmahon Joint Venture (Bell Bay)[1]	Construction	Australia	80	80
John Holland Macmahon Joint Venture (Roe and Tonkin Highways)[1]	Construction	Australia	50	50
John Holland Macmahon Joint Venture (Ross River Dam)[1]	Construction	Australia	50	50
John Holland McConnell Dowell Joint Venture[1]	Construction	Australia	50	50
John Holland Pty Ltd & Lend Lease Project Management & Construction (Australia) Pty Limited	Construction	Australia	50	-
John Holland Pty Ltd & Pindan Contracting Pty Ltd	Construction	Australia	50	-
John Holland Tenix Alliance Joint Venture[1]	Construction	Australia	50	50
John Holland Thames Water Joint Venture[1]	Construction	Australia	50	50
John Holland United Group Infrastructure Joint Venture[1]	Construction	Australia	47	47
John Holland Veolia Water Australia Joint Venture (Blue Water)[1]	Construction	Australia	74	74
John Holland Veolia Water Australia Joint Venture (Gold Coast Desalination Plant)[1]	Construction	Australia	64	64
Kentz E & C Pty Ltd[1]	Construction	Australia	50	50
Kurunjang Development Pty Ltd[1]	Investment	Australia	50	50
Leighton-Able Joint Venture	Construction	Hong Kong	51	51
Leighton - Gammon Joint Venture	Construction	Hong Kong	50	50
Leighton Abigroup Joint Venture[1]	Construction	Australia	50	50
Leighton BMD JV[1]	Construction	Australia	50	50
Leighton China State John Holland Joint Venture (City of Dreams)[1]	Construction	Macau	70	70
Leighton China State Joint Venture (Wynn Resort)[1]	Construction	Macau	50	50
Leighton China State Van Oord Joint Venture	Construction	Hong Kong	45	45
Leighton Construction India (Private) Limited[2]	Construction	India	50	50
Leighton Contractors & Baulderstone Hornibrook Bilfinger Berger Joint Venture[1]	Construction	Australia	50	50
Leighton Contractors Downer Joint Venture[1]	Construction	Australia	50	-

Notes continued

for the year ended 31 December 2012

26. JOINT VENTURE ENTITIES CONTINUED

Name of entity	Principal activity	Country	Ownership interest December 2012 %	Ownership interest December 2011 %
Leighton Hsin Chong Joint Venture[1]	Construction	Hong Kong	50	50
Leighton Kumagai Joint Venture (MetroRail)[1]	Construction	Australia	55	55
Leighton Kumagai Joint Venture (Route 9 - Eagle's Nest Tunnel)	Construction	Hong Kong	51	51
Leighton Kumagai Joint Venture (Wanchai East & North Point Trunk Sewerage)	Construction	Hong Kong	51	51
Leighton Monnis Infrastructure JV LLC	Construction	Mongolia	55	55
Leighton/Ngarda Joint Venture (LNJV)[1]	Construction	Australia	75	75
Leighton Services UAE Co LLC (formerly known as Thiess Services Middle East LLC)	Services	UAE	50	50
Leighton Swietelsky Joint Venture[1]	Services	Australia	50	50
Leighton Welspun Contractors Private Limited[2]	Construction	India	65	65
Leighton-Chubb E&M Joint Venture	Construction	Hong Kong	50	50
Leighton-Total Joint Operation	Construction	Indonesia	70	-
Link 200 Joint Venture[1]	Construction	Hong Kong	48	48
Link 200 Station Joint Venture[1]	Construction	Hong Kong	60	60
Link 200 Tunnel Joint Venture[1]	Construction	Hong Kong	60	60
Macmahon Leighton Joint Venture	Construction	Australia	-	50
Majwe Mining (Proprietary) Limited	Contract Mining	Botswana	60	60
Manukau Motorway Extension[1]	Construction	New Zealand	50	50
Marine & Civil Pty Ltd (formerly M & C 2 Pty Ltd)[1]	Construction	Australia	50	50
Mosaic Apartments Holdings Pty Ltd[1]	Development	Australia	50	-
Mosaic Apartments Pty Ltd[1]	Development	Australia	50	-
Mosaic Apartments Unit Trust	Development	Australia	50	-
Mulba Mia Leighton Broad Joint Venture[1]	Construction	Australia	50	63
N.V Besix S.A & Thiess Pty Ltd (Best JV)	Construction	Australia	50	50
New Future Alliance (SIHIP)	Construction	Australia	66	66
Ngarda Civil and Mining Pty Limited[1]	Contract Mining	Australia	50	50
Northern Gateway Alliance	Construction	New Zealand	50	50
Norton Street Investments Pty Ltd[1]	Development	Australia	-	45
Promet Engineers Pty Limited[1]	Construction	Australia	50	50
Rail Link Joint Venture[1]	Construction	Australia	65	65
Riverina Estate Developments Pty Ltd[1]	Development	Australia	50	50
Riverina Estate Developments Trust[1]	Development	Australia	50	50
Roche Thiess Linfox Joint Venture[1]	Contract Mining	Australia	44	44
RTL Mining and Earthworks Pty Ltd[1]	Construction	Australia	44	44
SA Health Partnership Pty Ltd[1]	Construction	Australia	-	50
Silcar Pty Limited[1]	Services	Australia	50	50
Southern Gateway Alliance (Mandurah)	Construction	Australia	69	69

26. JOINT VENTURE ENTITIES CONTINUED

Name of entity	Principal activity	Country	Ownership interest December 2012 %	Ownership interest December 2011 %
Taiwan Track Partners Joint Venture	Construction	Taiwan	28	28
The Kurunjang Development Trust[1]	Development	Australia	50	50
Thiess Alstom Joint Venture[1]	Construction	Australia	50	50
Thiess Balfour Beatty Joint Venture	Construction	Australia	65	65
Thiess Barnard Joint Venture	Construction	Australia	50	50
Thiess Black and Veatch Joint Venture[1]	Construction	Australia	50	50
Thiess Decmil Kentz Joint Venture[1]	Construction	Australia	33	33
Thiess Degremont Joint Venture[1]	Construction	Australia	65	65
Thiess Degremont Nacap Joint Venture[1]	Construction	Australia	33	33
Thiess Downer EDI Works Joint Venture[1]	Construction	Australia	75	75
Thiess Hochtief Joint Venture[1]	Construction	Australia	50	50
Thiess MacDow Joint Venture[1]	Construction	Australia	50	50
Thiess Sedgman Joint Venture[1]	Construction	Australia	50	50
Thiess Services Arkwood Joint Venture[1]	Services	Australia	50	50
Thiess United Group Joint Venture[1]	Construction	Australia	50	50
TSDI Pty Ltd[1]	Services	Australia	50	50
Ubique Finance Pty Ltd[1]	Construction	Australia	-	50
Veolia Water - Leighton - John Holland Joint Venture	Construction	Hong Kong	40	40
Viridian Noosa Pty Limited[1]	Development	Australia	50	50
Viridian Noosa Trust[1]	Development	Australia	50	50
VR Pakenham Pty Ltd[1]	Development	Australia	50	50
VR Pakenham Trust[1]	Development	Australia	50	50
Wallan Project Pty Ltd[1]	Development	Australia	25	-
Wallan Project Trust[1]	Development	Australia	50	-
Wedgewood Road Hallam No. 1 Pty Ltd	Development	Australia	50	50
Wedgewood Road Hallam Trust	Development	Australia	50	50
Wellington Tunnels Alliance	Construction	New Zealand	50	50
Westlink (Services) Pty Limited[1]	Services	Australia	50	50
Wrap Southbank Unit Trust	Development	Australia	50	-

All joint venture entities have a statutory reporting date of 31 December with the following exceptions:

1 *Entities have a 30 June statutory reporting date*
2 *Entities have a 31 March statutory reporting date*

These entities have different statutory reporting dates to the Group as they are aligned with the joint venture partners' reporting date and / or the reporting date is prescribed by local statutory requirements.
Where the Group has an ownership interest in a joint venture entity greater than 50% but does not have the power to govern the joint venture's financial and operating policies due to joint control, the joint venture is not consolidated.

26. JOINT VENTURE ENTITIES CONTINUED

The Group's share of joint venture entities' results, assets and liabilities are as follows:

	12 months to December 2012 $m	6 months to December 2011 $m
Revenue	3,013.2	1,385.4
Expenses	(3,002.5)	(1,551.1)
Profit / (loss) before tax	10.7	(165.7)
Income tax (expense) / benefit	(16.3)	(6.9)
Profit / (loss) for the period	(5.6)	(172.6)

	December 2012 $m	December 2011 $m
Current assets	232.2	318.2
Non-current assets	397.4	477.1
Total assets	629.6	795.3
Current liabilities	181.7	233.6
Non-current liabilities	32.9	142.1
Total liabilities	214.6	375.7
The Group's share of joint venture entities' net assets at reporting date	415.0	419.6

27. RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT CARRYING VALUES

12 months to December 2012	Note	Land $m	Buildings $m	Leasehold land, buildings and improvements $m	Plant and equipment $m	Total property, plant and equipment $m
Opening carrying amount		15.3	51.1	76.7	2,376.9	2,520.0
Additions[1]		3.0	42.8	16.6	1,278.4	1,340.8
Disposals		(0.9)	(0.8)	(2.6)	(145.8)	(150.1)
Transfers to assets held for sale	30	(4.6)	(63.5)	(1.8)	(515.6)	(585.5)
Depreciation		-	(2.3)	(13.6)	(1,016.2)	(1,032.1)
Effects of exchange rate fluctuations		-	-	(0.1)	(28.9)	(29.0)
Carrying amount at reporting date		12.8	27.3	75.2	1,948.8	2,064.1

[1] *Additions to property, plant and equipment include finance lease additions of $102.2 million.*

28. RECONCILIATION OF PROFIT / (LOSS) FOR THE PERIOD TO NET CASH FROM OPERATING ACTIVITIES

	12 months to December 2012 $m	6 months to December 2011 $m
Profit / (loss) for the period	442.1	344.9
Adjustments for non-cash items:		
- Depreciation of property, plant and equipment	1,032.1	512.7
- Amortisation of intangibles	24.4	33.0
- Net (gain) / loss on sale of assets	(135.3)	(244.8)
- Impairment of investments in infrastructure toll road companies	63.0	70.0
- Impairment of investments accounted for using the equity method	35.0	50.0
- Impairment of other investments	-	0.8
- Impairment of intangibles	-	3.1
- Property development and property joint ventures write-downs	17.2	0.6
- Foreign exchange losses	4.4	2.4
- Net amounts set aside to provisions	476.6	245.9
- Share of profits of associates	47.8	70.7
- Share based payments	13.0	(1.7)
Net changes in assets / liabilities:		
- Decrease / (increase) in receivables	(863.4)	(215.1)
- Decrease / (increase) in joint ventures	(24.2)	(30.0)
- Decrease / (increase) in inventories	(139.2)	201.5
- Increase / (decrease) in payables	395.7	(719.5)
- Increase / (decrease) in provisions	(441.3)	(207.7)
- Current and deferred income tax movement	161.5	117.4
Net cash from operating activities	1,109.4	234.2

29. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES

As a result of the acquisition and disposal of controlled entities and businesses, the following summarises the major classes of consideration transferred, along with the effect on the Group's assets and liabilities at the respective acquisition and disposal dates in the corresponding financial periods.

Acquisitions - Wai Ming Contracting Company Ltd ("Wai Ming")

On 30 April 2012, the Group acquired Wai Ming (including $1.4 million of intangibles (refer to note 15: *Intangibles*)) for $4.5 million. In the 8 month period to 31 December 2012, Wai Ming contributed a net profit after tax of $4,595 to the consolidated net profit of the Group.

Disposals - Thiess Waste Management business ("TWM")

12 months to December 2012	$m
Consideration transferred	
Consideration	179.1
Carrying amount on disposal	(63.9)
Net gain on disposal of controlled entities before tax	115.2
Carrying value of assets and liabilities of entities and businesses disposed	
Cash and cash equivalents	0.1
Inventories: consumables	0.3
Trade and other receivables	1.1
Property, plant and equipment	65.7
Investments in related entities	4.7
Trade and other payables	(0.5)
Provisions - employee and other provisions	(7.5)
Net assets disposed	63.9
Cash inflow resulting from sale	172.4
Deferred consideration	6.7
Consideration	179.1

Thiess Waste Management business

On 9 July 2012, the Group signed a business sale agreement for the sale of TWM to Remondis AG & Co KG. The sale completed on 28 September 2012.

The disposal has been accounted for as follows: the total consideration of $179.1 million less the carrying value of the TWM net assets of $63.9 million, resulting in a gain before tax of $115.2 million (refer to note 4: Items included in profit / (loss) before tax). The gain on sale after tax was $80.6 million. The TWM contribution to net profit after tax during the reporting period was $24.3 million (31 December 2011: $9.4 million).

29. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES CONTINUED

Other

The following disposals of controlled entities and businesses took place in the twelve month period ended 31 December 2012:

- Swan Water Services Pty Ltd; and
- Victorian Wave Partners Pty Ltd.

Disposals - HWE Mining iron ore business

6 months to December 2011	$m
Consideration transferred	
Cash consideration	451.7
Carrying amount on disposal	(222.4)
Net gain on disposal of controlled entities before tax	229.3
Carrying value of assets and liabilities of entities and businesses disposed	
Inventories: consumables	44.6
Deferred tax assets	9.3
Property, plant and equipment	229.1
Intangibles - goodwill	9.6
Trade and other payables	(22.9)
Provisions - employee provisions	(31.0)
Interest bearing liabilities - finance lease liabilities	(16.3)
Net assets disposed	222.4
Cash flows resulting from sale	
Cash consideration	451.7
Cash disposed	-
Net cash inflow resulting from sale	451.7

HWE Mining iron ore business

On 30 September 2011 HWE Mining Pty Limited, a wholly owned subsidiary of Leighton Contractors Pty Limited, signed a Share and Asset Purchase Agreement ("SAPA") with BHP Billiton IO Mining Pty Limited ("BHP") for the sale of the HWE Mining iron ore businesses, comprising entities and assets that provided iron ore contract mining services to BHP in Western Australia.

The controlled entities sold to BHP were HWE Newman Mining Pty Limited, HWE Newman Services Pty Limited and Welshpool Facility Pty Limited. The SAPA excluded trade and other receivables as these were settled by BHP prior to sale for $246.4 million.

The disposal has been accounted for under the requirements of Accounting Standard AASB 127 *Consolidated and Separate Financial Statements* as follows: the total consideration received was $451.7 million in cash less the carrying value of the HWE Mining iron ore businesses' net assets of $222.4 million, resulting in a gain before tax of $229.3 million (refer to note 4: *Items included in profit / (loss) before tax*).

29. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES CONTINUED

Acquisitions - DPS Bristol Malaysia business

On 5 December 2011 the Group acquired the business of DPS Bristol (M) Sdn Bhd ("DPSM") for $3.0 million in cash. In the one month to 31 December 2011, DPSM contributed a net profit after tax of $nil to the consolidated net profit for the period.

30. HELD FOR SALE

Telecommunication Infrastructure Business ("TIB")

During the reporting period, a plan to sell TIB was initiated and is currently being actively marketed for sale. The completion of the sale is expected within one year from the reporting date.
TIB comprises entities and assets that provide telecommunications infrastructure to both external and internal parties of the Group. The assets and associated liabilities to be sold shown below are presented in the Leighton Contractors segment at 31 December 2012.

	December 2012 $m
Assets	
Cash and cash equivalents^	10.0
Trade and other receivables	10.3
Inventories: consumables	1.5
Total current assets	21.8
Deferred tax assets	25.4
Property, plant and equipment*	575.9
Intangibles	35.5
Total non-current assets	636.8
Total assets	658.6
Liabilities	
Trade and other payables^	112.7
Current tax liabilities	19.0
Provisions	4.4
Total current liabilities	136.1
Provisions	1.7
Interest bearing liabilities^	36.5
Total non-current liabilities	38.2
Total liabilities	174.3

Other held for sale*

Held for sale also includes rail equipment and barge assets of $14.2 million (31 December 2011: $4.6 million) actively marketed for sale.

* *Total Property, plant and equipment of $585.5 million was reclassified to assets held for sale during the reporting period (includes $575.9 million in relation to TIB and an additional $9.6 million transferred to 'Other held for sale' above during the reporting period).*
^ *Net debt held for sale was $49.5 million (cash $10.0 million less overdraft included in trade and other payables of $23.0 million and interest bearing liabilities of $36.5 million)*

31. SEGMENT INFORMATION

Description of segments

Operating segments have been identified based on separate financial information that is regularly reviewed by the Leighton CEO, the Chief Operating Decision Maker ("CODM"). The Leighton Group is structured on a decentralised basis comprising the following main segments:

- Leighton Contractors
- Thiess
- John Holland
- Leighton Asia, India & Offshore ("LAIO")
- Habtoor Leighton Group ("HLG")
- Commercial & Residential

The performance of each operating company forms the primary basis for all management reporting to the CODM.

The following changes have been reflected in the presentation of segment information since the prior period:

- Since 1 July 2012, the results of HLG have been presented to the CODM as a single and separate segment, and the results of Africa have been reported to the CODM as part of Leighton Contractors. From 1 July 2011 and in the period ended 31 December 2011, Leighton Middle East & Africa ("LMEA") was, together with Leighton operations in Africa, disclosed as a combined segment as their performance was reported in aggregate to the CODM. This restructure aligns both these operations with the strategic focus of the Group.

Accordingly, segment data for the prior period presented for comparative purposes has been restated to reflect the newly reportable and amended segments in accordance with AASB 8 *Operating Segments*. The types of services from which segments derive revenue, are included in note 2: *Revenue*. The Group's share of revenue from joint ventures is included in the revenue reported for each applicable operating company. Performance is measured based on segment result. Information regarding the results of each reportable segment, as reported to the CODM, is included on pages 47 to 48. The corporate segment represents the corporate head office and includes transactions relating to Group finance, taxation, treasury, corporate secretarial and certain strategic investments.

Plant and equipment leased under operating lease facilities of $0.6 billion (31 December 2011: $0.7 billion) is included in segment assets with a corresponding amount in segment liabilities. Other than this, differences in the reporting for management and financial accounting are individually, and in total, not material. These differences are contained in the results of the corporate segment and include:

- Interest capitalised on property developments held indirectly through joint ventures and associates; and
- Adjustments for tax on earnings from equity accounted investments, as earnings from equity accounted investments are reported on a pre-tax basis in the applicable operating company.

Notes continued

for the year ended 31 December 2012

31. SEGMENT INFORMATION CONTINUED

Geographical segments

	Revenue		Non-current assets	
	12 months to December 2012 $m	6 months to December 2011 $m	December 2012 $m	December 2011 $m
Geographical information				
Australia Pacific	15,925.7	8,573.6	2,051.9	2,401.0
Asia, Middle East & Africa	3,026.0	1,595.6	740.9	808.5
Total	18,951.7	10,169.2	2,792.8	3,209.5

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customer and the location of the service provided. Segment assets are based on the geographical location of the assets. Geographical segment non-current assets comprise: inventories: development properties, property, plant & equipment, and intangibles.

Major customers

No revenue from transactions with a single external customer amount to 10% or more of the Group's revenue.

Notes continued

for the year ended 31 December 2012

31. SEGMENT INFORMATION CONTINUED

12 months to December 2012	Leighton Contractors $m	Thiess $m	John Holland $m	Leighton Asia, India & Offshore $m	Habtoor Leighton Group $m	Commercial & Residential $m	Corporate $m	Eliminations $m	Total $m
Revenue									
Segment revenue before interest	7,136.4	7,231.3	4,545.7	2,629.2	444.6	557.6	524.6	(0.2)	23,069.2
Interest revenue	-	5.7	-	-	-	-	52.1	-	57.8
Segment revenue	7,136.4	7,237.0	4,545.7	2,629.2	444.6	557.6	576.7	(0.2)	23,127.0
Inter-segment revenue	-	-	-	(0.2)	-	-	-	0.2	-
Segment joint venture and associate revenue	(693.7)	(1,169.1)	(831.2)	(422.1)	(444.6)	(90.0)	(524.6)	-	(4,175.3)
External revenue	6,442.7	6,067.9	3,714.5	2,206.9	-	467.6	52.1	-	18,951.7
Result									
Segment result before interest, gains on sale and impairments	342.9	237.7	85.3	208.6	(33.2)	23.8	(109.1)	-	756.0
Interest	(53.3)	(22.6)	(20.3)	(38.6)	(13.8)	(49.7)	(11.8)	-	(210.1)
Segment result before gains on sale and impairments*	289.6	215.1	65.0	170.0	(47.0)	(25.9)	(120.9)	-	545.9
Gain on sale of controlled entities and businesses	-	115.2	-	-	-	-	-	-	115.2
Impairments	-	(31.5)	(31.5)	-	(20.0)	-	(15.0)	-	(98.0)
Segment result	289.6	298.8	33.5	170.0	(67.0)	(25.9)	(135.9)	-	563.1
Income tax (expense) / benefit									(121.0)
Profit / (loss) for the year*									442.1
Other									
Share of profit / (loss) of associates and joint venture entities	(8.9)	(58.4)	34.4	26.5	(47.0)	13.8	3.5	-	(36.1)
Depreciation	(274.6)	(469.4)	(92.4)	(190.5)	-	(1.2)	(4.0)	-	(1,032.1)
Other material non-cash expenses	(21.9)	(31.5)	(31.5)	-	(20.0)	(17.2)	(17.5)	-	(139.6)
Assets and liabilities									
Reportable segment assets	2,748.5	1,736.9	1,025.2	1,753.1	1,119.3	890.1	2,543.7	-	11,816.8
Investments accounted for using the equity method	32.3	21.3	10.7	232.1	297.7	126.8	155.9	-	876.8
Capital expenditure^	510.1	548.0	109.5	168.8	-	0.2	4.2	-	1,340.8
Reportable segment liabilities	1,505.8	1,668.5	1,037.5	752.4	107.3	290.1	3,538.3	-	8,899.9

** Profit after tax attributable to members of the parent entity before gains on sale and impairments was $448.1 million.*

^ Segment capital expenditure comprises additions to property, plant & equipment, including additions financed using finance leases.

Notes continued

for the year ended 31 December 2012

31. SEGMENT INFORMATION CONTINUED

6 months to December 2011	Leighton Contractors $m	Thiess $m	John Holland $m	Leighton Asia, India & Offshore $m	Habtoor Leighton Group $m	Commercial & Residential $m	Corporate $m	Eliminations $m	Total $m
Revenue									
Segment revenue before interest	3,594.5	3,809.3	2,400.0	1,388.6	329.8	527.8	205.4	(108.5)	12,146.9
Interest revenue	-	0.2	-	-	-	-	29.8	-	30.0
Segment revenue	3,594.5	3,809.5	2,400.0	1,388.6	329.8	527.8	235.2	(108.5)	12,176.9
Inter-segment revenue	(14.4)	-	-	-	-	(89.8)	(4.3)	108.5	-
Segment joint venture and associate revenue	(250.3)	(703.8)	(305.5)	(215.4)	(329.8)	(2.7)	(200.2)	-	(2,007.7)
External revenue	3,329.8	3,105.7	2,094.5	1,173.2	-	435.3	30.7	-	10,169.2
Result									
Segment result before interest, gains on sale and impairments	279.8	61.8	67.9	145.0	(71.1)	18.3	(41.2)	-	460.5
Interest	(16.5)	-	(7.9)	(9.8)	(32.8)	(17.3)	(6.2)	-	(90.5)
Segment result before gains on sale and impairments*	263.3	61.8	60.0	135.2	(103.9)	1.0	(47.4)	-	370.0
Gain on sale of controlled entities and businesses	229.3	-	-	-	-	-	-	-	229.3
Impairments	(0.3)	(37.8)	(35.0)	-	(50.0)	-	(0.8)	-	(123.9)
Segment result	492.3	24.0	25.0	135.2	(153.9)	1.0	(48.2)	-	475.4
Income tax (expense) / benefit									(130.5)
Profit / (loss) for the period*									344.9
Other									
Share of profit / (loss) of associates and joint venture entities	(28.3)	(170.0)	20.0	14.1	(78.2)	1.1	3.5	-	(237.8)
Depreciation	(156.9)	(221.8)	(41.7)	(90.0)	-	(0.5)	(1.8)	-	(512.7)
Other material non-cash expenses	(32.2)	(37.8)	(35.0)	-	(50.0)	(0.6)	(2.0)	-	(157.6)
Assets and liabilities									
Reportable segment assets	2,000.9	1,602.9	998.4	1,512.1	1,118.0	903.1	2,433.0	-	10,568.4
Investments accounted for using the equity method	93.0	65.9	12.4	229.9	389.2	116.2	92.2	-	998.8
Capital expenditure^	282.1	275.2	75.6	132.6	-	-	0.6	-	766.1
Reportable segment liabilities	1,142.3	1,637.6	1,003.0	615.6	20.3	278.1	3,104.6	-	7,801.5

** Profit after tax attributable to members of the parent entity before gains on sale and impairments was $272.0 million.*

^ Segment capital expenditure comprises additions to property, plant & equipment, including additions financed using finance leases.

Notes continued

for the year ended 31 December 2012

32. COMMITMENTS

	December 2012 $m	December 2011 $m
Expenditure commitments in relation to operating leases contracted at the reporting date but not recognised as liabilities, are payable as follows:		
- within one year	306.4	332.3
- later than one year but not later than five years	566.5	613.5
- later than five years	122.9	287.9
	995.8	1,233.7
Representing:		
Cancellable operating leases		
Plant and equipment	349.1	386.1
Property	151.4	157.3
Other	-	0.1
Non-cancellable operating leases		
Plant and equipment		
- within one year	65.9	70.5
- later than one year but not later than five years	133.2	135.1
- later than five years	-	17.6
Property		
- within one year	72.5	54.7
- later than one year but not later than five years	165.9	197.3
- later than five years	43.2	213.7
Other		
- within one year	0.9	0.5
- later than one year but not later than five years	6.7	0.8
- later than five years	7.0	-
	995.8	1,233.7

Operating leases

The Group leases plant and equipment used in contract mining and civil engineering activities and property for the purposes of office accommodation under operating leases. Operating leases generally provide the Group with a right of renewal. Under certain property operating leases, contingent rentals may be payable for periodic rent reviews. The Group's leasing arrangements impose no restrictions on any of its financial arrangements.

Notes continued

for the year ended 31 December 2012

32. COMMITMENTS CONTINUED

Capital commitments

Capital expenditure contracted for at reporting date but not recognised as liabilities is as follows:

	December 2012 $m	December 2011 $m
Property, plant and equipment		
Payable:		
- within one year	360.8	577.2
- later than one year but not later than five years	154.0	-
- later than five years	-	-
	514.8	577.2
Investments[1]		
Payable:		
- within one year	4.5	9.5
- later than one year but not later than five years	15.5	201.7
- later than five years	-	-
	20.0	211.2
Joint venture commitments - property, plant and equipment		
Payable:		
- within one year	0.5	1.4
- later than one year but not later than five years	-	-
- later than five years	-	-
	0.5	1.4
Share of associates' commitments - property, plant and equipment		
Payable:		
- within one year	30.8	1.0
- later than one year but not later than five years	32.1	-
- later than five years	-	-
	62.9	1.0

[1] *Deferred equity commitments in relation to BrisConnections of $200.0 million has not been included above at 31 December 2012 as it has been recognised in current payables (refer to note 16: Trade and other payables).*

Notes continued

for the year ended 31 December 2012

33. CONTINGENT LIABILITIES

Bank guarantees, insurance bonds and letters of credit

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

	December 2012 $m	December 2011 $m
Bank guarantees	2,346.7	2,531.2
Insurance, performance and payment bonds	739.1	586.7
Letters of credit	720.2	437.8

Letters of credit include those provided for the Group's capital commitments totalling $234.1 million (31 December 2011: $315.3 million) and those provided on behalf of HLG to the lender totalling $130.8 million (31 December 2011: $40.0 million). Guarantees of $130.8 million have also been provided on behalf of HLG to the lender (refer to note 8: *Trade and other receivables*).

Other contingencies

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 is indeterminable in amount.

ii) There exists in some members of the Group the normal design liability in relation to completed design and construction projects.

iii) Certain members of the Group have the normal contractor's liability in relation to construction contracts. This liability may include litigation by or against the Group and / or joint venture arrangements in which the Group has an interest. It is not possible to estimate the financial effect of these claims should they be successful. The Directors are of the opinion that adequate allowance has been made and that disclosure of any further information about the claims would be prejudicial to the interests of the Group.

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 38: *Leighton Holdings Limited and controlled entities*, the Company has entered into approved deeds of indemnity for the cross-guarantee of liabilities with participating Australian subsidiary companies.

vi) On 13 February 2012, the Company announced to the Australian Securities Exchange that it had reported to the Australian Federal Police ("AFP") a possible breach of its Code of Ethics that, if substantiated, may contravene Australian laws. The possible breach related to payments that may have been made by a subsidiary company Leighton Offshore Pte. Limited in connection with work to expand offshore loading facilities for Iraq's crude oil exports. At this stage it is not known whether there has been any wrongful or illegal conduct, or whether there will be any adverse financial consequences for the Company. The AFP investigation is ongoing and accordingly the Company is not in a position to make any further comment.

Notes continued

for the year ended 31 December 2012

34. CAPITAL RISK MANAGEMENT

Capital planning forms part of the business and strategic plans of the Group. Decisions relating to obtaining and investing capital are made following consideration of the Group's key financial objectives including total shareholder return and the maintenance of an investment grade credit rating. Performance measures include Economic Profit (EP), Cash Flow Return on Investment (CFROI), return on revenue, return on equity, earnings growth, liquidity and borrowing capacity. The Group has access to numerous sources of capital both domestically and internationally, including cash balances, equity, bank debt, capital markets, insurance and lease facilities. The Group is not subject to any externally imposed capital requirements.

35. FINANCIAL INSTRUMENTS

The Group operates across Australia Pacific and Asia, Middle East & Africa regions in the infrastructure, resources and property markets. The activities of the Group comprise mainly construction, contract mining, services and property development. The activities of the Group result in exposure to credit, liquidity and market risk (equity price, foreign currency risk and interest rate).

a) Credit risk

Credit risk represents the risk that a counterparty will not complete its obligations under a financial instrument resulting in a financial loss to the Group. The Group has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. The Group minimises concentrations of credit risk by undertaking transactions with a large number of customers in various countries. Derivative counterparties are limited to investment grade financial institutions. At the reporting date, other than loan receivables from Habtoor Leighton Group ("HLG") (refer to note 8: *Trade and other receivables*), there were no significant concentrations of credit risk. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet. The Group's maximum exposure to credit risk for receivables at the reporting date by geographic region was: Australia Pacific $2,214.3 million (31 December 2011: $1,932.9 million) and Asia, Middle East & Africa $1,899.9 million (31 December 2011: $1,306.6 million).

The ageing of the Group's receivables at the reporting date was: not past due: $1,761.6 million (31 December 2011: $1,470.2 million); past due: $394.1 million (31 December 2011: $435.3 million). Past due is defined under AASB 7 *Financial Instruments: Disclosures* to mean any amount outstanding for one or more days after the contractual due date. Past due receivables aged greater than 90 days: 3% (31 December 2011: 3%).

	12 months to December 2012 $m	6 months to December 2011 $m
Provision for impairment of receivables		
Balance at beginning of reporting period	(2.3)	(5.0)
Net provision (made) / used	(1.1)	2.7
Balance at reporting date	(3.4)	(2.3)

The impairment provision relates to specific loans and receivables identified as being impaired. The Group did not obtain financial or non-financial assets as collateral during the period as a result of default by a counterparty (31 December 2011: $nil).

Notes continued

for the year ended 31 December 2012

35. FINANCIAL INSTRUMENTS CONTINUED

b) Liquidity risk

Liquidity risk is the risk of having insufficient funds to settle financial liabilities when they fall due. This includes having insufficient levels of committed credit facilities. The Group's objective is to maintain efficient use of cash and debt facilities in order to balance the cost of borrowing and ensuring sufficient availability of credit facilities, to meet forecast capital requirements. The Group adopts a prudent approach to cash management which ensures sufficient levels of cash and committed credit facilities are maintained to meet working capital requirements. Liquidity is reviewed continually by the Group's treasury departments through daily cash monitoring, review of available credit facilities and forecasting and matching of cash flows.

At 31 December 2012 the Group had undrawn bank facilities of $987.5 million (31 December 2011: $856.0 million) including $40.6 million relating to facilities held for sale, and undrawn guarantee facilities of $913.4 million (31 December 2011: $307.9 million).

Contractual maturities of financial assets and liabilities as at 31 December 2012:

December 2012	Carrying amount $m	Contractual cash flows $m	Less than 1 year $m	1-5 years $m	More than 5 years $m
Non-derivative financial liabilities					
Interest bearing loans	1,650.8	(2,161.6)	(426.2)	(909.8)	(825.6)
Finance lease liabilities	914.6	(1,026.2)	(242.9)	(783.0)	(0.3)
Limited recourse loans	231.6	(243.4)	(129.2)	(114.2)	-
Total interest bearing liabilities	2,797.0	(3,431.2)	(798.3)	(1,807.0)	(825.9)
Trade and other payables	4,689.9	(4,689.9)	(4,500.2)	(189.7)	-
Derivative financial liabilities					
Forward exchange contracts used for foreign currency hedging:					
Outflow	12.0	(389.3)	(312.5)	(76.8)	-
Other cash flow hedges:					
Outflow	0.8	(0.7)	(0.5)	(0.2)	-
Total derivative financial liabilities	12.8	(390.0)	(313.0)	(77.0)	
Total trade and other payables	4,702.7	(5,079.9)	(4,813.2)	(266.7)	-
Derivative financial assets					
Forward exchange contracts used for foreign currency hedging:					
Inflow	(0.4)	74.6	65.5	9.1	-
Other cash flow hedges:					
Inflow	-	-	-	-	-
Total derivative financial assets	(0.4)	74.6	65.5	9.1	-

Notes continued

for the year ended 31 December 2012

35. FINANCIAL INSTRUMENTS CONTINUED

Contractual maturities of financial assets and liabilities as at 31 December 2011:

December 2011	Carrying amount $m	Contractual cash flows $m	Less than 1 year $m	1-5 years $m	More than 5 years $m
Non-derivative financial liabilities					
Interest bearing loans	1,374.4	(1,663.7)	(538.0)	(750.6)	(375.1)
Finance lease liabilities	574.1	(618.1)	(171.1)	(430.4)	(16.6)
Limited recourse loans	195.2	(209.1)	(60.8)	(148.3)	-
Total interest bearing liabilities	2,143.7	(2,490.9)	(769.9)	(1,329.3)	(391.7)
Trade and other payables	4,221.5	(4,221.5)	(4,014.4)	(207.1)	-
Derivative financial liabilities					
Forward exchange contracts used for foreign currency hedging:					
Outflow	9.3	(204.7)	(134.3)	(70.4)	-
Other cash flow hedges:					
Outflow	147.3	(205.2)	(5.1)	(200.1)	-
Total derivative financial liabilities	156.6	(409.9)	(139.4)	(270.5)	-
Total trade and other payables	4,378.1	(4,631.4)	(4,153.8)	(477.6)	-
Derivative financial assets					
Forward exchange contracts used for foreign currency hedging:					
Inflow	(2.9)	108.1	108.1	-	-
Total derivative financial assets	(2.9)	108.1	108.1	-	-

c) Equity price risk

Equity price risk is the risk that the fair value of either a listed or unlisted equity investment, derivative equity instrument, or a portfolio of such financial instruments decreases in the future. The Group invests in equity investments though its participation in major public private partnership infrastructure projects. Investments may also be made as part of its strategic plans to form alliances or to invest in specialised but complementary businesses to access specialised skills, markets, or additional capacity. Equity investments are not made for trading or speculative purposes.

Cash flow hedges

The Group also enters cash flow hedges relating to capital commitments for equity investments. If any loss recognised in the hedge reserve is not expected to be recovered in future periods, the amount not expected to be recovered is recognised in profit and loss. During the period a $63.0 million loss, $44.1 million loss after tax (31 December 2011: $70.0 million loss, $49.0 million loss after tax) relating to a cash flow hedge of a capital commitment in BrisConnections was recognised in profit and loss as it was not expected to be recovered (refer note 4: *Items included in profit / (loss) before tax)*.

35. FINANCIAL INSTRUMENTS CONTINUED

Sensitivity analysis of cash flow hedges of capital commitments for equity investments

A change in the share price at the reporting date of 30% would have resulted in no change in the fair value of cash flow hedges of capital commitments for equity investments with a movement in equity of $nil (31 December 2011: $11.6 million), as there was no cash flow hedges of capital commitments for equity instruments at the end of the reporting period.

Fair values

The fair values of listed investments are determined on an active market valuation basis using observable market data such as current bid prices.

The fair values of unlisted investments are determined by the use of internal valuation techniques using discounted cash flows. Where practical the valuations incorporate observable market data. Assumptions are generally required with regard to future expected revenues and discount rates.

Sensitivity analysis of listed and unlisted investments

The price risk for the listed and unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity. It has therefore not been included in the sensitivity analysis.

35. FINANCIAL INSTRUMENTS CONTINUED

d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial commitment, a recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group's foreign currency risk arises primarily from net investments in foreign operations. The Group uses non-derivative financial instruments, such as borrowings in the foreign currencies, to hedge its investments in foreign operations. Foreign currency gains and losses arising from translation of net investments in foreign operations are recognised in the foreign currency translation reserve until realised.

Members of the Group are exposed to foreign currency risk on project receipts and expenditure on plant and equipment denominated in currencies other than their functional currency. Where this foreign currency risk is considered to be significant, members of the Group enter into forward exchange contracts to hedge their foreign currency risk. These hedges are classified as cash flow hedges and measured at fair value.

Cash flow hedges
The Group's cash flow hedges protect against foreign exchange rate fluctuations on highly probable forecast transactions using foreign exchange forward contracts. As at reporting date the fair value of these outstanding designated derivatives recognised in equity is $12.3 million (31 December 2011: $6.4 million). It is expected that the current hedged forecast transactions will occur during the financial year ending 2013 and will affect the income statement in the same period. There are no gains or losses recognised in the income statement during the period due to hedge ineffectiveness.

Exposure to foreign currency risk
The most significant foreign currencies the Group is exposed to are the United States dollar (US$), the U.A.E Dirham (AED) and Hong Kong dollar (HKD), both of which are pegged to the US$. The applicable United States dollar exchange rates during or at the end of the relevant reporting period, were as follows:

	Equity		Income Statement	
	December 2012	December 2011	12 months to December 2012	6 months to December 2011
US$ United States dollar	1.04	1.00	1.04	1.00

The Group's exposure to foreign currency risk at balance date was: assets US$4,154.1 million (31 December 2011: US$3,333.6 million); liabilities US$2,404.1 million (31 December 2011: US$2,249.5 million).

Sensitivity analysis
A movement in the United States dollar (US$) against the Australian dollar (AU$) at reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for the period ended 31 December 2011.

	Equity		Income Statement	
	December 2012 $m	December 2011 $m	12 months to December 2012 $m	6 months to December 2011 $m
US$ depreciates by 5% against AU$ (AU$ appreciates)	(57.1)	(49.9)	(7.3)	1.2
US$ appreciates by 5% against AU$ (AU$ depreciates)	63.1	55.1	8.0	(1.3)

35. FINANCIAL INSTRUMENTS CONTINUED

e) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in the market interest rates. The Group uses derivative financial instruments to assist in managing its interest rate exposure. Speculative trading is not undertaken. The Group's interest rate risk arises from the interest receivable on 'Cash and cash equivalents' and interest payable on the 'Interest bearing loans'.

At reporting date it is estimated that an increase of one percentage point in floating interest rates would have decreased the Group's profit after tax and retained earnings by $7.8 million (31 December 2011: decreased by $2.8 million). A one percentage point decrease in interest rates would have an equal and opposite effect.

Profile

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	December 2012 $m	December 2011 $m
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(1,408.2)	(946.6)
	(1,408.2)	(946.6)
Variable rate instruments		
Financial assets	1,847.0	1,503.2
Financial liabilities	(1,388.8)	(1,197.1)
	458.2	306.1

35. FINANCIAL INSTRUMENTS CONTINUED

f) Net fair values of financial assets and liabilities

Fair value has been determined based on either the listed price or the net present value of cash flows using current market rates of interest. The carrying amounts of other financial assets and liabilities in the Group's balance sheet approximate fair values. The fair value of interest bearing liabilities is:

- *Listed*: Medium Term Notes fair value $295.7 million; carrying value $280.0 million (31 December 2011: fair value: $296.1 million; carrying value $280.0 million); and 10-Year-Fixed-Rate Guaranteed Notes fair value US$512.1 million, equivalent to $492.4 million; carrying value US$491.7 million, equivalent to $472.8 million (31 December 2011: fair value US$nil; carrying value US$nil).
- *Unlisted*: Guaranteed Senior Notes fair value $727.9 million; carrying value $604.4 million (31 December 2011: fair value: $691.7 million; carrying value $627.5 million).

Fair value hierarchy

The table below analyses other financial instruments carried at fair value, listed in order of valuation method. The different levels have been identified as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data.

31 December 2012	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Equity and stapled securities available-for-sale				
- Listed	1.6	-	-	1.6
- Unlisted	-	-	95.4	95.4
Derivatives	-	0.4	-	0.4
Total assets	1.6	0.4	95.4	97.4
Liabilities				
Derivatives	-	12.8	-	12.8
Total liabilities	-	12.8	-	12.8

31 December 2011	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Equity and stapled securities available-for-sale				
- Listed	1.6	-	-	1.6
- Unlisted	-	-	62.0	62.0
Derivatives	-	2.9	-	2.9
Total assets	1.6	2.9	62.0	66.5
Liabilities				
Derivatives	-	156.6	-	156.6
Total liabilities	-	156.6	-	156.6

35. FINANCIAL INSTRUMENTS CONTINUED

During the period there were no transfers between Level 1, Level 2 and Level 3 fair value hierarchies. Level 3 instruments comprise unlisted equity and stapled securities; the determination of the fair value of these securities is discussed above in note 35(c): *Financial Instruments - Equity price risk*. The table below analyses the changes in Level 3 instruments as follows:

	12 months to December 2012 $m	6 months to December 2011 $m
Unlisted equity and stapled securities available-for-sale		
Balance at beginning of reporting period	62.0	63.6
Additions	33.4	-
Impairment	-	(0.8)
Capital return	-	(0.8)
Balance at reporting date	95.4	62.0

g) Interest Bearing Loans

Syndicated Loans

On 10 October 2008, Leighton Finance Limited, a wholly owned subsidiary of the Company, entered into a syndicated bank facility for $520.0 million, maturing on 10 October 2011. On 8 December 2010, the syndicated bank facility was amended and restated to $600.0 million, maturing on 8 December 2013. Carrying amount at 31 December 2012: $nil (31 December 2011: $nil).

On 28 September 2012, LMENA No.1 Pty Limited, a wholly owned subsidiary of the Company, repaid a syndicated bank loan of US$368.2 million in full. Carrying amount at 31 December 2012: US$nil (31 December 2011: US$312.3 million) equivalent to $nil (31 December 2011: $312.3 million).

Guaranteed Senior Notes

Leighton Finance Limited (2008)

On 15 October 2008, Leighton Finance Limited, a wholly owned subsidiary of the Company, issued a total of US$280.0 million Guaranteed Senior Notes in three series:

- Series A Notes: US$111.0 million Guaranteed Senior Notes at the rate of 6.91% maturing on 15 October 2013
- Series B Notes: US$90.0 million Guaranteed Senior Notes at the rate of 7.19% maturing on 15 October 2015
- Series C Notes: US$79.0 million Guaranteed Senior Notes at the rate of 7.66% maturing on 15 October 2018

Interest on the above notes is paid semi-annually on the 15th day of April and October in each year. Carrying amount at 31 December 2012: US$279.5 million (31 December 2011: US$278.9 million) equivalent to $268.8 million (31 December 2011: $278.9 million), of which US$111.0 million, equivalent to $106.7 million, is due for repayment within twelve months from the reporting date.

35. FINANCIAL INSTRUMENTS CONTINUED

Guaranteed Senior Notes *continued*

Leighton Finance (USA) Pty Limited (2010)

On 21 July 2010, Leighton Finance (USA) Pty Limited, a wholly owned subsidiary of the Company, issued a total of US$350.0 million Guaranteed Senior Notes in three series:

- Series A Notes: US$90.0 million Guaranteed Senior Notes at the rate of 4.51% maturing on 21 July 2015
- Series B Notes: US$145.0 million Guaranteed Senior Notes at the rate of 5.22 % maturing on 21 July 2017
- Series C Notes: US$115.0 million Guaranteed Senior Notes at the rate of 5.78 % maturing on 21 July 2020

Interest on the above notes is paid semi-annually on the 21st day of January and July in each year. Carrying amount at 31 December 2012: US$349.0 million (31 December 2011: US$348.6 million) equivalent to $335.6 million (31 December 2011: $348.6 million).

Leighton Finance (USA) Pty Limited (2012)

On 13 November 2012, Leighton Finance (USA) Pty Limited, a wholly-owned subsidiary of the Company, issued US$500.0 million of 10-Year Fixed-Rate Guaranteed Notes.

The notes bear interest from 13 November 2012 at the rate of 5.95% per annum and mature on 13 November 2022. Interest on the notes will be paid semi-annually on the 13th day of May and November in each year, commencing on 13 May 2013. Carrying amount at 31 December 2012: US$491.7 million (31 December 2011: US$nil) equivalent to $472.8 million (31 December 2011: nil).

Medium Term Notes

Leighton Finance Limited, a wholly owned subsidiary of the Company, issued a total of $280.0 million Medium Term Notes on the following dates:

- 28 July 2009: $230.0 million
- 12 August 2009: $50.0 million

The notes bear interest at the rate of 9.5% paid quarterly and mature on 28 July 2014.

Bilateral Loans

On 4 August 2011, Leighton Finance (USA) Pty Limited, a wholly owned subsidiary of the Company, entered into a bilateral bank facility for US$110.0 million, maturing on 31 July 2013. Carrying amount at 31 December 2011: US$110.0 million equivalent to $110.0 million. On 14 November 2012, the facility was repaid in full.

On 23 April 2012, Leighton Finance Limited, a wholly owned subsidiary of the Company, entered into a bilateral facility for $125.0 million, maturing on 23 April 2013. Carrying amount at 30 June 2012: $125.0 million (31 December 2011: $nil). On 14 November 2012, the facility was repaid in full.

On 10 September 2012, Leighton Finance Limited, a wholly owned subsidiary of the Company, entered into a bilateral facility for $75.0 million, maturing on 10 March 2014. Carrying amount at 31 December 2012: $75.0 million.

On 25 September 2012, Leighton Finance Limited, a wholly owned subsidiary of the Company, entered into a bilateral facility for $100.0 million, maturing on 25 September 2013. Carrying amount at 31 December 2012: $100.0 million.

35. FINANCIAL INSTRUMENTS CONTINUED

Bilateral Loans *continued*

On 27 September 2012, Leighton Finance Limited, a wholly owned subsidiary of the Company, entered into a bilateral facility for $150.0 million, comprising two $75.0 million tranches each maturing on 27 April 2013 and 27 September 2013 respectively. During the reporting period, $75.0 million of the facility has been repaid. Carrying amount at 31 December 2012: $75.0 million.

Other Unsecured Loans

Other unsecured loans outstanding as at 31 December 2012: $43.7 million (31 December 2011: $44.6 million). Other unsecured loans expected to be settled more than twelve months after reporting date: $3.1 million (31 December 2011: $6.5 million).

h) Finance Lease Liabilities

The Group has leased mining plant and equipment in Indonesia, Mongolia and Australia under finance leases that expire within five years of the reporting date.

On 26 March 2012, the Group entered into a Master Finance Lease Agreement as part of a Syndicated Lease facility of $425.0 million. The facility has a twelve month availability period and maximum lease term of five years.

i) Limited Recourse Loans

The Group has limited recourse property development loans secured against certain property development assets of the Group. Carrying amount as at 31 December 2012: $195.1 million (31 December 2011: $195.2 million).

j) Assets Pledged as Security

The total carrying value of financial assets pledged as security at the reporting date is as follows:

	December 2012 $m	December 2011 $m
Assets pledged as security		
Non-current cash collateral	-	218.5
Property development - mortgaged	564.5	447.2
Other assets - fixed and floating charge	179.3	188.8
Total pledged assets	743.8	854.5

Loans relating to development properties are secured by mortgages over the consolidated entity's development property inventories. At the reporting date, loans relating to development properties are disclosed above in note 35(i): *Financial instruments - Limited Recourse Loans*.

A fixed and floating charge over certain other assets of Devine Limited ("Devine"), part of the Commercial & Residential segment, are held by Devine's principal bankers relating to their commercial and residential property lending.

Notes continued

for the year ended 31 December 2012

36. EMPLOYEE BENEFITS

Defined contribution superannuation funds

During the period, the Group recognised $361.1 million (31 December 2011: $166.4 million) of defined contribution expenses.

Defined benefit superannuation funds

The Group makes contributions to the Leighton Superannuation Plan and the AMEC Superannuation Fund. These funds provide defined benefits to employee members upon retirement.

	12 months to December 2012 $m	6 months to December 2011 $m
Defined benefit obligations		
Present value of wholly unfunded obligations	-	-
Present value of funded obligations	(15.9)	(14.7)
Fair value of fund assets - funded	11.1	8.8
Present value of net obligations - surplus / (deficit)	(4.8)	(5.9)
Less unrecognised actuarial (gains) / losses	14.0	14.7
Asset / (liability) for defined benefit obligations	9.2	8.8
Movements in the net asset / (liability) for defined benefit obligations recognised in the balance sheet		
Net asset / (liability) for defined benefit obligations at 31 December	8.8	9.0
Contributions paid	2.5	0.7
Income / (expense) recognised in the income statement	(2.1)	(0.9)
Net asset / (liability) for defined benefit obligations at reporting date	9.2	8.8
Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	(14.7)	(14.5)
Service cost	(0.9)	(0.4)
Interest cost	(0.3)	(0.3)
Contributions by plan participants	(0.1)	(0.1)
Actuarial gains / (losses)	(1.0)	(1.9)
Benefits paid	1.1	2.5
Past service cost	-	-
Closing defined benefit obligation	(15.9)	(14.7)

Notes continued

for the year ended 31 December 2012

36. EMPLOYEE BENEFITS CONTINUED

	12 months to December 2012 $m	6 months to December 2011 $m
Changes in the fair value of fund assets		
Opening fair value of fund assets	8.8	11.2
Expected return	0.5	0.3
Contributions by employer	2.4	0.6
Contributions by plan participants	0.1	0.1
Actuarial gains / (losses)	0.3	(0.9)
Settlements	-	-
Benefits paid	(1.0)	(2.5)
Closing fair value of fund assets	11.1	8.8
Experience adjustments on fund liabilities - gains / (losses)	0.2	(0.1)
Experience adjustments on fund assets - gains / (losses)	(0.3)	0.9
Major categories of fund assets as a percentage of total fund assets		
Equity securities	-	66.0%
Debt securities	-	24.3%
Property securities	-	9.7%
Other securities	100%	-
Amounts recognised in the Income Statement		
Current service costs	(0.9)	(0.4)
Interest on obligation	(0.3)	(0.3)
Recognised actuarial gain / (loss)	(1.3)	(0.5)
Expected return on fund assets	0.5	0.3
Income / (expense) recognised in the Income Statement	(2.0)	(0.9)
Actual return / (loss) on fund assets	0.4	(0.5)

The expected long term rate of return on assets of 3.5% (31 December 2011: 5.0%) is based on the portfolio of assets as a whole. The Group expects to contribute $0.5 million (31 December 2011: $0.6 million) to its defined benefit superannuation funds in the 31 December 2013 reporting period.

Principal actuarial assumptions at reporting date		
Discount rate	3.5%	4.0%
Expected return on fund assets	3.5%	5.0%
Future salary increases	5.0%	5.0%

36. EMPLOYEE BENEFITS CONTINUED

Share based payments

a) Share plans

Leighton Employee Share Plan
Shareholder approval was obtained at the Annual General Meeting on 5 November 1998 to establish the Leighton Employee Share Plan ("LESP"). Subject to certain eligibility criteria, all permanent employees of the Group 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 should the Group achieve a return on ordinary shareholder funds greater than the median return on ordinary shareholders funds for companies included in the ASX 100 industrials index. The maximum value of shares which may be offered to any employee in any one financial year is $1,000. The most recent award was made on 21 February 2011. During the reporting period, the Company purchased nil shares on-market (31 December 2011: nil). No new shares were issued under LESP during the reporting period (31 December 2011: nil). Expense recognised during the reporting period: $nil (31 December 2011: $nil).

Leighton Management Share Plan
Shareholder approval was obtained at the Annual General Meeting on 9 November 2006 to establish the Leighton Management Share Plan ("LMSP"). The rules of LMSP allow the Company to grant selected executives shares which the Company acquires on market should the Group achieve an increase in profit during the preceding reporting period in excess of specified thresholds. Recipients under the LMSP generally forfeit their shares if they do not remain in employment with the Group for at least 3 years from date of grant. The most recent award was made on 4 April 2008. During the reporting period the Company purchased nil shares on market (31 December 2011: $nil). Expense recognised during the reporting period: $nil (31 December 2011: $nil).

b) Option plans

Leighton Senior Executive Option Plan
Shareholder approval was obtained at the Annual General Meeting on 9 November 2006 to establish the Leighton Senior Executive Option Plan ("LSEOP"). The rules of LSEOP allow the Company to offer selected executives options over unissued ordinary shares in the Company. All options issued expire on the earlier of their expiry date or termination of the individual's employment except in certain special circumstances. Not more than 50% of the options may be exercised before the fourth anniversary of the date of grant. 100% of options must be exercised before the fifth anniversary of the date of grant. There were no options granted under the LSEOP during the reporting period (31 December 2011: nil).

In addition to a continuing employment service condition, the ability to exercise options is conditional on the Group achieving Total Shareholder Return ("TSR") (i.e. growth in share price plus dividends reinvested) or Earnings Per Share ("EPS") (i.e. as defined in AASB 133 *Earnings Per Share*) performance hurdles, as follows:

- 50% of each grant of options will be subject to a TSR performance hurdle ("parcel A"). The TSR hurdle requires total shareholder return of the Company compared to the ASX 100 over the performance period (from grant date to test date) to be at least at the 50^{th} percentile before any parcel A options are exercisable (50% exercisable at threshold) and at the 75^{th} percentile before all parcel A options are exercisable; and

- 50% of each grant of options will be subject to an EPS hurdle ("parcel B"). Annual compound earnings per share growth over the performance period must be at least 8% per annum before any parcel B options are exercisable (20% exercisable at threshold) and at 12% per annum before all parcel B options are exercisable.

Amount recognised during the reporting period: Expense $4.5 million (31 December 2011: Gain $1.7 million).

36. EMPLOYEE BENEFITS CONTINUED

b) Option plans continued

	Leighton Senior Executive Option Plan		
	2006	2008	2009
Date of grant	15 Dec 2006	25 Jan 2008	4 May 2009
Date of expiry	15 Dec 2011	25 Jan 2013	4 May 2014
Exercise price[1]	$19.27	$44.91	$18.87
Original grant	5,410,000	1,461,000	4,833,500
Unexercised options			
Unexercised options at 30 June 2011	797,000	864,035	4,635,500
- Granted	-	-	-
- Exercised[2]	(572,000)	-	-
- Lapsed	(225,000)	(197,684)	(604,500)
Unexercised options at 31 December 2011	-	666,351	4,031,000
- Granted	-	-	-
- Exercised[3]	-	-	-
- Lapsed	-	(7,507)	(77,500)
Unexercised options at 31 December 2012[4]	-	658,844	3,953,500
Exercisable options			
- At 31 December 2011	-	136,601	-
- At 31 December 2012[4]	-	111,601	1,964,250

[1] *The exercise prices for the options were amended as at 1 July 2011 as per the ASX Listing Rule formula and notified to the ASX on 24 June 2011. This table represents the exercise price as at 31 December 2012.*
[2] *The weighted average share price during the reporting period was $20.22.*
[3] *The weighted average share price during the reporting period was $18.62.*
[4] *All 2008 options granted 25 January 2008 lapsed on 25 January 2013, being the fifth anniversary of the date of grant.*

c) Rights plans

Long-Term Incentive Plan – 2011 Award to Executive Directors
Shareholder approval was obtained at the Annual General Meeting on 11 November 2011 for the granting of share rights under the 2011 Long-Term Incentive Plan ("LTI") to P Gregg and D Stewart. The share rights were granted for no cost and entitle the participant to receive one fully paid ordinary share in the Company per right, subject to the terms and conditions determined by the Remuneration and Nominations Committee, including vesting conditions linked to service and performance over the three to five year performance period. All share rights issued expire on the earlier of their expiry date or termination of the individual's employment except in certain special circumstances.

36. EMPLOYEE BENEFITS CONTINUED

c) Rights plans continued

In addition to a continuing employment service condition, the vesting is conditional on the Group achieving Total Shareholder Return ("TSR") (i.e. growth in share price plus dividends reinvested) or Earnings Per Share ("EPS") performance hurdles, as follows:

- 50% of each grant of share rights are subject to a TSR performance hurdle ("parcel A"). The TSR hurdle requires the Company's TSR percentile ranking against the TSR performance of the companies comprising the ASX 100 (excluding financial organisations and real estate investment trusts) over the performance period (from grant date to test date) to be at least at the 50th percentile before any parcel A share rights vest (50% vest at threshold) then pro rata to the 75th percentile and then at the 75th percentile or greater all parcel A share rights vest; and

- 50% of each grant of share rights are subject to an EPS hurdle ("parcel B"). Annual compound earnings per share growth over the performance period must be at least 8% per annum before any parcel B share rights vest (20% vest at threshold) then pro rata to 12% per annum and then at 12% per annum all parcel B share rights vest.

In the case of D Stewart (former Chief Executive Officer ("CEO")), under the terms of his employment agreement, where his employment is terminated by the Company on notice prior to 31 December 2013, D Stewart was entitled to receive the first tranche of his 2011 LTI entitlement (being 75,423 fully paid ordinary shares in the Company) without the need to meet any performance hurdles. The remaining 150,846 share rights in D Stewart's 2011 LTI entitlement have been forfeited.

There were no further share rights granted during the reporting period to 31 December 2012.

	Long-Term Incentive Plan – 2011 Award to Executive Directors	
	D Stewart	P Gregg
Date of grant	1 Jan 2011	1 Jan 2011
Date of expiry[1]	31 Dec 2014	31 Dec 2014
Grant fair value for TSR performance hurdle ("parcel A")	$18.27	$19.01
Grant fair value for EPS hurdle ("parcel B")	$26.61	$26.61
Original grant	75,423	38,466
Unvested rights		
Unvested rights at 30 June 2011	75,423	38,466
- Granted	-	-
- Vested[2]	-	-
- Other[3]	(75,423)	-
Unvested rights at 31 December 2011	-	38,466
- Granted	-	-
- Vested[4]	-	-
Unvested rights at 31 December 2012	-	38,466

[1] *Each LTI performance hurdle is tested over a 3 year performance period, which runs from 1 January. Performance hurdles are to be tested in February following the announcement of full year results for the previous Financial Year.*

[2] *The weighted average share price during the reporting period to 31 December 2011 was $20.22.*

[3] *As at 31 December 2011, the share rights were vested but not provided to David Stewart. 75,423 shares were issued to him on 3 October 2012.*

[4] *The weighted average share price during the reporting period to 31 December 2012 was $18.62.*

36. EMPLOYEE BENEFITS CONTINUED

c) Rights plans continued

Long-Term Incentive Plan – 2012 Awards

Shareholder approval was obtained at the Annual General Meeting on 22 May 2012 for a new Equity Incentive Plan. The Equity Incentive Plan provides the legal framework for the Long-Term Incentive Plan – 2012 Awards and the other share rights plans described below.

The Long-Term Incentive Plan – 2012 Awards performance share rights will be granted for no cost and entitle the participant to receive one fully paid ordinary share in the Company per right, subject to the terms and conditions determined by the Remuneration and Nominations Committee, including vesting conditions linked to service and performance over the three year performance period. All share rights issued expire on the earlier of their expiry date or termination of the individual's employment except in certain special circumstances.

In addition to a continuing employment service condition, the vesting is conditional on the Group achieving Total Shareholder Return ("TSR") (i.e. growth in share price plus dividends reinvested) or Earnings Per Share ("EPS") performance hurdles, as follows:

- 50% of each grant of share rights will be subject to a TSR performance hurdle ("parcel A"). The TSR hurdle requires the Company's TSR percentile ranking against the TSR performance of the companies comprising the ASX 100 (as at 1 January 2012) over the performance period (from grant date to test date) to be at least at the 51st percentile before any parcel A share rights vest (50% vest at threshold) then pro rata to the 75th percentile and then at the 75th percentile or greater all parcel A share rights vest; and

- 50% of each grant of share rights will be subject to an EPS hurdle ("parcel B"). Annual compound earnings per share growth over the performance period must be at least 8% per annum before any parcel B share rights vest (50% vest at threshold) then pro rata to 13% per annum and then at 13% per annum all parcel B share rights vest.

Long-Term Incentive Plan – 2012 Additional Award

Under the terms of his agreement, additional awards of performance share rights were made to C Laslett. These awards were made under the same vesting and performance conditions as the 2012 Long-Term Incentive Plan, and measured over 3, 4 and 5 year performance periods.

Amount recognised during the reporting period: Expense $2.3 million (31 December 2011: Expense $nil).

	2012 LTI and C Laslett additional award	C Laslett –additional award	C Laslett –additional award
Date of grant	1 Jan 2012	1 Jan 2012	1 Jan 2012
Date of expiry[1]	Feb 2015	Feb 2016	Feb 2017
Grant fair value for TSR performance hurdle ("parcel A")	$9.34	$9.22	$9.02
Grant fair value for EPS hurdle ("parcel B")	$15.84	$14.93	$14.07
Original grant	565,092	21,768	21,768
Unvested rights at 31 December 2011	-	-	-
- Granted	565,092	21,768	21,768
- Vested[2]	-	-	-
Unvested rights at 31 December 2012	565,092	21,768	21,768

[1] *Each 2012 LTI performance hurdle is tested over a 3 year performance period, which runs from 1 January. Performance hurdles are to be tested in February following the announcement of full year results for the previous Financial Year. C Laslett's additional awards are measured over a 4 and 5 year performance period respectively.*

[2] *The weighted average share price during the reporting period to 31 December 2012 was $18.62.*

36. EMPLOYEE BENEFITS CONTINUED

c) Rights plans continued

One-Off Awards – 2012 Awards
One-off awards of Deferred Share Rights were granted under the Equity Incentive Plan for no cost and entitle the participant to receive one fully paid ordinary share in the Company per right. In 2012, one-off awards were granted to employees:

- to replace existing cash-based service and retention arrangements where payment was due to vest over the longer-term; and
- as one-off awards to new and existing employees for recruitment and retention purposes.

All share rights issued expire on the earlier of their expiry date or termination of the individual's employment except in certain special circumstances. No performance conditions apply to these awards.

Amount recognised during the reporting period: Expense $3.4 million (31 December 2011: Expense $nil).

	One-off Awards – 2012 Awards
Date of grant	1 Jan 2012 - 31 Dec 2012
Date of expiry	5 Sept 2012 - 31 Dec 2017
Grant fair value	$16.20 -$25.66
Original grant	811,018
Unvested rights at 31 December 2011	-
- Granted	811,018
- Vested[1]	(1,169)
Unvested rights at 31 December 2012	809,849

[1] *The weighted average share price during the reporting period to 31 December 2012 was $18.62.*

Short-Term Incentive Plan (Deferral) – 2012 Awards
For executives, a percentage of the amount which is earned as a short-term incentive for the 2012 Financial Year will be paid in cash, and a percentage will be delivered as deferred share rights, vesting of which is deferred for two years without any additional performance measures. The Remuneration and Nominations Committee has the ability to reduce the number of shares to be issued under share rights if subsequent events show such a reduction to be appropriate. In making this determination, the Remuneration and Nominations Committee may consider material changes or reversals in the Group's financial position or profitability from one period to the next.

For the 2012 Financial Year, deferred share rights will be granted in February and March 2013 following the determination of individual short-term incentive payments. The number of deferred share rights granted will be determined by reference to the 5 day volume weighted average price of fully paid ordinary shares in the company over the 5 days following the Company's full year results announcement.

The deferred share rights will be granted for no cost and will entitle the participant to receive one fully paid ordinary share in the Company per right.

The total value of deferred share rights to be granted to eligible executives will be determined in February 2013. Amount recognised during the reporting period: Expense $2.6 million (31 December 2011: Expense $nil).

Awards to each Director or Specified Executive under the Short-Term Incentive Plan (Deferral) during the 2012 Financial Year are disclosed in note 37 (c): *Related Party Disclosures - Rights plans*.

36. EMPLOYEE BENEFITS CONTINUED

d) Other information

All offers under the LESP and LMSP plans are subject to pre-conditions of issue and are at the discretion of the Company. No further offers will be made under the LSEOP plan, however the legacy share option grants remain in place and will be tested at their respective performance measurement dates.

37. RELATED PARTY DISCLOSURES

Key management personnel

Key management personnel compensation included in personnel costs:

	12 months to December 2012 $'000	6 months to December 2011 $'000
Short-term employee benefits	19,062	12,315
Post-employment benefits	464	343
Long-term benefits	2,384	4,046
Termination benefits	408	3,816
Share-based payments	4,205	285
	26,523	20,805

Loans to key management personnel

There were no loans to key management personnel in the current or prior reporting period.

37. RELATED PARTY DISCLOSURES CONTINUED

Equity holdings and transactions

a) Shareholdings

The movement during the reporting period in the number of ordinary shares of the Company held directly, indirectly or beneficially, by each Director or Specified Executive, including their personally-related entities is as follows:

December 2012	Held at 1 January 2012	Purchases	Received on exercise of options	Sales	Gift shares	Held at 31 December 2012
Directors						
A Drescher[1]	17,731					17,731
P Dwyer[2]	-	5,000				5,000
M Fernández Verdes[3,4]	-	2,745				2,745
P Gregg	3,652					3,652
R Humphris OAM	15,000	15,000				30,000
S Johns	20,066					20,066
I Macfarlane AC	5,795	1,000				6,795
W Osborn	3,673	4,000				7,673
D Robinson	1,489					1,489
P Sassenfeld[3]	1,858					1,858
Dr F Stieler[3,5]	1,192					1,192
H Tyrwhitt	2,110					2,110
M Wennemer[3,6]	2,745			(2,745)		-
Specified Executives						
D Chandran[7]	-					-
R Cooke[8]	31					31
I Edwards[9]	110					110
M Gray	6,830					6,830
C Laslett	1,219					1,219
B Munro	79,370					79,370
G Palin	37,728			(37,509)		219
M Rollo[10]	475					475
C van der Laan de Vries[11]	-					-
L Voyer[12]	26,132					26,132
R Willcock[13]	-					-
	227,206	27,745		(40,254)		214,697

37. RELATED PARTY DISCLOSURES CONTINUED

a) Shareholdings continued

[1] Retired as a Non-Executive Director on 22 May 2012.
[2] Appointed as a Non-Executive Director on 1 January 2012.
[3] Held on behalf of HOCHTIEF Australia Holdings Limited.
[4] Appointed as a Non-Executive Director on 10 October 2012.
[5] Retired as a Non-Executive Director on 20 November 2012.
[6] Retired as a Non-Executive Director on 10 October 2012.
[7] Appointed as Chief Human Resources Officer on 1 January 2012.
[8] Ceased as Acting Managing Director of Leighton Asia, India & Offshore on 1 April 2012 and as an Executive on 30 April 2012.
[9] Appointed as Managing Director of Leighton Asia, India & Offshore on 1 April 2012. He held 110 shares on appointment.
[10] Appointed as Chief Risk Officer on 1 March 2012. He held 475 shares on appointment.
[11] Ceased as Chief Risk Officer and Group General Counsel on 1 March 2012 and as an Executive on 15 May 2012.
[12] Ceased as Managing Director and Chief Executive Officer of Habtoor Leighton Group on 1 October 2012 and as an Executive on 31 December 2012.
[13] Appointed as Group Company Secretary and General Counsel on 12 June 2012.

Notes continued

for the year ended 31 December 2012

37. RELATED PARTY DISCLOSURES CONTINUED

a) Shareholdings continued

The movement during the prior reporting period in the number of ordinary shares of the Company held directly, indirectly or beneficially, by each Director or Specified Executive, including their personally-related entities is as follows:

December 2011	Held at 1 July 2011	Purchases	Received on exercise of options	Sales	Gift shares	Held at 31 December 2011
Directors						
A Drescher	8,068	9,663				17,731
P Gregg	3,652					3,652
R Humphris OAM	11,906	3,094				15,000
S Johns	7,066	13,000				20,066
Dr B Lohr[1]	1,858			(1,858)		-
I Macfarlane AC	5,795					5,795
D Mortimer[2]	30,956					30,956
W Osborn	2,223	1,450				3,673
D Robinson	1,489					1,489
P Sassenfeld[3,4]	-	1,858				1,858
D Stewart[5]	1,549					1,549
Dr F Stieler[3]	1,192					1,192
H Tyrwhitt[6]	110	2,000				2,110
M Wennemer[3,7]	-	2,745				2,745
Specified Executives						
R Cooke[8]	31					31
M Gray	472		65,000	(58,642)		6,830
C Laslett	10,219			(9,000)		1,219
B Munro[9]	41,870		37,500			79,370
G Palin	37,728					37,728
S Sasse[10]	3,558					3,558
D Saxelby[11]	115,925		42,500	(42,500)		115,925
C van der Laan de Vries	-					-
L Voyer	26,132					26,132
	311,799	33,810	145,000	(112,000)	-	378,609

[1] *Retired as a Non-Executive Director on 12 October 2011.*
[2] *Retired as Chairman and an Independent Non-Executive Director on 24 August 2011.*
[3] *Held on behalf of HOCHTIEF Australia Holdings Limited.*
[4] *Appointed as a Non-Executive Director on 29 November 2011.*
[5] *Ceased as an Executive Director and Chief Executive Officer on 24 August 2011 and an Executive on 19 November 2011.*
[6] *Appointed as an Executive Director and Chief Executive Officer on 24 August 2011.*
[7] *Appointed as a Non-Executive Director on 6 October 2011.*
[8] *Appointed as Acting Managing Director of Leighton Asia, India & Offshore on 24 August 2011. He held 31 shares on appointment.*
[9] *Appointed as Acting Managing Director of Thiess Pty Limited on 5 August 2011 and Managing Director on 14 September 2011.*
[10] *Ceased as General Manager Organisational Strategy on 30 September 2011.*
[11] *Ceased as Managing Director of Thiess Pty Limited on 5 August 2011 and as an Executive on 1 October 2011.*

Notes continued

for the year ended 31 December 2012

37. RELATED PARTY DISCLOSURES CONTINUED

b) Options

The movement during the reporting period in the number of options held directly, indirectly or beneficially, by each Director or Specified Executive, including their personally-related entities is as follows:

December 2012	Held at 1 January 2012	Granted	Exercised	Lapsed	Held at 31 December 2012
Directors					
P Gregg	-	-	-	-	-
H Tyrwhitt	110,032	-	-	-	110,032
Specified Executives					
D Chandran	-	-	-	-	-
R Cooke	24,006	-	-	-	24,006
I Edwards	30,000	-	-	-	30,000
M Gray	50,016	-	-	-	50,016
C Laslett	25,000	-	-	-	25,000
B Munro	25,000	-	-	-	25,000
G Palin	50,000	-	-	-	50,000
M Rollo	-	-	-	-	-
L Voyer	50,016	-	-	-	50,016
R Willcock	-	-	-	-	-
	364,070	-	-	-	364,070

160,070 options were exercisable at 31 December 2012. Included in this figure are 11,070 options granted on 25 January 2008 which lapsed on 25 January 2013.

Notes continued

for the year ended 31 December 2012

37. RELATED PARTY DISCLOSURES CONTINUED

b) Options continued

The movement during the prior reporting period in the number of options held directly, indirectly or beneficially, by each Director or Specified Executive, including their personally-related entities is as follows:

December 2011	Held at 1 July 2011	Granted	Exercised	Lapsed	Held at 31 December 2011
Directors					
P Gregg	-				-
D Stewart	150,000			(150,000)	-
H Tyrwhitt	110,032				110,032
Specified Executives					
R Cooke	24,006				24,006
M Gray	115,016		(65,000)		50,016
C Laslett	25,000				25,000
B Munro	62,500		(37,500)		25,000
G Palin	50,000				50,000
S Sasse	15,000			(15,000)	-
D Saxelby	137,549		(42,500)	(95,049)	-
C van der Laan de Vries	-				-
L Voyer	50,016				50,016
	739,119	-	(145,000)	(260,049)	334,070

18,619 options were exercisable at 31 December 2011.

37. RELATED PARTY DISCLOSURES CONTINUED

c) Rights plans

Long-Term Incentive Plan – 2011 Award to Executive Directors, 2012 Awards and 2012 Additional Award

The movement during the reporting period in the number of performance share rights held directly, indirectly or beneficially, by each Director or Specified Executive, including their personally-related entities is as follows:

December 2012	Held at 1 January 2012	Granted	Exercised	Lapsed	Held at 31 December 2012
Directors					
P Gregg	38,466	76,197	-	-	114,663
H Tyrwhitt	-	104,499	-	-	104,499
Specified Executives					
D Chandran	-	16,978			16,978
R Cooke	-	-	-	-	-
I Edwards	-	17,504	-	-	17,504
M Gray	-	-	-	-	-
C Laslett	-	104,486	-	-	104,486
B Munro	-	39,182	-	-	39,182
G Palin	-	39,182	-	-	39,182
M Rollo	-	22,202	-	-	22,202
L Voyer	-	-	-	-	-
R Willcock	-	18,284	-	-	18,284
	38,466	438,514	-	-	476,980

The movement during the prior reporting period in the number of performance rights held directly, indirectly or beneficially, by each Director or Specified Executive, including their personally-related entities are disclosed above in note 36 (c): Employee Benefits - Rights plans.

37. RELATED PARTY DISCLOSURES CONTINUED

c) Rights plans

One-off Awards – 2012 Awards

The movement during the reporting period in the number of deferred share rights held directly, indirectly or beneficially, by each Director or Specified Executive, including their personally-related entities is as follows:

December 2012	Held at 1 January 2012	Granted	Exercised	Lapsed	Held at 31 December 2012
Directors					
P Gregg	-	-	-	-	-
H Tyrwhitt	-	-	-	-	-
Specified Executives					
D Chandran	-	16,822	-	-	16,822
R Cooke	-	-	-	-	-
I Edwards	-	7,410	-	-	7,410
M Gray	-	33,696	-	-	33,696
C Laslett	-	-	-	-	-
B Munro	-	50,207	-	-	50,207
G Palin	-	49,690	-	-	49,690
M Rollo	-	-	-	-	-
L Voyer	-	-	-	-	-
R Willcock	-	-	-	-	-
	-	157,825	-	-	157,825

No One-off Awards were made during the prior reporting period.

Notes continued

for the year ended 31 December 2012

37. RELATED PARTY DISCLOSURES CONTINUED

c) Rights plans

Short-term Incentive Plan (Deferral) – 2012 Awards

The movement during the reporting period in the value of deferred share rights held directly, indirectly or beneficially, by each Director or Specified Executive, including their personally-related entities is as follows:

December 2012	Short-term incentive Plan (Deferral) to be awarded[1]
Directors	
P Gregg	$559,125
H Tyrwhitt	$755,400
Specified Executives	
D Chandran	$95,316
R Cooke	-
I Edwards[2]	$78,938
M Gray	$100,000
C Laslett	$180,000
B Munro	$200,000
G Palin	$180,000
M Rollo	$100,000
L Voyer	-
R Willcock	$51,548
Total cash value to be awarded as at 31 December 2012	$2,300,327

[1] *The table presents the cash value of the deferral. The actual number of deferred share rights to be awarded to each Director will be determined following the announcement of results for the 2012 Financial Year.*

[2] *The cash value of the award is HKD634,538.*

No Short-term Incentive Plan (deferral) awards were made during the prior reporting period.

d) Key management personnel

The terms and conditions of transactions with key management personnel and their 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.

D Robinson is a principal in the firm of chartered accountants, Harveys, which receives fees from HOCHTIEF Australia Holdings Limited for services provided to that company, which is a related party.

R Seidler received consulting fees of $66,000 paid by the Company during the period. Fees were due and payable under normal payment terms.

M Rollo was appointed Chief Risk Officer on 1 March 2012. A sign-on payment of $150,000 was made to a related entity of M Rollo (Waterman Burns Associated Pty Limited) to obtain his release.

37. RELATED PARTY DISCLOSURES CONTINUED

e) Transactions with other related parties

Unless otherwise disclosed, transactions with other related parties are made on normal commercial terms and conditions. The aggregate of the related party transactions was not material in the overall operations of the Group.

	December 2012 $'000	December 2011 $'000
Aggregate amounts receivable from related parties at reporting date		
Associates[1]	555,125	510,938
Joint venture entities	114,499	99,580
Aggregate amounts payable to related parties at reporting date		
Associates	(983)	(68,728)
Joint venture entities	(432,972)	(583,667)

[1] *Refer to note 8: Trade and other receivables for disclosure of interest free and interest bearing loan receivables from HLG.*

	12 months to December 2012 $'000	6 months to December 2011 $'000
Revenue - interest received / receivable from related parties		
Associates	20,695	8,541
Revenue - unwinding of discounts on non-current receivables - related parties		
Associates	6,318	3,493
Finance costs - interest paid / payable to related parties		
Joint venture entities	(940)	(1,190)
Finance costs - impact of discounting - related parties		
Associates	-	(10,471)

	December 2012 Number of employees	December 2011 Number of employees
Number of employees		
Number of employees at reporting date	56,323	53,113

Notes continued

for the year ended 31 December 2012

37. RELATED PARTY DISCLOSURES CONTINUED

f) Company information

Leighton Holdings Limited is domiciled in Australia and is a company listed on the Australian Securities Exchange. The Company was incorporated in Victoria, Australia. The address of the registered office is 472 Pacific Highway, St Leonards, NSW, Australia, 2065. Number of employees at reporting date: 8 (31 December 2011: 9).

The Group operates in the infrastructure, resources and property markets. Principal activities of the Group within these markets are construction, contract mining, property development and other services (including environmental, telecommunications and operations and maintenance).

g) Ultimate parent entity

The ultimate Australian parent entity is HOCHTIEF Australia Holdings Limited and the ultimate parent entity is Actividades de Construcción y Servicios, SA (“ACS”) incorporated in Spain.

Leighton Holdings Limited Directors Mr D Robinson, Dr F Stieler, Mr P Sassenfeld, Mr M Fernández Verdes and alternate director Mr R Seidler, were directors of HOCHTIEF Australia Holdings Limited during the period.

At the date of this financial report, being 13 February 2013, HOCHTIEF Australia Holdings Limited held 180,101,517 shares in the Company.

Notes continued

for the year ended 31 December 2012

38. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES

a) Parent entity disclosures

As at, and throughout, the financial period ending 31 December 2012 the parent entity of the Group was Leighton Holdings Limited. An income statement and balance sheet at 31 December 2012 is set out below:

	Company	
	12 months to December 2012 $m	6 months to December 2011 $m
Comprehensive income		
Profit for the period	(73.9)	21.3
Other comprehensive income	-	-
Total comprehensive income for the period	(73.9)	21.3

	December 2012 $m	December 2011 $m
Balance sheet		
Current assets	71.1	186.1
Non-current assets	2,610.0	2,697.3
Total assets	2,681.1	2,883.4
Current liabilities	0.3	0.5
Non-current liabilities	515.2	386.7
Total liabilities	515.5	387.2
Net assets	2,165.6	2,496.2
Equity		
Share capital	2,027.2	2,027.2
Reserves	54.3	41.3
Retained earnings[1]	84.1	427.7
Total equity	2,165.6	2,496.2

[1] *Subsequent to the reporting date, Leighton Holdings Limited received interim dividends from operating companies of $315.0 million, increasing retained earnings to $399.1 million.*

Notes continued

for the year ended 31 December 2012

38. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities

Name of entity		Interest held	Place of incorporation
Leighton Holdings Limited[5]	(C)		Vic
111 Margaret Street Pty Ltd[3]		50%	Qld
145 Ann Street Pty Ltd	(C)	100%	Qld
145 Ann Street Trust		100%	N/A
512 Wickham Street Pty Ltd	(A),(C)	100%	NSW
512 Wickham Street Trust	(C)	100%	N/A
ACN 112 829 624 Pty Ltd (formerly known as Mayfield Engineering Pty Ltd)[2]	(C)	100%	NSW
A.C.N. 126 130 738 Pty Ltd		100%	Vic
A.C.N. 151 868 601 Pty Ltd	(C)	100%	Vic
Ashmore Developments Pty Limited	(C)	100%	NSW
Ausindo Holdings Pte Ltd		100%	Singapore
Australia-Singapore Cable (Australia) Limited	(B)	100%	Vic
Australia-Singapore Cable (International) Limited		100%	Bermuda
Australia-Singapore Cable (Singapore) Pte Ltd		100%	Singapore
Boggo Road Project Pty Limited	(C)	100%	Qld
Boggo Road Project Trust	(C)	100%	N/A
BOS Australia Pty Ltd	(C)	100%	WA
Broad Construction Services (NSW/VIC) Pty Ltd[2]		100%	WA
Broad Construction Services (NT) Pty Ltd		100%	WA
Broad Construction Services (QLD) Pty Ltd[1]		100%	Qld
Broad Construction Services (SA) Pty Ltd		100%	SA
Broad Construction Services (VIC) Pty Ltd		100%	WA
Broad Construction Services (WA) Pty Ltd[1]		100%	WA
Broad Group Holdings Pty Ltd[1]		100%	WA
Chargepoint Pty Ltd (formerly LSE Technology (Australia) Pty Limited)[2]	(C)	100%	NSW
Deep Blue Consortium Pty Ltd		73%	Qld
Delron Cleaning Pty Ltd		80%	WA
Delron Group Facility Services Pty Limited	(A)	80%	WA
Devine Bacchus Marsh Pty Ltd[3]		50%	Qld
Devine Constructions Pty Ltd[3]		50%	Qld
Devine Funds Pty Ltd[3]		50%	Vic
Devine Funds Unit Trust[3]		50%	N/A
Devine Homes Pty Ltd[3]		50%	Qld
Devine Land Pty Ltd[3]		50%	Qld
Devine Limited[3]		50%	Qld

38. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

Name of entity		Interest held	Place of incorporation
Devine Management Services Pty Ltd[3]		50%	Qld
Devine Queensland No. 10 Pty Ltd[3]		50%	Qld
Devine Springwood No. 1 Pty Ltd[3]		50%	NSW
Devine Springwood No. 2 Pty Ltd[3]		50%	Qld
Devine Springwood No. 3 Pty Ltd[3]	(B)	50%	Qld
D.M.B Pty Ltd[3]		50%	Qld
Doubleone 3 Pty Ltd[3]	(B)	50%	Qld
Doubleone 3 Unit Trust Pty Ltd[3]	(B)	50%	N/A
Ewenissa Pty Limited	(C)	100%	ACT
Giddens Investment Limited		100%	Hong Kong
Green Construction Company		100%	United States
Gridcomm Pty Ltd	(C)	100%	Vic
Hamilton Harbour Developments Pty Ltd		75%	Qld
Hamilton Harbour Unit Trust (Devine Hamilton Unit Trust)		75%	N/A
Hunter Valley Earthmoving Co Pty Ltd	(C)	100%	NSW
HWE Cockatoo Pty Ltd[1]	(C)	100%	NT
HWE Maintenance Services Pty Ltd[1]	(C)	100%	WA
HWE Mining Pty Limited[1]	(C)	100%	Vic
HWE Newman Assets Pty Limited[1]	(C)	100%	Vic
Infoplex Pty Ltd[1]	(C)	100%	NSW
Jarrah Wood Pty Ltd		100%	WA
JH Rail Holdings Pty Ltd		59%	Vic
JH Rail Investments Pty Ltd		59%	Vic
JH Rail Operations Pty Ltd		59%	Vic
JHG Mutual Limited	(C)	100%	NSW
Joetel Pty Limited		59%	ACT
John Holland (NZ) Ltd		100%	New Zealand
John Holland - Leighton (South East Asia) Joint Venture		100%	Hong Kong
John Holland AD Holdings Pty Ltd	(C)	100%	Vic
John Holland AD Investments Pty Ltd	(C)	100%	Vic
John Holland AD Operations Pty Ltd	(C)	100%	Vic
John Holland Aviation Services Pty Ltd	(C)	100%	Vic
John Holland Development and Investment Pty Ltd	(C)	100%	Vic
John Holland Engineering Pty Ltd	(C)	100%	Vic
John Holland Group Pty Ltd	(C)	100%	Vic
John Holland Infrastructure Nominees Pty Ltd	(C)	100%	Vic

Notes continued

for the year ended 31 December 2012

38. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

Name of entity		Interest held	Place of incorporation
John Holland Infrastructure Pty Ltd	(C)	100%	Vic
John Holland Infrastructure Trust	(C)	100%	N/A
John Holland Investment Pty Ltd	(C)	100%	Vic
John Holland Melbourne Rail Franchise Pty Ltd	(C)	100%	Vic
John Holland Pty Ltd	(C)	100%	Vic
John Holland Queensland Pty Ltd	(C)	100%	Vic
John Holland Rail Pty Ltd	(C)	100%	WA
John Holland Services Pty Ltd	(C)	100%	Vic
Kingscliff Resort Trust	(C)	100%	Qld
LCPL (PNG) Limited		100%	Papua New Guinea
Leighton (PNG) Limited		100%	Papua New Guinea
Leighton Admin Services Pty Limited[1]	(C)	100%	NSW
Leighton Africa Botswana (Proprietary) Limited		100%	Botswana
Leighton Africa (Mauritius) Limited (formerly Leighton Mauritius (Africa) Limited)		100%	Mauritius
Leighton Africa (South Africa) Proprietary Limited (formerly Leighton Construction and Mining Africa (Pty) Limited)		100%	South Africa
Leighton Arranging Pty Ltd	(C)	100%	NSW
Leighton Asia (China) Limited		100%	Hong Kong
Leighton Asia (Hong Kong) Holdings (No. 2) Limited		100%	Hong Kong
Leighton Asia Limited		100%	Hong Kong
Leighton Asia Southern Pte Ltd		100%	Singapore
Leighton Companies Management Group LLC		100%	United Arab Emirtates
Leighton Contractors (Asia) Limited		100%	Hong Kong
Leighton Contractors (China) Limited		100%	Hong Kong
Leighton Contractors (Indo-China) Limited		100%	Hong Kong
Leighton Contractors (Laos) Company Limited		100%	Laos
Leighton Contractors (Malaysia) Sdn Bhd		100%	Malaysia
Leighton Contractors (Philippines) Inc	(A)	40%	Philippines
Leighton Contractors Asia (Cambodia) Co Limited		100%	Cambodia
Leighton Contractors Asia (Vietnam) Limited		100%	Vietnam
Leighton Contractors Inc.		100%	United States
Leighton Contractors Infrastructure Nominees Pty Ltd[2]	(C)	100%	Vic
Leighton Contractors Infrastructure Pty Ltd[2]	(C)	100%	Vic
Leighton Contractors Infrastructure Trust[3]		100%	N/A
Leighton Contractors Lanka (Private) Limited		100%	Sri Lanka
Leighton Contractors Mauritius Limited		100%	Mauritius
Leighton Contractors Pty Limited[1]	(C)	100%	NSW
Leighton Engineering & Construction (Singapore) Pte Ltd		100%	Singapore

Notes continued

for the year ended 31 December 2012

38. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

Name of entity		Interest held	Place of incorporation
Leighton Engineering Joint Venture		70%	Malaysia
Leighton Engineering Sdn Bhd (formerly known as DPS Leighton Offshore Engineering Sdn Bhd)		100%	Malaysia
Leighton Finance (USA) Pty Ltd	(C)	100%	NSW
Leighton Finance International Pty Limited	(C)	100%	NSW
Leighton Finance Limited[1]	(C)	100%	NSW
Leighton Foundation Engineering (Asia) Limited		100%	Hong Kong
Leighton Funds Management Pty Limited[2]	(C)	100%	Qld
Leighton Geotech Limited	(A)	49%	Thailand
Leighton Harbour Trust	(C)	100%	N/A
Leighton Holdings Infrastructure Nominees Pty Ltd[2]	(C)	100%	Vic
Leighton Holdings Infrastructure Pty Ltd[2]	(C)	100%	Vic
Leighton Holdings Infrastructure Trust	(C)	100%	N/A
Leighton Holdings Investments Pty Limited	(C)	100%	Vic
Leighton Holland Browse JV[3]		100%	WA
Leighton Infrastructure Investments Pty Limited[2]	(C)	100%	NSW
Leighton International FZ LLC		100%	United Arab Emirates
Leighton International Holdings Limited		100%	Cayman Islands
Leighton International Limited		100%	Cayman Islands
Leighton International Mauritius Holdings Limited No. 4		100%	Mauritius
Leighton International Projects (India) Private Limited (formerly known as Thiess Leighton India PVT Ltd)		100%	India
Leighton Investments Mauritius Limited		100%	Mauritius
Leighton Investments Mauritius Limited No. 2		100%	Mauritius
Leighton Investments Mauritius Limited No. 4		100%	Mauritius
Leighton John Holland Joint Venture (Lai Chi Kok)		100%	Hong Kong
Leighton LLC		100%	Mongolia
Leighton Middle East & Africa (Holding) Limited	(B)	100%	Cayman Islands
Leighton Motorway Investments No. 2 Pty Limited	(C)	100%	Vic
Leighton Offshore Arabia Co. Ltd		100%	Saudi Arabia
Leighton Offshore / Leighton Engineering & Construction Joint Venture	(B)	100%	Singapore
Leighton Offshore Australia Pty Ltd	(C)	100%	Vic
Leighton Offshore Pte Ltd		100%	Singapore
Leighton Offshore Sdn Bhd (formerly known as Leighton International Sdn Bhd)		100%	Malaysia
Leighton Offshore-John Holland Joint Venture (LTA Project)		100%	Singapore
Leighton Pacific St Leonards Pty Limited	(C)	100%	Vic

38. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

Name of entity		Interest held	Place of incorporation
Leighton Pacific St Leonards Unit Trust	(C)	100%	N/A
Leighton Portfolio Services Pty Limited	(C)	100%	ACT
Leighton Projects Consulting (Shanghai) Limited		100%	China
Leighton Properties (Brisbane) Pty Limited[1]	(C)	100%	Qld
Leighton Properties (VIC) Pty Ltd[2]	(C)	100%	Vic
Leighton Properties (WA) Pty Limited	(C)	100%	NSW
Leighton Properties Pty Limited[1]	(C)	100%	Qld
Leighton Properties Resorts Pty Limited	(C)	100%	Vic
Leighton Property Development Pty Limited	(C)	100%	NSW
Leighton Property Funds Management Limited[2]	(C)	100%	ACT
Leighton Property Management Pty Limited[2]	(C)	100%	NSW
Leighton Residential Investments Pty Ltd	(C)	100%	Vic
Leighton Services Australia Pty Limited	(C)	100%	NSW
Leighton Staff Shares Pty Ltd	(C)	100%	Vic
Leighton USA Inc.		100%	United States
Leighton-John Holland Joint Venture		100%	Hong Kong
Leighton-LNS Joint Venture		80%	Hong Kong
Leighton-Macmahon Joint Venture		75%	Hong Kong
LH Holdings Co Pty Ltd[2]		100%	Vic
LMENA No. 1 Pty Limited[1]	(C)	100%	Vic
LMENA Pty Limited[2]	(C)	100%	Vic
LPWRAP Pty Ltd		100%	Vic
Martox Pty Limited		59%	NSW
Menette Pty Ltd	(C)	100%	Vic
Metro Developments Australia Pty Ltd		100%	WA
Metronode (NSW) Pty Ltd	(B)	100%	Vic
Metronode Investments Pty Limited (formerly known as Vytel Investments Pty Limited)[2]	(C)	100%	NSW
Metronode M2 Pty Ltd[2]	(C)	100%	Vic
Metronode New Zealand Limited	(B)	100%	New Zealand
Metronode Pty Ltd[2]	(C)	100%	Vic
Metronode S2 Pty Ltd		100%	Vic
Moonamang Joint Venture Pty Ltd	(A)	100%	WA
Moorookyle Devine Pty Ltd[3]		50%	Vic
Nestdeen Pty Ltd	(C)	100%	Qld

Notes continued

for the year ended 31 December 2012

38. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

Name of entity		Interest held	Place of incorporation
Nextgen Networks Pty Limited		100%	ACT
Nextgen Pure Data Pty Ltd		100%	Vic
Nextgen Telecom (WA) Pty Ltd (formerly known as Silk Telecom (WA) Pty Ltd)		100%	WA
Nextgen Telecom Pty Ltd (formerly known as Silk Telecom Pty Limited)		100%	Vic
Nexus Point Solutions Pty Ltd	(C)	100%	NSW
Opal Insurance (Singapore) Pte Ltd		100%	Singapore
Pioneer Homes Australia Pty Ltd[3]		50%	Qld
Plant and Equipment Leasing Pty Limited	(C)	100%	NSW
PT Cinere Serpong Jaya		100%	Indonesia
PT Leighton Contractors Indonesia		100%	Indonesia
PT Ngawi Kertosono Jaya		95%	Indonesia
PT Solo Ngawi Jaya		95%	Indonesia
PT Thiess Contractors Indonesia		100%	Indonesia
River Links Developments Pty Ltd	(C)	100%	Qld
Riverstone Rise Gladstone Pty Ltd[3]	(B)	50%	Qld
Riverstone Rise Gladstone Unit Trust[3]	(B)	50%	N/A
Silverton Group (Aust) Pty Ltd		100%	WA
Silverton Group Pty Ltd		100%	WA
Talcliff Pty Ltd[3]		50%	Qld
Technical Resources Pty Limited	(C)	100%	NSW
Telecommunication Infrastructure Pty Ltd	(C)	100%	Vic
Thai Leighton Limited	(A)	100%	Thailand
Thiess (Mauritius) Pty Ltd[3]		100%	Mauritius
Thiess Contractors (Malaysia) Sdn Bhd[3]		100%	Malaysia
Thiess Contractors (PNG) Limited[3]		100%	Papua New Guinea
Thiess India Pvt Ltd[4]		100%	India
Thiess Infraco Pty Ltd	(C)	100%	Qld
Thiess Infrastructure Nominees Pty Ltd	(C)	100%	Vic
Thiess Infrastructure Pty Ltd	(C)	100%	Vic
Thiess Infrastructure Trust	(C)	100%	N/A
Thiess Investments Pty Limited	(C)	100%	Qld
Thiess John Holland Joint Venture (Airport Link)[3]	(C)	100%	Qld
Thiess John Holland Joint Venture (Eastlink)[3]	(C)	100%	Vic
Thiess John Holland Joint Venture (Lane Cove Tunnel)[3]	(C)	100%	NSW
Thiess John Holland Motorway Services[3]	(C)	100%	Qld
Thiess Minecs India Pvt Ltd[4]		90%	India

Notes continued

for the year ended 31 December 2012

38. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

Name of entity		Interest held	Place of incorporation
Thiess NC		100%	New Caledonia
Thiess NZ Limited		100%	New Zealand
Thiess Pty Ltd	(C)	100%	Qld
Thiess Services John Holland Services Joint Venture[3]	(C)	100%	Qld
Thiess Services Limited		100%	New Zealand
Thiess Services Pty Ltd	(C)	100%	Qld
Thiess Southland Pty Ltd	(C)	100%	NSW
Think Consulting Group Pty Ltd	(C)	100%	Vic
Townsville City Project Pty Ltd		75%	NSW
Townsville City Project Trust		75%	N/A
Vision Hold Pty Limited[1]	(C)	100%	NSW
Visionstream Australia Pty Limited[2]	(C)	100%	NSW
Visionstream Pty Limited[1]	(C)	100%	Qld
Visionstream Services Pty Limited[2]	(C)	100%	NSW
Vytel Pty Limited[1]	(C)	100%	NSW
Wai Ming Contracting Company Limited		100%	Hong Kong
Western Port Highway Trust		100%	N/A
Yoltax Pty Limited		59%	NSW
Zelmex Pty Limited		59%	ACT

[1] *These companies (Leighton Holdings Limited (LHL) Class Order Companies) have the benefit of ASIC Class Order 98/1418.*

[2] *These companies are parties to the Deed of Cross Guarantee but do not have the benefit of ASIC Class Order 98/1418 at 31 December 2012, as they are small proprietary companies.*

[3] *Entity has a 30 June reporting date.*

[4] *Entity has a 31 March reporting date.*

[5] *This company is a party to the Deed of Cross Guarantee as Holding Entity.*

(A) *Entities controlled under shareholder agreements.*

(B) *Incorporated / established in the 2012 reporting period.*

(C) *Entities included in tax-consolidated Group.*

Where the Group has an ownership interest of less than 50%, the entity is consolidated as the Group has the power to control the entity's financial and operating policies.

38. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

c) Acquisition and disposal of controlled entities

Refer to note 29: *Acquisitions and disposals of controlled entities and businesses* for further details.

d) Liquidation of controlled entities

The following controlled entities have been liquidated during the period to 31 December 2012 as they are no longer required by the Group in the ordinary course of business:

- Leighton International Mauritius Holdings Limited No. 3
- Leighton International Mauritius Holdings Limited No. 5
- Leighton Investments Mauritius Limited No. 3
- Leighton International Mauritius Holdings Limited No. 6
- Leighton International Mauritius Holdings Limited No. 7
- Leighton Investments Mauritius Limited No. 5
- Leighton Investments Mauritius Limited No. 6
- Leighton Investments Mauritius Limited No. 7
- Leighton Project Management Sdn Bhd
- Leighton Superannuation Pty Ltd
- Oz Solar Power Pty Ltd

e) Parent entity commitments and contingent liabilities

Contingent liabilities under indemnities given on behalf of controlled entities in respect of the parent: bank guarantees: $2,322.6 million (31 December 2011: $2,531.2 million); insurance bonds: $704.5 million (31 December 2011: $586.7 million); letters of credit: $720.2 million (31 December 2011: $437.8 million).

Capital expenditure contracted for at the reporting date but not recognised as liabilities of the parent was $nil (31 December 2011: $nil).

38. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

f) Parent entity transactions with wholly-owned controlled entities

Transactions with wholly-owned controlled entities were as follows: aggregate amounts receivable: $973.5 million (31 December 2011: $1,285.8 million); aggregate amounts payable: $514.0 million (31 December 2011: $410.1 million); interest received / receivable from: $35.4 million (31 December 2011: $30.3 million); interest paid / payable: $0.1 million (31 December 2011: $nil); fees charged: $0.7 million (31 December 2011: $nil); dividends from: $nil (31 December 2011: $nil); fees paid: $145 million (31 December 2011: $25.5 million). Subsequent to the reporting date, Leighton Holdings Limited received interim dividends from operating companies of $315.0 million, increasing retained earnings to $399.1 million.

g) 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. The Company and each of the LHL Class Order Companies are party to a Deed of Cross Guarantee dated 10 June 2008. 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 6 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.

Broad Construction Services (NSW/VIC) Pty Ltd, Broad Construction Services (QLD) Pty Ltd, Broad Construction Services (WA) Pty Ltd and Broad Group Holdings Pty Ltd became parties to the Deed on 12 December 2012 by virtue of a Deed of Assumption approved by ASIC.

Leigton Finance (USA) Pty Ltd has been released from its obligations under the Deed by executing a Revocation Deed dated 12 December 2012 which has been lodged with ASIC.

A consolidated income statement and balance sheet, 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 31 December 2012 is set out below:

Deed of Cross Guarantee	12 months to December 2012 $m	6 months to December 2011 $m
Income statement		
Profit / (loss) before tax	(124.3)	172.9
Income tax (expense) / benefit	36.8	(71.4)
Profit / (loss) for the period	(87.5)	101.5
Retained earnings brought forward	190.3	88.8
Retained earnings brought forward - adjustment for new entities party to the deed of Cross Guarantee	2.0	-
Retained earnings brought forward - adjustment for entities removed from the deed of Cross Guarantee	(37.9)	-
Dividends paid	(269.6)	-
Retained earnings at reporting date	(202.7)	190.3

Notes continued

for the year ended 31 December 2012

38. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

Deed of Cross Guarantee	December 2012 $m	December 2011 $m
Balance sheet		
Assets		
Cash and cash equivalents	138.1	64.4
Trade and other receivables	1,442.3	759.2
Current tax assets	9.0	80.7
Inventories: consumables and development properties	79.5	86.3
Assets held for sale	166.1	-
Total current assets	1,835.0	990.6
Trade and other receivables	2,836.0	2,099.3
Inventories: development properties	142.6	37.9
Investments accounted for using the equity method	465.5	712.7
Other investments	1,376.0	1,618.3
Deferred tax assets	123.2	133.3
Property, plant and equipment	565.8	693.5
Intangibles	155.0	29.4
Total non-current assets	5,664.1	5,324.4
Total assets	7,499.1	6,315.0
Liabilities		
Trade and other payables	1,821.6	981.2
Current tax liabilities	-	-
Provisions	127.9	95.3
Interest bearing liabilities	1,117.3	902.2
Liabilities associated with assets held for sale	52.3	-
Total current liabilities	3,119.1	1,978.7
Trade and other payables	2,359.3	1,228.6
Provisions	57.0	93.6
Interest bearing liabilities	635.5	912.4
Total non-current liabilities	3,051.8	2,234.6
Total liabilities	6,170.9	4,213.3
Net assets	1,328.2	2,101.7
Equity		
Share capital	2,027.2	2,027.2
Reserves	(496.3)	(115.8)
Retained earnings	(202.7)	190.3
Total equity	1,328.2	2,101.7

39. NEW ACCOUNTING STANDARDS

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They are available for early adoption at 31 December 2012, but have not been applied in preparing this financial report. The Group's assessment of these new standards and interpretations is set out below:

- AASB 2011-9 *Amendments to Australia Accounting Standards - Presentation of Other Comprehensive Income* AASB 101
  This standard requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments will become mandatory for the Group's 31 December 2013 financial statements. The amendments are not expected to have a significant impact on the Group's financial statements.

- AASB 9 *Financial Instruments* (revised December 2010)
  This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. AASB 9 will become mandatory for the Group's 31 December 2015 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the period ended 31 December 2012 or earlier. The Group has not adopted the standard and has not yet determined the potential effect of the standard.

- AASB 10 *Consolidated Financial Statements*
  This standard introduces a new approach to determining which investees should be consolidated. AASB 10 replaces all of the guidance on control and consolidation in AASB *127 Separate Financial Statements.* An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The new standard will become mandatory for the Group's 31 December 2013 financial statements, with retrospective application required where there is a change in control conclusion between AASB 127 / SIC 12 and AASB 10, and specific requirements when retrospective application is impracticable. The new standard is not expected to have a significant impact on the Group's financial statements.

- AASB 11 *Joint Arrangements*
  This standard introduces the concept that if the parties have rights to and obligations for underlying assets and liabilities, the joint arrangement is considered to be a joint operation and partial consolidation is applied. Otherwise the joint arrangement is considered a joint venture and the equity method must be used to account for the interest. The new standard will become mandatory for the Group's 31 December 2013 financial statements, with retrospective application requirements for certain transitions. The Group expects a number of joint ventures, that are currently being equity accounted, to be proportionately consolidated as joint operations in accordance with the new requirements. The new standard is expected to result in a change to total assets and liabilities of the Group, the impact of which has yet to be determined.

- AASB 12 *Disclosures of Interests in Other Entities*
  This standard contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and / or unconsolidated structure entities. The standard also replaces the disclosure requirements found in AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*. The amendments will become mandatory for the Group's 31 December 2013 financial statements. The new standard is not expected to have a significant impact on the Group's financial statements.

- AASB 13 *Fair Value Measurement*
  This standard provides a framework for measuring fair value and contains the disclosure requirements around fair value measurements. The new standard will become mandatory for the Group's 31 December 2013 financial statements. The new standard are not expected to have a significant impact on the Group's financial statements.

- AASB 119 *Employee Benefits (Amendment)*
  The amendment relates to a change in the method of accounting for defined benefit plans, through the removal of options for accounting for the liability, and the requirement that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised on other comprehensive income. The amendment also revises the method for calculating the return on plan assets. The amendments will become mandatory for the Group's 31 December 2013 financial statements. The amendments are not expected to have a significant impact on the Group's financial statements.

39. NEW ACCOUNTING STANDARDS CONTINUED

- AASB 2011-4 *Amendments to Australia Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* AASB 124
  This standard makes amendments to remove individual key management personnel disclosure requirements from AASB 124. The amendments will become mandatory for the Group's 31 December 2014 financial statements. The amendments are not expected to have a significant impact on the Group's financial statements.

- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
  This standard contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The amendments will become mandatory for the Group's 31 December 2013 financial statements. The amendments are not expected to have a significant impact on the Group's financial statements.

  With respect to AASB 10, 11 and 12, early adoption is only available if all three standards are applied at the same time.

40. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to reporting date the Group:

- declared a 50% franked final dividend of 60.0 cents per share.

The Directors approved the financial report on 13 February 2013.

Statutory Statements

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Leighton Holdings Limited ("the Company"):

   a) The financial statements and notes, set out on pages 2 to 92, are in accordance with the *Corporations Act 2001*, including:

      i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 31 December 2012 and of their performance for the financial year ended on that date; and

      ii) complying with Australian 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 controlled entities identified in note 38 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 controlled entities pursuant to ASIC Class Order 98/1418.

3. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2012.

4. The Directors draw attention to note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Sydney this 13th day of February 2013.

Signed for and on behalf of the Board in accordance with a resolution of the Directors:

S P Johns	H G Tyrwhitt
Chairman	Chief Executive Officer

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the members of Leighton Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Leighton Holdings Limited, which comprises the Consolidated Balance Sheet as at 31 December 2012, and the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 2 to 93.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Leighton Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Leighton Holdings Limited is in accordance with the *Corporations Act 2001*, including:
    (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and
    (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 71 to 105 of the directors' report which is presented as part of the Concise Report for the year ended 31 December 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Leighton Holdings Limited included in pages 71 to 105 of the directors' report which is presented as part of the Concise Report for the year ended 31 December 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G. Couttas

G Couttas
Partner
Chartered Accountants
Sydney, 13 February 2013