Leighton Holdings

Annual Report 2013

Leighton Holdings Limited ABN 57 004 482 982

Notice of Meeting

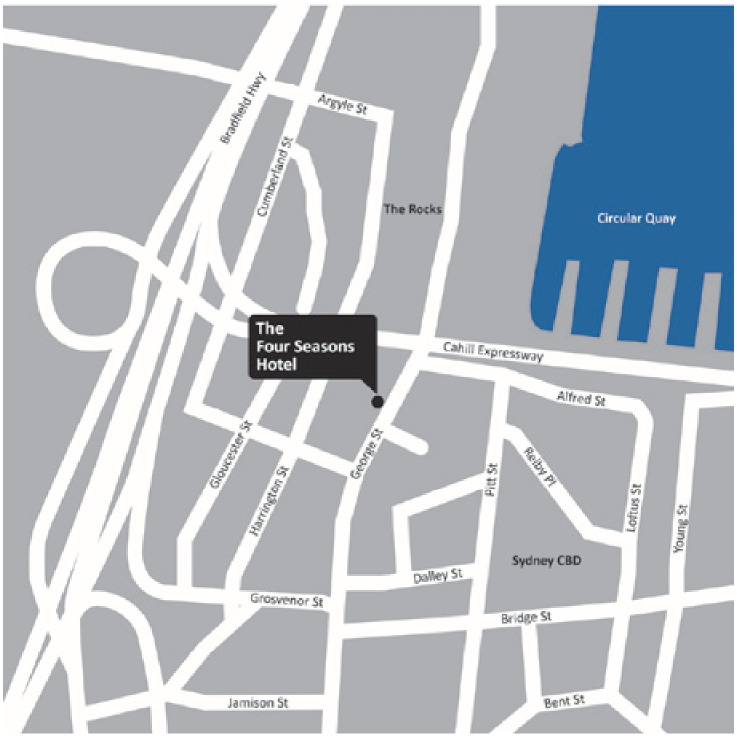
NOTICE OF ANNUAL GENERAL MEETING 2014
LEIGHTON HOLDINGS LIMITED
ABN 57 004 482 982
To: The Shareholders
Notice is hereby given that the 53rd Annual General Meeting of the members of Leighton Holdings Limited will be held in the:

Grand Ballroom, The Four Seasons Hotel
199 George Street, Sydney, New South Wales
on Monday 19 May 2014 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 Marcelino Fernández Verdes, Chief Executive Officer. All present are invited to join the Directors for light refreshments after the meeting.

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

Leighton Holdings encourages shareholders to receive notification of all communications by email. Access to these documents is also available on our website. This allows shareholders to 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*



2013 Annual Report

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In this 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.

Chairman's Review

The Leighton Group has dealt with a number of challenges in 2013 to deliver a positive result for shareholders. Good progress has been made on our strategies to improve the performance of the business and to deliver long-term, sustainable growth. In early 2014, our major shareholder, HOCHTIEF AG (HOCHTIEF), made a proportional takeover offer to increase its stake to a maximum of 73.82% and to make changes to the Board and management of the company.

FINANCIAL PERFORMANCE

I'm pleased to report that the Group reported a profit after tax attributable to members of $509 million for 2013, a 13% improvement on the prior year. Even more pleasing is that Leighton recorded an Underlying Net Profit After Tax (UNPAT)[1] of $584 million, which is a 30% increase on 2012.

Recognising this performance, the Board has determined to pay out 61% of UNPAT as dividends, resulting in a total dividend of 105 cents per share. This is made up of a final dividend of 60 cents per share, franked at 50%, to be paid in April 2014 and an interim dividend of 45 cents per share, franked at 50%, which was paid on 3 October 2013.

A detailed overview of the company's performance in 2013 is set out in the Operating and Financial Review on pages 45 to 62. This new requirement has been introduced by the Australian Securities and Investments Commission (ASIC) to better meet the information needs of shareholders and to set out information that would reasonably be required to assess the company's operations, financial position, and business strategies and prospects for future financial years.

FINANCIAL STRENGTH

A highlight of 2013 was the sale of the Group's non-core telecommunications assets, which helped to strengthen our balance sheet. As at 31 December 2013, the Group's gearing had improved to 29%, well within the Board's target gearing range for 2013 of 25–35%. Having a strong balance sheet is essential for a contractor and we are focused on having the financial resources and capacity to fund and grow the business in the future.

The ratings agencies have recognised the Group's balance sheet strength. During the year, Standard & Poor's affirmed its 'BBB-/A-3' rating of our company with a 'Stable' outlook while Moody's Investors Service also reiterated its 'Baa2 issuer' rating with a 'Stable' outlook.

THE BOARD AND MAJOR SHAREHOLDER

In June 2013, the Board appointed three independent, Non-executive Directors – Russell Higgins AO, Mike Hutchinson and Vickki McFadden. Their varied talents have helped to refresh the Board and I thank them sincerely for the contributions they have made to-date, particularly given some of the recent challenges the Board has dealt with.

During the year, HOCHTIEF increased its stake in Leighton from 53.41% (as at 13 March 2013) to 58.77% (as at 17 March 2014), which was subject to the relevant 'creep' provisions of the *Corporations Act 2001* (Cth). On 10 March 2014, HOCHTIEF announced its intention to make a $22.15 cash per share proportional offer for Leighton and to make Leighton Board changes. On 14 March 2014, Leighton and HOCHTIEF entered into a Bid Implementation Agreement, under which HOCHTIEF increased its offer to Leighton shareholders to $22.50 per share for three out of eight shares (the "Improved Offer"). The Improved Offer is the outcome of negotiations between HOCHTIEF and Leighton's independent Directors. During the negotiations, the independent Directors pressed HOCHTIEF to make a takeover offer for all shares (rather than a proportional offer), however HOCHTIEF has declined to do so.

The Improved Offer is unconditional, other than a requirement for the Foreign Investment Review Board (FIRB) approval. Full details of HOCHTIEF's Improved Offer were set out in HOCHTIEF's Bidder's Statement, which was released to the ASX on 14 March 2014 and is expected to be dispatched to shareholders at the end of March.

Leighton shareholders on the Leighton Register on 21 March 2014 will be entitled to a 50% franked dividend of 60 cents per share. This dividend will not be deducted from the Improved Offer price payable to Leighton Shareholders who accept the Improved Offer.

The independent Directors' recommendation in relation to the Improved Offer will be provided in a Target's Statement, which will also include an independent Expert's Report. The independent Directors recommend that minority shareholders accept the Improved Offer in the absence of a superior proposal. Shareholders are encouraged to read both of these documents and, if they consider it appropriate, seek professional advice before deciding how to respond to HOCHTIEF's Improved Offer.

Following HOCHTIEF's announcement, both ratings agencies have placed Leighton on a negative review for a potential downgrade.

In its initial proposal, HOCHTIEF stated that it intended to increase its representation on the Board to reflect its shareholding, irrespective of the outcome of the offer. Recognising that HOCHTIEF could achieve Board and management control at our forthcoming Annual General Meeting (AGM) on 19 May 2014, the independent Directors also agreed to HOCHTIEF'S request to make the following changes to its management and Board:

- The employment of Chief Executive Officer (CEO) Hamish Tyrwhitt and Deputy CEO and Chief Financial Officer Peter Gregg was terminated and they both resigned from the Board.
- Marcelino Fernández Verdes, the current CEO of HOCHTIEF, has been appointed as CEO of Leighton.
- Two Directors nominated by HOCHTIEF, Pedro López Jiménez and José Luis del Valle Pérez have been appointed.

Looking forward:

- Paula Dwyer will resign as a Director by no later than the conclusion of the AGM;
- Russell Higgins AO and Vickki McFadden will resign or retire as Directors by no later than the conclusion of the AGM, and will not stand for election at the AGM; and
- Mike Hutchinson will stand for election at the AGM and I intend to continue as Chairman after the AGM.

1 UNPAT is net profit after tax adjusted for non-underlying items including gains/losses on sale/acquisition of assets, impairments and restructuring costs.

I thank the independent Directors for their support and counsel, particularly during the trying circumstances of the recent offer, and especially Paula, Russell and Vickki who will be leaving the Board. I also welcome the new Directors and look forward to the Board focusing on creating value for all shareholders.

With respect to our departing executives, Hamish and Peter have both been outstanding leaders of our business, having successfully brought Leighton through a period of stabilisation and set the company on a pathway to growth by substantially rebasing our operations. Employees, clients and shareholders have, and will continue to, benefit from the value they have created, and the Board and I sincerely thank them both for their contribution.

I am personally grateful for the dedication, drive and leadership Hamish has shown during his 28 years of distinguished service with the Group. I also recognise Peter's excellent contribution to our financial and strategic direction through a challenging time in the company's history. I am proud to have worked with them and I wish them every success.

REMUNERATION

The company's approach to responsible remuneration has been further embedded during the year. The Board believes that its remuneration framework enhances the alignment between shareholder and executive interests, and rewards performance that supports the Group's business plans and our values of discipline, integrity, safety and success.

I am pleased to note that the non-binding vote on the Group's Remuneration Report at the 2013 AGM was overwhelmingly supported by a 'For' vote of 98.9%. The support we have received, both at the AGM and via shareholder feedback, indicates that we are on the right track with our approach to remuneration.

MEDIA ALLEGATIONS

I also want to acknowledge the allegations made in the media in late 2013 about the Group's international business, our culture and the performance of individual Directors and management.

Whilst we are deeply concerned about the suggestions of impropriety, the Board and management believe these media reports have been sensationalist in their representation of the matters. The allegation relating to Iraq was self-reported to the Australian Federal Police (AFP) over two years ago, reflecting the seriousness with which we took the matter. The AFP investigation continues and the company is cooperating.

In an unrelated matter, a possible fraud has led to us taking court proceedings against an ex-employee.

It is important to note that no charges have been laid against any person or entity, nor has the AFP investigation concluded. The management personnel reported in the press as connected to these two matters are no longer with the Group.

CLASS ACTIONS

Two class actions were lodged against Leighton during the year. The first, by Maurice Blackburn, was filed in the New South Wales Registry of the Federal Court. The claim relates to the 11 April 2011 disclosure by Leighton of a revision of our profit forecast for the six-month financial period ended 31 December 2011. Leighton denies the claim and is defending the action.

The second, filed by solicitor Mark Elliot, alleges that Leighton breached its continuous disclosure obligations by failing to disclose allegations relating to Iraq and the possible fraud (referred to above). On 31 January 2014, Mr Elliott's amended Statement of Claim was struck out and he was ordered to pay Leighton's costs. Leighton denies there is a proper basis for the alleged claim and will continue to defend the action, if it proceeds.

PEOPLE AND SAFETY

Our 55,990 people drive the performance of the Group. It is their hard work, commitment, innovation and integrity that generate our results and, ultimately, our returns to shareholders. I thank our employees for their contribution in delivering projects that provide solutions for clients. It is with great sadness, however, that I report that five of our colleagues lost their lives in work-related fatalities in 2013. Any fatality is one too many. The Board is working closely with management to eliminate fatalities and permanent disabling injuries.

SUSTAINABILITY

This year the company has produced a stand-alone Sustainability Report detailing our commitment to the integration of environmental, social and governance factors into our decision-making and our performance in this area. The 2013 Sustainability Report is available on our website at *www.leighton.com.au*.

I am pleased to report that in 2013, Leighton's sustainability performance was recognised by its inclusion in two Dow Jones Sustainability Indices (DJSI), the 'DJSI Asia Pacific' and the 'DJSI Australia'. Launched in 1999, the DJSI is a preeminent index that tracks the leading sustainability-driven companies worldwide. The rating system provides a third party assessment of our corporate practices and utilises a 'best in class' approach to benchmark us against our industry peers. Inclusion in the DJSI acknowledges the quality of the Group's sustainability practices across a range of different factors.

CONCLUSION

I conclude by thanking my fellow Directors for their hard work and valued counsel during the year. The independent Directors believe that we have secured, under difficult circumstances, an improved offer which is the best outcome for Leighton's shareholders and employees. The Improved Offer price and removal of all conditions other than FIRB approval are important enhancements for minority shareholders.

I also thank you, our shareholders, for your patience and support. 2013 was a year that presented a number of challenges, however we achieved a solid result and made good progress with strategies to further improve our operating performance.

I look forward to updating you further at the AGM on 19 May 2014.

Robert Humphris OAM
Chairman
18 March 2014

Chief Executive's Review

I am very proud to have recently been appointed the CEO of the Leighton Group. This is a great honour as the Group is one of the world's leading international contractors with a heritage of successfully delivering infrastructure, resources and property projects across Australia and overseas.

In reviewing the year, I am reporting on the hard work of the previous executives. Hamish and Peter leave the Group in a significantly enhanced position and well placed to grow as we leverage our footprint across Asia. I thank them for their great contribution to the Group and wish them well in the future.

2013 was a successful year for the Group. We reported an UNPAT of $584 million; our core markets are continuing to offer a good range of new project opportunities and our $42.2 billion of work in hand underpins a good level of profitability for the next few years.

During the year, we made good progress on our journey to 'stabilise, rebase and grow' the Group. We delivered positive financial results for our shareholders, strengthened our balance sheet, advanced a number of initiatives to improve our efficiency and continued to invest in our people. The work done in 2013 has set us up for a solid 2014 and a strong future.

PERFORMANCE OVERVIEW

The Group reported a 6% increase in revenue during 2013 to $24.4 billion, despite the slowdown in the mining sector. This is testament to the Group's diversity.

We expanded our UNPAT margin to 2.4%, up from 1.9% in the prior year. Our underlying result, up 30% to $584 million, demonstrates the effectiveness of our short-term strategy to transform the business.

Work in hand during the year remained above $40 billion and was $42.2 billion at year end. New awards, extensions and variations totalled $23 billion, a 5% increase on the prior year against the backdrop of the challenging contract mining environment and the sale of the Group's telecommunications business. This solid result is a reflection of the diversity of the Group's portfolio and how that diversity helps to offset cyclical slowdowns in certain markets.

STRATEGY

Our fundamental objective is to earn long-term, sustainable shareholder returns by delivering value-adding construction, operations and maintenance services across six key industries: mining and metals; oil and gas; transport infrastructure; power and utilities infrastructure; social infrastructure; and complex urban property projects. Our end-game is a diversified portfolio of projects that is balanced in terms of geography, market, activity, customer, contract type and contract size. A balanced portfolio is a key part of mitigating risk and will help to optimise our growth potential, margins and returns on capital.

Over the past two and a half years, Leighton Holdings has transformed into a Strategic Management Company. We develop strategy across the Group, ensuring that we have appropriate spans of control in place and determining where we allocate our capital. The successful delivery of our more than 400 construction, mining and services projects is currently the responsibility of the Operating Companies who tender and deliver either individually, combined or competitively, where they have the capabilities and resources to do so.

I intend to work with my colleagues on the Board to complete the broad-based, general review of Leighton's operating model that is currently being undertaken by management. A particular focus of the review is whether the existing operating business of Leighton can be more efficiently structured. As the new CEO, I am keen to speed up the pace of change at Leighton to reduce costs, recover outstanding monies, repay debt and improve the efficiency of the company's assets. By doing so, we will improve returns to shareholders and position the Group for sustainable growth.

I am also focused on the transfer of HOCHTIEF's culture, business knowledge and approach to risk management, and their application to Leighton. There is much that is to be gained by applying a consistent approach to the controlling and managing of risk.

Increasingly we have been encouraging collaboration between our Operating Companies and the broader Actividades de Construcción y Servicios (ACS)/HOCHTIEF group on major projects. This was evidenced in the successful tender by Thiess, John Holland and Dragados for the $1.15 billion tunnelling package for the North West Rail project in Sydney and the formation of a consortium consisting of Leighton Contractors, John Holland, Dragados and Iridium to tender for the 18km East West Link cross-city road in Melbourne.

Our strategic focus is on delivering a better bottom line result by driving cost savings, improving efficiency and effectiveness, and harnessing the scale of the Group. We have made good progress this year on driving organisational efficiencies through strategic procurement to leverage the Group's buying power and by the restructuring of our management teams. We established an entity (FleetCo) to centrally manage our extensive fleet of mining plant and equipment. FleetCo will coordinate the purchase and maintenance of fleet for the Group, thereby improving utilisation rates and reducing our capital intensity.

A key initiative, and one that will be further progressed in 2014, is Global Business Services. This initiative is about improving the cost structure of our businesses by standardising certain business processes and support functions, and leveraging the Group's size and scale.

We are focused on improving margins and profitability and, in the near-term, we have a clear set of priorities to stabilise and rebase the Group. Beyond this, Leighton will seek to grow returns from existing markets and export skills to new markets, while delivering the best solutions for clients and driving sustainable growth for shareholders.

INVESTMENTS

During the year, the Group sold 70.1% of its non-core telecommunications assets (consisting of Nextgen Networks, Metronode and certain Infoplex assets) to Ontario Teachers' Pension Plan. The sale resulted in a pre-tax gain of $215 million ($115 million after tax) and the cash proceeds of $614 million that have been used to strengthen the Group's balance sheet. The Group now owns 29.9% of the Nextgen Group, providing access to any upside value under the new ownership structure.

The Group also agreed to purchase the Welspun Group's 39.9% stake in Leighton Welspun, our Indian-based joint venture established in 2010, for US$99 million to achieve 100% ownership of this business. The opportunity arose from the decision by Welspun to focus on its core businesses. Leighton continues to see strong long-term prospects in the Indian market for infrastructure, especially public private partnerships, and specialised property-related projects. The move to full control of the Indian business will allow for the integration of several of our business units, resulting in both lower costs and greater business opportunities. The sale was concluded in February 2014.

We continue to be represented in the Middle East through our 45% investment in the Habtoor Leighton Group (HLG). HLG's performance improved during the year, with a broadly break-even result and the recovery of funds from some legacy projects. No impairment was recorded during the year against the carrying value of the investment. The decision by a Qatar-based client to call performance bonds on certain legacy projects prevented HLG from making repayments on Leighton's outstanding shareholder loans at the end of June 2013. As a result of the bond calls, additional Leighton guarantees were required to support an increased bank facility. The situation remained unresolved at the end of December 2013. However, HLG continues to believe its legal position on the matter is strong and is working to a resolution. '2016 IPO-ready' remains the strategic aim for HLG, contingent upon the further recovery of outstanding receivables, the paying-down of outstanding shareholder loans from Leighton, and the ongoing award of new work.

PEOPLE AND SAFETY

As the Chairman has noted, the safety of our people is a critically important issue and one that the Board and management continue to give their full attention. Fatalities are not acceptable. We have a duty to our employees and their families to send them home safely each day, and I consider this my personal responsibility.

On a positive note, I am pleased with the work that is being undertaken to identify and foster the talent and capabilities of our people. This year, we devoted considerable time and effort to the development of the future leaders of the Group through intensive training courses. Our Leighton Masters program, conducted in conjunction with the University of New South Wales, is a good example of how we are investing in the skills and further development of our people.

We are a service-based company and those services are delivered by our people. I would like to acknowledge the efforts of those 55,990 people over the last year and thank them and their families for their contribution. Be they digging tunnels in India, driving excavators in Queensland, pouring concrete in Hong Kong or maintaining water pipes in Victoria, their efforts are valued by the company. Our employees can justifiably be proud of their role in constructing, operating and maintaining much of Australasia's critical infrastructure and many of the region's valuable resources projects.

OUTLOOK

The Group is well positioned for the foreseeable future. The countries of Asia are expected to continue to grow at the same rate or faster than the rest of the world for a number of years as they continue to urbanise and industrialise. We have exposure to Asia – both directly and indirectly – and experience in operating in its various markets. No other global competitor has our diversity in this part of the world and our market presence is difficult to replicate. We do however, have opportunities to leverage the relationships, skills, intellectual property and experience of HOCHTIEF and, in turn, those of their major shareholder, the ACS Group, to further drive us forward.

We have a substantial level of work in hand, which underpins a good level of profitability for the next few years. We are focused on replenishing this work in hand with high quality projects that we can successfully deliver to the benefit of our clients and our shareholders. Our markets are offering a good range of new project opportunities that are currently being tendered and we see the outlook as positive for our construction, operations and maintenance services.

I welcome the challenge of leading the Group through its next phase of global growth, building on the solid foundations established by previous management.

Marcelino Fernández Verdes
Chief Executive Officer
18 March 2014

Group executives

The information below is reported as at 18 March 2014.

MARCELINO FERNÁNDEZ VERDES (58)*
Chief Executive Officer
Leighton Holdings

MALCOLM ROBERT ASHCROFT (40)^
Deputy Chief Financial Officer and Chief Financial Officer (Acting)
Leighton Holdings

ADOLFO VALDERAS (43)
Chief Operating Officer
Leighton Holdings

MICHAEL JOHN ROLLO (54)
Chief Risk Officer
Leighton Holdings

DHARMA CHANDRAN (50)
Chief Human Resources and Corporate Services Officer
Leighton Holdings

BRUCE ALWIN MUNRO (60)~
Managing Director
Thiess

CRAIG ALLEN LASLETT (52)~
Managing Director
Leighton Contractors

IAN LESLIE EDWARDS (51)~
Managing Director
Leighton Asia, India and Offshore

MARK CHARLES GRAY (61)~
Managing Director
Leighton Properties

GLENN MICHAEL PALIN (56)~
Managing Director
John Holland Group

* Hamish Gordon Tyrwhitt is the former Chief Executive Officer of Leighton Holdings.
^ Peter Allan Gregg is the former Deputy Chief Executive Officer and Chief Financial Officer of Leighton Holdings.
~ The Managing Directors of our Operating Companies have also been appointed as Associate Directors of Leighton Holdings.

Investments

The information below is reported as at 18 March 2014.

ENGINEEERING 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.

Aspire Schools
Leighton Contractors has a 1.0% equity share of the consortium that has contracted to finance, design, construct and maintain seven schools in south-east Queensland for 30 years.

BrisConnections (in voluntary administration)
Thiess and John Holland have invested $200 million in the company that owns, operates and maintains the AirportlinkM7 project in Brisbane.

Cross City Motorway (in voluntary administration)
Leighton Contractors has a 6.0% equity share of the company that owns, operates and maintains the Cross City Tunnel in Sydney.

Habtoor Leighton Group
Leighton Holdings has a 45.0% equity share in the Middle East-based diversified contractor, Habtoor Leighton Group.

LCIP Co-Investment Unit Trust
Leighton Contractors has a 24.8% equity share in the Leighton Co-Investment Unit Trust that invests funds into public private partnership equity.

SA Health Partnership
Leighton Contractors has a 10.0% deferred equity commitment in the consortium that has contracted to finance, design, construct and maintain the new Royal Adelaide Hospital for 35 years.

TELECOMMUNICATIONS

Nextgen Group
Leighton Holdings has a 29.9% equity share in the telecommunication infrastructure business Nextgen Group.

LISTED ENTITIES

Sedgman
Leighton Holdings owns 35.9% of the listed resources engineering company.

Macmahon
Leighton Holdings owns 19.6% of the listed engineering and mining contracting company.

Corporate Governance Statement

Corporate Governance Statement

The Corporate Governance Statement (Statement) is dated 18 March 2014 and as at this date it reflects the current Boards' commitment to corporate governance. The contents of the Statement and our corporate governance model may change if the proportional takeover offer by our major shareholder HOCHTIEF AG (HOCHTIEF) is successful and consequential changes to the Board are made.

INTRODUCTION

We believe that in order for the company to achieve its vision of being renowned for excellence, it is necessary that the company meet the highest standards of governance, business conduct, safety and environmental performance, across all of its operations in Australia and internationally. We are committed to fostering a culture that values ethical behaviour, integrity and respect in order to ensure the sustainability of our business. Our approach to governance is based on the belief that high quality corporate governance supports long-term value creation.

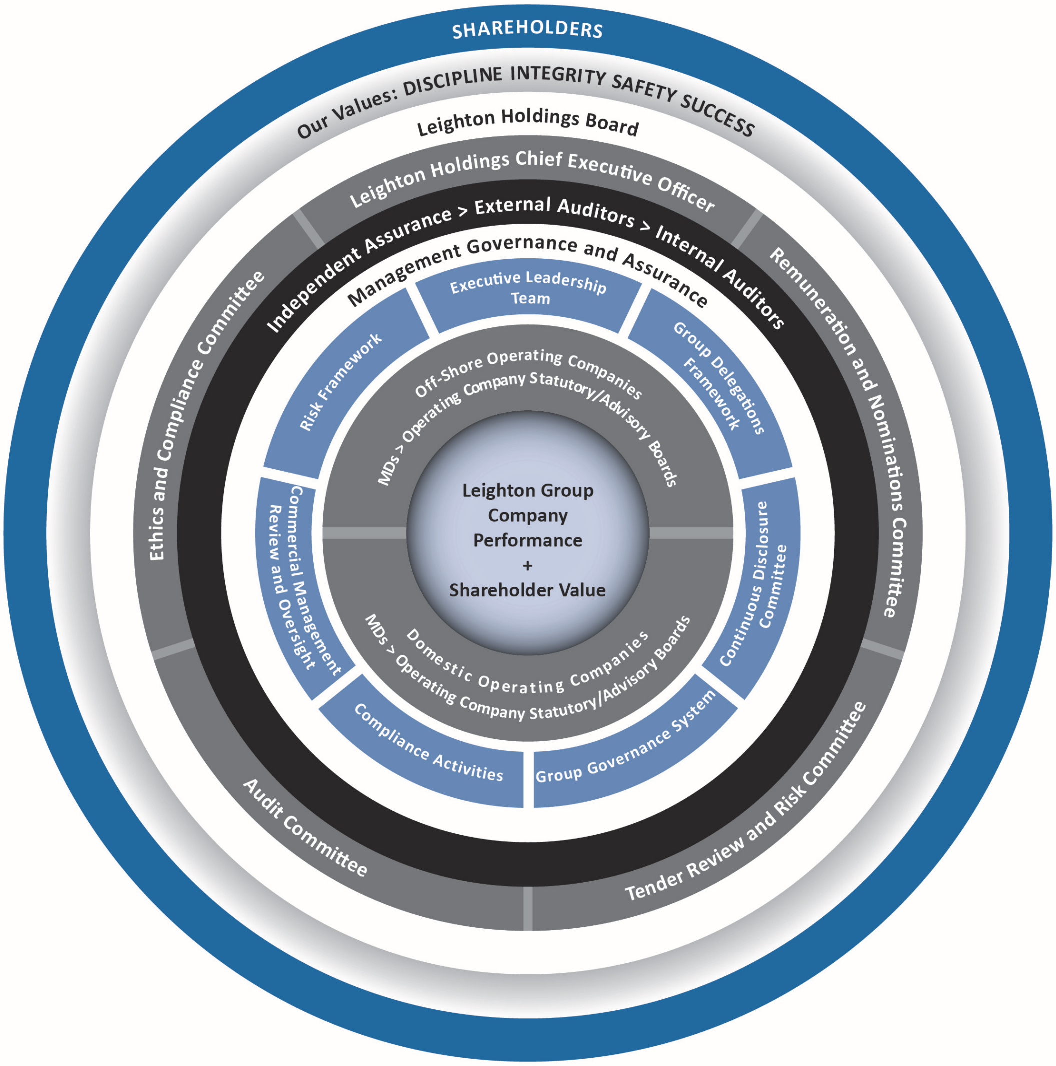
As a listed entity we comply with both the *Corporations Act 2001* (Cth) (Corporations Act) and the Australian Securities Exchange (ASX) Listing Rules.

This Statement addresses each of the eight ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles and Recommendations). A checklist summarising our compliance with the ASX Principles and Recommendations during the financial year ended 31 December 2013 (2013 Financial Year) is included at the end of this Statement. We believe that we have followed all of the ASX Principles and Recommendations for the 2013 Financial Year, other than Recommendation 2.1 (being the recommendation that a majority of the Board are independent Directors). The rationale for this exception is set out in the Independence section of this Statement on pages 13 to 15.

CORPORATE GOVERNANCE MODEL

ASX Principles and Recommendations 1.1, 5.1

Governance influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised. Our corporate governance model (illustrated below) defines how we deliver our business objectives whilst providing accountability and robust control systems commensurate with the risks involved.



The model is based on a system of delegated authority. In line with our vision, these delegations balance effective oversight with appropriate empowerment and accountability of management.

All authority to act is ultimately derived from our shareholders through the company's Constitution and our Board. Our corporate governance model ensures that a robust system of responsibility and accountability exists throughout Leighton and certain entities it controls (together with Leighton, the Group).

The Board delegates authority to our standing Board Committees for specific purposes (as mandated in the Charters of each Board Committee) and to the Chief Executive Officer (CEO) for the day-to-day management of the company.

The CEO further delegates authority within the business to our senior executives as judged appropriate to achieve the company's objectives. These delegations are outlined in our annual business plan, in senior executive position descriptions and letters of appointment, and through formal performance reviews conducted by the CEO.

Senior executive key responsibilities cover areas such as:

- operating under approved budgets;
- approving project tenders within the authority levels delegated to management;
- implementing strategies and making recommendations to the Board on significant strategic initiatives;
- establishing, maintaining and reporting on the Group's systems for risk management, internal control and ethical and legal compliance;
- managing and performing the business and operations;
- providing information to the Leighton Holdings Continuous Disclosure Committee (CDC) in a timely manner;
- making recommendations for the appointment of senior management, determining terms of appointment, evaluating performance, and putting in place adequate succession plans for senior management roles; and
- establishing and maintaining effective risk management frameworks.

The Board also regularly reviews the functions delegated to management to ensure that the division of responsibilities between the Board and management remains appropriate to the needs of the Group.

Our policies, codes and standards are designed to achieve high standards of corporate governance within the Group. Our Operating Companies are:

- Leighton Contractors (headquartered in Sydney, Australia);
- John Holland Group (headquartered in Melbourne, Australia);
- Thiess (headquartered in Brisbane, Australia);
- Leighton Properties (headquartered in Sydney, Australia); and
- Leighton Asia, India and Offshore (LAIO) (headquartered in Hong Kong).

A detailed description of the overarching objectives of the corporate governance bodies that play a role within the Group's corporate governance model is set out in the table overleaf.

CORPORATE GOVERNANCE STATEMENT continued

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 • Performs the roles and responsibilities of the Board as stipulated in the Board Charter
Leighton Holdings Board Committees	• Have specific responsibilities delegated to them by the Board • Perform the roles and exercises the authorities stipulated in the terms of the Board's delegation and the relevant Committees' Charters
Leighton Holdings CDC (Management Committee)	• Has specific responsibilities concerning the oversight of continuous disclosure of information concerning Leighton that a reasonable person would expect to have a material effect on the price or value of Leighton's securities and determining whether such information should be disclosed (unless the matter is reserved to the Board for its consideration)
Operating Company Advisory Boards	• Perform a purely advisory role by providing guidance to the Operating Company Managing Director and executives based 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 any applicable policies, codes, standards, rules and processes approved by the Leighton Holdings Board that are in effect in the Group or in any business within the Group • Are governed by the terms of the relevant Operating Company Constitution and Operating Company Statutory Board Charter • 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

Leighton Group Governance System

The Leighton Group Governance System establishes governance guidelines and minimum operating standards for our Operating Companies. The system covers the following 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

ASX Principles and Recommendations 1.1, 1.3

On 13 December 2013, the Board approved a formal Board Charter to detail the Board's role, authority, responsibilities, membership and operations, including the interaction between the Board and management.

► *Our Board Charter is available on our website at: www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach*

The following matters are specifically reserved for the Board and cannot be delegated to any other corporate governance body:

- appointment of the Chairman;
- approval of the appointment, removal, remuneration and evaluation of performance of the CEO or Deputy CEO;
- approval of the remuneration of Non-executive Directors, within the limits approved by shareholders;
- approval of the appointment of a new Director to fill a vacancy or as an additional Director;
- establishment of Board Committees, their remuneration, membership and delegated authorities;
- approval of the dividend policy and the amount, nature and timing of dividends to be paid;
- approval of the delegation of authority framework;
- review and approval of the Group's corporate strategy and direction, including new country approvals; and
- calling of meetings of shareholders.

The key responsibilities of the Board are set out in the table opposite.

FUNCTIONS	KEY RESPONSIBILITIES
Corporate Strategy	• Review and approve the Group's Business Plan • Oversee the financial and human resources that the Group has in place to meet the determined strategic and business objectives
Performance	• Select, appoint and evaluate the performance of any Executive Director including any Operating Company Managing Director • Oversee management's performance in optimising the Group's performance and achieving the strategic and business objectives in accordance with any duties and obligations prescribed by law and the Leighton Holdings Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed
Financial and Risk Management	• Approve the use of the capital of the company, including capital structures, capital returns and share buy-backs • Receive, consider and approve financial and other reports to shareholders • Review and monitor systems of risk management and internal control • Ensure the integrity of financial and other reporting
Compliance	• Set, review and monitor compliance with the Group's values and standards of conduct • Set, review and monitor systems to inform the market and shareholders of the company's performance and major developments affecting its state of affairs in accordance with the company's disclosure obligations
Diversity	• Promote diversity within all levels of the Group, including setting measurable objectives and annually assessing the Group's progress towards achieving them

Board meetings

The Board has ten scheduled meetings per year (including one Board planning session), with additional meetings held as required. In 2013, the Board met twelve times and special Board Committees met eight times. Attendance at standing Board Committees is detailed under the Board Committees section of this Statement on pages 17 to 18. Senior executives, Operating Company Managing Directors and other selected employees are invited to participate in Board meetings where appropriate.

The Board convenes an annual planning session to discuss and approve our overall strategic direction. Our Directors also attend 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 that can arise within our business and within the environments in which our people work.

In addition to their roles as Board Directors, some of our Non-executive Directors serve as members of the Advisory Boards of our Operating Companies.

Key achievements during the year

Key focus areas of the Board during the 2013 Financial Year included:

- approving policies to improve the Group's system of corporate governance, including the development and approval of a formal Board Charter;
- approving amendments to the Board Committee Charters and Market Disclosure and Communications Framework (as detailed in the Market Disclosure section of this Statement on page 26), all of which have Group-wide application; and
- approving the sale of 70.1% of Leighton's non-core telecommunications assets (consisting of the Nextgen Networks, Metronode and certain Infoplex assets) to Ontario Teachers' Pension Plan resulting in a pre-tax gain of $215 million ($115 million after tax) and cash proceeds of $614 million that have been used to strengthen the company's balance sheet.

CORPORATE GOVERNANCE STATEMENT continued

Independence

ASX Principles and Recommendations 2.1, 2.2, 2.3, 2.6, 4.2, 8.2

The Board assesses the independence of Non-executive Directors upon appointment and subsequently continuously reviews the independence of each Non-executive Director as required.

The Board has adopted a definition of independence that reflects the definition set out in the ASX Principles and Recommendations. Relationships that the Board will take into consideration when assessing independence include 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 close family ties with any person who may fall within any of the categories above; and
- 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.

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

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

The Board's assessment of the independence of each Director is set out in the table opposite.

Name	Independent/ Non-independent	First appointed	Last elected by shareholders
Non-executive Directors			
Robert D Humphris OAM[1] *Chairman*	Independent	6 September 2004	20 May 2013
Paula J Dwyer[2] *Deputy Chairman*	Independent	1 January 2012	22 May 2012
Russell A Higgins AO[3]	Independent	18 June 2013	See footnote 3
Michael J Hutchinson[4]	Independent	18 June 2013	See footnote 4
Vickki A McFadden[5]	Independent	18 June 2013	See footnote 5
David P Robinson	Non-independent*	17 December 1990	20 May 2013
Peter W Sassenfeld	Non-independent*	29 November 2011	22 May 2012
Pedro López Jiménez[6]	Non-independent*	13 March 2014	See footnote 6
José Luis del Valle Pérez[7]	Non-independent*	13 March 2014	See footnote 7
Executive Directors			
Marcelino Fernández Verdes[8] *Managing Director and CEO*	Non-independent*	10 October 2012	20 May 2013
Alternate Directors			
Robert L Seidler AM[9] *Alternate Director for Mr Marcelino Fernández Verdes*	Non-independent*	18 June 2013	N/A
Former Directors			
Stephen P Johns[10] *Former Chairman*	Independent	21 December 2009	4 November 2010
Ian J Macfarlane AC[11]	Independent	1 June 2007	4 November 2010
Wayne G Osborn[12]	Independent	6 November 2008	22 May 2012
Hamish G Tyrwhitt[13] *Former Managing Director and CEO*	Non-independent	24 August 2011	11 November 2011
Peter A Gregg[14] *Former Executive Director and Deputy CEO and Chief Financial Officer*	Non-independent	23 December 2010	11 November 2011

* Representing our majority shareholder, HOCHTIEF.

1 Mr Humphris OAM was elected Chairman of the company on 24 March 2013.

2 Ms Dwyer was elected Deputy Chairman of the company on 24 March 2013. Ms Dwyer will resign as a Director by no later than the conclusion of the company's Annual General Meeting on 19 May 2014.

3 Mr Higgins AO was appointed as an independent Non-executive Director on 18 June 2013. Mr Higgins AO will resign or retire as a Director by no later than the conclusion of the company's Annual General Meeting on 19 May 2014, and will not stand for election at the Annual General Meeting.

4 Mr Hutchinson was appointed as an independent Non-executive Director on 18 June 2013. Mr Hutchinson will seek election at the company's Annual General Meeting on 19 May 2014.

5 Ms McFadden was appointed as an independent Non-executive Director on 18 June 2013. Ms McFadden will resign or retire as a Director by no later than the conclusion of the company's Annual General Meeting on 19 May 2014, and will not stand for election at the Annual General Meeting.

6 Mr López Jiménez was appointed as a Non-executive Director on 13 March 2014. He was also appointed as the Alternate Director for Mr Sassenfeld on 18 June 2013. Mr López Jiménez will seek election at the company's Annual General Meeting on 19 May 2014.

7 Mr del Valle was appointed as a Non-executive Director on 13 March 2014. Mr del Valle will seek election at the company's Annual General Meeting on 19 May 2014.

8 Mr Fernández Verdes was appointed CEO on 13 March 2014.

9 Mr Seidler AM was appointed the Alternate Director for Mr Fernández Verdes on 18 June 2013. Mr Seidler AM was the Alternate Director for Mr Robinson from 20 November 2012 to 18 June 2013 and has acted as an Alternate Director for other Non-independent Directors since 28 November 2003. Mr Seidler AM has a standing invitation to attend all Board meetings when not acting in the capacity as Alternate Director to Mr Fernández Verdes.

10 Mr Johns resigned as Chairman of the company on 22 March 2013.

11 Mr Macfarlane AC resigned as an independent Non-executive Director of the company on 22 March 2013.

12 Mr Osborn resigned as an independent Non-executive Director of the company on 22 March 2013.

13 The employment of former CEO Mr Tyrwhitt was terminated and he resigned as Managing Director of the company on 13 March 2014.

14 The employment of former Deputy CEO and Chief Financial Officer Mr Gregg was terminated and he resigned an Executive Director on 13 March 2014.

CORPORATE GOVERNANCE STATEMENT continued

At the time of this Statement, 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. 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 in order to better enable them to exercise independent judgment.

On 10 March 2014, HOCHTIEF announced its intention to make a $22.15 cash per share proportional offer for Leighton (the "Offer") and its intention to increase its representation on the Leighton Board to reflect its majority interest in Leighton. On 13 March 2014, Leighton and HOCHTIEF entered into a Bid Implementation Agreement under which HOCHTIEF increased its offer to Leighton shareholders to $22.50 per share for three out of eight shares (the "Improved Offer").

The Improved Offer was the outcome of negotiations between HOCHTIEF and an Independent Board Committee. Given the voting rights held by HOCHTIEF, and its stated intentions, the independent Directors recognised that control of the Board and management would pass to HOCHTIEF at the Annual General Meeting (AGM). As part of the negotiations to secure the Improved Offer, Leighton agreed to HOCHTIEF'S request to make changes to its management and Board.

The Board acknowledges that HOCHTIEF's Board representation reflects its interest in the company's shares as a majority shareholder.

Although the composition of the Board does not strictly comply with Recommendation 2.1 of the ASX Principles and Recommendations, the Board believes that independent judgment is achieved and maintained in respect of its decision-making processes through an appropriate balance between Directors who have developed a deep insight and understanding of the company and its operations and who can therefore provide an increasing contribution to the Board as a whole, and the appointment of new Directors who bring fresh ideas and viewpoints.

Board skills and experience

ASX Principles and Recommendations 2.1, 2.6

The Board is balanced in its composition with our Directors bringing a range of complementary skills and experience to the Group. The composition of our Board has regard to the findings from our Board performance assessment process (detailed in the Performance review section of this Statement on page 16).

On 13 March 2014 the company announced the appointment of José Luis del Valle Pérez as a Director. His resume is set out below.

MR JOSÉ LUIS DEL VALLE PÉREZ (63)

Non-executive Director

LLB

Mr del Valle received a degree in law from the Universidad Complutense de Madrid in 1971 and has been a member of the Bar Association of Madrid since 1976.

Mr del Valle has previously held the following positions: Spanish State Attorney providing services to government departments in Spain including the Ministries for Finance, Health and Labour and Social Security; Director for the Legal Consultancy for the Unión de Centro Democrático; Member of Congress in the First Legislature; and deputy minister for Territorial Administration.

Mr del Valle has also been a Director of and/or legal adviser to, Spanish companies including Banesto (a subsidiary of Banco Santander), Continental Industrias del Caucho (a subsidiary of Continental AG), Fococafé and Continental Hispánica (a subsidiary of Continental Grain Inc). Member of the Supervisory Board of HOCHTIEF AG, since May 2011, and member of its Audit Committee.

In 1989 Mr del Valle was appointed as a Director of ACS Actividades de Construcción y Servicios SA (head of the ACS Group) and is currently a Director and General Secretary of the ACS Group and Secretary and/or Director of ACS Groups' main subsidiaries and affiliates.

Further details regarding the relevant skills, experience, tenure and expertise of each other Director are set out in the Directors' Report on pages 36 to 38.

Directors' tenure, rights and obligations

ASX Principles and Recommendations 2.6

The tenure provisions as well as a number of the key rights and obligations of the Directors are set out in the table below.

Term of office	Conflict of interest	Access to information and advice
The tenure of our Directors is governed by our Constitution 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) will only hold office until the next AGM or general meeting after their appointment. Directors required to retire at a meeting, or only hold office until a particular meeting, are eligible for re-election or election (as appropriate) at that meeting. 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.	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 to ensure they take no part in decision-making on the matter.	All Directors have access to company records and information, and receive regular detailed financial information and operational reports concerning our Operating Companies. 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) to enable them to better discharge their duties. The Chairman and Non-executive Directors regularly consult with the CEO, Deputy CEO and Chief Financial Officer and other senior executives, and may consult with, and request additional information from, any of our employees at any time.

Performance review

ASX Principles and Recommendations 2.5, 2.6

The Board is committed to formally evaluating its performance and the performance of its Committees, as well as the governance processes supporting the Board. Typically, the Board evaluates its performance annually through a self-assessment process where each Director completes a questionnaire enabling them to evaluate and comment upon the role and effectiveness of the Board and its Committees.

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

- the effectiveness of the Board 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;
    - the relationship between the Board and CEO; and
    - the Chairman's role and style.

Changes to the Board in June 2013 and more recently on 13 March 2014 have resulted in the postponement of the 2013 and 2014 Board performance assessments. A Board performance assessment will be scheduled once the Board is embedded so that a more meaningful review can take place.

Induction and training

ASX Principles and Recommendations 1.1

Upon appointment to the Board, Directors receive an induction pack, which includes information about the Group's business. The induction 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 appointment, new Directors are also introduced to the senior executives and receive briefings about the Group's business, values, practices and governance arrangements.

CORPORATE GOVERNANCE STATEMENT continued

The Directors are also provided with a variety of ongoing learning and training programs. These range from site visits to specific subject training. For example, in 2013 the Board engaged in a briefing session concerning the Code of Business Conduct and the Board is currently undergoing training on the Code of Business Conduct via the online training module.

THE CHAIRMAN

The role of the Chairman includes:

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

Details regarding the Chairman, including his experience and qualifications, are set out in the Directors' Report on page 36.

THE CEO

ASX Principles and Recommendations 1.1

The CEO is accountable to the Board for the management of the Group and has 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 by way of specific reports; and
- setting remuneration levels and bonus payments with the assistance of the Chief Human Resources and Corporate Services Officer (CHR&CSO) of all personnel, with the exception of those senior executives reporting directly to him.

Details regarding the CEO, including his experience and qualifications, are set out in the Directors' Report on page 37.

COMPANY SECRETARY

ASX Principles and Recommendations 1.1

Key accountabilities of the Group Company Secretary include:

- being the interface between the Board and senior executives with respect to corporate governance matters;
- assisting the Board and Board Committees in the conduct of meetings and Directors' duties, governance obligations and responsibilities, including providing advice to Directors regarding compliance with ASX Listing Rules, relevant legislation, regulations and corporate practices;
- assisting senior executives in implementing best practice corporate governance initiatives;
- monitoring compliance with the continuous disclosure requirements of the Corporations Act and the ASX Listing Rules; and
- overseeing key corporate actions including Annual Report, AGM and ASX reporting and announcements.

Details regarding the Group Company Secretary, including her experience and qualifications, are set out in the Directors' Report on page 38.

BOARD COMMITTEES

ASX Principles and Recommendations 2.4, 2.6, 4.1, 4.3, 4.4, 8.1, 8.4

We have four standing Board Committees:

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

Each Committee has a Charter detailing its role, duties and membership requirements. The Committee Charters are reviewed at least annually and updated as required.

> ► *Our Board Committee Charters are available on our website at: www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach*

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.

Each Board Committee meets as frequently as required but not less than four times a year.

A Director may attend any Committee meeting in an *ex officio* capacity unless they have a material personal interest in a matter being considered or information barrier-related restrictions are in place. Senior executives, other selected employees and external advisors are also invited to attend Committee meetings as required.

Each Board 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.

Attendance at Board and Board Committee meetings during the 2013 Financial Year is set out in the table opposite.

Director attendance at Board and Board Committee meetings during the 2013 Financial Year	Board		Special Board Committee One#		Special Board Committee Two~		Special Board Committee Three^		Audit Committee		Special Audit Committee°		Ethics and Compliance Committee		Remuneration and Nominations Committee		Tender Review and Risk Committee	
	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A
Robert D Humphris[1] OAM	12	12	-	-	6	4	1	1	2	2	-	-	6	5	7	7	8	7
Paula J Dwyer	12	12	1	1	6	6	-	-	9	9	1	1	-	-	10	10	4	4
Hamish G Tyrwhitt[2]	12	12	1	1	6	6	-	1[+]	-	9[+]	-	1[+]	6	6	-	9[+]	6	6
Peter A Gregg	12	12	1	1	-	-	-	1[+]	-	9[+]	-	1[+]	-	-	-	-	-	8[+]
Marcelino Fernández Verdes	12	12	1	1	-	-	-	-	-	-	-	-	0	0	10	8	0	0
Russell A Higgins AO[3]	6	6	-	-	-	-	-	-	5	5	1	1	4	4	-	-	0	0
Michael J Hutchinson	6	6	-	-	-	-	-	-	-	-	-	-	4	4	-	-	4	4
Vickki A McFadden	6	6	-	-	-	-	1	1	5	5	1	0	-	-	6	5	-	-
David P Robinson	12	11	1	1	6	6	1	1	9	9	1	1	-	-	-	-	-	-
Peter W Sassenfeld	12	11	-	-	-	-	-	-	5	5	1	1	-	-	-	-	0	0
Alternate Directors																		
Pedro López Jiménez	-	8*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	3
Robert L Seidler AM	-	12*	-	1*	6	6	1	1	-	-	-	-	6	6	10	10	8	7
Former Directors																		
Stephen P Johns	2	2	1	1	-	-	-	-	2	2	-	-	-	-	3	3	-	-
Ian J Macfarlane AC	2	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
Wayne G Osborn	2	2	-	-	-	-	-	-	-	-	-	-	1	1	3	3	2	2

H Reflects the number of meetings held during the period the Director/Alternate Director was a member of the Board and/or Committee.

A Reflects the number of meetings attended by the Director during the period the Director/Alternate Director was a member of the Board and/or Committee.

\# Held to approve the results for the financial year ended 31 December 2012.

~ Held to oversee the replenishment of the Board.

^ Held to consider strategic options.

° Held to consider fraud analytics.

* Reflects the number of meetings attended by the Alternate Director in their capacity as an Alternate Director or as a standing invitee of the Board and/or Committee.

\+ Reflects the number of meetings attended by the Director as a standing invitee of the Committee.

1 In addition to the information supplied in the table above, Mr Humphris OAM also attended a further five Audit Committee meetings as a standing invitee.

2 In addition to the information supplied in the table above, Mr Tyrwhitt also attended a further two Tender Review and Risk Committee meetings as a standing invitee.

3 In addition to the information supplied in the table above, Mr Higgins AO also attended four Tender Review and Risk Committee meetings as a standing invitee.

CORPORATE GOVERNANCE STATEMENT continued

AUDIT COMMITTEE

ASX Principles and Recommendations 4.1, 4.2

The Audit Committee assists the Board in fulfilling its corporate governance and oversight responsibilities in relation to the integrity of the Group's financial statements, the adequacy and effectiveness of the Group's financial control systems and the audit of those financial statements and financial control systems.

Financial knowledge

ASX Principles and Recommendations 4.4

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.

Details regarding the membership and role of the Audit Committee during the 2013 Financial Year are set out in the table below.

Audit Committee membership and role during the 2013 Financial Year		
Name/Position held	**Status**	**Role**
Paula J Dwyer (Chairman)[1] Independent Non-executive	Chairman for whole period	• Monitor and review the: ○ integrity of the Group's financial statements; ○ internal financial control systems; ○ objectivity and effectiveness of the internal auditors; ○ independence, objectivity and effectiveness of the external auditors; and ○ formal policy on the provision of non-audit services by the external auditors; and • review and challenge, where necessary, the actions and judgment of management in relation to full year and half year financial reports, interim management statements and any other announcements relating to the company's financial performance or to those reports prepared for release to the ASX.
Russell A Higgins AO[1] Independent Non-executive	Member from 18 June 2013	
Vickki A McFadden Independent Non-executive	Member from 18 June 2013	
David P Robinson[1] Non-executive	Member for whole period	
Peter W Sassenfeld[1] Non-executive	Member from 18 June 2013	
Robert D Humphris OAM Independent Non-executive	Member from 24 March 2013 to 18 June 2013	
Stephen P Johns Independent Non-executive	Member to 22 March 2013	

1 These Audit Committee Members also attended a Special Audit Committee meeting to consider fraud analytics held during the 2013 Financial Year.

Approach to financial reporting

The Audit Committee monitors Australian and international developments in accordance with the following key principles:

- that our financial reports reflect a true and fair view of the 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.

External auditor

ASX Principles and Recommendations 4.4

Our external auditor is Deloitte Touche Tohmatsu (Deloitte) and was appointed following our AGM on 22 May 2012.

Deloitte is invited to attend all Audit Committee meetings and all Audit Committee papers are available to them. Deloitte is also available to all Audit Committee members at any time. Deloitte attends our AGM to answer any questions from shareholders.

As our external auditor, Deloitte is required to confirm its independence and compliance with specified independence standards. Our Charter of External Auditor Independence, revised in March 2013, assists the Audit Committee, the Board and our shareholders to be satisfied that Deloitte is independent at all times. The Charter also 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.

► *Our Charter of External Auditor Independence is available on our website at: www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach*

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 in the Directors' Report on page 44.

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 and high-value areas and audit plans are presented annually to the Audit Committee for approval.

ETHICS AND COMPLIANCE COMMITTEE

ASX Principles and Recommendations 3.1

The Ethics and Compliance Committee assists the Board in fulfilling its corporate governance and oversight responsibilities by:

- monitoring and reviewing:
  - the ethical standards and practices generally within the Group and compliance with our codes of ethics and business conduct; and
  - compliance with applicable legal and regulatory requirements and internal policies, procedures and standards in the areas of work health and safety, the 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.

Details regarding the membership and role of the Ethics and Compliance Committee during the 2013 Financial Year are set out in the table below.

Ethics and Compliance Committee membership and role during the 2013 Financial Year

Name/Position held	Status	Role
Russell A Higgins AO (Chairman) Independent Non-executive	Member from 18 June 2013 *(Chairman from 5 September 2013)*	• Seek and review reports on: ○ any notifiable incidents and work health and safety performance including reports on all Class 1 incidents, which comprise fatalities and permanent disabling injuries; and ○ ethical standards and practices from Leighton and our Operating Companies and make recommendations to the Board as necessary; • gain an understanding of the operations of Leighton and our Operating Companies to monitor compliance with the minimum expectations as set out in our Code of Ethics and Code of Business Conduct, including in relation to tendering practices; • oversee investigations of business conduct concerns, including any reports made through the Leighton Ethics Line, and other breaches (or potential breaches) of the Code of Business Conduct; and • review reports on environmental performance and compliance, competition and consumer laws, compliance with information barrier-related restrictions from Leighton and our Operating Companies (excluding LAIO in respect of information barrier-related restrictions) and report to the Board as necessary.
Robert D Humphris OAM Independent Non-executive	Member for whole period (*Chairman from 24 March 2013 to 5 September 2013*)	
Hamish G Tyrwhitt Executive Director	Member for whole period	
Marcelino Fernández Verdes Non-executive	Member from 13 December 2013	
Michael J Hutchinson Independent Non-executive	Member from 18 June 2013	
Robert L Seidler AM[1] Non-executive Alternate Director	Member to 13 December 2013	
Wayne G Osborn Independent Non-executive	Member to 22 March 2013 *(Chairman to 22 March 2013)*	

1 Mr Seidler AM will continue to attend Committee meetings as a standing invitee and also in the capacity of Alternate Director to Mr Fernández Verdes in the event that Mr Fernández Verdes is unable to attend a Committee meeting.

Approach to ethics and compliance

ASX Principles and Recommendations 3.1

Our approach to ethics and compliance demands that 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 Business Conduct (incorporating our Code of Ethics) 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

ASX Principles and Recommendations 3.1, 3.5

Our commitment to ethical and responsible decision-making is encapsulated in our Code of Business Conduct, 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.

► *Our Code of Ethics and Code of Business Conduct are available on our website at: www.leighton.com.au/our-approach/board-and-governance/group-policies*

Code of Business Conduct

ASX Principles and Recommendations 3.1

In August 2012, the Board adopted the Code of Business Conduct alongside our existing Code of Ethics 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 (including consideration of bribery and corruption risk).

CORPORATE GOVERNANCE STATEMENT continued

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 all employees in the Group worldwide access to an independent and confidential reporting service to allow them to raise business concerns. Anyone who makes a report in good faith will not be disadvantaged as a result of using this service.

Promotion of ethical and responsible decision-making throughout the Group

ASX Principles and Recommendations 3.1

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 that shapes the Group's ethical policy direction and reporting.

The Code of Business Conduct is actively promoted throughout the Group and is 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 rolled out training to all employees on the Code of Business Conduct. Training has been tailored to the roles and responsibilities of individuals to ensure appropriate levels of understanding and awareness commensurate with risks. All new employees are to undertake the training and all employees are to have a refresher every two years. Non-compliance with the training requirements is addressed through the employee performance review process.

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 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.

The Code of Business Conduct will be reviewed in the first half of 2014 to ensure that it continues to meet the operational needs of the Group and to ensure it remains at the forefront of industry best practice.

Dealing in securities

ASX Principles and Recommendations 8.4

Leighton Holdings has a Securities Trading Policy that sets out the circumstances in which our Directors and employees are permitted to deal in the company's shares and restricts dealings by our Directors and employees in the company's shares during designated prohibited 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.

► *Our Securities Trading Policy is available on our website at: www.leighton.com.au/our-approach/board-and-governance/group-policies*

REMUNERATION AND NOMINATIONS COMMITTEE

ASX Principles and Recommendations 2.4, 2.6, 8.1, 8.2, 8.4

The Remuneration and Nominations Committee assists the Board in fulfilling its corporate governance duties and responsibilities concerning the appointment and remuneration of its Directors, executives and employees, and establishing remuneration policies and practices in each of these areas.

On 13 March 2014, Mr Fernández Verdes was appointed to the role of CEO of the company. In recognition of Recommendation 8.2 of the ASX Principles and Recommendations, Mr Fernández Verdes will resign as a member of the Remuneration and Nominations Committee on 15 April 2014, being the next scheduled Board meeting following his appointment. Following his resignation as a member of the Committee, Mr Fernández Verdes will have a standing invitation to attend all Committee meetings as is the current arrangement for the CHR&CSO and the Group General Manager, Performance and Reward, however, they will not be entitled to participate in any part of the meeting that 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 may engage the assistance of remuneration consultants from time to time, and further details are contained in the Remuneration Report on page 67.

Details regarding the membership and role of the Remuneration and Nominations Committee during the 2013 Financial Year are set out in the table below.

Remuneration and Nominations Committee membership and role during the 2013 Financial Year

Name/Position held	Status	Role
Robert D Humphris OAM (Chairman) Independent Non-executive	Chairman and member from 24 March 2013	• 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.
Paula J Dwyer Independent Non-executive	Member for whole period	
Marcelino Fernández Verdes Non-executive	Member for whole period	
Vickki A McFadden Independent Non-executive	Member from 18 June 2013	
Robert L Seidler AM[1] Non-executive Alternate Director	Member to 13 December 2013	
Stephen P Johns Independent Non-executive	Chairman to 22 March 2013	
Wayne G Osborn Independent Non-executive	Member to 22 March 2013	

1 Mr Seidler AM will continue to attend Committee meetings as a standing invitee and also in the capacity of Alternate Director to Mr Fernández Verdes in the event that Mr Fernández Verdes is unable to attend a Committee meeting.

Director selection, appointment and re-election

ASX Principles and Recommendations 2.5

The Remuneration and Nominations Committee reviews the composition of the Board having regard to the strategic direction of the Group so that there is an appropriate mix of abilities, experience and diversity of backgrounds to serve the interests of all shareholders.

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

Independent consultants are engaged, where appropriate, to identify possible new candidate(s) for the Board.

The Remuneration and Nominations Committee assesses candidate(s) 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) to the Board for consideration prior to the Board making an appointment.

In 2013, a special Board Committee was formed to assist the Remuneration and Nominations Committee in the selection process concerning the appointment of three new independent Directors to the Board.

Senior executives

ASX Principles and Recommendations 1.2

Each Leighton Holdings senior executive and Operating Company Managing Director has specified financial and other objectives, which are reflected in their remuneration outcomes. These objectives (which are described in more detail in the Remuneration Report commencing on page 63) 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.

CORPORATE GOVERNANCE STATEMENT continued

Comparison of remuneration structures

ASX Principles and Recommendations 8.3, 8.4

As disclosed in the Remuneration Report on pages 63 to 88, 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 the company's 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 2013 are set out in the Remuneration Report on page 83.

Further details regarding the remuneration of Non-executive Directors, Executive Directors and other senior executives are set out in the Remuneration Report on pages 63 to 88.

TENDER REVIEW AND RISK COMMITTEE

The Tender Review and Risk Committee assists the Board in fulfilling its corporate governance and oversight responsibilities in relation to the management of risk in the Group's business with specific focus on key projects.

In 2013, the Committee met eight times and reviewed eight tenders with a total combined project value of $20 billion.

Details regarding the membership and role of the Tender Review and Risk Committee during the 2013 Financial Year are set out in the table below.

Tender Review and Risk Committee membership and role during the 2013 Financial Year

Name/Position held	Status	Role
Robert D Humphris OAM (Chairman) Independent Non-executive	Chairman for whole period	• Monitor and review: ○ the Group's overall risk tolerance and strategy; ○ 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; and ○ the identification, management and reporting of risks inherent in its activities and operations; • approve proposals from management for the Group to tender for key projects; • approve tender submissions by the Group for key projects; • for tenders subject to the Information Barrier Policy, delegate to a Sub-Committee, the Leighton CEO or Leighton Deputy CEO the approval of such tender submissions as appropriate; • where the Committee determines that it is appropriate, refer approval of tenders for key projects to the Board; • monitor changes anticipated for the business environment, including consideration of emerging trends and other factors considered relevant to the Group's risk tolerance and strategy; and • meet with the Chairman of the Audit Committee to discuss and review any relevant risk-related matters that come to the attention of the Committee.
Paula J Dwyer Independent Non-executive	Member from 18 June 2013	
Hamish G Tyrwhitt Executive Director	Member from 9 April 2013	
Russell A Higgins AO Independent Non-executive	Member from 13 December 2013	
Marcelino Fernández Verdes Non-executive	Member from 13 December 2013	
Michael J Hutchinson Independent Non-executive	Member from 18 June 2013	
Peter W Sassenfeld Non-executive	Member from 13 December 2013	
Robert L Seidler AM[1] Non-executive Alternate Director	Member to 13 December 2013	
Pedro López Jiménez Non-executive Alternate Director	Member from 18 June 2013 to 13 December 2013	
Ian J Macfarlane AC Independent Non-executive	Member to 22 March 2013	
Wayne G Osborn Independent Non-executive	Member to 22 March 2013	

1 Mr Seidler AM will continue to attend Committee meetings as a standing invitee and also in the capacity of Alternate Director to Mr Fernández Verdes in the event that Mr Fernández Verdes is unable to attend a Committee meeting.

RISK FUNDAMENTALS

ASX Principles and Recommendations 7.1

Effective risk management is fundamental to our core objective of delivering superior and sustainable returns for shareholders. At Leighton, effective risk management means rigorous and timely identification, assessment, treatment and reporting of key risks (threats and opportunities) that have the potential to materially impact our operations, our people, our reputation, the environment and communities in which we work, and the financial outcomes of the Group.

Throughout 2013, the Group has systematically developed and implemented a number of key initiatives aimed at enhancing risk management:

Culture – A strong risk awareness and management culture exists across the Group, overseen by line management who are responsible for setting the tone at the top, ensuring transparency, facilitating training and development, and promoting quality and timely risk reporting.

Structure – An enhanced Group organisational structure is now in place that promotes clear governance through empowerment of individuals with delegated authority, clearly defined risk-taking levels of authority and risk escalation criteria, appropriate segregation of duties, and clear ownership and accountability for risks at all levels of our business.

Systems – Our risk management systems have been harmonised across the Group to ensure risk assessment and reporting is consistent, efficient and effective. We aim to continually improve our risk management processes to ensure they remain robust, reliable and effective by regularly measuring our maturity in risk management, both internally and by benchmarking ourselves against global best practice.

Risk management framework

ASX Principles and Recommendations 7.1, 7.2

The Leighton Group risk management framework is based on the relevant International Standard ISO 31000:2009 Risk management – Principles and guidelines, and forms the basis for Leighton's risk management activities. Our approach to risk is mandated at the highest level through the Leighton Group Risk Management Policy and is supported by associated policies and minimum requirements, which our Operating Companies are required to comply with.

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) to align them with the individual Operating Company's culture, operating framework and commercial context.

CORPORATE GOVERNANCE STATEMENT continued

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. This requirement cascades down to each Operating Company Managing Director, who has direct accountability for effective implementation of risk management with their company.

Our risk management framework is tailored to our business, embedded largely within existing processes and aligned to our objectives, both short and longer term. Key categories of risk where Leighton seeks to identify, aggregate, assess and manage risks to our objectives on a whole-of-business basis include:

Strategic Management – Risks of a strategic nature include those relating to the specific strategic plans and initiatives, the markets in which we operate, the clients for which we work, the products and services we offer, the supply chain we rely on, our brand and reputation as well as potential external events typically beyond our control.

Financial Management – Risks to our financial performance (ie, our objectives regarding balance sheet, profitability, liquidity, investments and securities including those associated with our project and investment performance), our credit rating, our gearing ratio, potential currency and interest rate movements, cash flow, asset valuation and liquidity and counterparty risk.

Operational Management – Risks of an operational nature that are broad in nature, but no less important given the breadth and depth of our business. Operational risks include those associated with the safety of our people and the residents and businesses we work alongside, the natural and man-made environment in which we work, the legal and regulatory requirements by which we must abide, the assets, systems and technology on which we rely, the internal compliance arrangements that support our success, and the stakeholders impacted by or involved in our work.

The Group recognises that managing risk is an inherent and necessary element of the Group's strategic, financial and operational activities. Whilst no risk management framework can absolutely guarantee risk-related issues will not arise, and that on occasion they may be significant, the Group risk management framework is intended to minimise the likelihood of significant downside risk whilst also enabling the capture and execution of opportunities as they arise.

Risk oversight

ASX Principles and Recommendations 7.2, 7.4

Management has primary responsibility for identifying, managing and reporting key risks faced by the Group to the Board. Management is also responsible for ensuring that risk management is implemented and effective within all Operating Companies, thereby providing the first line of defence in terms of risk oversight and assurance.

Beyond the role of line management, additional lines of defence exist in the form of Operating Company and Leighton tender and project delivery review teams, Internal Audit and Deloitte, serving to provide further risk oversight and assurance.

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

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

- quarterly whole-of-business risk reports to the Tender Review and Risk Committee and Audit Committee by the CRO that include details of current and target risk management maturity level and associated improvement initiatives;
- regular reports to the Audit Committee by the Leighton Holdings Delivery Assurance team concerning the program for, and results of, project financial assurance reviews conducted independently of the Operating Company;
- regular reports to the Audit Committee by the head of Internal Audit in relation to internal processes and internal control systems;
- quarterly reports 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 and carbon, competition and consumer law, and Code of Business Conduct;
- reports 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 circulation of minutes of these Committee meetings to the Board;
- attendance and reports by the Managing Directors of our Operating Companies at Board meetings as required; and
- presentations to the Board and its Committees throughout the year by the CRO, senior executives 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 that are either in place or can be adopted to manage or mitigate the risk.

The Board also maintains additional arrangements 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 of this Statement on page 26); 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 2013 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 Financial Report commencing on page 90.

CEO and CFO assurance

ASX Principles and Recommendations 7.3

The former CEO and former Deputy CEO & 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.

STAKEHOLDER COMMUNICATION

ASX Principles and Recommendations 6.1, 6.2

The Board and management of Leighton values and respects the perspectives of all of its stakeholders and strives for effective and open communication with all of them 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 on our website at: 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 Financial Report.

This year, we have introduced a new report for all shareholders titled the 2013 Annual Review. The 2013 Annual Review will supplement this Annual Report and will provide shareholders with key highlights and messages from the 2013 Financial Year.

We have also introduced a new online report for all shareholders titled the 2013 Sustainability Report. The 2013 Sustainability Report highlights the policies, standards and initiatives that go towards representing how we have been strengthening the foundations of the Group. It represents our cultural and business transformation during the past two years, presented across a range of sustainability categories and indicators.

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.

Market disclosure

ASX Principles and Recommendations 5.1, 5.2

We are committed to providing information to shareholders and to the market in a manner that is consistent with the meaning and intention of the ASX Listing Rules.

In order to comply with these obligations, the Board has adopted a Market Disclosure and Communications Framework, revised in June 2013. The key elements of the Market Disclosure and Communications Framework are:

- to assist with the identification of information that may be market sensitive and warrant the company making a market disclosure, by incorporating guidelines about the types of information that the Board or the Leighton Holdings CDC may consider market sensitive;
- to establish the CDC which is responsible for:
  - establishing procedures for the mandatory notification to the Committee of information that may be considered market sensitive;
  - reviewing information for the purpose of determining whether it should be disclosed;
  - where the CDC considers it appropriate, requesting that a Board meeting be convened to consider whether particular information should be disclosed; and
  - overseeing compliance with Leighton's continuous and periodic disclosure requirements;
- to appoint two Disclosure Officers, being the CEO and the CFO, whom are ultimately responsible for all communication with the ASX; and
- to enable the CDC to appoint Information Disclosure Officers within the Group (currently, there are designated Information Disclosure Officers in Leighton and in each of our Operating Companies).

> ► *Our Market Disclosure and Communications Framework is available on our website at: www.leighton.com.au/our-approach/board-and-governance/group-policies*

Participation at AGMs

ASX Principles and Recommendations 6.1

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

DIVERSITY

ASX Principles and Recommendations 3.2, 3.3, 3.5

Group policy

In 2012, the Board adopted a revised Group policy for workforce diversity, the Strength through Diversity Policy. 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 that reflect their operating conditions.

> ► *Our Strength through Diversity Policy is available on our website at: www.leighton.com.au/our-approach/board-and-governance/group-policies*

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 objectives are as follows:

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

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).

CORPORATE GOVERNANCE STATEMENT continued

In 2013, the Group Diversity Forum developed a three-year roadmap for driving aligned initiatives across the Group. The focus areas for this are:

- continuing to develop our use of metrics through a single reporting framework;
- continuing to build our leadership pipeline through developing female talent; and
- continuing to build the capability around the leadership of diverse and flexible teams.

Our Operating Companies have set individual gender targets in line with legislative requirements. In 2014, we seek to further improve the robustness of our metrics for monitoring progress towards achieving the Strength through Diversity Policy objectives.

Gender targets and progress

ASX Principles and Recommendations 3.3, 3.4

The Board has established the following measurable targets in relation to female participation across the Group:

- appointing at least two female Directors to the Board by 2016; and
- increasing the number of women in executive and senior management positions at Leighton to 40% by 2016.

Over the 2013 Financial Year, our progress towards achieving these targets was as follows:

- our Board composition included two female independent Non-executive Directors; and
- at Leighton, female participation at the executive and senior management level increased from 29% at 31 December 2012 to 30% at 31 December 2013.

In 2013, we also made progress towards ensuring an equitable remuneration process is in place. We conducted a pay equity review to establish a baseline and identify areas where action was required. In 2014, a more refined and extensive review will be conducted.

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

	No. of women Dec 2013	%	No. of women Dec 2012	%
LEIGHTON HOLDINGS				
Board	2	20	1	10
Employees				
Executives and management[1]	12	30	8	29
Other	64	51	55	48
Total employees	**76**	**46**	**63**	**47**
AUSTRALIAN OPERATIONS[2]				
Operating Company Statutory Boards	1	5	1	6
Operating Company Advisory Boards	4	29	3*	33*
Employees				
Executives and management[1]	33	15	25	13
Other	4,771	17	4,829	17
Total employees	**4,804**	**17**	**4,854**	**17**
INTERNATIONAL OPERATIONS[3]				
Operating Company Statutory Boards	0	0	0	0
Operating Company Advisory Boards	0	0	0	0
Employees				
Executives and management[1]	2	4	2	3
Other	2,023	7	1,917	7
Total employees	**2,025**	**7**	**1,919**	**7**

* Excludes Thiess Pty Ltd as the initial Advisory Board Members were not appointed until 12 February 2013.

1 Executives and management at Leighton Holdings comprise the Group executives, Executive General Managers, General Managers and their equivalents; and at the Operating Companies comprise the Executive Leadership Team (ELT) and direct reports to the ELT who are General Managers, Business Unit Managers, Functional Heads, Divisional Heads and their equivalents.

2 Australian operations include New Zealand.

3 International operations exclude Habtoor Leighton Group.

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 of this Statement: • *Corporate governance model* on page 9 • *Leighton Holdings Board of Directors – Roles and Responsibilities* on page 11 • *The CEO* on page 17 • *The Company Secretary* on page 17 • *Induction and training* on page 16	Y
1.2	Disclose the process for evaluating the performance of senior executives.	Refer to the *Senior executives* section of this Statement on page 22	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	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 of this Statement on page 22	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 Board Charter can be found on our website at: *www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach*	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 of this Statement: • *Independence* on page 13 • *Table assessing the independence of each Director* on page 14	N
2.2	The chair should be an independent director.	Refer to the following sections of this Statement: • *Independence* on page 13 • *Table assessing the independence of each Director* on page 14	Y
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Refer to the *Table assessing the independence of each Director* on page 14	Y
2.4	The board should establish a nomination committee.	Refer to the following sections of this Statement: • *Board Committees* on page 17 • *Table detailing Director attendance at Board and Board Committee meetings held during the 2013 Financial Year* on page 18 • *Remuneration and Nominations Committee* on page 22	Y
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	Refer to the following sections of this Statement: • *Performance review* section on page 16 • *Director selection, appointment and re-election* on page 22	Y

CORPORATE GOVERNANCE STATEMENT
continued

	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 the following sections: • *Board skills and experience* section of this Statement on page 15 • *Refer to Directors' resumes section of the Directors' Report* on pages 36 to 38	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 of this Statement on page 13	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 of this Statement: • *Independence* on page 13 • *Table assessing the independence of each Director* on page 14	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 *Table detailing tenure provisions* on page 16	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 skills and experience* section of this Statement on page 15	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 14	Y
	• the names of members of the nomination committee and their attendance at meetings of the committee;	Refer to the following sections of this Statement: • *Table detailing Director attendance at Board and Board Committee meetings held during the 2013 Financial Year* on page 18 • *Table detailing the Remuneration and Nominations Committee membership and role* on page 22	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 of this Statement on page 16	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 of this Statement on page 13	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 Statement and 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 Statement sets out the Board's principles in this regard and can be found on our website at: *www.leighton.com.au/investor-and-media-centre/publications*	Part comply

	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 of this Statement: • *Ethics and Compliance Committee* on page 20 • *Approach to ethics and compliance* on page 20 • *Ethical and responsible decision-making* on page 20 • *Code of Business Conduct* on page 20 • *Promotion of ethical and responsible decision-making throughout the Group* on page 21	Y
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy.	Refer to the *Diversity* section of this Statement on page 26	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 of this Statement: • *Diversity* on page 26 • *Gender targets and progress* on page 27	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 27	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.	N/A 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 of this Statement: • *Board Committees* on page 17 • *Audit Committee* on page 19 • *Table detailing the membership and the role of the Audit Committee during the 2013 Financial Year* on page 19	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 of this Statement: • *Table detailing the membership and the role of the Audit Committee during the 2013 Financial Year* on page 19 • *Table assessing the independence of each Director* on page 14	Y
4.3	The audit committee should have a formal charter.	Refer to the *Board Committees* section of this Statement on page 17	Y

CORPORATE GOVERNANCE STATEMENT
continued

	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;	Refer to pages 36 to 38 of this Annual Report regarding qualifications, and the following sections of this Statement: • *Table detailing Director attendance at Board and Board Committee meetings held during the 2013 Financial Year* on page 18 • *Table detailing the membership and the role of the Audit Committee during the 2013 Financial Year* on page 19	Y
	• the number of meetings of the audit committee;	Refer to the *Table detailing Director attendance at Board and Board Committee meetings held during the 2013 Financial Year* on page 18	Y
	• explanation of any departures from Recommendations 4.1, 4.2, 4.3 or 4.4.	N/A	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 of this Statement on page 19	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 of this Statement: • *Corporate governance model* on page 9 • *Market disclosure* on page 26	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	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

	ASX Principles and Recommendations	Reference	Compliance (Y/N)
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 of this Statement: • *Stakeholder communication* on page 26 • *Participation at AGMs* on page 26	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	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
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 of this Statement: • *Risk fundamentals* on page 24 • *Risk management framework* on page 24	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 following sections of this Statement: • *Risk management framework* on page 24 • *Risk oversight* on page 25	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 of this Statement on page 25	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	N/A
	• whether the board has received the report from management under Recommendation 7.2;	Refer to the *Risk oversight* section of this Statement on page 25	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 of this Statement on page 25	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*	

CORPORATE GOVERNANCE STATEMENT continued

	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 of this Statement: • *Board Committees* on page 17 • *Remuneration and Nominations Committee* on page 22	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 this Statement: • *Table detailing the membership and the role of the Remuneration and Nominations Committee during the 2013 Financial Year* on page 22 • *Table assessing the independence of each Director* on page 14	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 of this Statement on page 23	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; • 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: • the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee; • 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.	Refer to the following sections of this Statement: • *Table detailing the membership and the role of the Remuneration and Nominations Committee during the 2013 Financial Year* on page 22 • *Table detailing Director attendance at Board and Board Committee meetings held during the 2013 Financial Year* on page 18 Refer to the *Comparison of remuneration structures* section of this Statement on page 23 N/A 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* Our Securities Trading Policy can be found on our website at: *www.leighton.com.au/our-approach/board-and-governance/group-policies*	N/A Y Y

Directors' Report

Directors' Report

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The Directors of Leighton Holdings Limited (the company) present their report for the financial year ended 31 December 2013 (2013 Financial Year) in respect of the company and certain entities it controlled (together with the company, 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 20 February 2014.

DIRECTORS' RESUMES

The Directors during or at the end of the 2013 Financial Year are:

HAMISH GORDON TYRWHITT (50)

Managing Director and Chief Executive Officer (CEO)

BEng (Civil), FIE Aust, CPEng, MemIEHK, FTSE

An Executive Director and CEO since August 2011 and a Director of each of the Group's Operating Companies. Mr Tyrwhitt started his 28 year career with the Leighton Group at John Holland and subsequently worked for 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 (59)

Executive Director, Deputy Chief Executive Officer and Chief Financial Officer (DCEO&CFO)

BEc, FFTA, MAICD

An Executive Director since December 2010 (formerly an independent Non-executive Director from July 2006 to October 2009), Deputy Chief Executive Officer since April 2013, and a Director of each of the Group's Operating Companies. A Director of Leighton India Contractors Private Limited 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 a Director of Qantas Airways Limited and Chief Financial Officer (CFO) and Executive General Manager Strategy for the Qantas Group, he was appointed CFO of Leighton Holdings in October 2009. Mr Gregg is a Fellow of the Finance and Treasury Association, a Member of the Australian Institute of Company Directors and recently retired as a Commissioner of the Australian Rugby League Commission at the end of February 2014.

Mr Gregg is a former Director of the following other ASX listed entities: Skilled Group Limited and Skilled Rail Services Pty Ltd from March 2009 to February 2011.

ROBERT DOUGLAS HUMPHRIS OAM (71)

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 and a member of the Advisory Board of Leighton Asia, India and Offshore since November 2012. Mr Humphris OAM is an Honours graduate in Mining Engineering from 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 from February 2012 to November 2012, former Director of Leighton Asia from November 2011 to September 2012, and former Director of Leighton International from September 2007 to November 2011.

Mr Humphris OAM is a former Director of the following other ASX listed entity: Australian Infrastructure Fund Limited from August 2006 to May 2013.

PAULA JANE DWYER (53)

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 since December 2012. Ms Dwyer is a graduate of the University of Melbourne - Bachelor of Commerce. She is a Fellow of the Institute of Chartered Accountants in Australia, the Australian Institute of Company Directors and a Senior Fellow of 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 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 and a Member of the ASIC External Advisory Panel.

Ms Dwyer was formerly a Director of Suncorp Group Limited (from 2007 to 2012), Foster's Group Limited (2011), Healthscope Limited (2010) and Astro Japan Property Group Limited (2005 to 2011).

Ms Dwyer is a Director of the following other ASX listed entities: Chairman of Tabcorp Holdings Limited since 2011 (Director since 2005), and Director of Australia and New Zealand Banking Group Limited since 2012.

DIRECTORS' REPORT continued

DAVID PAUL ROBINSON (58)

Non-executive Director

MCom, BEc, FCA, CTA

A Non-executive Director since December 1990. A member of the Thiess Advisory Board since June 2013. 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 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 (47)

Non-executive Director

MBA

A Non-executive Director since November 2011. Mr Sassenfeld joined HOCHTIEF AG in November 2011 as the Chief Financial Officer (CFO) and prior to this role he was CFO of Ferrostaal AG. Mr Sassenfeld has also worked as CFO 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 (58)

Non-executive Director

A Non-executive Director since October 2012. Member of the Executive Board and Chief Executive Officer (CEO) of HOCHTIEF AG (HOCHTIEF) 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 Construcciónes, 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 ACS Servicios y Concesiones, S.L. (Chairman and CEO) in 2006.

RUSSELL ALLAN HIGGINS AO (64)

Non-executive Director

BEc, FAICD

An independent Non-executive Director since June 2013. Mr Higgins AO has extensive experience both locally and internationally in the resources and energy sectors and in economic and fiscal policy.

Mr Higgins AO is a Director of the St James Ethics Foundation (since 2010). He is a former Chairman of the Global Carbon Capture and Storage Institute, the Snowy Hydro-Electric Scheme, the CSIRO's Energy Transformed Flagship Advisory Committee and the Australian Government's Management Improvement Advisory Committee. He is a former Director of Ricegrowers Limited (trading as SunRice), Australian Biodiesel Group Limited, Export Finance and Insurance Corporation, CSIRO, Austrade, the Australian Industry and Development Corporation, the Australian Tourist Commission and the Australian Sports Commission as well as a member of the Prime Ministerial Task Group on Emissions Trading (2006–7) and a former member of Australian Government's Joint Economic Forecasting Group.

During his executive career he was Secretary and Chief Executive Officer of the Department of Industry, Science and Resources from 1997 to 2002 and Executive Chairman of the Australian Government's Energy Task Force from 2003 to 2004.

Mr Higgins AO is a Director of the following other ASX listed entities: APA Group (since 2004), Telstra Corporation Limited (since 2009) and Argo Investments Limited (since 2011).

MICHAEL JAMES HUTCHINSON (67)

Non-executive Director

BSc (Civ Eng Hons 1)

An independent Non-executive Director since June 2013. Mr Hutchinson is a Chartered Professional Engineer in the United Kingdom and Australia. He holds a first class honours degree in civil engineering from the University of Newcastle upon Tyne, United Kingdom and undertook postgraduate studies at Harvard Business School. He was formerly an international transport engineering consultant specialising in the assessment and planning of public sector infrastructure projects in Europe, Asia, Africa and Australia. He has extensive experience in the transport and communications sectors, including as a senior official with the Australian Government in the Transport, Communications, and Finance portfolios. From 1996 to 1999 he was Chief Executive of the Federal Government's Office of Asset Sales, supervising an accelerated $40 billion privatisation program. Mr Hutchinson is a former Director of Hastings Funds Management Ltd, Westpac Funds Management Ltd, Epic Energy Limited, Pacific Hydro Ltd, OTC Ltd, the Australian Postal Corporation, Australian Infrastructure Fund Ltd, and the Australian Graduate School of Management Ltd.

Mr Hutchinson is a Director of the following other ASX listed entity: Chairman of Infigen Energy Group (since 2010) and a Director (since 2009).

VICKKI ANNE MCFADDEN (54)
Non-executive Director
BComm, LLB
An independent Non-executive Director since June 2013. Ms McFadden has a background in law and finance, with experience in corporate finance transactions and the skilled labour market across most industry sectors. Previously, Ms McFadden was employed as a Director/Principal of Centaurus Corporate Finance and Managing Director, Investment Banking, at Merrill Lynch in Australia.

Ms McFadden is President (appointed 2013) of The Takeovers Panel and has been a member of the Panel since 2008. She is an experienced Company Director and is the Non-executive Chairman of Skilled Group and a Director (appointed 2011) of The Myer Family Company Holdings, The Myer Family Investments, Sidney Myer Custodian and The Myer Family Company. She is a member (appointed 2000) of the Advisory Board and Executive Committee of The Australian School of Business, the University of New South Wales.

Ms McFadden is a Director of the following other ASX listed entity: Chairman of Skilled Group (since 2010) and a Director since 2005.

ALTERNATE DIRECTORS' RESUMES

PEDRO LÓPEZ JIMÉNEZ (71)
Alternate Director
Mr López Jiménez received a degree in civil engineering in 1965 and an MBA by IESE Business School, Madrid, 1996.

During his career Mr López Jiménez has held the following positions: he was previously an Alternate Director for Mr Peter Sassenfeld since June 2013 on the Leighton Holdings Board, General Director of Ports (Ministry of Public Works); Secretary of State of Urban Affairs and Public Works; Board Member of INI (State Owned Companies Holding); Manager of the Thermal Plant Constructions in Hidroelectrica Española; Chief Executive Officer (CEO) of Empresarios Agrupados (Thermal and Nuclear Plants Engineering and Construction management); Chairman and CEO of ENDESA; Board Member of UNION ELECTRICA and ENHER; Chairman of UNION FENOSA; Vice-Chairman of INDRA S.A.; Board Member of CEPSA; Board Member of ENCE S.A and Board Member of KELLER Group, PLC. Additionally, he was Founder of CEOE (Confederation of Spanish Industries) and a member of its first Executive Committee; Founder and first Chairman of FEIE (Federation of Spanish Utility Companies) and Board Member of Club Español de Energia (Spanish Energy Association).

As at 31 December 2013, Mr López Jiménez was Chairman of TERRATEST Group, Board Member and Member of the Executive Committee of ACS, S.A., since 1989. Chairman-in-Office of ACS Servicios y Concesiones S.A., Vice-Chairman of ACS Servicios, Comunicaciones y Energía, Chairman-in-Office of DRAGADOS S.A. and Board Member of GHESA since 1971. Member of the Supervisory Board of HOCHTIEF AG since May 2011 and member of the Executive Committee, the Strategy Committee, the Nomination Committee and the Human Resources Committee.
Mr López Jiménez was also a Board Member of the Malaga Picasso Museum, Board Member of Álcala University, Board Member of the European Club Association and Vice-Chairman of Real Madrid Football Club. He was awarded the Grand Cross of Isabel La Católica.

ROBERT LESLIE SEIDLER AM (65)
Alternate Director
LLB
An Alternate Director for Mr Marcelino Fernández Verdes since June 2013. Previously an Alternate Director for Mr David Robinson from November 2012 to June 2013, 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 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 former member of the Australian Government's Corporations and Markets Advisory Committee, and the New South Wales Government's Multicultural Business Advisory Panel, and currently a member of the New South Wales Government's Export and Investment Advisory Panel. A Director of HOCHTIEF Australia Holdings Limited since November 2011. The former Chairman of Leighton Asia from November 2011 to September 2012 and a former Director of Leighton Properties from May 2010 to August 2012. A former Director of Leighton International from November 2009 to November 2011.

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

COMPANY SECRETARY'S RESUME

VANESSA ROBYN REES (44)
Group Company Secretary
Dip Law, FCIS
Ms Rees was appointed Group Company Secretary of Leighton Holdings in August 2013. She was appointed Company Secretary of the company 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 the Governance Institute of Australia (formerly the Chartered Secretaries Australia) and is on the Governance Institute of Australia's Legislative Review and New South Wales Professional Development Committees.

RETIRED DIRECTORS DURING OR SINCE THE 2013 FINANCIAL YEAR

STEPHEN PAUL JOHNS (66)
Chairman
An independent Non-executive Director from December 2009. Elected Chairman in August 2011. Resigned as Chairman and Director on 22 March 2013.

IAN JOHN MACFARLANE AC (67)
Non-executive Director
An independent Non-executive Director from June 2007. Resigned as a Director on 22 March 2013.

WAYNE GEOFFREY OSBORN (62)
Non-executive Director
An independent Non-executive Director from November 2008. Resigned as a Director on 22 March 2013.

DIRECTORS' REPORT continued

BOARD MEETINGS

The number of Board and Committee meetings held, and the number of meetings attended by each Director, during the 2013 Financial Year are set out in the table below.

Director attendance at Board and Board Committee meetings during the 2013 Financial Year

	Board		Special Board Committee One#		Special Board Committee Two~		Special Board Committee Three^		Audit Committee		Special Audit Committee°		Ethics and Compliance Committee		Remuneration and Nominations Committee		Tender Review and Risk Committee	
	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A
Robert D Humphris[1] OAM	12	12	-	-	6	4	1	1	2	2	-	-	6	5	7	7	8	7
Paula J Dwyer	12	12	1	1	6	6	-	-	9	9	1	1	-	-	10	10	4	4
Hamish G Tyrwhitt[2]	12	12	1	1	6	6	-	1[+]	-	9[+]	-	1[+]	6	6	-	9[+]	6	6
Peter A Gregg	12	12	1	1	-	-	-	1[+]	-	9[+]		1[+]	-	-	-	-	-	8[+]
Marcelino Fernández Verdes	12	12	1	1	-	-	-	-	-	-	-	-	0	0	10	8	0	0
Russell A Higgins AO[3]	6	6	-	-	-	-	-	-	5	5	1	1	4	4	-	-	0	0
Michael J Hutchinson	6	6	-	-	-	-	-	-	-	-	-	-	4	4	-	-	4	4
Vickki A McFadden	6	5	-	-	-	-	1	1	5	5	1	0	-	-	6	5	-	-
David P Robinson	12	11	1	1	6	6	1	1	9	9	1	1	-	-	-	-	-	-
Peter W Sassenfeld	12	11	-	-	-	-	-	-	5	5	1	1	-	-	-	-	0	0
Alternate Directors																		
Pedro López Jiménez	-	8*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	3
Robert L Seidler AM	-	12*	-	1*	6	6	1	1	-	-	-	-	6	6	10	10	8	7
Former Directors																		
Stephen P Johns	2	2	1	1	-	-	-	-	2	2	-	-	-	-	3	3	-	-
Ian J Macfarlane AC	2	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
Wayne G Osborn	2	2	-	-	-	-	-	-	-	-	-	-	1	1	3	3	2	2

H Reflects the number of meetings held during the period the Director/Alternate Director was a member of the Board and/or Committee.
A Reflects the number of meetings attended by the Director during the period the Director/Alternate Director was a member of the Board and/or Committee.
\# Held to approve the results for the financial year ended 31 December 2012.
~ Held to oversee the replenishment of the Board.
^ Held to consider strategic options.
° Held to consider fraud analytics.
* Reflects the number of meetings attended by the Alternate Director in their capacity as an Alternate Director or as a standing invitee of the Board and/or Committee.
\+ Reflects the number of meetings attended by the Director as a standing invitee of the Committee.
1 In addition to the information supplied in the table above, Mr Humphris OAM also attended a further five Audit Committee meetings as a standing invitee.
2 In addition to the information supplied in the table above, Mr Tyrwhitt also attended a further two Tender Review and Risk Committee meetings as a standing invitee.
3 In addition to the information supplied in the table above, Mr Higgins AO also attended four Tender Review and Risk Committee meetings as a standing invitee.

DIRECTORS AND DIRECTORS' INTERESTS

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

Name	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
Robert D Humphris OAM	30,000	-	30,000	-	-
Paula J Dwyer	5,000	-	5,000	-	-
Hamish G Tyrwhitt	1,110	1,000	2,110	80,000[1]	244,095[2]
Peter A Gregg	3,652	-	3,652	-	215,825[3]
Marcelino Fernández Verdes[4]	2,745	-	2,745	-	-
Russell A Higgins AO	6,090	-	6,090	-	-
Michael J Hutchinson	5,000	-	5,000	-	-
Vickki A McFadden	-	-	-	-	-
David P Robinson	1,489	-	1,489	-	-
Peter W Sassenfeld[5]	1,858	-	1,858	-	-

1 Further details about the options held by Mr Tyrwhitt are set out in the Remuneration Report on page 86.
2 Further details about the share rights held by Mr Tyrwhitt are set out in the Remuneration Report on page 87.
3 Further details about the share rights held by Mr Gregg are set out in the Remuneration Report on pages 86 to 87.
4 Robert L Seidler AM is the Alternate Director for Mr Fernández Verdes and holds 100 ordinary shares, nil options and nil share rights.
5 Pedro López Jiménez is the Alternate Director for Mr Sassenfeld and holds 1,192 ordinary shares, nil options and nil share rights.

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 63 to 88.

CEO/CFO DECLARATION

The Chief Executive Officer (CEO) and Chief Financial Officer (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 Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations.

PRINCIPAL ACTIVITIES

During the 2013 Financial Year there were no significant changes to the nature of the Group's principal activities, which were, and continue to be, civil infrastructure, building construction, contract mining, operations and maintenance and property development in Australia and across selected geographies in Asia, the Middle East and Africa.

DIVIDENDS

A final dividend of 60 cents per share, 50% franked, was announced on 20 February 2014, and will be paid on 4 April 2014. An interim dividend of 45 cents per share, 50% franked, was paid in October 2013, resulting in a total dividend of 105 cents per share for the year.

EVENTS AFTER THE END OF THE 2013 FINANCIAL YEAR

The Directors are not aware of any specific developments not outlined in this Annual Report that have arisen since the end of the 2013 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 42: Events subsequent to reporting date to the Financial Report on page 200 outlines events that have occurred since the end of the 2013 Financial Year, and states that subsequent to the reporting date the Group:

- declared a 50% franked final dividend of 60 cents per share; and
- on 7 February 2014, $110.0 million was paid to Welspun Infra Projects Private Limited in relation to the deferred consideration on the acquisition of the remaining 39.9% interest in Leighton Welspun Contractors Private Limited (LWIN).

LIKELY DEVELOPMENTS

Likely developments in the operations of the Group in future financial years, and their anticipated results, are referred to in the Operating and Financial Review on pages 45 to 62.

This 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.

DIRECTORS' REPORT continued

ENVIRONMENTAL REGULATION

Under s299(1)(f) of the Corporations Act, an entity is required to provide a summary of its environmental performance in terms of compliance with Australian environmental regulations.

We understand that meeting and maintaining environmental regulatory compliance is the minimum requirement for doing business. We are committed to delivering our projects, services and all our business activities in a manner that both respects the environment and contributes to the sustainability of our business.

Our approach to environmental management is aligned to international standards ISO 14001 in which our Operating Companies maintain certification, and we set our internal requirements above regulatory compliance.

Our commitment to respecting the environment starts at the Board- and CEO-level. The CEO sets the Group's Environmental Policy and oversees the Group's environmental performance. The Board, through the Ethics and Compliance Committee, oversees both the Group's environmental policy and performance.

Our Operating Companies report their environmental performance quarterly, which is reviewed by the CEO and Board. The Group's annual environmental performance, which includes environmental regulatory compliance, is disclosed within the Sustainability section of our website.

For the 2013 Financial Year, there were no material regulatory compliance breaches and the second lowest total number reported since the 12 months to 30 June 2008. This is a remarkable achievement and demonstrates our strong commitment to respecting the environment that we share with the communities where we operate.

Please refer to our website and the 2013 Sustainability Report for further information regarding environmental governance and performance.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

A review of the Group's operations and financial results for the 2013 Financial Year is contained in the Operating and Financial Review on pages 45 to 62.

SIGNIFICANT CHANGES

Significant changes in the state of affairs of the Group during the 2013 Financial Year were as follows:

- the sale of the Group's telecommunications assets resulting in a pre-tax gain of $215 million ($115 million after tax);
- the acquisition of the remaining 39.9% interest in LWIN for $110 million resulting in a loss on acquisition of $78.3 million ($78.3 million after tax);
- the acquisition of the remaining 50% interest in Silcar from Siemens;
- the payment of $200 million on the deferred equity commitment in BrisConnections held by Thiess and John Holland;
- impairments of the Group's property development and property joint venture interests of Leighton Properties and Devine of $81.2 million ($67.5 million after tax);
- an impairment of property, plant and equipment in John Holland's Aviation Services business of $10 million ($7 million after tax);
- an impairment of $15 million ($15 million after tax) on the equity accounted investment in associate Macmahon;
- an impairment in the Group's investment in Cross City Tunnel of $18.5 million ($18.5 million after tax);
- the active marketing of selected mining assets and associated liabilities in Indonesia held for sale that is expected to complete within one year, with the assets and associated liabilities now classified as held for sale at 31 December 2013;
- the entry into a syndicated cash advance facility in June 2013 of $1 billion for a term of three years; and
- the declaration of a final dividend of 60 cents per share, 50% franked, for the 2013 Financial Year on 20 February 2014, which is payable on 4 April 2014.

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

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 and 2009 (2009 Options). Each option entitles the holder to one fully-paid ordinary share upon exercise (subject to the 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.

	2009 Options
Number of executives participating	323[1]
Date of grant	4 May 2009
Exercise price	$18.87[2]
Expiry date	4 May 2014
	Number of options
Original grant	4,833,500
On issue 13 Feb 2013[3]	3,953,500
Exercised since 13 Feb 2013	(71,000)
Vested since 13 Feb 2013	-
Lapsed since 13 Feb 2013	(57,500)
On issue 20 Feb 2014	**3,825,000**

1 Original number of participants options were awarded to.

2 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 2009 Options granted under the LSEOP is as follows:

Grant Date	Original Exercise Price	Adjusted Exercise Price due to 1:9 Entitlement Offer 11 Apr 2011
4 May 2009	$19.49	$18.87

3 Date of the Directors' Report contained in the 2012 Concise Annual Report.

Details of the exercise conditions of options under the LSEOP are contained in the Remuneration Report on page 85.

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 2013 Financial Year over unissued shares in the company.

INTERESTS ARISING FROM EMPLOYEE INCENTIVE SCHEMES

The following table outlines the interests in the company arising from employee incentive schemes (other than the LSEOP). There are no other classes of rights at the date of this Directors' Report. Holders of these rights 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*
Long-Term Incentive plan (LTI)[1] – 2011 Award	Performance rights	28,850	1
Equity Incentive Plan (EIP)	Performance rights	1,274,762	99
	Deferred share rights[2]	677,692	67

* As at 20 February 2014.

1 LTI awards were made in 2011 to the Executive Directors at that time (being Peter Gregg and David Stewart) under the terms of their Executive Service Agreements.

2 Deferred share rights have been used for one-off share rights granted to selected employees, in addition to the deferred component of the 2012 Short-Term Incentive award. See note 37: Employee benefits to the Financial Report on pages 164 to 171 for further details.

AUDIT

The declaration by the Group's external auditor, Deloitte Touche Tohmatsu (Deloitte), 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 in the Lead Auditor's independence declaration under section 307C of the Corporations Act section of this Directors' Report on page 44.

No person who was an officer of the company during the 2013 Financial Year was a director or partner of the Group's external auditor at a time the Group's external auditor conducted its audit.

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 as defined in our Constitution.

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 Group Company Secretary of the company are set out in the Directors' Report on pages 36 to 38 and our Group executives are set out in this Annual Report on page 7.

DIRECTORS' REPORT continued

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 the company and the Directors as to indemnities, insurance and access to Board records. Under each Directors' Deed, the company indemnifies the Director to the extent permitted by law against any liability (including liability for legal defence costs) incurred by the Director as an Officer 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

The company has entered into Deeds of Indemnity with particular Officers or former Officers of the company and Operating Companies. 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 2013 Financial Year.

INSURANCE FOR GROUP OFFICERS

During and since the end of the 2013 Financial Year, the company has paid or agreed to pay premiums in respect of contracts insuring persons who are or have been a Group Officer against certain liabilities (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, the company has undertaken to the relevant Officer or former Officer that it 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 the company prohibit disclosure of the specific nature of the liabilities covered by the insurance contracts and the amount of the premiums.

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 in the table 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 2013 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 Deloitte, as set out below, did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

- all non-audit services were reviewed by the Audit Committee and the Committee believes that they do not impact the impartiality and objectivity of Deloitte because of the nature of the services provided during the 2013 Financial Year and the quantum of the fees which relate to non-audit advisory services compared with the overall fees;
- the Directors believe that none of the services undermine the general principles relating to auditor independence, including reviewing or auditing Deloitte'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 Deloitte and the amount paid or payable by type of non-audit service during the 2013 Financial Year are as follows:

Non-audit services	Amount paid/payable $'000
Other assurance services	143
Taxation and other services	45
Total	**188**

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 2013, 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, 20 February 2014

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 Financial Report to the nearest hundred thousand dollars, unless otherwise indicated.

Operating and Financial Review

Operating and Financial Review

FINANCIAL HIGHLIGHTS

PROFIT OR LOSS ITEMS ($M)	12 months to 31 Dec 2013	12 months to 31 Dec 2012[1]	Movement
Revenue - Group	22,565	20,830	8%
- Joint ventures and associates	1,846	2,297	(20)%
Total revenue	24,411	23,127	6%
Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA)	1,924	1,838	5%
Depreciation of property, plant and equipment	(905)	(1,034)	(12)%
Amortisation of intangibles	(28)	(24)	17%
Earnings Before Interest and Taxes (EBIT)	991	780	27%
Finance costs	(255)	(214)	19%
Profit/(loss) before tax	736	566	30%
Income tax	(267)	(124)	115%
Profit/(loss) for the year	469	442	6%
(Profit)/loss attributable to non-controlling interests	40	8	400%
Net Profit After Tax (NPAT) (attributable to members)	509	450	13%
Of which - Underlying Net Profit After Tax (UNPAT)[2]	584	448	30%
- Net gain/(loss) on non-underlying items	(75)	2	-
Net margin (UNPAT to total revenue)	2.4%	1.9%	-
Interest cover (EBITDA to finance costs)	7.6	8.6	(12)%
EARNINGS PER SHARE AND DIVIDEND PER SHARE (CENTS)	**12 months to 31 Dec 2013**	**12 months to 31 Dec 2012**	**Movement**
Earnings per ordinary share (basic)	150.9	133.5	13%
Dividends per ordinary share	105	80	31%
UNPAT dividend payout ratio	61%	60%	-
CASH FLOW ITEMS ($M)	**12 months to 31 Dec 2013**	**12 months to 31 Dec 2012[1]**	**Movement**
Net cash from operating activities	803	1,176	(32)%
Net capital expenditure	815	1,123	(27)%
BALANCE SHEET ITEMS ($M)	**As at 31 Dec 2013**	**As at 31 Dec 2012[1]**	**Movement**
Total shareholders' equity	3,246	2,917	11%
Total liabilities	8,830	8,800	-
Total assets	12,076	11,717	3%
Cash and cash equivalents	1,721	2,008	(14)%
Total borrowings (interest bearing liabilities)	2,125	2,761	(23)%
Net debt	404	753	(46)%
Operating leases	934	610	53%
Gearing[3]	29.2%	31.9%	-
Gearing pre-operating leases	11.1%	20.5%	-
Undrawn loan facilities (excluding Devine)	1,231	987	25%
Available committed bonding capacity	768	913	(16)%
WORK IN HAND ($M)[4]	**As at 31 Dec 2013**	**As at 31 Dec 2012**	**Movement**
Value of work in hand	42,171	43,486	(3)%
New contracts, extensions, variations and FX	23,096	22,053	5%

1 Restated to include the impact upon adoption of AASB 11 Joint Arrangements, as set out in note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements to the Financial Report on pages 195 to 198.

2 UNPAT is NPAT adjusted for non-underlying items including gains/losses on sale/acquisition of assets, impairments and restructuring costs. Please refer to the Non-underlying items section of this Operating and Financial Review on page 48 for reconciliation.

3 Gearing is expressed as the ratio of net debt and operating leases to net debt, operating leases and shareholder equity.

4 Including the Group's share of joint ventures and associates.

DIRECTORS' REPORT continued
Operating and Financial Review continued

For the financial year ended 31 December 2013 (2013 Financial Year), the Leighton Group recorded statutory Net Profit After Tax (NPAT) of $509 million and Underlying Net Profit After Tax (UNPAT)[1] of $584 million.

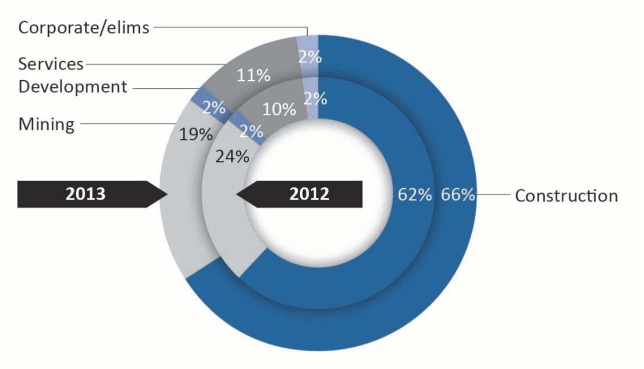
This result represented an increase of 13% and 30% respectively in the NPAT and UNPAT performance for the year ended 31 December 2012 (2012 Financial Year).

Highlights in the 2013 Financial Year were:
- total revenue of $24 billion, an increase of 6%;
- resilience through diversification with revenue growth in construction exceeding the decline in contract mining;
- UNPAT margin expanding from 1.9% to 2.4%;
- a reduction in net debt of $0.35 billion or 46%;
- gearing at 29.2% and 11.1% pre-operating leases;
- net capital expenditure of $0.8 billion, a reduction of 27%;
- work in hand of $42 billion, with $23 billion of new contracts, extensions, variations and FX;
- progressive de-risking of our portfolio of projects with new projects on-boarded under the enhanced risk management regime; and
- progressive implementation of initiatives under the 'stabilise, rebase and grow' and the Five Fundamental Things (5FT) strategic imperatives including:
  - the establishment of FleetCo and $500 million of fleet transfers and re-financings; and
  - $215 million in procurement and overhead cost savings.

PROFIT AND LOSS
REVENUE
Total revenue of $24.4 billion was recorded in the 2013 Financial Year. Group revenue was $22.6 billion, an increase of 8% on the 2012 Financial Year. Revenue from joint ventures and associates was $1.8 billion, a decline of 20% on the 2012 Financial Year, resulting from movements in project joint ventures, including the Silcar joint venture revenue transferring to Group revenue on acquisition of a 100% interest in July 2013.

Revenue was earned from more than 400 active projects across the Group, with revenue of $19.8 billion from domestic activities and $4.6 billion from international activities.

Revenue may be analysed as follows:



1 UNPAT is NPAT adjusted for non-underlying items including gains/losses on sale/acquisition of assets, impairments and restructuring costs. Please refer to the Non-underlying items section of this Operating and Financial Review on page 48 for reconciliation.

Total revenue in construction was $16 billion, an increase of $1.8 billion or 13% in the 2013 Financial Year, with the growth coming primarily from liquefied natural gas (LNG) projects in Australia.

In contract mining, Group revenue decreased by $0.9 billion reflecting the challenging environment for contract miners in the 2013 Financial Year. In response to this challenge, the Group is improving its value proposition by working with clients to optimise productivity, workforce rosters and overall mine planning; and by leveraging the benefits of the Group's size and scale to generate savings from Strategic Procurement and Group Asset Management.

The major projects for the Leighton Group by annual revenue included:
- LNG-related contracts in Western Australia on the Gorgon, Wheatstone and Ichthys projects, and the Australia Pacific LNG (APLNG) and Queensland Curtis LNG (QCLNG) projects in Queensland;
- contract mining at the Solomon iron ore mine, Lake Vermont coal mine and Prominent Hill copper and gold mine in Australia and Wahana in Indonesia;
- substantial rail and road activities in Australia and Hong Kong, including the Glenfield to Leppington Rail Line in south-west Sydney; and
- the Wynn Cotai resort development in Macau.

EXPENDITURE
Recurring operational expenditure (consisting of materials, sub-contractors, plant and personnel costs) was $19.1 billion. Overall this expenditure increased by 9% during the year, broadly in line with Group revenue and including the impact of a ramp-up on significant projects such as Gorgon, Wheatstone, APLNG and Wynn Cotai.

A total of $215 million has been taken out of the Group's cost base in the 2013 Financial Year, in line with the $200 million target advised at the 2013 half year results, from a combination of:
- $63 million in Strategic Procurement; and
- $152 million in overheads and other savings achieved by the Operating Companies.

For more information, refer to the Strategic Imperatives section of this Operating and Financial Review on pages 50 to 52.

Depreciation of property, plant and equipment for the 2013 Financial Year was $905 million. This represented a 12% decrease in the depreciation charge on the 2012 Financial Year, and primarily reflects the decrease in contract mining revenue during the year. Mining plant and equipment is depreciated based on cumulative hours worked.

Finance costs rose due to the full year impact of the US$500 million S144A[2] costs, additional finance lease interest expense, and the impact of the decline in the value of the Australian dollar on US-denominated debt. The average interest rate for the 2013 Financial Year was 5.5%.

Repayments of short-term debt facilities and the refinancing of $0.5 billion of finance leases into operating leases under the FleetCo initiative occurred in the latter part of the 2013 Financial Year and the full year benefit will be seen in the financial year ended 31 December 2014 (2014 Financial Year).

2 10-Year Fixed-Rate Guaranteed Senior Notes.

NON-UNDERLYING ITEMS

The Group's profit and loss account was impacted by a number of non-underlying items. These items included a $215 million pre-tax profit ($115 million after tax) on the sale of 70.1% of the Group's non-core telecommunications assets in June 2013.

The profit and loss account was also impacted by a $78 million loss on the acquisition of the remaining 39.9% interest in the Leighton Welspun (LWIN) joint venture in December 2013. This loss primarily resulted from the reclassification of the foreign currency translation reserves from equity to profit and loss, following the decline in the Indian rupee against the Australian dollar over the period of the joint venture. The transaction completed in February 2014.

The profit and loss account was also negatively impacted by certain non-underlying impairment charges relating to:

- property impairments to the inventories of Leighton Properties and Devine of $4 million and $77 million respectively;
- impairments of $19 million and $15 million respectively against the value of investments in the Cross City Tunnel and Macmahon; and
- impairments of $10 million against the property, plant and equipment in John Holland Aviation Services.

The Group also recorded $59 million of pre-tax restructuring costs associated with its Business Transformation Program. For more information, refer to the Strategic Imperatives section of this Operating and Financial Review on pages 50 to 52.

The reconciliation of NPAT to UNPAT is as follows:

$M	Profit before tax	Tax	Profit after tax	Minorities	NPAT
Reported	**736**	**(267)**	**469**	**40**	**509**
Gains/losses on sale/acquisition					
Telco	(215)	100	(115)	-	(115)
LWIN	78	-	78	-	78
Impairments					
Property impairments	81	(14)	67	(32)	35
Cross City Tunnel	19	-	19	-	19
Macmahon	15	-	15	-	15
John Holland Aviation Services	10	(3)	7	-	7
Restructuring costs					
Business transformation	59	(23)	36	-	36
Underlying	**783**	**(207)**	**576**	**8**	**584**

TAX

The Group reported a total tax expense for the 2013 Financial Year of $267 million. This equated to a 36% effective tax rate compared with a 22% rate for the 2012 Financial Year. It included a 47% effective tax rate on the sale of the Group's telecommunications assets driven by the low tax cost base attributable to these assets. In addition, no tax benefit was recognised on the aforementioned LWIN, Cross City Tunnel and Macmahon impairments.

The tax expense on underlying profit was $207 million, with an effective tax rate of 26%. The rate for the 2012 Financial Year was 19%. The effective rate was the result of blended tax rates from the various jurisdictions in which the Group operates, including a lower profit contribution from overseas operations in the 2013 Financial Year, and a reduction in the benefit of claims under the Research and Development concession.

UNPAT MARGIN

Under the 'stabilise, rebase and grow' strategy, a target UNPAT margin of 3–4% was set and the Group is working towards delivery of this target.

To-date, the Group's UNPAT margin has expanded from 1.9% at 31 December 2012 to 2.2% at 30 June 2013 and to 2.4% at 31 December 2013.

This margin was delivered on a changing mix of the portfolio. Notwithstanding the increased revenue from construction replacing more capital-intensive and notionally higher margin contract mining revenue, the Group was also able to grow the UNPAT margin.

DIVIDEND

The Board has determined to pay out 61% of UNPAT for the 2013 Financial Year. This results in a total dividend of 105 cents per share for the full year.

A 45 cents per share interim dividend, franked at 50%, was paid in October 2013. A 60 cents per share final dividend, franked at 50%, has been approved by the Board and will be paid on 4 April 2014.

BALANCE SHEET

Strengthening the Group's balance sheet is a critical objective of the 'stabilise, rebase and grow' strategy. Progress during the year has been delivered from treasury management, capital recycling and disciplined management of capital expenditure. The timely conversion of current receivables into cash continues to be a key focus for the 2014 Financial Year.

LEVERAGE

Cash

Cash and cash equivalents at 31 December 2013 were $1.7 billion, down $0.3 billion. This level of cash is the result of initiatives to improve the Group's liquidity position in the 2013 Financial Year and the receipt of $614 million in cash from the sale of the telecommunications assets, net of debt repayments during the second half of the year.

Debt

Total borrowings, including limited recourse loans and finance lease liabilities, was $2.1 billion at 31 December 2013, compared with $2.8 billion at 31 December 2012.

During the year, the Group repaid $0.4 billion from its 2008 US Private Placement maturing notes and from various finance leases. It also repaid $0.4 billion of maturing short-term facilities, improving the debt maturity profile. It is anticipated that only $0.1 billion of $0.6 billion maturing in the 2014 Financial Year will need to be refinanced.

The Group refinanced a $0.6 billion Syndicated Cash Advance Facility and increased the facility to $1 billion. In total, the Group currently has $1.2 billion of working capital facilities which were undrawn at 31 December 2013.

DIRECTORS' REPORT continued
Operating and Financial Review continued

Additionally, the Group has ample headroom on its banking covenants.

Bonding
The Group has significant bonding and guarantee facilities available that are integral to the successful delivery of current and future work in hand. Bonds and guarantees in use at 31 December 2013 were $4.4 billion. An additional $1.1 billion was undrawn, of which $0.8 billion was committed and $0.3 billion was uncommitted.

During the 2013 Financial Year the Group improved the diversification of its bonding book, increasing the level of insurance bonds in use from $0.7 billion to $1.3 billion and thereby reducing its reliance on the banking sector.

Ratings
During the year, Standard & Poor's affirmed its 'BBB-/A-3' rating with a 'Stable' outlook. Moody's Investors Service affirmed its 'Baa2 issuer' rating with a 'Stable' outlook.

Gearing
Gearing, including operating leases, was 29.2% at 31 December 2013, compared with 31.9% at 31 December 2012.

Gearing pre-operating leases was 11.1% in the 2013 Financial Year down from 20.5% in the 2012 Financial Year.

The improvement was driven by solid operating cash inflows during the second half of the 2013 Financial Year, and a number of balance sheet initiatives, in particular capital recycling.

The sustainability of lower gearing levels remains a key imperative in the 2014 Financial Year, in particular through management of working capital.

WORKING CAPITAL
Receivables
Current trade and other receivables, which include contract debtors and underclaims, were $5.1 billion at 31 December 2013 compared with $3.8 billion at 31 December 2012, with growth due to the progression of various projects, increased turnover and the impact of foreign exchange movements on US dollar-denominated receivables.

An elevated receivables balance has become a feature of the balance sheet due to an increasing proportion of private sector projects in the portfolio in the 2012 Financial Year and the 2013 Financial Year, in particular domestic LNG projects. On these projects, the Group has experienced:

- lengthy payment cycles;
- extensive scope growth; and
- complex and time-consuming valuation and negotiation processes to agree variations to existing contracts.

In addition, underclaims in coal contract mining have arisen from recovery of mine set-up costs and, more recently, challenging market conditions.

The timely conversion of current receivables into cash continues to be a key focus for the 2014 Financial Year and detailed plans are in place. However, the elevated levels of receivables will remain a feature of the balance sheet until the current domestic LNG projects are completed and final agreements negotiated. These projects, which total in excess of $13 billion, were around 70% complete as at 31 December 2013.

Additionally, the Group has two oil pipeline projects in Iraq. Phase one is 99% complete and the Sealine Project is approximately 80% complete. Progress on delivery of these projects and on negotiations to collect outstanding receivables continues but has been hampered by the damage caused by the adverse media campaign conducted by the Fairfax Group in 2013. Again, receivables are likely to remain outstanding until the projects are completed and final agreements negotiated.

Payables
Current trade and other payables were $5.5 billion at 31 December 2013, an increase of $0.5 billion compared with 31 December 2012, reflecting the increase in recurring operational expenditure on materials and sub-contractors.

NON-CURRENT ASSETS
Property, plant and equipment
At 31 December 2013, the total value of the Group's property, plant and equipment was $1.75 billion. Of this amount, $1.25 billion was owned property, plant and equipment and $0.5 billion was under finance leases. An additional $0.9 billion is currently financed by the Group under operating leases.

Under the FleetCo initiative, $0.5 billion of our Australian-based fleet has been removed from the balance sheet with the associated finance leases refinanced into operating leases in FleetCo. For more information, refer to the Strategic Imperatives section of this Operating and Financial Review on pages 50 to 52.

Property, plant and equipment purchases for the year totalled $0.96 billion, while receipts from sales totalled $0.15 billion. The net spend on capital equipment reduced by 27% compared with the 2012 Financial Year as a result of strong capital management and intra-Group redeployment of equipment under the Group Asset Management initiative. Refer to the Strategic Imperatives section of this Operating and Financial Review on pages 50 to 52.

Depreciation of property, plant and equipment was $905 million. As previously noted, the decrease in the depreciation charge compared with the 2012 Financial Year primarily reflects the decrease in contract mining activity in the year.

Intangibles
Intangibles totalled $0.6 billion at 31 December 2013 compared with $0.3 billion in the 2012 Financial Year. The increase is primarily the result of the recognition of $0.2 billion of goodwill on the acquisition of the remaining 39.9% interest in the LWIN joint venture.

INVESTMENTS
Habtoor Leighton Group
The Group's total exposure to Habtoor Leighton Group (HLG) as at 31 December 2013 was $1.4 billion and comprised:

- $345 million carrying value of the investment;
- $632 million in loan receivables and accrued interest, within non-current receivables; and
- $384 million in off-balance sheet letters of credit and guarantees.

No impairment was recorded during the 2013 Financial Year against the carrying value of the investment.

There was a $0.3 billion increase in the total exposure over the year was due to the decline in the value of the Australian dollar ($0.2 billion) and the addition of further off-balance sheet guarantees ($0.1 billion).

HLG's performance stabilised during the year as follows:

- it recorded a profit of $1 million compared with an underlying loss of $47 million in the 2012 Financial Year;
- it succeeded in the recovery of aged receivables and the return of bonds on a series of smaller legacy projects, enabling it to manage its cash position without further funding from the Group and to fund the previously announced call of bonds;
- it refinanced its loan book negotiating an increased facility of AED1.3 billion with a consortium of banks; and
- it commenced retirement of an external facility with the initial repayment in December 2013 and the next repayment scheduled for March 2014. This facility needs to be retired prior to any repayment of shareholder loans to the Group.

As previously mentioned, the decision of a Qatar-based client to call bonds on certain legacy projects at the end of June 2013 prevented HLG from making repayments on Leighton's outstanding shareholder loans. The situation remained unresolved 31 December 2013. However, HLG continues to believe its legal position on the matter is strong and is working to a resolution.

The business is continuing to diversify its client and geographic base through its contract wins in the year. For more information, refer to the Operational review by market section of this Operating and Financial Review on pages 52 to 56.

'2016 IPO-ready' remains the key strategic aim for HLG, contingent upon the further recovery of outstanding receivables, pay-down of the shareholder loans from Leighton, and the ongoing award of new work. Notwithstanding ongoing near-term challenges, the Group continues to view its investment in HLG as offering long-term growth opportunities in the Middle East and North Africa.

Nextgen Group

During the first half of 2013, the Group sold 70.1% of its non-core telecommunications assets (consisting of Nextgen Networks, Metronode and certain Infoplex assets) to Ontario Teachers' Pension Plan. As previously mentioned, the sale resulted in a net profit of $215 million pre-tax ($115 million after tax). The cash proceeds of $614 million have been used to strengthen the Group's balance sheet.

The Group now owns 29.9% of the Nextgen Group, providing access to any upside value under the new ownership structure. Leighton equity accounts for its joint venture interest in the Nextgen Group.

Other investments

As at 31 December 2013, investments in listed entities by the Group were:

- Sedgman: Leighton owns 35.6% of the listed resources engineering company, an increase of 2.9% in the 2013 Financial Year;
- Macmahon: Leighton owns 19.6% of the listed mining contracting company; and
- Devine: Leighton owns 50.6% of the listed property development company.

As at 31 December 2013, Devine is consolidated while the holdings in Sedgman and Macmahon are equity-accounted.

CASH FLOW

Operating activities

Net operating cash during the year totalled $0.8 billion. While down on the 2012 Financial Year operating cash of $1.2 billion, the second half of 2013 operating cash inflow of $0.8 billion represented an improvement over the first half of 2013 cash outflow of $0.01 billion.

Investing activities

Net capital expenditure outflow during the 2013 Financial Year totalled $0.8 billion and comprised:

- $0.96 billion in plant and equipment and in major component parts for repairs and maintenance; net of
- $0.15 billion in proceeds from sale of property, plant and equipment.

Other investing activities totalled a net inflow of $0.3 billion and comprised:

- $0.6 billion in pre-tax receipts from the telecommunications assets sale; less
- $0.2 billion cash outflow for the early payment of the deferred equity commitment to Brisconnections; and
- $0.1 billion cash outflow for other investing activities.

Financing activities

Net cash outflow from financing activities in the 2013 Financial Year totalled $0.7 billion and comprised:

- $0.6 billion outflow from the repayment of existing borrowings;
- $0.3 billion inflow from the proceeds of new borrowings;
- $0.3 billion outflow from the payment of the 2012 Financial Year final dividend and 2013 half year interim dividend; and
- $0.1 billion net outflow from other financings.

STRATEGIC IMPERATIVES

STABILISE, REBASE AND GROW

The Leighton Group announced its 'stabilise, rebase and grow' strategy in 2012.

Strategic Management Company

Leighton Holdings has been transformed into a Strategic Management Company. It develops strategy, provides governance and minimum compliance standards, and determines capital allocation across the Group.

Operating Companies

Successful delivery of more than 400 active projects remains the responsibility of the Operating Companies who tender and deliver projects, either individually, combined or competitively, where they have the capabilities and resources to do so.

Collaboration on major projects, both within the Leighton Group and accessing the skills of the wider Group, was evidenced during the year in the successful tender by Thiess, John Holland, and Dragados for the tunnelling package of the $1.15 billion North West Rail project in Sydney and in the consortium formed for bidding on the East West Link cross-city road in Melbourne, consisting of Leighton Contractors, John Holland, Dragados, and Iridium.

The strategic focus is to enhance the Operating Companies' capacity to deliver as well as to remove inefficiencies across the Group.

Capital recycling

The Group has undertaken a capital recycling program during the past three years, divesting of selected capital intensive businesses.

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HWE Mining was sold in 2011, Thiess Waste Management was sold in 2012 and the Group's non-core telecommunications assets were sold in 2013. A total pre-tax cash consideration of $1.2 billion was generated by this program.

Portfolio alignment
The Group is progressively aligning its portfolio in order to focus each Operating Company on its core competencies.

In the 2013 Financial Year, John Holland's mining and telecommunications activities were transferred to Leighton Contractors.

The construction portfolio of Macmahon was acquired in the 2013 Financial Year and has been successfully amalgamated into John Holland's construction portfolio.

Late in 2013, the Group acquired the remaining 39.9% interest in the LWIN joint venture and, in the 2014 Financial Year, will review and implement integration synergies, cost savings and develop business opportunities from its 100% ownership.

Balance sheet
Rebuilding the Group's balance sheet is an integral part of the 'stabilise, rebase and grow' strategy.

As previously mentioned, capital recycling program has helped to strengthen and de-leverage the balance sheet.

More rigorous management and strategic allocation has delivered a progressive decline in capital expenditure over the past three years.

Net capital expenditure has dropped from $1.4 billion in the six-month financial period ended 31 December 2011 to $1.1 billion in the 2012 Financial Year and $0.8 billion in the 2013 Financial Year.

FIVE FUNDAMENTAL THINGS (5FT)
The Group announced the 5FT initiative in the first half of the 2013 Financial Year, as part of the 'stabilise, rebase and grow' strategy. The 5FT are:
1. Working capital improvement;
2. Strategic Procurement;
3. Global Business Services (GBS; formerly Group Shared Services);
4. Group Asset Management (including FleetCo); and
5. Management Structures.

By focusing the efforts of the Group, the 5FT initiative aims to accelerate margin expansion towards a target UNPAT margin of between 3–4% by leveraging the Group's scale for greater efficiency and effectiveness.

As previously mentioned, a total of $215 million has been removed from the Group's cost base in the 2013 Financial Year from a combination of:
- $63 million in Strategic Procurement; and
- $152 million in overheads and other savings achieved by the Operating Companies.

The Group will target an additional $260 million plus of savings in the 2014 Financial Year across the 5FT.

Working capital improvement
Please refer to the Balance Sheet section of this Operating and Financial Review on pages 48 to 50.

Strategic Procurement
Strategic Procurement was established to maximise the benefits of the Group's size and scale.

At the AGM in May 2013, annualised savings of $45 million were announced from the finalisation of purchasing agreements in heavy equipment, fuel, explosives, travel and information and communication technology during 2012 and early 2013.

Further agreements have been reached in 2013 for vehicle purchase and hire, plant hire, tools of trade, insurance, and major mining equipment parts including tyres. A total of $63 million in Group purchasing savings have been realised in the 2013 Financial Year.

Global Business Services
The aim of the Group's GBS initiative is to deliver back-office support functions more efficiently and effectively. We are progressing plans to develop a Group-wide operating model, to understand how and where functions can be better delivered, including those that should remain at regional- and site-specific locations, and those that could be centralised. As part of this initiative, we are establishing a Leighton-owned and operated GBS centre in Kuala Lumpur, Malaysia for the delivery of some of our support activities.

Group Asset Management (including FleetCo)
The Group continues to progress the centralisation of its mining fleet into a single Group Asset Management vehicle.

FleetCo was established in the third quarter of 2013. In the fourth quarter of 2013, the first fleet transfers and financings were negotiated. $500 million of Australian-based fleet was removed from the balance sheet and the associated finance leases were refinanced into operating leases with FleetCo. The economic benefit includes improved financing costs and terms, as well as a reduction in the capital intensity of the Group's balance sheet. A further $500 million of fleet transfers are targeted for the 2014 Financial Year.

With the creation of FleetCo, a platform has been established to further improve capital management of the Group's portfolio of equipment, with the initial focus on the Group's significant mining fleet.

Additionally, the Group is pursuing savings from lower maintenance costs, improved asset utilisation and better spare parts management. For example, during the 2013 Financial Year, $31 million of idle fleet was transferred from Leighton Contractors to Thiess. In addition, property services are now included in the scope of Group Asset Management.

The Group is reviewing an initiative to remove FleetCo from the balance sheet to enable it to be an independently-owned, asset-backed business. Structured appropriately, this initiative could free up significant capital.

Management Structures
A detailed review is being undertaken of the organisational structures within Leighton Holdings and the Operating Companies to ensure the appropriate number of layers and spans of control are in place.

We have commenced significant organisational restructuring across our businesses, which has resulted in pre-tax restructuring costs of $59 million being incurred in the 2013 Financial Year. Further costs will be incurred in the 2014 Financial Year.

The Group's overarching aim is to develop the most efficient and effective operating structure with which it can service its markets in Australia, Asia and elsewhere.

Successful delivery of the 5FT business improvement initiative will help to position the Group for growth from a more sustainable cost base.

Review and development of further initiatives is ongoing as the Group progressively and continually refines its strategic imperatives.

OPERATIONAL REVIEW BY MARKET

WORK IN HAND

Work in hand during the year remained above $40 billion and was $42.2 billion at 31 December 2013. The net increase in new contracts, extensions, variations and FX was $23.1 billion, exceeding the 2012 Financial Year net increase of $22.1 billion against the backdrop of the challenging contract mining environment.

The movement from the 2012 Financial Year is as follows:

WORK IN HAND ($BN)		
Closing work in hand (31 December 2012)		43.5
Less revenue delivered in 2013		(24.4)
Contract awards	14.8	
Telecommunications assets sale	(0.7)	
LWIN acquisition	0.3	
FX benefit	2.2	
Scope increases and variations	6.5	
Plus		23.1
Closing work in hand (31 December 2013)		**42.2**

Margin in hand

The Group's blended margin in hand reduced from around 10% in the 2012 Financial Year to around 9.5% in the 2013 Financial Year. This was driven, in part, by challenging macroeconomic conditions and by the current mix of the portfolio, with a reduction in work in hand from contract mining of $4 billion, partially replaced by an increase in construction of $2 billion and in property development of $1 billion.

Win rate

The Group continues its focus on improving its tendering discipline and on increasing its win rate to reduce tender costs. The overall win rate improved from 19% to 27% in the 2013 Financial Year (based on total bids tendered but excluding those pending decision).

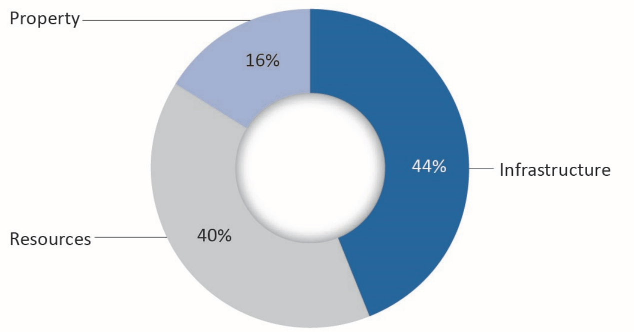
Pipeline

The total pipeline of tenders bid in the 2013 Financial Year was around $76 billion. The current pipeline for those tenders closing in the 2014 Financial Year stands at around this figure.

Diversification

Diversification is fundamental to the Group's business model as it acts to moderate the effects of cyclical downturns in certain markets, providing a level of resilience to revenue.

The following breakdown of work in hand by markets at 31 December 2013 demonstrates the diversification of the Group's portfolio:



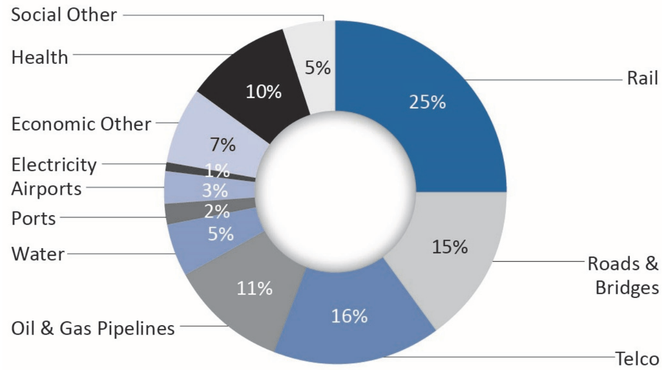
OCEANIA INFRASTRUCTURE

The near-term economic outlook for Australia, and the Oceania region more broadly, remains robust. Construction work reached record levels in the 2012 Financial Year and 2013 Financial Year, following more than a decade of consistent growth.

The total infrastructure market remains well above the long-term average although the country is experiencing falls in resource-related infrastructure in the short-term.

The Australian infrastructure market is expected to grow again in the second half of the decade on the back of investment in urban transport.

As at 31 December 2013, the Group's work in hand in the Australian and Oceania infrastructure market was $15.5 billion and was diversified across a range of sectors, with transport dominating.



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Transport
Major rail projects awarded to the Group during the 2013 Financial Year included:
- Package one of the $1.15 billion North West Rail Link project in Sydney to a joint venture between Thiess (50%), John Holland (25%) and Dragados (25%);
- a $0.65 billion contract to Thiess to construct the 12.6km Moreton Bay Rail Link in Brisbane; and
- a $0.27 billion contract to an alliance including Leighton Contractors (Leighton Contractors' share is $0.12 billion) to deliver 6km of new track and associated infrastructure in Sydney.

Roads also remain a significant market and during the 2013 Financial Year Leighton Contractors was awarded:
- a $0.9 billion alliance (Leighton Contractors' share is approximately $0.6 billion) to deliver the Gateway WA Perth Airport and Freight Access Project;
- in joint venture, a seven-year road asset management contract servicing southern Sydney valued at approximately $0.7 billion (Leighton Contractors' share is approximately $0.3 billion); and
- a NZ$0.22 billion alliance project to deliver the Auckland Causeway Upgrade.

An upturn in civil- and Government-driven transport activity is expected during the second half of the decade, as the Government addresses the reported $300 billion of Australian infrastructure backlog.

Procurement or delivery has already commenced on a number of major metropolitan transport projects including:
- the North West Rail, WestConnex and F3-to-M2 projects in Sydney;
- the East West Link (Stage 1) in Melbourne; and
- the Toowoomba Second Range Crossing.

Telecommunications
In Australia, telecommunications expenditure has increased with the roll-out of the National Broadband Network (NBN) project and with investment from Telstra, Optus and Vodafone Hutchison in the 4G mobile network infrastructure. The peak in construction work is expected in two to three years' time.

During the 2013 Financial Year, telecommunications infrastructure provided opportunities for Leighton Contractors and Silcar, with more than $1.2 billion of construction and remediation work being awarded by Telstra, Optus, NBN Co, Chorus and iiNet.

Power and utilities
New utilities infrastructure awards in the 2013 Financial Year included Thiess's provision of water operations and facilities maintenance in Sydney and delivery of an upgrade to Perth's electricity network, both worth over $0.1 billion.

After a decade of growth, power and utilities construction is expected to moderate. Water and wastewater construction has already declined following the completion of the Victorian Desalination Plant in the 2012 Financial Year.

Social infrastructure
Social infrastructure activity has returned to the long-term average after strong short-term investment coming out of the Global Financial Crisis period.

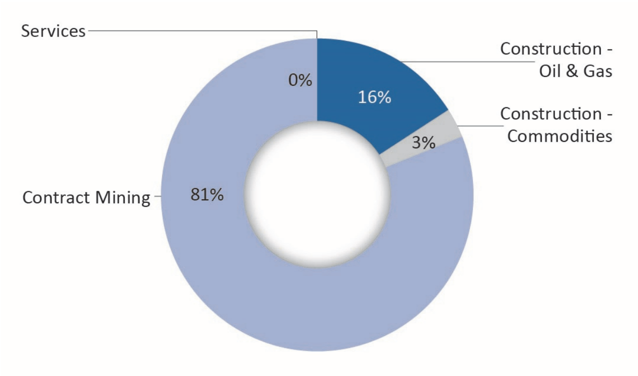
During the 2013 Financial Year, John Holland was awarded the $0.37 billion joint venture redevelopment of the Royal Hobart Hospital in Tasmania, and a $0.18 billion contract to build the Business School at the University of Sydney in New South Wales. Leighton Contractors was awarded further work to promote remote housing for indigenous people in the Northern Territory.

OCEANIA RESOURCES
Over the last few years, Australia has played a significant role in the global mining investment boom. The current decline being experienced in new investment in the resources sector is a natural result of this large capacity expansion.

Importantly, as a consequence of the mining investment boom, production and export volumes are now growing strongly. The majority of the Group's resources work is contract mining-related and hence linked to production and export volumes rather than new investment.

Only approximately 3% of current resources work in hand is driven by investment in bulk commodities (primarily coal and iron ore), the area where most of the decline has occurred.

Importantly, 16% of the Group's resources work in hand is from the construction of oil and gas infrastructure (primarily LNG), an area which is now seeing a substantial boom. Please refer to the diagram below.



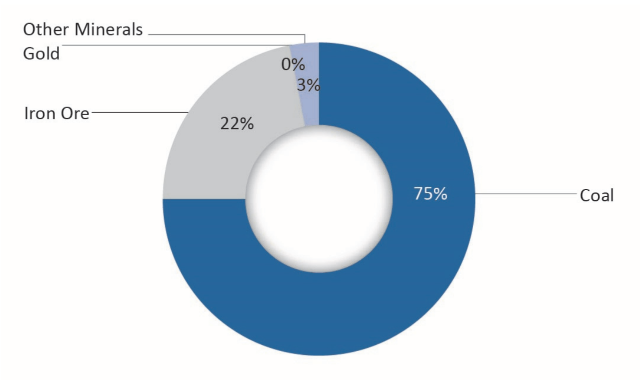
Contract mining
In the 2013 Financial Year, the softer commodity prices created a challenging environment for miners and contract miners. As a result the Leighton Group experienced an overall net reduction in contract mining work in hand of $4 billion or 22%. This decline included the impact of client-requested volume reductions in coal contract mining in particular in Indonesia, the announced contract losses of Collinsville and Peak Downs in Queensland, and the loss of the Arutmin mines in Indonesia.

The Group is improving its value proposition by:
- working with clients to optimise productivity, workforce rosters and overall mine planning; and
- leveraging the benefits of Leighton's size and scale to generate savings from Group procurement and Group asset management, some of which are being passed onto the client and improving Leighton's value proposition, and some of which are driving net margin expansion.

Pleasingly, headwinds experienced in the first half of the 2013 Financial Year abated in the second half of the 2013 Financial Year when a number of contracts were awarded, including:

- a $1.3 billion contract variation for Leighton Contractors to mine the Kings iron ore deposit at the Solomon Hub for Fortescue Metals Group in Western Australia;
- a $0.57 billion contract extension for Thiess at the Curragh coal mine in Queensland; and
- a $0.55 billion contract expansion for Thiess at the Lake Vermont coal mine in Queensland.

The diversification of the Group's contract mining portfolio is assisting to mitigate the effects of the downturn in coal contract mining. The commodity diversification of the Group can be illustrated as follows:



Resources construction: coal and iron ore

As stated previously, only approximately 3% of current resources work in hand is driven by investment in bulk commodities (primarily coal and iron ore).

Some construction contracts were secured in this sector in the 2013 Financial Year including:

- a $0.257 billion contract for John Holland to construct 350km of heavy haulage railway track for the Roy Hill iron ore project in Western Australia; and
- a $0.186 billion contract for a joint venture between Thiess and Sedgman to design and construct a coal handling and preparation plant at the Boggabri coal mine in New South Wales.

Resources construction: LNG

Australia is currently the dominant player in the expansion of the world's LNG capacity, with unprecedented levels of investment across the six major LNG facilities that are under construction. In total, Australia accounts for half of all major LNG projects under construction globally.

The Group is currently working on all of the major LNG and coal seam methane projects around Australia including the Gorgon project, Wheatstone, Ichthys, APLNG, QCLNG and Gladstone LNG. Work in hand in respect of these projects at 31 December 2013 totalled approximately $3.9 billion ($1.7 billion within resources and $2.2 billion classified within the infrastructure portfolio discussed previously).

Contracts awarded during the 2013 Financial Year include:

- a significant contract extension awarded to Thiess for the construction of gas compression facilities for the QCLNG project in the Surat Basin, taking the total value of the contract to $2 billion;
- a $0.212 billion contract to Thiess to deliver further civil works on the Gorgon project in Western Australia; and
- an expansion to the civil works provided by Leighton Contractors for the Gorgon project by $0.975 billion to $2.1 billion.

As noted previously, major Group projects in the 2013 Financial Year included the Gorgon, Wheatstone and Ichthys projects in Western Australia, and the APLNG and QCLNG projects in Queensland. This trend is expected to continue in the 2014 Financial Year, with strong revenue being derived from LNG-related work across the Leighton Group.

OCEANIA PROPERTY

In the Australian property market, non-residential construction remains relatively stable.

During the 2013 Financial Year, Leighton Properties has:

- pre-sold and commenced a $0.4 billion office tower in North Sydney which will include offices for the Group;
- sold the 55,000m^2 premium-grade office tower under development at 567 Collins Street, Melbourne for approximately $0.46 billion;
- in joint venture, been chosen as the preferred developer for the $5.2 billion Perth City Link project; and
- commenced development of the Kings Square project in Perth, featuring four office towers being constructed by John Holland, Broad and Leighton Contractors.

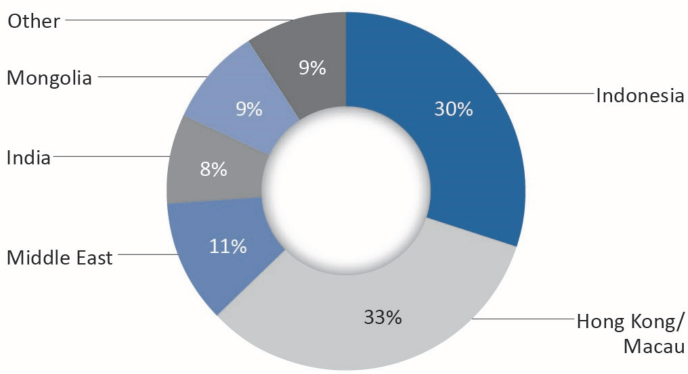
INTERNATIONAL

Asia is expected to remain the world's fastest growing region in coming years, notwithstanding tighter external funding conditions, weaker external demands as growth in China slows and local structural impediments tapering growth expectations.

GDP growth expectations for developing Asia in the short- to medium-term are approximately 5–7% per annum.

All domestic infrastructure markets demonstrate strong growth profiles with transport and mining in India and Indonesia standing out as attractive segments.

The Group has a diverse geographic presence across Asia (as shown by the mix of work in hand in the diagram below), and a strong position in a number of the region's growth markets.



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Hong Kong and Macau
Hong Kong's economic outlook remains strong, supported by its position as a primary trading hub and gateway for entry into China. Economic growth was 3% in 2013, and is forecast to rise to 4.4% in 2014, with a steady medium-term outlook.

The infrastructure upsurge during the past five years has focused on high-value transport infrastructure. More recently, social infrastructure projects have started to gain interest.

During the 2013 Financial Year, Leighton Asia, India and Offshore (LAIO) secured contracts including:
- a $0.66 billion contract to construct a component of Hong Kong's Shatin to Central Rail Link; and
- a $0.37 billion contract to design and build, in joint venture, a hospital in Tin Shui Wai, Hong Kong.

Macau has cemented itself as the premier gambling location. Private sector investment remains strong and, in addition to casino development, infrastructure projects are in the pipeline.

During the 2013 Financial Year, LAIO secured a US$2.6 billion contract to design and build a luxury integrated hotel resort in Macau for Wynn Resorts. The resort site covers a construction floor area of more than 450,000m^2.

Indonesia
Indonesia's long-term economic outlook is positive. As a populous country, Indonesia's urbanisation is driving growth. However, the Government – to be elected in April – will need to address major structural challenges to maintain this trend.

Indonesia's transport and utilities markets will require significant investment in coming years. The Indonesian Government committed US$20 billion to the sector in 2013 and has further increased the allocation for 2014. They remain attractive medium-term potential addressable markets for the Group.

As noted previously, in the 2013 Financial Year, the softer commodity prices created a challenging environment for miners and contract miners. As a result, the Group experienced an overall net reduction in contract mining work in hand in Indonesia, due to client-requested volume reductions. In addition, work in hand on the Arutmin mines was taken out in the first half of the 2013 Financial Year. Thiess has now resolved its dispute with PT Arutmin Indonesia, the owners of the Senakin and Satui coal mines, and will transfer selected assets (plant, equipment and inventories) and liabilities to PT Arutmin Indonesia. The settlement will resolve an outstanding claim that Thiess has against PT Arutmin Indonesia.

Over the medium-term, coal production is forecast to deliver growth in Indonesia. There are a number of new coal projects being promoted in Indonesia by global mining companies, which may offer the Group further contract mining opportunities.

Singapore
Singapore's business operating environment remains favourable, buoyed by its developed free-market. To meet the needs of a growing population, transport infrastructure is a key investment focus.

In October 2013, Singapore's Land Transport Authority announced its plan to double the Singapore rail network to 360km by 2030, which is comparable to London's rail density.

LAIO is already playing a role and, in a joint venture with John Holland, has been awarded a contract for $0.33 billion to construct the Thomson Line project.

Singapore's development plans also include:
- discussions with Malaysia regarding a possible US$12 billion high speed rail line from Singapore to Kuala Lumpur;
- a redevelopment of Changi airport; and
- a US$8 billion relocation and expansion of the container terminal at Tanjong Pagar.

Malaysia
After growing significantly during the past five years, the Malaysian construction industry is expected to slow modestly in 2014. However, Malaysia's population is expected to reach more than 33 million by 2020 and urbanisation, which is set to rise to more than 70%, will sustain long-term construction growth.

In the transport sector, construction is expected to continue to grow but at a slower rate. Rail infrastructure will be a focus, with a potential high speed connection between Kuala Lumpur and Singapore and an expansion of the Mass Rapid Transport system. Plans for road and port expansions are also being discussed.

The power and utilities sector is expected to continue to grow to meet demand.

LAIO is currently undertaking a number of projects in Malaysia, including the Northern Double Track project.

Mongolia
The Mongolian economy is expected to maintain double digit growth in 2014 given its expansionary economic policies. Mongolia's large untapped resource base and ambitious infrastructure plans will offer a range of mining and construction opportunities.

India
In India, economic headwinds have accumulated and forecasts for GDP growth have moderated to 5–6% per annum in the short- to medium-term.

The Government plans to double the country's infrastructure investment target to US$1 trillion, around half of which is expected to be generated from the private sector. Power, telecommunications and roads dominate the priorities.

In roads, the Government plans to achieve US$170 billion of road infrastructure investment. The key feature is the improvement of national highways, however progress has been limited. New legislation may streamline some of the regulatory and environmental approvals required to accelerate development.

India's electricity deficit has improved but supply remains inadequate and under pressure from population growth. The Government's large-scale plans to address these deficiencies underpin the strong growth outlook for the construction sector.

These opportunities in India's infrastructure market underpinned Leighton's decision to purchase the Welspun Group's 39.9% stake in the Group's Indian-based joint venture, LWIN, during the year. Leighton continues to see strong long-term prospects in the Indian market and, with 100% control of LWIN, the Group will be positioned to integrate business units in order to lower costs and provide greater business opportunities.

India's urbanisation is also driving demand for quality accommodation. LAIO was awarded the main contract to build a super luxury residential development in Gurgaon, valued at $0.25 billion.

Middle East

The economic outlook for the Middle East and North Africa is for GDP growth of 3.3% in 2014. From an infrastructure perspective, growth is underpinned by mega transport projects, accommodation and large one-off projects associated with the 2022 FIFA World Cup in Qatar and the 2020 World Expo in Dubai.

The property sector is expected to dominate construction activity, supported by investments in regional transport, power and utility infrastructure.

Development of the region's oil and gas sector, particularly downstream chemical and industrial production, will prevail as the region diversifies away from oil dependence.

Saudi Arabia will lead investment in the region in the short-term, with growth underpinned by strong transport award volumes in the second half of the 2013 Financial Year.

Activity in Qatar is set to accelerate, following strong construction awards during the second half of the 2013 Financial Year under its new leadership. Central to this will be the delivery of major infrastructure and construction projects ahead of the World Cup.

Infrastructure growth in the United Arab Emirates is forecast to improve. Abu Dhabi will continue its strong construction growth through Government-supported transport, energy and utilities projects. In Dubai, the recently announced World Expo is expected to drive a stronger recovery.

Contracts awarded to HLG include:

- an AED 1.45 billion contract for the construction of a residential project in Dubai, which is part of the Al Habtoor City development where HLG is constructing the AED 1.9 billion Al Habtoor City hotel, the Middle East's largest integrated resort;
- an AED 0.6 billion contract for the construction of infrastructure related to the Abu Dhabi International Airport expansion;
- an AED 0.28 billion contract for the construction of the next phase of the Jafza One-Jafza Convention Centre complex in Jebel Ali; and
- an AED 0.25 billion contract for the design and construction of an accommodation camp for an Abu Dhabi oilfield development.

In Iraq, construction growth will be largely driven by further momentum in housing, power and oil and gas construction activity.

RISK MANAGEMENT

Effective risk management is fundamental to the Group. Risk management is defined as the identification, assessment, treatment and reporting of key risks that have the potential to materially impact our operations, our people, our reputation, the environment and communities in which we work, and the financial outcomes of the Group.

Throughout the 2013 Financial Year, the Group has systematically developed and implemented a number of key initiatives aimed at enhancing risk management:

Culture – a strong risk awareness and management culture exists across the Group, overseen by management who are responsible for setting the tone, ensuring transparency, facilitating training and development, and promoting quality and timely risk reporting.

Structure – an enhanced Group organisational structure is in place that promotes governance through empowerment of individuals with delegated authority, defined risk-taking levels of authority and risk escalation criteria, appropriate segregation of duties, and ownership and accountability for risks at all levels of our business.

Systems – risk management systems have been harmonised across the Group to ensure risk assessment and reporting is consistent, efficient and effective. We aim to continually improve our risk management processes to ensure they are robust, reliable and effective by regularly measuring our maturity in risk management, both internally and by benchmarking against global best practice.

We are continuing to systematically and comprehensively enhance the Group's risk management culture, structure and systems, with the aim of continually improving our overall risk management maturity and thereby enhancing our risk resilience.

Risks to financial prospects

The diversity of our service offerings together with the breadth of geographies and markets in which we operate mean there is a wide range of risk factors that may ultimately impact the achievement of our business objectives.

Risks that may impact our financial prospects and our approach to managing those risks are set out in the table overleaf.

DIRECTORS' REPORT continued
Operating and Financial Review continued

Risk Description	Risk management approach
FINANCIAL	
Movements in exchange rates may impact project margins and the A$ value of our foreign currency debt and off-shore assets, thus impacting our A$ profit realisation, gearing and liquidity ratios.	The Group has a Group-wide foreign exchange risk management policy which governs the management of currency risk at both the project and balance sheet level. The Group uses non-derivative financial instruments, such as borrowings in the foreign currencies, to hedge its investments in foreign operations. Foreign currency risk is monitored and managed centrally through our Group Treasury function.
Counterparty credit risks may arise should our customers, suppliers or financial counterparties be unable to meet their obligations.	The Group has a Board-approved Credit Risk Management Policy mandating minimum credit ratings for financial counterparties. The Group minimises concentrations of credit risk by undertaking transactions with a large number of customers in various currencies. Project-related counterparty risks are assessed and monitored at both the Operating Company-level and Group-level based on the delegated levels of authority within the Group's corporate governance model.
Inadequate levels of liquidity may impact our ability to successfully manage through the cash flow cycle, absorb unexpected cash impacts, or achieve planned expenditure.	The Group seeks to maintain an investment grade credit rating and conservative gearing ratios by taking a portfolio approach to financial risk management. Our Board-approved polices covering funding, liquidity and investments are designed to ensure that the Group can manage its operations through the business cycle and deal with unexpected shocks should they arise. As part of these policies, the Group ensures sufficient levels of cash and committed credit facilities are maintained in order to meet working capital requirements. The funding policy also places a limit on the amount of debt that can mature in any one year to reduce refinancing risk. Liquidity is monitored at a Group-level through our centralised Treasury function and senior management key performance indicators throughout the Group include a component tied to delivery of cash targets.
The value of our assets, including equity investments and property, plant and equipment, may be impacted by a range of factors that result in impairment, impacting our financial prospects.	The Group actively manages our equity investments to maximise returns, including participation at Board-level of our investment portfolio, and via regular performance reviews at both the Operating Company-level and centrally through the Investment, Divestment and Acquisitions function at Leighton. The Group actively manages its property, plant and equipment fleet to maximise utilisation, both at Operating Company-level and centrally through FleetCo. Additionally, a comprehensive insurance program is maintained by the Group.
STRATEGIC	
Our strategic plan may not be wholly appropriate or sufficiently flexible to respond to changes in future economic, political or societal trends or unforeseen external events and actions affecting financial prospects.	The Group maintains a diverse portfolio of projects and investments across a range of markets and geographies. Underpinning this is our 'stabilise, rebase and grow' strategy. The Group conducts regular and rigorous strategic reviews of the Group's geographies, industries, activities and competitors when assessing opportunities, options and associated risks. The Group leverages a range of internal and external industry experts and stakeholders across geographies and levels to gain valuable insights, develop options for the Group, and validate implications and conclusions during this process. The Group regularly engages with external stakeholder groups (including Government) to inform debates and decisions around infrastructure and resources investment.
Our strategic initiatives may not be fully effective in evolving our business to maintain our competitive advantage and profitably and win and deliver work in the future, affecting financial prospects.	The Group continually identifies, develops and implements strategic initiatives. Strategic reviews, risk assessments and external sources are used, among others, to begin the scoping of initiatives. Teams consisting of internal and, where required, external experts drive change, with dedicated resources to ensure successful delivery against target outcomes. The Group seeks to continually evolve by sharing knowledge, driving innovation and working with strategic partners to prepare the Group for future business requirements.
Reduction in global commodities demand and/or price may cause our resource clients to curtail or cease infrastructure capital investment programmes or reduce mine operations, impacting our contracts and our future financial prospects.	The Group maintains a project, contract and investment portfolio that is diversified by geography, market, activity and client in order to reduce the impact of volatility. At a Group level, our 5FT are key initiatives in reducing our controllable costs and thereby our value-add for all Group clients. In addition to focusing on delivering our services efficiently and effectively, we continually review and evolve our value proposition to ensure our services are attractive to current and future clients.

Risk Description	Risk management approach
OPERATIONS	
A workplace health and safety breach or unplanned event may put our people and financial prospects at risk.	The Group is committed to the highest standards of workplace health and safety in all its endeavours. We apply our safety policies and standards consistently across the Group, and we continually monitor to ensure our controls are both appropriate and effective. Our safety performance is a Group-wide responsibility. Clear responsibilities for safety are outlined for individuals, line management, senior management and Operating Company Executive Leadership Teams. We also invest in a wide range of workplace health and safety initiatives to ensure safety remains top-of-mind for all of our employees. Safety governance for the Group is provided by the Board and the Ethics and Compliance Committee.
The environment in which we work may be affected by unplanned incidents or events on our projects or contracts affecting financial prospects.	The Group is committed to the highest standards of environmental performance across our portfolio of projects and contracts. Environmental policies and procedures exist in each of our Operating Companies and are aligned under the Leighton Group Environmental Policy and Standards. Should incidents occur, emergency response plans will be enacted in accordance with Group Emergency and Crisis Management procedures. The Ethics and Compliance Committee provides environmental performance oversight.
Failure to attract, develop and retain suitable and sufficient employees may impact our ability to deliver and support our current portfolio and strategic initiatives, affecting our financial prospects.	The Group policies and processes address recruitment and resource planning, diversity, remuneration, leadership development and succession planning, thereby ensuring the Group maintains a deep and diverse range of talent with a common, Leighton values driven culture.
Issues impacting our brand and reputation, including a breach of our Code of Business Conduct, may subsequently impact our ability to secure future work opportunities, investment, suppliers or joint venture partners.	The Group remains committed to the highest standards of ethical conduct, and statutory and regulatory compliance. This commitment is supported by a comprehensive range of Group-level policies and standards, and delivered by the corresponding management systems in each of our Operating Companies. Our Group's corporate governance model promotes clear governance through the empowerment of individuals with delegated authority, clearly defined risk-taking levels of authority and risk escalation criteria, appropriate segregation of duties, and clear ownership, accountability and oversight for risks at all levels of our business. Our Code of Business Conduct has been rolled out across the Group, as have our significantly enhanced Work Procurement Standards complete with revised delegations of authorities. Across the Group we continue to work closely with key clients, suppliers and stakeholders to communicate our new protocols, revised management structures and to provide assurance as required.
Work procurement issues and challenges may impact our ability to maintain work in hand comprising diverse, high quality projects and contracts, and subsequently, our ability to meet financial prospects.	The Group focuses on tender success rate strategies to secure high quality projects and contracts with commensurate returns for the risks taken. The rigour of our Group Work Procurement Standards and our five gate approval process (described below) ensures we meet the minimum requirements and expectations of the Group when identifying opportunities and procuring new work in accordance with approved business plans. Each of our Operating Companies and Leighton Holdings have Pre-Contracts Assurance teams to provide appropriate assurance that tenders are rigorously prepared and appropriately balance risk with return. Oversight of key tenders is provided by the Tender Review and Risk Committee.
Work delivery challenges, including inherent uncertainties associated with construction contracts and the nature of our industry, may manifest in actual costs varying from our earlier estimates (including but not limited to weather events, pricing and availability of raw materials and subcontractors, wage inflation, productivity issues, and technical or geotechnical problems) or issues in recovery of variations and claims from clients, each of which may result in impacts to future profits or reductions or reversals of previously recorded profits affecting financial prospects.	Our Operating Companies are structured and resourced to provide project delivery teams with the necessary support and oversight to successfully achieve project and business objectives. In addition to monthly project performance reviews, our Operating Companies, together with Leighton Holdings, review project and business performance on a quarterly basis across the Group. Where necessary, revenue collection teams are established to drive required outcomes. Overlaying this, our Internal Audit teams work collaboratively with our Operating Companies to prioritise, plan and conduct their activities in a manner that best supports the achievement of our objectives. The Audit Committee and the Tender Review and Risk Committee maintain oversight of projects at risk.

DIRECTORS' REPORT continued
Operating and Financial Review continued

Risk Description	Risk management approach
Failure to innovate or evolve our products and services with client future requirements can lead to a loss of market share and/or competitive advantage, thereby impacting Group revenue and growth plans, affecting financial prospects.	Group initiatives (including our 5FT) are yielding a leaner and more efficient operational platform to support our future competitiveness. The Group is continually developing the necessary competencies and knowledge in our people to further enhance Group capability and capacity. Our Operating Companies each have programs to drive innovation excellence across the Group, as does Leighton Holdings through the annual Leighton Values Awards. All Operating Companies are currently and collectively focused on key client relationships to better understand future client directions and requirements.
Interruption, compromise or failure of our information and communication technology and systems may adversely impact our ability to operate effectively and efficiently, affecting financial prospects.	The Group maintains appropriate information and communication technology systems, resources, security devices and measures to ensure the security, integrity and availability of data. Security crisis management, incident management, service continuity and disaster recovery plans are established and tested as appropriate.

Tender risk

Sound procurement practices are essential to winning and executing profitable contracts with an acceptable risk profile.

These practices include our five gate approval process:
1. Pursue a Prospect;
2. Submit a Proposal;
3. Prepare a Tender;
4. Submit a Tender; and
5. Execute a Contract.

Leighton requires visibility of prospects that the Operating Companies are pursuing, which are within the delegations of authority of the Tender Review and Risk Committee and the Leighton CEO. This provides an understanding of the potential aggregate risk profile at Group-level.

Prospective projects with a contract value of $0.5 billion or more are required to be approved by the Leighton CEO. Projects with a value of more than $1 billion require review by the Tender Review and Risk Committee, and the Tender Review and Risk Committee may refer approval to the Board.

In addition, projects that require equity participation, involve undertakings in new countries, or are outside the core competencies of the bidding Operating Company may be treated as high-risk and subject to additional approvals.

All prospects must be tested against risk assessment criteria including: client profile, strategic approach, financial limits, contract terms and delivery obligations.

In the 2013 Financial Year, the Tender Review and Risk Committee met eight times and reviewed tenders with a combined project value of $20 billion.

THE MACRO-OPERATING ENVIRONMENT

Since the first half of the 2013 Financial Year, underlying fundamentals appear to be regaining strength, particularly in advanced economies, and global economic indicators are on the rise.

ECONOMICS

Positive signs are emerging in advanced economies. The IMF forecasts advanced economies to grow at 2.2% in 2014, up from 1.3% in 2013. The US economy has experienced solid private demand and monetary policy is reaching a turning point. Growth in the US is forecast to reach 2.8% in 2014 compared with 1.9% in 2013. In Europe, business confidence indicators suggest activity is recovering in the core economies, and GDP growth is forecast to reach 1% in 2014.

Emerging economies are forecast to grow at 5.1% in 2014 and 5.4% in 2015, slightly below previous projections. The slowdown is largely attributed to China's economy transitioning to slower, albeit more sustainable, growth levels of approximately 7.5% in 2014.

UNDERLYING MARKET DRIVERS AND DEVELOPMENTS

The long-term underlying market drivers continue to support a strong outlook for global infrastructure demand. Infrastructure demand will be driven by multiple factors including population growth, rapid urbanisation, increased energy and water consumption, rising incomes and new technologies.

An estimated $5 trillion per annum in global infrastructure investment is needed to support a global population of nine billion. The United Nations estimates that Asia and Africa will account for nearly 90% of the world's future population growth until 2030 – an additional 1.1 billion people. These regions will also experience a rapid acceleration of their urbanisation rates (currently the lowest in the world).

Against a backdrop of increased fiscal constraint, public private partnerships and public concession models offer Governments around the world, particularly those in emerging markets and with higher debt levels, opportunities to deliver infrastructure solutions efficiently and effectively. While at a relatively early stage of development, emerging economies across the world are developing plans and legislation to facilitate greater public and private sector collaboration.

GROUP PROSPECTS

The prospects for individual markets are outlined previously. The Group is well-placed as a long-term provider of construction, mining and services in Australia and in many key Asian locations. As a contractor, Leighton has exposure to these markets, both directly by working in them, and indirectly as a supplier of services to clients that are supplying to Asia.

Backing these market opportunities is a strong level of work in hand with a healthy level of inherent profitability.

The Group remains focused on improving its margins and profitability. In the near-term there are a clear set of priorities to stabilise and rebase the Group.

Beyond this time, Leighton will seek to grow returns from existing markets and export skills to new markets, while delivering the best solutions for clients and driving sustainable growth for shareholders.

DIRECTORS' REPORT continued
Operating and Financial Review continued

OPERATING REVENUE ANALYSIS
FOR THE 2013 FINANCIAL YEAR

GROUP	31 DECEMBER 2013		31 DECEMBER 2012	
BY COMPANY	$M		$M	
Leighton Contractors	**7,941**	**33%**	7,136	31%
Thiess	**6,863**	**28%**	7,237	31%
John Holland	**4,755**	**19%**	4,546	20%
LAIO	**3,267**	**13%**	2,629	12%
HLG	**499**	**2%**	445	2%
Commercial and Residential Property	**642**	**3%**	558	2%
Corporate/Eliminations	**444**	**2%**	576	2%
TOTAL	**24,411**	**100%**	23,127	100%

GROUP	31 DECEMBER 2013		31 DECEMBER 2012	
BY MARKET	$M		$M	
Infrastructure	**13,440**	**55%**	11,863	51%
Resources	**8,490**	**35%**	9,143	40%
Property	**2,037**	**8%**	1,545	7%
Corporate/Eliminations	**444**	**2%**	576	2%
TOTAL	**24,411**	**100%**	23,127	100%

GROUP	31 DECEMBER 2013		31 DECEMBER 2012	
BY ACTIVITY	$M		$M	
Construction	**16,089**	**66%**	14,295	62%
Contract Mining	**4,563**	**19%**	5,429	24%
Services	**2,673**	**11%**	2,269	10%
Development	**642**	**2%**	558	2%
Corporate/Eliminations	**444**	**2%**	576	2%
TOTAL	**24,411**	**100%**	23,127	100%

AUSTRALIA/OCEANIA	31 DECEMBER 2013		31 DECEMBER 2012	
BY MARKET	$M		$M	
Infrastructure	**11,316**	**57%**	9,973	52%
Resources	**6,659**	**34%**	7,310	38%
Property	**1,342**	**7%**	1,256	7%
Corporate/Eliminations	**444**	**2%**	576	3%
TOTAL	**19,761**	**100%**	19,115	100%

INTERNATIONAL	31 DECEMBER 2013		31 DECEMBER 2012	
BY COUNTRY	$M		$M	
Indonesia	**1,535**	**33%**	1,552	39%
Hong Kong/Macau	**1,459**	**31%**	786	20%
Middle East	**772**	**17%**	978	24%
India	**279**	**6%**	179	4%
Mongolia	**162**	**3%**	203	5%
Other	**443**	**10%**	314	8%
TOTAL	**4,650**	**100%**	4,012	100%

WORK IN HAND ANALYSIS
AS AT THE END OF THE 2013 FINANCIAL YEAR

GROUP	31 DECEMBER 2013		31 DECEMBER 2012	
BY COMPANY	$M		$M	
Thiess	**12,415**	**29%**	15,538	36%
Leighton Contractors	**12,112**	**29%**	11,977	27%
LAIO	**8,644**	**20%**	6,365	15%
John Holland	**5,347**	**13%**	6,413	15%
Commercial and Residential Property	**2,391**	**6%**	1,004	2%
HLG	**1,262**	**3%**	2,189	5%
TOTAL	**42,171**	**100%**	43,486	100%

GROUP	31 DECEMBER 2013		31 DECEMBER 2012	
BY MARKET	$M		$M	
Infrastructure	**18,782**	**44%**	16,902	39%
Resources	**16,785**	**40%**	23,040	53%
Property	**6,604**	**16%**	3,544	8%
TOTAL	**42,171**	**100%**	43,486	100%

GROUP	31 DECEMBER 2013		31 DECEMBER 2012	
BY ACTIVITY	$M		$M	
Construction	**19,369**	**46%**	17,753	41%
Contract Mining	**14,445**	**34%**	18,595	43%
Services	**5,966**	**14%**	6,134	14%
Development	**2,391**	**6%**	1,004	2%
TOTAL	**42,171**	**100%**	43,486	100%

AUSTRALIA/OCEANIA	31 DECEMBER 2013		31 DECEMBER 2012	
BY MARKET	$M		$M	
Infrastructure	**15,455**	**52%**	14,011	47%
Resources	**11,251**	**38%**	13,841	47%
Property	**3,187**	**10%**	1,785	6%
TOTAL	**29,893**	**100%**	29,637	100%

INTERNATIONAL	31 DECEMBER 2013		31 DECEMBER 2012	
BY COUNTRY	$M		$M	
Hong Kong/Macau	**4,062**	**33%**	1,430	10%
Indonesia	**3,639**	**30%**	7,184	52%
Middle East	**1,412**	**11%**	2,402	17%
Mongolia	**1,173**	**9%**	1,206	9%
India	**935**	**8%**	782	6%
Other	**1,057**	**9%**	845	6%
TOTAL	**12,278**	**100%**	13,849	100%

Remuneration Report (Audited)

Remuneration Report (Audited)

MESSAGE FROM THE BOARD

We are pleased to present the Remuneration Report for the financial year ended 31 December 2013 (2013 Financial Year) to clearly explain to shareholders the remuneration framework and outcomes for our senior executives and Non-executive Directors during 2013.

REMUNERATION FRAMEWORK

During the 2013 Financial Year, we continued to embed and refine the new remuneration framework that was successfully implemented in 2012. As described in last year's Remuneration Report, this new framework is designed to:

- enhance the alignment between shareholder and executive interests; and
- reward performance that supports the Group's business plans and our values of discipline, integrity, safety and success.

In addition, as part of our Short-Term Incentive (STI) plan, we cascaded through additional levels of our senior executives targeted financial and non-financial performance measures aligned with our Group strategies and business plans.

First grants under the new Long-Term Incentive (LTI) plan were made in 2012, and this year's grants were made on a similar basis with two performance measures applying to the share rights (relative Total Shareholder Return (TSR) and absolute Earnings Per Share (EPS) growth targets). These LTI grants will be tested in accordance with the LTI plan rules at the end of the three-year performance period ending on 31 December 2015.

Looking ahead, as part of our process of continuous improvement, we will introduce changes in 2014 to refine the performance measures that apply to our STI. In particular, the scorecards will place further emphasis on cash generation and debt reduction. In addition to the existing Net Profit After Tax (NPAT) gateway, we will be introducing a second gateway related to cash earnings, specifically economic profit to emphasise the need for cash-backed profits.

For the Executive Directors (Chief Executive Officer (CEO) and Deputy CEO and Chief Financial Officer (DCEO&CFO)) the STI opportunity and STI Deferral will be adjusted to better reflect this emphasis over the short- to medium-term while maintaining our commitment to market best practice. From 2014 their STI opportunity will be 120% of Total Fixed Remuneration (TFR) with a corresponding one-year deferral of 30% of the achieved STI amount. In order to maintain the current ratio of fixed to variable remuneration, we will be reducing the LTI opportunity from 100% to 80% of TFR.

These refinements will ensure that our remuneration framework continues to challenge our senior executives to achieve outcomes that are consistent with the Group's strategic focus and are designed to support the 'rebase' phase of our 'stabilise, rebase and grow' strategy.

In alignment with the changes for Executive Directors, we will reduce the deferral percentage for our other Key Management Personnel (KMP) to 25% of the achieved STI amount.

2013 FINANCIAL YEAR

The financial Key Performance Indicators (KPIs) for Leighton Holdings executives in the 2013 Financial Year were focused on Underlying Net Profit After Tax (UNPAT), economic profit and gearing ratio in addition to Underlying Profit Before Tax (UPBT) and operating cash flow for Operating Company Managing Directors.

For the 2013 Financial Year, Leighton delivered an UNPAT result of $584 million, which is at the upper end of the market guidance of $520 to $600 million. This was achieved with the background of both a softening market (referring in particular to the resources sector) and the continuing impact of legacy projects.

In addition to the financial results, significant progress has been made on key initiatives which form a part of our 'stabilise, rebase and grow' strategy. These initiatives, which include:

- improving management structures;
- managing Group assets more effectively;
- improving the cash position of the business;
- designing and implementing global business services; and
- advancing strategic procurement,

will transform our business and position us for future growth.

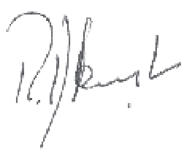
The STIs paid to senior executives for the 2013 Financial Year are between 26.7% and 133.3% of the target opportunity, which reflected Group and varied levels of Operating Company performance. The Board is confident that these STIs are representative of the overall performance of our senior leaders, taking into account both financial and non-financial performance indicators.

KMP

The 2013 Financial Year saw the consolidation of some of our senior executive roles, with Peter Gregg appointed to Deputy CEO (in addition to his role as Chief Financial Officer (CFO)), and the expansion of Dharma Chandran's role as Chief Human Resources Officer to encompass Corporate Services, specifically responsible for the legal and internal communications functions in addition to the human resources function.

We were also pleased to welcome three new independent Non-executive Directors during 2013 – Russell Higgins AO, Michael Hutchinson and Vickki McFadden – who each bring fresh perspectives to the Board as a result of their diverse backgrounds.

We invite you to read this Remuneration Report and welcome any questions you may have at our Annual General Meeting (AGM) in May 2014.



Robert Humphris OAM
Chairman

20 February 2014

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 *Corporations Act 2001* (Cth) (Corporations Act) and relevant accounting standard requirements, the remuneration arrangements in place for the KMP of the Group during the 2013 Financial Year.

The information provided in this Remuneration Report has been audited, with the exception of the table on page 78 setting out the total remuneration realised in the 2013 Financial Year. This table is not audited because the information within it is provided voluntarily to supplement the audited disclosures made in the statutory senior executive remuneration table in this Remuneration Report on pages 79 to 80 which are in accordance with the Corporations Act and accounting standards.

1.2 KMP FOR THE 2013 FINANCIAL YEAR

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

The senior executives and the Non-executive Directors as at 31 December 2013 are set out in the table opposite.

KMP (as at 31 December 2013)

Name	Title (at 31 December 2013)	Change during the 2013 Financial Year
Non-executive Directors		
Robert D Humphris OAM	Chairman and independent Non-executive Director	Appointed Chairman 24 March 2013
Paula J Dwyer	Deputy Chairman and independent Non-executive Director	Appointed Deputy Chairman 24 March 2013
Russell A Higgins AO	Independent Non-executive Director	Appointed 18 June 2013
Michael J Hutchinson	Independent Non-executive Director	Appointed 18 June 2013
Vickki A McFadden	Independent Non-executive Director	Appointed 18 June 2013
Marcelino Fernández Verdes	Non-executive Director	
David P Robinson	Non-executive Director	
Peter W Sassenfeld	Non-executive Director	
Alternate Directors		
Pedro López Jiménez	Alternate Director for Peter W Sassenfeld	Appointed 18 June 2013
Robert L Seidler AM	Alternate Director for Marcelino Fernández Verdes	Appointed 18 June 2013 (previously an Alternate Director for David P Robinson from 12 November 2012 to 18 June 2013)
Executive Directors		
Hamish G Tyrwhitt	CEO	
Peter A Gregg	Deputy CEO and CFO	Appointed Deputy CEO 12 April 2013
Leighton Holdings executives		
Dharma Chandran	Chief Human Resources and Corporate Services Officer (CHR&CSO)	Appointed CHR&CSO 22 May 2013 (previously Chief Human Resources Officer)
Michael J Rollo	Chief Risk Officer (CRO)	
Adolfo Valderas	Chief Operating Officer (COO)	Appointed COO 4 December 2013
Operating Company Managing Directors		
Ian L Edwards	Managing Director, Leighton Asia, India and Offshore (LAIO)	
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	

KMP (departures during the 2013 Financial Year)

Name	Title	Change during the 2013 Financial Year
Stephen P Johns	Chairman and independent Non-executive Director	Resigned 22 March 2013
Ian J Macfarlane AC	Independent Non-executive Director	Resigned 22 March 2013
Wayne G Osborn	Independent Non-executive Director	Resigned 22 March 2013
Richard Willcock	Group Company Secretary and General Counsel	Resigned 17 April 2013

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 that comprises a majority of independent Directors.

The role of the Remuneration and Nominations Committee is set out in its Charter, which was last revised and approved by the Board on 18 October 2013 (and is available on our website at *www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach*). 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 STI and 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 22 to 23.

2.2 USE OF EXTERNAL ADVISERS

The Remuneration and Nominations Committee seeks and considers advice from independent 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 2013 Financial Year, the main focus of Ernst & Young's role was:

- providing market review information relating to remuneration levels for Non-executive Directors and senior executives;
- providing employee equity-related and general employment taxation and compliance advice; and
- assisting with calculating relative TSR performance.

During the 2013 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 2013 Financial Year, as well as how performance is linked to reward under the executive remuneration framework.

3.1 REMUNERATION PRINCIPLES

The key remuneration principles are to:

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

3.2 REMUNERATION COMPONENTS

Executive remuneration for the 2013 Financial Year was delivered as a mix of fixed and variable remuneration, set out in the table below. Variable remuneration is remuneration that moves up or down to reflect Group and individual performance, and can be earned through the STI and LTI components.

Fixed	**Fixed remuneration**	Base salary, non-monetary benefits and superannuation.
Variable	**STI**	Annual variable remuneration delivered as a combination of cash and deferred equity, subject to financial and personal performance measures.
	LTI	Equity-based award subject to performance hurdles measured over a three-year performance period.

How each of these components align with, and support, the Group's business strategy is shown in the diagram opposite.

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 selected markets and deliver value-added services and projects for clients through our diversity, empowered people and financial strength.

Remuneration framework

Fixed remuneration	STI	LTI
• Reviewed annually • Defined peer groups for comparison • A defined policy regarding how remuneration should compare to those peer groups • Influenced by individual performance	• Based on a mix of financial and non-financial measures relevant to an executive's specific role • Financial gateways are established at the start of the performance period; if the gateways are met, the scorecard is opened for assessment • Performance measured over a 12-month period to encourage the achievement of our annual targets and business strategy; annual awards are possible depending on performance achieved • Leighton Holdings executives' financial performance is based on Group performance; Managing Directors of the Operating Companies' financial performance is based on Group and Operating Company performance • Paid as a combination of cash (50% for the CEO and DCEO&CFO and 60% for all other senior executives) and share rights that are deferred for a further two-year period • Subject to withholding or clawback at the judgment of the Remuneration and Nominations Committee	• The plan provides the Remuneration and Nominations Committee with the flexibility to determine the nature, terms and conditions of each grant each year • The 2013 grant operates as an award of share rights, which is a right to receive a share if specific performance measures are met • Performance measures for the 2013 grant are TSR measured against a group of peer companies and compound annual EPS growth measured against pre-determined targets. Both performance measures are assessed over the same three-year period • No retesting

Outcomes

• Market competitive remuneration to attract and retain executives	• Focuses executives on achieving a combination of Group financial performance, Operating Company financial performance and non-financial performance measures over a 12-month period • Deferral 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	• Focuses executives on growing Group earnings and shareholder returns over the next three years • Creates ongoing alignment with shareholders and enhances retention • Annual LTI grants result in continuing exposure to the Group's share price and a focus on rolling performance periods, thereby encouraging stable growth

3.3 TIMING OF REMUNERATION COMPONENTS

The different components of remuneration reflect a focus on both short-term and long-term performance, and delivery of these components over different time frames ensures that executives remain focused over a multi-year horizon.

Retention of executives is assisted by:

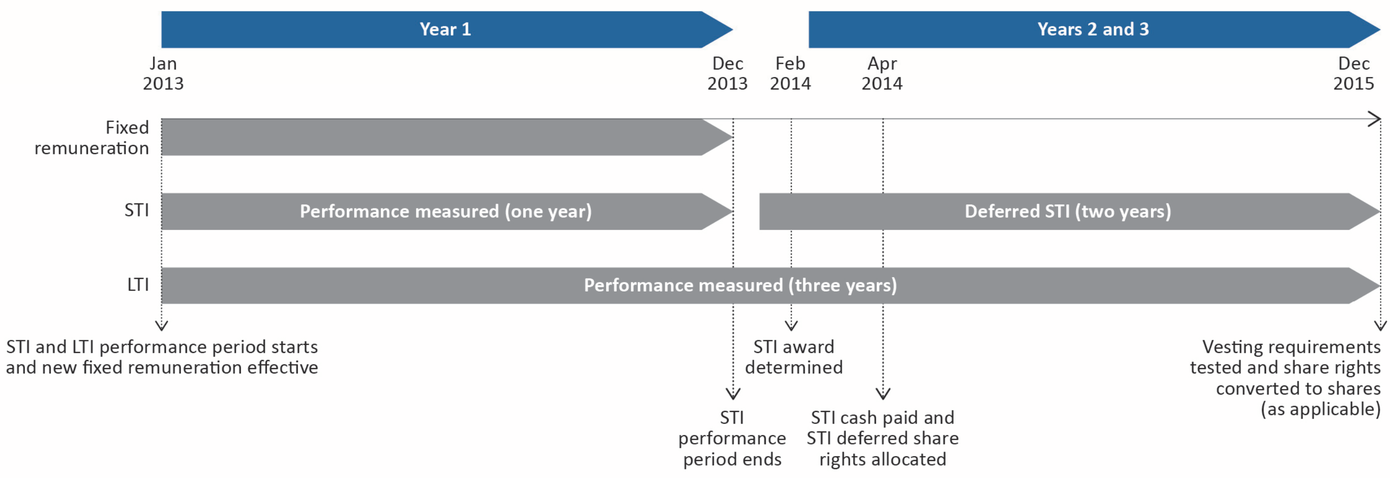
- the deferral of a portion of any STI earned by the executives during the year; and
- the annual award and multi-year performance period of the LTI plan.

Generally, if executives leave the Group before these awards vest, they will forfeit their entitlement. The granting of equity to senior executives under the STI and LTI plans also ensures senior executives' rewards are aligned with shareholder returns by having ongoing exposure to the company's share price.

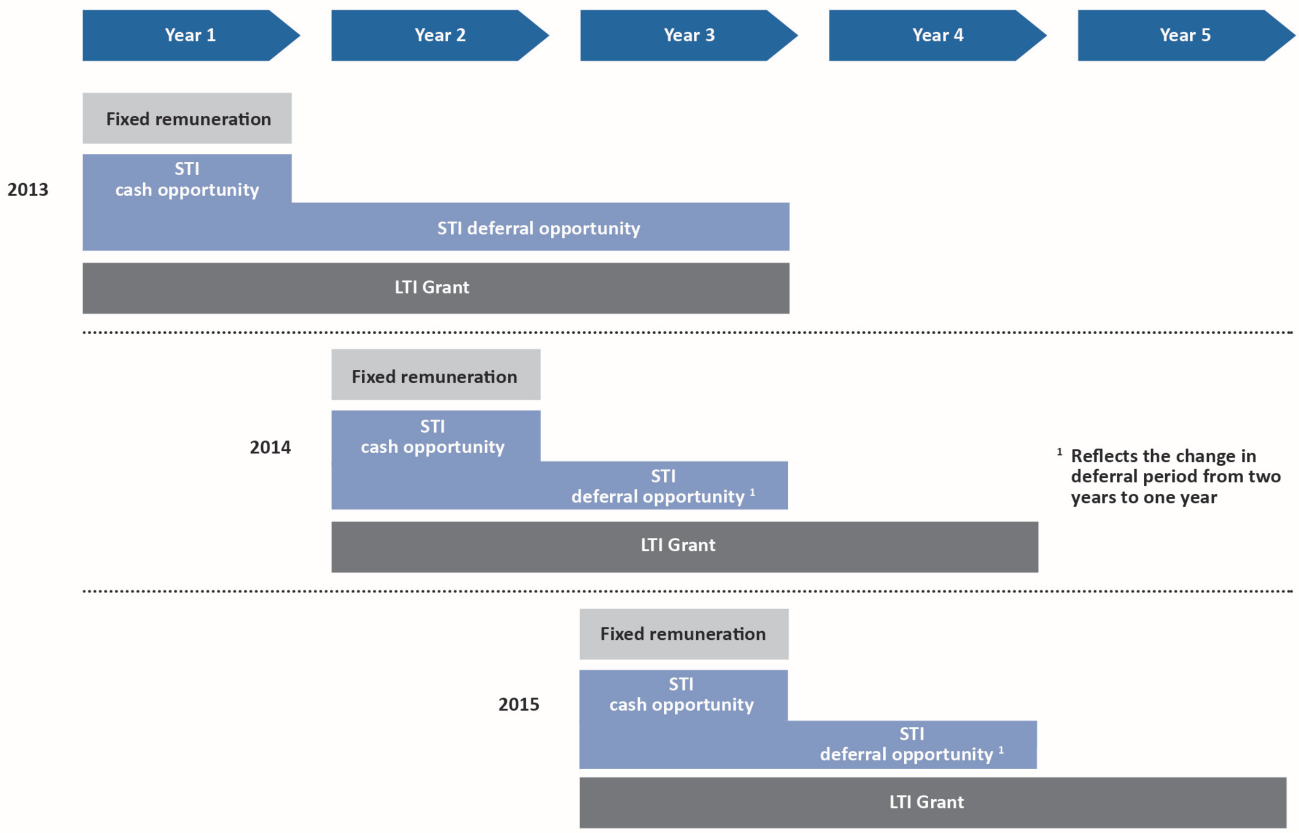
The diagrams overleaf outline the process and timing for determining executive remuneration that applied during the 2013 Financial Year, and the layered retention effect created by the design of the remuneration framework and the annual award cycle.

DIRECTORS' REPORT continued
Remuneration Report continued

Delivery of total remuneration for 2013



Creation of layered retention effect over time



3.4 APPROACH TO SETTING REMUNERATION

Individual remuneration is determined by reference to:

- the policy remuneration mix, set out in the table below, applied in accordance with the terms of senior executives' Executive Services Agreements;
- available market data for comparable roles; and
- consideration of factors specific to the individual.

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 between the median and 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 (above or below) from the positioning policy due to consideration of internal relativities, experience, tenure in role and individual performance.

Remuneration levels are reviewed annually by the Remuneration and Nominations Committee and upon change of an executive's position. The Board approves any changes to the CEO's remuneration arrangements following consideration by the Remuneration and Nominations Committee.

2013 policy remuneration mix

ROLE	Policy remuneration mix (% of total remuneration)		
	Fixed remuneration	Target STI (including deferral)	LTI (grant value)
CEO and DCEO&CFO	33.3%	33.3% (ie, 100% of fixed remuneration)	33.3% (ie, 100% of fixed remuneration)
Managing Directors of Australian Operating Companies	40.0%	30.0% (ie, 75% of fixed remuneration)	30.0% (ie, 75% of fixed remuneration)
Managing Director of LAIO, CHR&CSO and CRO	45.4%	27.3% (ie, 60% of fixed remuneration)	27.3% (ie, 60% of fixed remuneration)

3.5 EXECUTIVE REMUNERATION COMPONENTS IN DETAIL

The details of the components of remuneration for senior executives for the 2013 Financial Year are set out below.

In addition to the components of remuneration that were granted to executives in 2013, there were prior year Medium-Term Incentives (MTI) and legacy LTI grants that were available for vesting in the 2013 Financial Year. The outcomes of these grants are disclosed in section 5: Additional incentive plan disclosures of this Remuneration Report on pages 85 to 88 and any remuneration realised by executives as a result of vesting of these awards are included in section 3.6: Senior executive total remuneration of this Remuneration Report on pages 78 to 80.

3.5.1 FIXED REMUNERATION

Fixed remuneration received by senior executives comprised of base salary, superannuation and non-monetary benefits.

Non-monetary benefits 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 as agreed from time to time. Expatriate benefits were provided to senior executives in overseas locations.

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 2013 Financial Year. As a result of the review, Mr Tyrwhitt, Mr Chandran, Mr Rollo, Mr Munro, Mr Laslett, Mr Palin, Mr Edwards and Mr Gray all received increases to their fixed remuneration in line with market positioning, effective from 1 January 2013.

Mr Chandran also received an increase to his fixed remuneration during the 2013 Financial Year due to the expansion of his role from Chief Human Resources Officer to Chief Human Resources and Corporate Services Officer (CHR&CSO).

No other changes were made to fixed remuneration for senior executive roles in the 2013 Financial Year compared with the financial year ended 31 December 2012 (2012 Financial Year).

3.5.2 STI PLAN

The STI is designed to drive performance and directly align an individual executive's reward with the Group's strategies and business plans. The financial measures are customised to the senior executive's role in order to ensure a clear line of sight between their day-to-day activities and STI measures, whilst critical initiatives such as enhancing our approach to risk management and improving the safety of our people are included in the non-financial component to ensure these are recognised and rewarded.

In 2013, two additional financial performance measures were introduced:

1. economic profit, which emphasised the cash component of profit and took into account the capital requirements of the various business activities; and
2. gearing falling within a targeted range.

These additional measures aligned the remuneration of the senior executives with our focus on optimising the allocation of capital, managing operating cash flow and reducing net debt on our balance sheet.

The diagram overleaf provides an illustration of how the 2013 Financial Year STI operated for senior executives, and further details are set out in the table overleaf.

DIRECTORS' REPORT continued
Remuneration Report continued

Illustration of the 2013 Financial Year STI for senior executives

How does the process 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. Each KPI is assessed separately to determine the relevant portion of the STI payment following which the Remuneration and Nominations Committee will assess whether any penalty will apply to the total calculated STI.

Gateways

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

Scorecards

	Leighton Group Financial [1]	Operating Company Financial [2 3]	Individual Non-Financial [4]
Leighton Group Executives	60%	-	40%
Operating Company Managing Directors	30%	30%	40%

Financial KPIs based on the 2013 business plan:

[1] **Leighton Group:** Underlying net profit after tax, economic profit and gearing ratio targets

[2] **Operating Company:** (excluding Leighton Properties): Underlying profit before tax and operating cash flow

[3] **Leighton Properties:** Underlying profit before tax and a funds employed limit

[4] **Focus on:**

- **Strategic initiatives** – relevant initiatives for the role
- **Safety** – total recordable injury frequency rate (TRIFR) and qualitative lead indicators based on safety sharing (CEO, CHR&CSO and Operating Company Managing Directors)
- **Values** – a qualitative measure of demonstrating the values

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, CHR&CSO 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, excluding Leighton Properties)

Net Provisions: if the Operating Company net provision target is not achieved, a penalty will be applied to the Operating Company financial component of the STI (Operating Company Managing Directors only, excluding Leighton Properties)

Summary of 2013 STI

<table>
<tr><td>Who participated?</td><td colspan="2">All senior executives.</td></tr>
<tr><td>How much could executives earn under the 2013 Financial Year STI?</td><td colspan="2">The amount of the STI opportunity is based on a percentage of the senior executive’s fixed remuneration, with levels of reward for threshold, target and stretch performance.
The STI opportunities for 2013 were:
<table>
<tr><th rowspan="2">Role</th><th colspan="3">Percentage of fixed remuneration</th></tr>
<tr><th>Threshold</th><th>Target</th><th>Stretch</th></tr>
<tr><td>CEO and DCEO&CFO</td><td>60%</td><td>100%</td><td>150%</td></tr>
<tr><td>Managing Directors of Australian Operating Companies (excluding Leighton Properties)</td><td>45%</td><td>75%</td><td>112.5%</td></tr>
<tr><td>Managing Director of Leighton Properties*</td><td>60%</td><td>100%</td><td>150%</td></tr>
<tr><td>Managing Director of LAIO, CRO and CHR&CSO</td><td>36%</td><td>60%</td><td>90%</td></tr>
</table>
* The Managing Director of Leighton Properties has a higher STI opportunity as he does not participate in the LTI.</td></tr>
<tr><td>Over what period was performance measured?</td><td colspan="2">The 2013 Financial Year.</td></tr>
<tr><td>What were the performance conditions?</td><td>Financial measures
60% 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, economic profit and gearing ratio targets. For the Managing Directors of Operating Companies, 30% was based on Group UNPAT, economic profit and gearing ratio targets, and 30% was based on the relevant Operating Company financial performance.
For Leighton Contractors, Thiess, John Holland and LAIO, Operating Company financial performance was measured by reference to UPBT and operating cash flow. For Leighton Properties, Operating Company financial performance was measured by reference to Profit Before Tax (PBT) and a funds employed limit.
A penalty of up to 30% could be applied against either the earned Operating Company financial component of the STI for failure to adhere to capital expenditure limits, or a net provisions limit.

Gateways
In addition, threshold Leighton Holdings financial performance had to be met before any STI was paid (unless the Remuneration and Nominations Committee in its judgment determined otherwise). For 2013, the Group financial threshold was set at $500 million UNPAT. For Managing Directors of Operating Companies, additional gateways related to Operating Company financial performance also applied.
Individuals must also be considered to be “meeting expectations” for the role in order to be eligible for an STI.</td><td>Non-financial measures
40% 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.
The measures typically focused on the Group’s strategic priorities, safety and the management of our people.
For the 2013 Financial Year, these included:
• key role-specific strategic initiatives for the year, consistent with the Group strategy and business transformation;
• demonstration of behaviours aligned with Leighton Holdings and/or Operating Company values; and
• safety measures, such as leadership, sharing of safety learnings and Total Recordable Injury Frequency Rate (TRIFR). As a penalty measure, a 10% reduction in total STI is applied where nil fatalities is not achieved.</td></tr>
<tr><td>Why were those performance measures chosen?</td><td>The financial measures ensure that the executive focuses on the key financial objectives of the Group (and where applicable, the relevant Operating Company) consistent with the Business Plan for the relevant year and the Group’s strategic objectives.</td><td>The non-financial measures 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, promoting safety and implementing our leadership development program, are recognised and rewarded.</td></tr>
</table>

DIRECTORS' REPORT continued
Remuneration Report continued

How was performance against targets assessed?	Performance against each of the gateways and against financial and non-financial performance measures was assessed following the end of the 2013 Financial Year to determine the actual STI payments for that year. The Remuneration and Nominations Committee reviewed the performance of all senior executives against the financial measures. The performance of senior executives (apart from the CEO) against the non-financial measures was assessed by the CEO, with additional feedback sought from other parties (such as peers and key stakeholders) where relevant. The CEO recommended the STI payments for each senior executive to the Remuneration and Nominations Committee for approval. The Remuneration and Nominations Committee and the Board also reviewed and approved the performance of the CEO against both financial and non-financial measures. Notwithstanding performance against the targets, the Remuneration and Nominations Committee retains an overriding ability to adjust the STI taking into account all relevant circumstances. If circumstances later justify reducing the award, the Remuneration and Nominations Committee can reduce the share rights (as described below).
How is the STI paid?	**Cash** 60% of the STI earned by senior executives (50% for the CEO and DCEO&CFO) is paid in cash once the annual financial statements of the Group have been finalised and audited for the 2013 Financial Year. **Deferred share rights** The remaining 40% (50% for the CEO and DCEO&CFO) is delivered as share rights, the vesting of which is deferred for a further two years commencing at the end of the 2013 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 as 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.
What happens if there is 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 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.
What is the clawback policy?	The Remuneration and Nominations Committee has the ability to reduce the number of shares a senior executive receives (ie, 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.
Can senior executives hedge the risk of their share rights?	No – the Group's Securities Trading Policy (consistent with the Corporations Act) prohibits senior executives from entering into hedging arrangements regarding both vested and unvested securities, which includes the deferred share rights.

STI outcomes for the 2013 Financial Year

STI payments for the 2013 Financial Year were determined based on senior executive performance against the applicable financial and non-financial targets, as described in the preceding table. The table below sets out the STI outcomes for the 2013 Financial Year, for each senior executive, including STI as a percentage of target and maximum, as well as a brief summary of how each STI was determined and linked to performance.

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[1]	
Leighton Holdings executives				**Group financial**	**Non-financial**
H G Tyrwhitt	2,270,250	90.81%	60.54%	Actual Group UNPAT and Gearing were between Target and Stretch. Economic profit was below Threshold.	Strong leadership in building a strategic management company, contribution to rebuilding the balance sheet, and continuing the rollout of the Business Transformation Program. The 10% fatality penalty was applied.
D Chandran	383,125	88.56%	59.04%	Actual Group UNPAT and Gearing were between Target and Stretch. Economic profit was below Threshold.	Successful delivery of initiatives to improve leadership capability across the Group, cascading the Group STI plan to all critical executive roles and delivering strategic plans for the Human Resources, Internal Communications and Legal functions (in support of the Business Transformation Program). The 10% fatality penalty was applied.
P A Gregg	1,816,200	100.90%	67.27%	Actual Group UNPAT and Gearing were between Target and Stretch. Economic profit was below Threshold.	Successful delivery of the 2013 milestones for the finance function transformation, contribution to rebuilding the balance sheet and continuing the rollout of the Business Transformation Program.
M J Rollo	501,473	96.40%	64.27%	Actual Group UNPAT and Gearing were between Target and Stretch. Economic profit was below Threshold.	Successful design and implementation of rigorous risk management and assurance frameworks, policies, standards and controls for managing risk across the Group.
A Valderas	-	-	-	In accordance with the terms of the STI policy document, Mr Valderas will become eligible for the STI in the 2014 Financial Year.	
R Willcock	-	-	-	In accordance with the terms of the STI policy document, Mr Willcock became ineligible to participate in the 2013 STI as a result of his resignation during the performance year.	

1 Threshold, Target and Stretch values for all of the financial KPIs are approved by the Remuneration and Nominations Committee at the start of the year.

DIRECTORS' REPORT continued
Remuneration Report continued

Senior executive	STI earned (A$)	Percentage of target STI	Percentage of maximum STI	Link between STI award and performance[1]		
Operating Company Managing Directors				**Group financial**	**Operating Company financial**	**Non-financial**
I L Edwards	HKD 927,426	26.70%	17.80%	Actual Group UNPAT and Gearing were between Target and Stretch. Economic profit was below Threshold.	UPBT threshold not achieved due to legacy issues including contracts in Iraq. Underlying performance was positive. These factors are reflected in a reduced STI payment.	Implementation of risk management processes, and reduction in overheads. The 10% fatality penalty was applied.
M C Gray	957,058	100.85%	67.23%	Actual Group UNPAT and Gearing were between Target and Stretch. Economic profit was below Threshold.	UPBT target was exceeded.	Developed future work pipeline and increased pool of capital through reduced reliance on internal funding.
C A Laslett	247,509	26.70%	17.80%	Actual Group UNPAT and Gearing were between Target and Stretch. Economic profit was below Threshold.	UPBT threshold not achieved. The reduced STI recognises efforts to-date in managing legacy issues and continued progress on reducing overheads and reshaping the business. Underlying performance was positive.	Strengthened financial position through reduced overheads and meeting work in hand targets; improved leadership development programs and made significant improvements in year-on-year safety results.
B A Munro	1,236,000	133.33%	88.89%	Actual Group UNPAT and Gearing were between Target and Stretch. Economic profit was below Threshold.	UPBT and cash flow stretch targets were exceeded.	Significant achievement in exceeding stretch safety targets. The 10% fatality penalty was applied.
G M Palin	910,048	98.17%	65.45%	Actual Group UNPAT and Gearing were between Target and Stretch. Economic profit was below Threshold.	UPBT and cash flow was on target.	Strong leadership in determining core competencies, and development of centres of excellence.

1 Threshold, Target and Stretch values for all of the financial KPIs are approved by the Remuneration and Nominations Committee at the start of the year.

3.5.3 2013 LTI
As described in the 2012 Remuneration Report, first grants under the company's new LTI plan were made during the 2012 Financial Year. The terms of the LTI grants that were made to senior executives in the 2013 Financial Year are set out in the table opposite. 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 include both EPS and TSR performance measures.

Summary of 2013 LTI grants

<table>
<tr><td>Who participated?</td><td>All senior executives apart from Mr Gray.</td></tr>
<tr><td>What was granted?</td><td>Senior executives were granted share rights with a face value equivalent to a percentage of their fixed remuneration as set out in the policy remuneration mix in section 3.4: Approach to setting remuneration of this Remuneration Report on page 70.
As the share rights form part of the executive's remuneration, they are granted at no cost. No exercise price is payable by the participant on vesting of the share right.
The share rights entitle the participant to receive one fully-paid ordinary share in the company per right, subject to meeting the vesting conditions (determined by the Remuneration and Nominations Committee) outlined below.</td></tr>
<tr><td>What are the performance measures?</td><td>Parcel A (50%) will be tested against a relative TSR performance measure.
Parcel B (50%) will be tested against growth in EPS.</td></tr>
<tr><td>Over what period is performance measured?</td><td>Three years, from 1 January 2013 to 31 December 2015.</td></tr>
<tr><td>How is TSR performance measured?</td><td>TSR 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 TSR is measured as a percentile ranking compared with a comparator group of listed entities over the performance period. The comparator group comprises the entities in the S&P/ASX100 Index as at 1 January 2013. This comparator group was 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:
<table>
<tr><th>Company's TSR ranking in the comparator group</th><th>% of Parcel A vesting</th></tr>
<tr><td>Below 51st percentile</td><td>Nil</td></tr>
<tr><td>At 51st percentile</td><td>50%</td></tr>
<tr><td>Between 51st 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 EPS performance measured?</td><td>The company's annual compound EPS growth is measured over the performance period.
The portion of the 2013 grant that will vest is determined based on the results of testing against the EPS performance measure which is assessed in accordance with the following schedule:
<table>
<tr><th>EPS growth per annum</th><th>% of Parcel B vesting</th></tr>
<tr><td>Below 10%</td><td>Nil</td></tr>
<tr><td>Equal to 10%</td><td>50%</td></tr>
<tr><td>Between 10% and 14%</td><td>Between 50% and 100% increasing on a straight line basis</td></tr>
<tr><td>14% or greater</td><td>100%</td></tr>
</table>
The EPS targets were set taking into account the company's business plan earnings forecasts, its historic EPS performance, analyst expectations of the company's earnings growth and the EPS 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 EPS 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 EPS growth and the achievement of stable top quartile shareholder returns.
TSR 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, TSR provides a relative, external, market-based performance measure against those companies with which the company competes for capital, customers and executives.
EPS 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 Parcels A and B will occur once the financial results for the 2015 Financial Year are known in February 2016.
There is 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 vesting of share rights rank equally with other ordinary shares on issue.</td></tr>
<tr><td>What happens if there is 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 performance to-date and the nature of the change of control.</td></tr>
</table>

DIRECTORS' REPORT continued
Remuneration Report continued

What if a senior executive ceases employment?	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.
Can senior executives hedge their risk under the LTI?	No – the Group's Securities Trading Policy (consistent with the Corporations Act) prohibits senior executives from entering into hedging arrangements regarding both vested and unvested securities, which includes the share rights.

2013 LTI grants to senior executives

Details of share rights granted to senior executives in the 2013 Financial Year are set out in the table below. All grants were made on the terms summarised in the previous table.

Name	Grant date	Number granted	VWAP at date of award (A$)[1]	Value at date of award (A$)	Test date	Fair Value per right (A$)[2](EPS)	Fair Value per right (A$)[2] (TSR)	Maximum value of grant[4]
H G Tyrwhitt	1 January 2013	107,204	23.32	2,500,000	31 December 2015	14.87	9.41	1,301,457
D Chandran	1 January 2013	17,368	23.32	405,000	31 December 2015	14.87	9.41	210,848
I L Edwards	1 January 2013	18,708	23.32	HKD 3,473,505	31 December 2015	14.87	9.41	227,115
P A Gregg	1 January 2013	77,186	23.32	1,800,000	31 December 2015	14.87	9.41	937,038
C A Laslett	1 January 2013	39,752	23.32	927,000	31 December 2015	14.87	9.41	482,589
B A Munro	1 January 2013	39,752	23.32	927,000	31 December 2015	14.87	9.41	482,589
G M Palin	1 January 2013	39,752	23.32	927,000	31 December 2015	14.87	9.41	482,589
M J Rollo	1 January 2013	22,308	23.32	520,200	31 December 2015	14.87	9.41	270,819
R Willcock[3]	1 January 2013	18,010	23.32	420,000	31 December 2015	14.87	9.41	218,641
Total		**380,040**		**11,899,705**				**4,613,686**

1 The Volume Weighted Average Price (VWAP) of Leighton Holdings Limited securities over the five trading days following 13 February 2013 (the announcement of the financial results for the 2012 Financial Year) was $23.32.

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 As a result of his resignation from the company during the performance period, Mr Willcock forfeited all of his unvested share rights on 30 April 2013 in accordance with the terms of grant.

4 The maximum value of the grant has been estimated based on the fair value per share right for the TSR tranche and the fair value per share right for the EPS tranche. The minimum total value of the grant, if the applicable performance conditions are not met, is nil.

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

Year-on-year performance snapshot

	Opening share price[1] ($)	Closing share price ($)	Share price appreciation (%)	Dividend per share paid ($)	TSR[2] (%)	EPS ($)	PBT ($M)	NPAT ($M)	Return on equity (%)	Cash flow from operations ($M)	Gross debt to equity ratio (%)
December 2013	17.90	16.11	(10.0)	1.05	(38.79)	1.51	736	509	17	1,115	65.5
December 2012[3]	19.25	17.88	(7.1)	0.80	(45.75)	1.33	566	450	16	1,274	94.6
December 2011 Transitional Financial Year[4]	20.99	19.04	(9.3)	0.60	(6.8)	1.01	475	340	13	328	77.5
June 2011	28.63	20.85	(27.2)	0.60	(50.6)	(1.33)	(491)	(409)	(17)	1,700	78.7
June 2010	23.46	28.95	23.4	1.50	(7.4)	2.05	843	612	25	1,987	65.0
June 2009	49.86	23.50	(52.9)	1.15	15.8	1.50	585	440	23	1,302	54.7

1 The opening share price takes into account trades after market close on the last day of the relevant financial year.
2 TSR is determined over a rolling three-year period.
3 Restated to include the impact upon adoption of AASB 11 Joint Arrangements, as set out in note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements to the Financial Report on pages 195 to 198 for the 2013 Financial Year.
4 The December 2011 Transitional Financial Year relates to a six month financial period. As such, the information presented above is not entirely comparable to the 2009 to 2011 and the 2012 and 2013 Financial Year information in this table.

3.6 SENIOR EXECUTIVE TOTAL REMUNERATION

This section details the Group's senior executive remuneration in accordance with the Corporations Act and accounting standards.

However, we recognise 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. Accordingly, the table below sets out the value of fixed remuneration, STI earned, the value of any LTI that vested, and any other payments received by the Group's senior executives during the 2013 Financial Year. This includes the value of any prior year awards where the executive realised value from these awards in the 2013 Financial Year.

Disclosure of actual remuneration is provided voluntarily for increased transparency. This table provides additional information and is not intended to reflect the disclosures that are made elsewhere in this 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 current senior executives during the 2013 Financial Year in Australian dollars (unaudited)

Name	Cash salary	Superannuation	Other[1]	STI earned (and paid in early 2014)[2]	STI deferral (value vested during the 2013 Financial Year)[3]	LTI (value vested during the 2013 Financial Year)[4]	Total remuneration for the 2013 Financial Year
H G Tyrwhitt	2,482,875	17,125	262,276	1,135,125	-	-	3,897,401
D Chandran	703,933	17,125	12,228	229,875	-	-	963,161
I L Edwards	858,668	74,968	426,771	79,267	-	-	1,439,674
M C Gray	914,000	29,500	10,476	574,235	-	-	1,528,211
P A Gregg	1,782,875	17,125	21,259	908,100	-	-	2,729,359
C A Laslett	1,217,675	23,864	21,195	148,505	-	-	1,411,239
B A Munro	1,212,323	23,677	322,648	741,600	-	-	2,300,248
G M Palin	1,196,925	39,075	81,851	546,029	-	-	1,863,880
M J Rollo	849,875	17,125	3,531	300,884	-	-	1,171,415
A Valderas	36,538	-	250,000	-	-	-	286,538

1 Includes the value of fringe benefits which is inclusive of items such as car parking, installation and monitoring of home security, spousal travel, other fringe benefits and fringe benefit tax (FBT) where applicable. Includes the value of the 2010 deferred bonuses paid to I Edwards, B Munro and G Palin, and the relocation allowance paid to A Valderas during the 2013 Financial Year.
2 This amount represents the portion of STI earned for the 2013 Financial Year that is paid as cash.
3 No STI deferral vested in the 2013 Financial Year.
4 No LTI vested in the 2013 Financial Year.

Full details of total remuneration for the CEO and other senior executives are set out in the table overleaf. 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[(c)]	Superannuation benefits	Termination benefits	
Current senior executives							
H G Tyrwhitt							
2013 Financial Year	2,482,875	1,135,125	262,276	-	17,125	-	3,897,401
2012 Financial Year	2,383,872	755,400	-	-	16,128	-	3,155,400
D Chandran							
2013 Financial Year	703,933	229,875	12,228	-	17,125	-	963,161
2012 Financial Year	633,870	142,974	-	-	16,128	-	792,972
I L Edwards							
2013 Financial Year	858,668	79,267	165,332	261,439	74,968	-	1,439,674
2012 Financial Year	572,158	118,408	12,440	-	54,918	-	757,924
M C Gray							
2013 Financial Year	914,000	574,235	10,476	-	29,500	-	1,528,211
2012 Financial Year	887,496	150,000	12,815	651,000	38,000	-	1,739,311
P A Gregg							
2013 Financial Year	1,782,875	908,100	21,259	-	17,125	-	2,729,359
2012 Financial Year	1,733,872	559,125	-	-	16,128	-	2,309,125
C A Laslett							
2013 Financial Year	1,217,675	148,505	21,195	-	23,864	-	1,411,239
2012 Financial Year	1,155,266	270,000	24,971	1,053,548	38,636	-	2,542,421
B A Munro							
2013 Financial Year	1,212,323	741,600	22,648	300,000	23,677	-	2,300,248
2012 Financial Year	1,183,877	300,000	-	-	16,123	-	1,500,000
G M Palin							
2013 Financial Year	1,196,925	546,029	6,851	75,000	39,075	-	1,863,880
2012 Financial Year	1,149,653	270,000	12,256	580,110	50,347	-	2,062,366
M J Rollo							
2013 Financial Year	849,875	300,884	3,531	-	17,125	-	1,171,415
2012 Financial Year	694,834	150,000	-	150,000	13,498	-	1,008,332
A Valderas[1]							
2013 Financial Year	36,538	-	-	250,000	-	-	286,538
2012 Financial Year	-	-	-	-	-	-	-
Former senior executives							
R Willcock[2]							
2013 Financial Year	237,910	-	19,646	-	8,237	347,256	613,049
2012 Financial Year	376,342	77,321	-	-	11,350	-	465,013

1 Mr Valderas was appointed COO on 4 December 2013. He was paid a one-off relocation allowance of $250,000 to assist with his relocation to Sydney. In accordance with his contractual terms, this allowance is repayable if his employment is terminated for any reason prior to the 12-month anniversary of his commencement date. Superannuation is not payable due to his exempt status.

2 Mr Willcock was appointed as Group Company Secretary and General Counsel on 12 June 2012 and resigned on 17 April 2013. He ceased employment with the Group on 30 April 2013. His termination arrangements were as per his contractual terms and are summarised in section 3.7: Summary of Executive Service Agreements of this Remuneration Report on page 81. In accordance with the terms of grant, all unvested share rights held by Mr Willcock were forfeited upon his resignation.

(a) This amount represents cash STI payments to the senior executive for the 2013 Financial Year to be paid in April 2014.

(b) Non-monetary benefits is inclusive of items such as car parking, installation and monitoring of home security, spousal travel, other fringe benefits and fringe benefit tax (FBT) where applicable.

(c) These amounts include the value of the 2010 deferred bonuses paid to I Edwards, B Munro and G Palin in the 2013 Financial Year.

LONG-TERM EMPLOYEE BENEFITS				TOTAL PAYMENTS & ACCRUALS	Cumulative contract/ retention accrued[f]	Percentage of cash bonuses (STI) [g]	Percentage of share-based incentive [h]
Share rights fair value (sign-on awards)[d]	Share rights fair value (LTI and STI deferral) [d]	Options fair value [d]	Contract/ retention accrued in period[e]				
-	1,502,541	100,900	-	5,500,842	-	20.64%	29.15%
-	690,347	100,900	-	3,946,647	-	19.14%	20.05%
162,500	224,389	-	-	1,350,049	-	17.03%	28.66%
162,500	103,023	-	-	1,058,495	-	13.51%	25.08%
58,726	193,344	37,838	-	1,729,581	-	4.58%	16.76%
44,845	99,771	37,838	-	940,378	-	12.59%	19.40%
260,400	160,941	44,144	-	1,993,695	-	28.80%	23.35%
260,400	33,333	44,144	(837,437)	1,239,751	-	12.10%	27.25%
-	1,724,389	-	-	4,453,748	-	20.39%	38.72%
-	798,618	-	-	3,107,743	-	17.99%	25.70%
207,328	418,298	31,531	-	2,068,395	-	7.18%	31.77%
207,328	224,434	31,531	(977,230)	2,028,484	-	13.31%	22.84%
359,259	556,764	31,531	-	3,247,802	-	22.83%	29.18%
323,333	231,100	31,531	(200,433)	1,885,532	-	15.91%	31.08%
204,255	506,637	63,063	-	2,637,834	-	20.70%	29.34%
205,714	224,434	63,063	(1,156,946)	1,398,631	-	19.30%	35.26%
-	283,644	-	-	1,455,059	-	20.68%	19.49%
-	126,508	-	-	1,134,840	-	13.22%	11.15%
-	-	-	-	286,538	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	613,048	-	-	-
-	93,915	-	-	558,928	-	13.83%	16.80%

(d) 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 2013 Financial Year (ie, 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 2013). 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.

(e) The amounts shown for contract/retention benefits are the amounts accrued during the 2012 Financial Year 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. Where the contract/retention benefits have been exchanged for equity, a reversal in the 2012 Financial Year is shown. No further contract/retention benefits were awarded in the 2013 Financial Year.

(f) The amounts shown for contract/retention benefits to 31 December 2013 are the amounts accrued to 31 December 2013 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.

(g) Percentage calculation is based on the cash STI received in the 2013 Financial Year as a percentage of total payments and accruals.

(h) The percentage of each senior executive's remuneration for the 2013 Financial Year that consisted of equity as a percentage of total payments and accruals.

DIRECTORS' REPORT continued
Remuneration Report continued

3.7 SUMMARY OF EXECUTIVE SERVICE AGREEMENTS

Remuneration and other terms of employment for senior executives are formalised in service agreements that were updated and standardised in 2012.

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

- remuneration is reviewed annually;
- either party is able to terminate the agreement on six months' notice;
- there is no specified term (ie, they are "evergreen" contracts);
- there are no specified payments to be made to the senior executive on termination (apart from any payments in lieu of notice); and
- a six-month paid restraint period applies following termination (or 12 months in the case of the CEO and DCEO&CFO).

As described in section 3.4: Approach to setting remuneration of this Remuneration Report on page 70, the agreements also specify the policy remuneration mix that applies to a senior executive's remuneration package.

The entitlement of senior executives to unvested STI and LTI awards on termination of their employment is dealt with under the plan rules and the specific terms of grant.

3.8 DEPARTING SENIOR EXECUTIVE

Mr Willcock

Mr Willcock ceased to be the Group Company Secretary and General Counsel on 17 April 2013 and ceased employment with the Group on 30 April 2013.

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

- payment in lieu of notice (equal to six months' fixed remuneration) of $323,025 (plus statutory superannuation);
- accrued annual leave totalling $10,069; and
- a restraint payment of $24,231.

In accordance with the terms of grant, all unvested share rights held by Mr Willcock under the LTI and STI were forfeited upon his resignation. Mr Willcock did not receive any cash STI payment for the 2013 Financial Year.

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 2013 are set out in the table below.

Current Non-executive Directors

Director	Position	Board Committees (as at 31 December 2013)
R D Humphris OAM	Chairman and independent Non-executive Director	Tender Review and Risk Committee – Chairman Remuneration and Nominations Committee – Chairman Ethics and Compliance Committee
P J Dwyer	Deputy Chairman and independent Non-executive Director	Audit Committee – Chairman Remuneration and Nominations Committee Tender Review and Risk Committee
R A Higgins AO[1]	Independent Non-executive Director	Ethics and Compliance Committee – Chairman Tender Review and Risk Committee Audit Committee
M J Hutchinson	Independent Non-executive Director	Ethics and Compliance Committee Tender Review and Risk Committee
V A McFadden	Independent Non-executive Director	Audit Committee Remuneration and Nominations Committee
M Fernández Verdes[2]	Non-executive Director*	Remuneration and Nominations Committee Tender Review and Risk Committee Ethics and Compliance Committee
D P Robinson[3]	Non-executive Director*	Audit Committee
P W Sassenfeld[4]	Non-executive Director*	Audit Committee Tender Review and Risk Committee
R L Seidler AM[5]	Alternate Director*	N/A
P López Jiménez[6]	Alternate Director*	N/A

* Representing our majority shareholder, HOCHTIEF Australia Holdings Limited.

1 Mr Higgins AO was appointed a Director on 18 June 2013. He was also appointed to the Audit Committee on 18 June 2013. He was appointed as a member of the Ethics and Compliance Committee on 18 June 2013 and became Chairman of the Ethics and Compliance Committee on 5 September 2013. Mr Higgins AO was also a standing invitee of the Tender Review and Risk Committee from 13 August 2013 until 13 December 2013, when he became a member of the Committee.

2 Mr Fernández Verdes was appointed to the Ethics and Compliance Committee and Tender Review and Risk Committee on 13 December 2013.

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

4 Mr Sassenfeld was appointed to the Audit Committee on 18 June 2013 and to the Tender Review and Risk Committee on 13 December 2013.

5 Mr Seidler AM was appointed as the Alternate Director for Mr Fernández Verdes on 18 June 2013. He was previously the Alternate Director for Mr Robinson from 20 November 2012 to 18 June 2013. Mr Seidler AM resigned as a member of the Ethics and Compliance Committee, Remuneration and Nominations Committee and Tender Review and Risk Committee on 13 December 2013 but will remain a standing invitee to these Committees. Mr Seidler AM will also continue to attend any respective Board or Committee meeting in the capacity of Alternate Director to Mr Fernández Verdes in the event that Mr Fernández Verdes is unable to attend a Board or Committee meeting.

6 Mr López Jiménez was appointed as the Alternate Director for Mr Sassenfeld on 18 June 2013. He resigned as a member of the Tender Review and Risk Committee on 13 December 2013 but will continue to attend any subsequent Committee meetings in the capacity of Alternate Director to Mr Sassenfeld in the event that Mr Sassenfeld is unable to attend a Committee meeting.

4.1 SETTING NON-EXECUTIVE DIRECTOR REMUNERATION

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

The Remuneration and Nominations Committee may seek advice from independent external advisers in forming their recommendations, as described in section 2.1: Role of the Board and the Remuneration and Nominations Committee of this Remuneration Report on page 67.

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 Directors for Committee membership, in line with market practice.

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

4.2 FEE LEVELS AND FEE POOL

Directors' fees have not been increased since 1 July 2010, with the exception of the fees for the Deputy Chairman role, which were increased from $225,000 to $250,000 on the appointment of Ms Dwyer to the role.

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 $4,500,000 (including superannuation contributions), as approved by shareholders at the 2013 AGM.

The fees paid to Directors for the 2013 Financial Year are set out in the table in section 4.7: Non-executive Director remuneration of this Remuneration Report on page 84 and total $2,150,100. 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.

DIRECTORS' REPORT continued
Remuneration Report continued

Board and Committee fees

	Chairman[1]	Deputy Chairman	Member
Board	620,000	250,000	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 Committees[3]	3,850	-	3,850

1 The Chairman of the Board, who is also the Chairman of the Tender Review and Risk Committee, Chairman of the Remuneration and Nominations Committee and a member of the Ethics and Compliance Committee, receives no standing Committee fees in addition to his Board fees.

2 This fee covers up to four meetings per year. Where more than four 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 an additional four meetings). If the total number of meetings held in a year significantly exceeds twelve 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 minimum shareholding 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.

Details of individual Directors' shareholdings are disclosed in the Directors' Report on page 40.

4.4 OPERATING COMPANY APPOINTMENTS

As described in the 2012 Remuneration Report on page 97, the Operating Company Boards solely comprise of executives who receive no fees for serving on the respective boards (Operating Company Statutory Boards).

Certain Non-executive Directors have been appointed to Operating Company Advisory Boards, as set out in the table below, and received additional 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. These fees are included in the total fee pool described in section 4.2: Fee Levels and Fee Pool of this Remuneration Report on pages 82 to 83.

Current Operating Company Advisory Board appointments

Director	Operating Company	Role
R D Humphris OAM	Leighton Contractors LAIO	Chairman Member
P J Dwyer	John Holland	Member
D P Robinson	Thiess	Member
R L Seidler AM	Leighton Properties LAIO	Chairman Chairman

4.5 ALTERNATE DIRECTORS

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

During the 2013 Financial Year, Mr Seidler AM was a member of the Board's Remuneration and Nominations, Ethics and Compliance, and Tender Review and Risk Committees, and received Committee membership fees of $63,475 in respect of these roles for the 2013 Financial Year. Mr Seidler AM resigned as a member of these Committees on 13 December 2013 but will remain a standing invitee. Mr Seidler AM will also continue to attend any respective Board or Committee meeting in the capacity of Alternate Director to Mr Fernández Verdes in the event that Mr Fernández Verdes is unable to attend a Board or Committee meeting.

Mr Seidler AM is also the Chairman of the Advisory Boards of Leighton Properties and LAIO since November 2012, for which he received fees of $180,000 from the company and a further payment of $29,500 relating to the 2012 Financial Year.

Mr López Jiménez was a member of the Tender Review and Risk Committee during the 2013 Financial Year, and is due to receive membership fees of $19,908. He resigned as a member of the Tender Review and Risk Committee on 13 December 2013 but will continue to attend any subsequent Board and Committee meetings in the capacity of Alternate Director to Mr Sassenfeld in the event that Mr Sassenfeld is unable to attend a Board or Committee meeting.

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 2013, 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.

4.7 NON-EXECUTIVE DIRECTOR TOTAL REMUNERATION

Details of Non-executive Directors' remuneration in Australian dollars for the 2013 Financial Year and 2012 Financial Year are set out in the table below.

Non-executive Director remuneration

	SHORT-TERM BENEFITS			Non-monetary benefits	POST-EMPLOYMENT BENEFITS		Total Remuneration for services as a Non-executive Director
	Board & Committee fees	Other	Operating Company Board fees and extra service fees[(a)]		Superannuation contributions	Termination benefits	
Current Non-executive Directors							
R D Humphris OAM[1]							
2013 Financial Year	542,036	-	192,042	17,787	34,615	-	786,480
2012 Financial Year	269,133	-	145,423	2,359	22,916	-	439,832
P J Dwyer[2]							
2013 Financial Year	328,995	-	87,777	-	17,125	-	433,897
2012 Financial Year	258,707	-	-	-	16,128	-	274,835
R A Higgins AO[3]							
2013 Financial Year	129,700	-	-	-	8,887	-	138,587
2012 Financial Year	-	-	-	-	-	-	-
M J Hutchinson[3]							
2013 Financial Year	128,382	-	-	-	8,887	-	137,269
2012 Financial Year	-	-	-	-	-	-	-
V A McFadden[3]							
2012 Financial Year	126,084	-	-	-	8,887	-	134,971
2013 Financial Year	-	-	-	-	-	-	-
M Fernández Verdes							
2013 Financial Year	200,176	-	28,795	-	19,196	-	248,167
2012 Financial Year	41,276	-	-	-	3,715	-	44,991
D P Robinson[4]							
2013 Financial Year	221,475	-	48,313	-	17,125	-	286,913
2012 Financial Year	223,400	-	-	-	16,128	-	239,528
P W Sassenfeld							
2013 Financial Year	197,331	-	-	-	17,125	-	214,456
2012 Financial Year	185,000	-	-	-	16,128	-	201,128
Former Non-executive Directors							
S P Johns[5,6]							
2013 Financial Year	151,055	-	-	20,820	4,119	-	175,994
2012 Financial Year	623,945	-	62,844	-	17,839	-	704,628
I J Macfarlane AC[6]							
2013 Financial Year	54,933	-	-	20,609	4,225	-	79,767
2012 Financial Year	219,166	-	-	-	16,128	-	235,294
W G Osborn[6]							
2013 Financial Year	69,933	-	-	24,767	4,225	-	98,925
2012 Financial Year	271,666	-	102,375	-	26,253	-	400,294

1 Mr Humphris OAM was appointed Chairman of the Board on 24 March 2013. The Advisory Board fees payable during the 2013 Financial Year to Mr Humphris OAM comprised of $165,000 and a further payment of $27,042 relating to the 2012 Financial Year.

2 Ms Dwyer was appointed a Non-executive Director on 1 January 2012, and was appointed Deputy Chairman of the Board on 24 March 2013. The Advisory Board fees payable during the 2013 Financial Year to Ms Dwyer comprised of $81,866 and a further payment of $5,911 relating to the 2012 Financial Year.

3 Mr Higgins AO, Mr Hutchinson and Ms McFadden were appointed Non-executive Directors on 18 June 2013.

4 Mr Robinson's fees for the Thiess Advisory Board were paid to Harveys Consulting, being a related party to Mr Robinson.

5 Mr Johns' Board fees for the 2012 Financial Year includes an overpayment of $3,945 that was deducted from Board fees paid for the 2013 Financial Year.

6 Mr Johns, Mr Macfarlane AC and Mr Osborn resigned from the Board on 22 March 2013.

(a) This amount represents the total fees paid to Operating Company Board members. The fees in relation to the 2013 Financial Year relate to services as members of the Operating Company Advisory Boards. Please refer to section 4.4: Operating company appointments of this Remuneration Report on page 83.

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

Overview of legacy incentive plans and outcomes

This tables outlines legacy incentive plans that were still in progress or that were tested during the 2013 Financial Year. All of these plans have been discontinued and no new grants will be made under these plans. Full details of all grants made prior to the 2013 Financial Year can be found in prior Remuneration Reports.

Plan	Summary	Outcomes
2010 MTI	As a result of MTI participation in the since-discontinued 2010 MTI plan, Mr Edwards, Mr Palin and Mr Munro had deferred cash bonuses under the 2010 MTI that became payable on 31 July 2013. The size of the cash bonus was determined based on performance over a one-year period (the 2010 Financial Year). The bonus was then subject to a further three-year deferral period which could affect the size of the award. The full terms of the MTI plan have been described in previous Remuneration Reports. The MTI is now closed to participation and no further awards have been made. No further grants under the MTI remain on foot.	The following individuals received payments in the 2013 Financial Year as a result of the MTI granted in 2010 vesting following the three-year deferral period: Mr Edwards (HKD1,835,300), Mr Palin (A$75,000) and Mr Munro (A$300,000). At the time the MTI was granted, additional performance conditions were imposed on only some of the participants in the plan. At the end of the deferral period, the Remuneration and Nominations Committee determined that it was equitable and appropriate to apply the same terms to all 2010 MTI participants and determined to pay the full deferred amount to all participants, including Mr Edwards, Mr Palin and Mr Munro. In making its determination, the Remuneration and Nominations Committee also took into account the efforts of Mr Palin and Mr Munro in rebasing and reshaping the Operating Companies and, in respect of Mr Edwards, the profit levels at LAIO over the deferral period, which were higher than the base period.
2008 LSEOP	Share options were granted on 25 January 2008 under the Leighton Senior Executive Option Plan (LSEOP) that were subject to meeting a relative TSR against S&P/ASX 100 companies and a growth in EPS hurdle, as disclosed in previous Remuneration Reports. The first test date for these options was on 25 January 2011, which resulted in 20.3% of the tranche associated with the EPS hurdle vesting. The TSR tranche 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.	All unexercised options lapsed on 25 January 2013. No further awards under this grant remain on foot.
2009 LSEOP	Share options were granted on 4 May 2009 under the LSEOP that were subject to meeting a relative TSR against S&P/ASX 100 companies and a growth in EPS hurdle, as disclosed in previous Remuneration Reports. The TSR and EPS performance was measured last year at the initial test date for the period 4 May 2009 to 4 May 2012. At this initial test date, 0% of the TSR tranche vested. 100% of the EPS tranche vested (ie, 50% of total 2009 Options). As the options subject to the TSR hurdle did not vest at the initial test date, the options were available for three re-tests. These re-tests occurred in six-monthly intervals following the initial test date.	Re-testing of the TSR parcel occurred on 4 May 2013 and 4 November 2013. TSR performance was below the median company in the comparator group on these re-test dates and resulted in no vesting. All unvested or unexercised awards are due to lapse on 4 May 2014.
2011 LTI grant to Mr Gregg	Share rights were granted to Mr Gregg in 2011 (following shareholder approval) for no cost in accordance with his service agreement. The rights are subject to a TSR against S&P/ASX 100 companies (excluding financial organisations and real estate investment trusts) and growth in EPS target, as disclosed in previous Remuneration Reports.	The performance period for the 2011 grant to Mr Gregg ended on 31 December 2013 and was tested on 10 February 2014. EPS and TSR performance was below the threshold required for vesting, and this resulted in 25% of Mr Gregg's award lapsing immediately. The remaining unvested portion of the grant will be re-tested in the 2014 Financial Year.

5.2 MOVEMENT IN RIGHTS AND OPTIONS DURING THE 2013 FINANCIAL YEAR

This section sets out the movement in share rights and options under the relevant incentive plans during the 2013 Financial Year, in accordance with statutory requirements.

5.2.1 Movement in rights and options under legacy LTI plans

The following table sets out the movement in rights and options granted under the legacy plans during the 2013 Financial Year. No rights or options were granted under these legacy LTI plans during the 2013 Financial Year.

Name	Plan	Balance at 31 Dec 2012	Vested (number)	Vested (value)	Exercisable (number)[4]	Exercised (number)	Exercised (value)	Lapsed (number)	Lapsed (value)	Balance at 31 Dec 2013
H G Tyrwhitt	2008 LSEOP[1]	30,032	-	-	5,032	-	-	30,032	1,348,737	-
	2009 LSEOP[2]	80,000	-	-	40,000	-	-	-	-	80,000
I L Edwards	2009 LSEOP[2]	30,000	-	-	15,000	-	-	-	-	30,000
P A Gregg	2011 LTI[3]	38,466	-	-	-	-	-	-	-	38,466
M C Gray	2008 LSEOP[1]	15,016	-	-	2,516	-	-	15,016	674,369	-
	2009 LSEOP[2]	35,000	-	-	17,500	-	-	-	-	35,000
C A Laslett	2009 LSEOP[2]	25,000	-	-	12,500	-	-	-	-	25,000
G M Palin	2009 LSEOP[2]	50,000	-	-	25,000	-	-	-	-	50,000
B A Munro	2009 LSEOP[2]	25,000	-	-	12,500	-	-	-	-	25,000

1 The 2008 LSEOP was granted on 25 January 2008. The exercise price was $45.53 on the grant date, but was amended as at 1 July 2011 as per the ASX Listing Rule formula and notified to the ASX on 24 June 2011. The exercise price as at 31 December 2013 was $44.91. 20.13% of the EPS portion vested in previous reporting periods. The TSR tranche of the 2008 LSEOP 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. All options lapsed on 25 January 2013.

2 The 2009 LSEOP was granted on 4 May 2009. The exercise price was $19.49 on the grant date, but was amended as at 1 July 2011 as per the ASX Listing Rule formula and notified to the ASX on 24 June 2011. The exercise price as at 31 December 2013 was $18.87. The EPS hurdle was met on 4 May 2012 and 100% of the EPS parcel vested. The TSR tranche did not meet the hurdles on the first or subsequent test dates being 4 May 2012, 4 November 2012, 4 May 2013 and 4 November 2013. The tranche is due to lapse on 4 May 2014.

3 Mr Gregg was appointed as CFO on 14 October 2009, an Executive Director on 23 December 2010 and Deputy CEO on 12 April 2013. 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 2011 AGM for this award.

4 The options in this column represent the portion of the 2008 and 2009 LSEOP EPS parcel that vested in previous reporting periods, being 20.13% and 100% respectively.

DIRECTORS' REPORT continued
Remuneration Report continued

5.2.2 Movements in rights under current LTI plan

The following table sets out the movement of share rights granted during the 2013 Financial Year under the current LTI plan, as well as the movement during the year of rights granted in previous financial years.

Name	Award Year	Balance at 31 Dec 2012	Granted (number)[1]	Granted (value)	Vested (number)[2]	Vested (value)	Lapsed (number)	Lapsed (value)	Balance at 31 Dec 2013
H G Tyrwhitt	2012	104,499	-	-	-	-	-	-	104,499
	2013	-	107,204	2,500,000	-	-	-	-	107,204
D Chandran	2012	16,978	-	-	-	-	-	-	16,978
	2013	-	17,368	405,000	-	-	-	-	17,368
I L Edwards	2012	17,504	-	-	-	-	-	-	17,504
	2013	-	18,708	436,260	-	-	-	-	18,708
P A Gregg	2012	76,197	-	-	-	-	-	-	76,197
	2013	-	77,186	1,800,000	-	-	-	-	77,186
C A Laslett	2012	39,182	-	-	-	-	-	-	39,182
	2013	-	39,752	927,000	-	-	-	-	39,752
B A Munro	2012	39,182	-	-	-	-	-	-	39,182
	2013	-	39,752	927,000	-	-	-	-	39,752
G M Palin	2012	39,182	-	-	-	-	-	-	39,182
	2013	-	39,752	927,000	-	-	-	-	39,752
M J Rollo	2012	22,202	-	-	-	-	-	-	22,202
	2013	-	22,308	520,200	-	-	-	-	22,308
R Willcock[3]	2012	18,284	-	-	-	-	18,284	420,000	-
	2013	-	18,010	420,000	-	-	18,010	420,000	-

1 Rights were granted to senior executives in March and April 2013 as their 2013 LTI. Additional details regarding this grant are disclosed in section 3.5.3: 2013 LTI of this Remuneration Report on pages 75 to 78.

2 Performance hurdles for the 2012 and 2013 LTI are due to be tested in February 2015 and 2016 respectively. No rights vested under the 2012 or 2013 LTI during the 2013 Financial Year.

3 Mr Willcock resigned from the Group on 17 April 2013. As a result, and in accordance with the terms of grant, all unvested share rights held by Mr Willcock were forfeited.

5.2.3 Deferred share rights under STI

In the 2013 Financial Year, share rights were awarded to senior executives based on the value of the deferred component of the 2012 STI award (being 40% of the STI award for senior executives and 50% for the CEO and DCEO&CFO). These share rights will vest after a further two-year deferral period.

Name	Plan	Grant date	Vesting date	Number granted	Fair value per share right	% vested	% forfeited
H G Tyrwhitt	2012 STI	1 January 2013	31 December 2014	32,392	23.32	0%	0%
D Chandran	2012 STI	1 January 2013	31 December 2014	4,087	23.32	0%	0%
I L Edwards	2012 STI	1 January 2013	31 December 2014	3,417	23.32	0%	0%
M C Gray	2012 STI	1 January 2013	31 December 2014	4,288	23.32	0%	0%
P A Gregg	2012 STI	1 January 2013	31 December 2014	23,976	23.32	0%	0%
C A Laslett	2012 STI	1 January 2013	31 December 2014	7,718	23.32	0%	0%
B A Munro	2012 STI	1 January 2013	31 December 2014	8,576	23.32	0%	0%
G M Palin	2012 STI	1 January 2013	31 December 2014	7,718	23.32	0%	0%
M J Rollo	2012 STI	1 January 2013	31 December 2014	4,288	23.32	0%	0%
R Willcock[1]	2012 STI	1 January 2013	31 December 2014	2,210	23.32	0%	100%

1 Mr Willcock resigned from the Group on 17 April 2013. As a result, and in accordance with the terms of grant, all unvested share rights held by Mr Willcock were forfeited.

5.2.4 One-off awards granted to senior executives in 2012

One-off grants of share rights to some senior executives were made last year in order to transition to the new Executive Services Agreements. The awards listed in the table below had approximately the same value as at the date of grant as the original service or retention payment that was replaced. The deferred share rights were made subject to a continuing service condition, and the performance rights granted to Mr Laslett were made on the same terms as the 2012 LTI grant, but assessing performance over a three-year, four-year and five-year period.

Full details of these awards can be found in section 3.4.4: Service and retention awards of the 2012 Remuneration Report on page 90.

Name	Balance at 31 Dec 2012[1]	VWAP at date of award (A$)[2]	Value at date of award (A$)	Vesting date	Fair Value of grant in 2012 Financial Year (A$)[3]	Balance at 31 Dec 2013
Deferred share rights awarded to senior executives						
D Chandran	16,822	19.32	325,000	1 January 2014	162,500	16,822
I L Edwards	7,410	22.1918	164,433	31 December 2014	58,726	7,410
M C Gray	33,696	19.32	651,000	30 June 2014	260,400	33,696
B A Munro	50,207	19.32	970,000	31 December 2014	359,259	50,207
G M Palin	49,690	19.32	960,000	31 August 2016	204,255	49,690
Total	**157,825**		**3,070,433**		**1,045,140**	**157,825**
Performance rights awarded to senior executives						
C A Laslett	21,768	22.97	500,000	31 December 2014	91,353	21,768
C A Laslett	21,768	22.97	500,000	31 December 2015	65,712	21,768
C A Laslett	21,768	22.97	500,000	31 December 2016	50,262	21,768
Total	**65,304**		**1,500,000**		**207,327**	**65,304**

1 Rights were granted to senior executives in the 2012 Financial Year.

2 The VWAP of Leighton Holdings Limited securities over the five 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 the five trading days following 14 February 2012 (the announcement of the financial results for the December 2011 Transitional Financial Year) was $22.97.

3 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.

The Leighton Holdings Limited Directors' Report for the 2013 Financial Year is signed at Sydney on 20 February 2014 in accordance with a resolution of the Directors.

Robert Humphris OAM
Chairman

Hamish Tyrwhitt
Chief Executive Officer

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Financial Report

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Consolidated Statement of Profit or Loss

for the year ended 31 December 2013

	Note	12 months to December 2013 $m	12 months to December 2012 $m ^(restated)
Revenue	2	22,564.7	20,829.7
Expenses	3	(21,583.1)	(20,123.4)
Finance costs	4	(255.4)	(214.2)
Share of profits / (losses) of associates and joint venture entities		9.9	74.0
Profit / (loss) before tax		736.1	566.1
Income tax (expense) / benefit	6	(267.2)	(124.0)
Profit / (loss) for the year		468.9	442.1
(Profit) / loss for the year attributable to non-controlling interests		39.8	8.0
Profit / (loss) for the year attributable to members of the parent entity	22	508.7	450.1
Dividends per share - Final	23	60.0¢	60.0¢
Dividends per share - Interim	23	45.0¢	20.0¢
Basic earnings per share	24	150.9¢	133.5¢
Diluted earnings per share	24	150.1¢	133.1¢

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 and reflect adjustments made as detailed in note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

The consolidated statement of profit or loss is to be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2013

	Note	12 months to December 2013 $m	12 months to December 2012 $m^
Profit / (loss) for the year attributable to members of the parent entity		508.7	450.1
Other comprehensive income attributable to members of the parent entity:			
Items that may be reclassified to profit or loss			
- Foreign exchange translation differences (net of tax)	21	180.4	(47.9)
- Effective portion of changes in fair value of cash flow hedges (net of tax)	21	12.5	26.2
- Change in fair value of available-for-sale assets (net of tax)	21	9.6	-
Items that will not be reclassified to profit or loss		-	-
- Change in value of equity reserves (net of tax)	21	0.3	(11.4)
Other comprehensive income / (expense) for the year		202.8	(33.1)
Total comprehensive income / (expense) for the year attributable to members of the parent entity		711.5	417.0
Total comprehensive income / (expense) for the year attributable to members of the parent entity:			
Total comprehensive income / (expense) for the year		671.7	409.0
Total comprehensive income / (expense) for the year attributable to non-controlling interests		39.8	8.0
Total comprehensive income / (expense) for the year attributable to members of the parent entity		711.5	417.0

^ Following the adoption of AASB 11 Joint Arrangements by the Group, whilst comparative balances have required restatement throughout the consolidated financial report as a result of a change in accounting policy, there was no restatement required in relation to the consolidated statement of profit or loss and other comprehensive income.

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2013

	Note	31 December 2013 $m	31 December 2012 $m ^(restated)	1 January 2012 $m ^(restated)
Assets				
Cash and cash equivalents	7	1,720.7	2,007.7	1,606.0
Trade and other receivables	8	5,051.1	3,760.6	2,961.4
Current tax assets	9	20.9	10.1	92.6
Inventories: consumables and development properties	10	556.0	569.8	489.3
Assets held for sale	31	229.4	672.8	4.6
Total current assets		7,578.1	7,021.0	5,153.9
Trade and other receivables	8	803.0	675.8	786.7
Inventories: development properties	10	364.4	487.7	432.7
Investments accounted for using the equity method	11	825.6	861.8	979.8
Other investments	12	92.7	97.0	63.6
Deferred tax assets	13	86.3	246.0	307.3
Property, plant and equipment	14	1,752.6	2,071.8	2,521.1
Intangibles	15	573.3	255.7	269.1
Total non-current assets		4,497.9	4,695.8	5,360.3
Total assets		12,076.0	11,716.8	10,514.2
Liabilities				
Trade and other payables	16	5,548.5	5,001.9	4,554.8
Current tax liabilities	17	51.3	85.3	66.7
Provisions	18	477.0	406.5	331.0
Interest bearing liabilities	19	589.5	634.3	669.8
Liabilities associated with assets held for sale	31	105.1	174.3	-
Total current liabilities		6,771.4	6,302.3	5,622.3
Trade and other payables	16	344.8	197.7	404.0
Provisions	18	178.1	173.7	247.1
Interest bearing liabilities	19	1,535.6	2,126.2	1,473.9
Total non-current liabilities		2,058.5	2,497.6	2,125.0
Total liabilities		8,829.9	8,799.9	7,747.3
Net assets		3,246.1	2,916.9	2,766.9
Equity				
Share capital	20	2,028.6	2,027.2	2,027.2
Reserves	21	(9.7)	(229.4)	(209.3)
Retained earnings	22	1,201.3	1,046.7	866.2
Total equity attributable to equity holders of the parent		3,220.2	2,844.5	2,684.1
Non-controlling interests		25.9	72.4	82.8
Total equity		3,246.1	2,916.9	2,766.9

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 and reflect adjustments made as detailed in note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

The consolidated statement of financial position 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 2013

	Share Capital $m	Reserves $m	Retained Earnings $m	Attributable to Equity Holders $m	Non-controlling Interests $m	Total Equity $m
Total equity at 1 January 2012^	2,027.2	(209.3)	866.2	2,684.1	82.8	2,766.9
Profit for the year	-	-	450.1	450.1	(8.0)	442.1
Other comprehensive income	-	(33.1)	-	(33.1)	-	(33.1)
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
Profit for the year	-	-	508.7	508.7	(39.8)	468.9
Other comprehensive income	-	202.8	-	202.8	-	202.8
Transactions with owners in their capacity as owners:						
- Contributions of equity	1.4	-	-	1.4	-	1.4
- Dividends	-	-	(354.1)	(354.1)	-	(354.1)
- Share based payments	-	16.9	-	16.9	-	16.9
- Other	-	-	-	-	(6.7)	(6.7)
Total transactions with owners	1.4	16.9	(354.1)	(335.8)	(6.7)	(342.5)
Total equity at 31 December 2013	2,028.6	(9.7)	1,201.3	3,220.2	25.9	3,246.1

^ Following the adoption of AASB 11 Joint Arrangements by the Group, whilst comparative balances have required restatement throughout the consolidated financial report as a result of a change in accounting policy, there was no restatement required in relation to the consolidated statement of changes in equity.

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 2013

	Note	12 months to December 2013 $m	12 months to December 2012 $m ^(restated)
Cash flows from operating activities			
Cash receipts in the course of operations (including GST)		24,186.8	22,283.0
Cash payments in the course of operations (including GST)		(23,072.0)	(21,008.8)
Cash flows from operating activities		1,114.8	1,274.2
Dividends received		16.3	19.1
Interest received		21.7	36.5
Finance costs paid		(231.5)	(203.6)
Income taxes received / (paid)		(118.4)	49.6
Net cash from operating activities	29	802.9	1,175.8
Cash flows from investing activities			
Payments for intangibles		(53.6)	(45.1)
Payments for property, plant and equipment		(964.5)	(1,224.8)
Proceeds from sale of property, plant and equipment		149.8	102.1
Payments for investments in controlled entities and businesses		(34.9)	(10.8)
Proceeds from sale of investments in controlled entities and businesses		614.1	172.4
Cash acquired from acquisition of investments in controlled entities and businesses		27.2	-
Cash disposed from sale of investments in controlled entities and businesses		(18.4)	-
Payments for other investments		(200.0)	(43.7)
Loans to associates		-	(39.2)
Net cash from investing activities		(480.3)	(1,089.1)
Cash flows from financing activities			
Proceeds from share issues		1.4	-
Proceeds from borrowings		254.1	896.3
Repayment of borrowings		(568.7)	(542.6)
Proceeds from sale and finance leaseback of property, plant and equipment		200.4	433.9
Repayment of finance leases		(268.4)	(173.9)
Dividends paid to non-controlling interests		(0.4)	(3.4)
Dividends paid to owners of the Company		(354.1)	(269.6)
Net cash from financing activities		(735.7)	340.7
Net increase / (decrease) in cash held		(413.1)	427.4
Net cash at the beginning of the period		2,007.7	1,606.0
Effects of exchange rate fluctuations on cash held		126.1	(25.7)
Net cash at reporting date	7	1,720.7	2,007.7

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 and reflect adjustments made as detailed in note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

Notes to the Consolidated Financial Statements

for the year ended 31 December 2013

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 41: *New accounting standards.*

Basis of preparation

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.

New and amended standards adopted by the Company

In the current year, the Company has applied a number of new and revised accounting standards and amendments that are mandatorily effective for an accounting period that begins on or after 1 January 2013, as follows:

- AASB 10 *Consolidated Financial Statements* ("AASB 10"), AASB 11 *Joint Arrangements* ("AASB 11"), AASB 12 *Disclosure of Interests in Other Entities* ("AASB 12"), AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*;
- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income;*
- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period;
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*;
- AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*;
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*;
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*; and
- AASB 2013-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures.*

Changes in accounting policies

Impact of the application of AASB 10

As a result of the adoption of AASB 10, the Company has changed its accounting policy with respect to determining whether it has control over and consequently consolidates its investees. AASB 10 introduces a new control model that is applicable to all entities; among other things, it requires the consolidation of an entity if the Company controls the investee on the basis of de facto circumstances. AASB 10 replaces the previous consolidation requirements in AASB 127 *Consolidated and Separate Financial Statements* and AASB Interpretation 112 *Consolidation – Special Purpose Entities*.

The revised control model broadens the situations when an entity is considered to be controlled by another entity and includes additional application guidance. Under AASB 10, the Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company has reassessed its consolidation conclusions in light of the new control principles in AASB 10 and concluded that no changes are required. Accordingly, the adoption of AASB 10 has not resulted in any adjustments to carrying amounts in the financial statements.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Impact of the application of AASB 11

AASB 11 replaces AASB 131 *Interests in Joint Ventures* and AASB Interpretation 113 *Jointly - Controlled Entities – Non-monetary Contributions by Venturers*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition, AASB 11 removes the option to account for jointly-controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations for liabilities are accounted for by recognising the share of those assets and liabilities. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method.

The adoption of AASB 11 has resulted in the Group changing its accounting policy to distinguish between accounting for joint arrangements as either a joint operation or as a joint venture. As a joint operation the Group accounts for its right to the underlying assets and obligations for liabilities by recognising the share of those assets and liabilities. As a joint venture the Group accounts for its interests using the equity method, where the interests are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

The adoption of AASB 11 has resulted in the Group determining that some joint arrangements that were previously accounted for using the equity method are to be accounted for as joint operations. As required by AASB 11, the change in policy has been applied retrospectively and, as a consequence, adjustments were recognised in the statement of financial position as of 1 January 2012. The Group has derecognised its related investments in joint ventures at the beginning of the earliest period presented being 1 January 2012, and has recognised the carrying amounts of the assets and liabilities under proportionate consolidation. The change in accounting policy had no impact on the Group's net assets, items of equity, profit for the period and earnings per share.

Impact of the application of AASB 12

AASB 12 *Disclosure of interests in other entities* is applicable to entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 25, 26, 27, 39 and 40 for details).

Impact of the application of AASB 13

The Company has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other accounting standards require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 *Share-base Payment,* leasing transactions that are within the scope of AASB 117 *Leases*, and measurements that have some similarities to fair value but are not fair value.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. AASB 13 also requires extensive disclosure requirements.

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2012 comparative period. Other than the additional disclosures, the application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

AASB 119 Employee Benefits (as revised in 2011)

The most significant change required under AASB 119 relates to the accounting for defined benefit plans and termination benefits. The amendments require the recognition of changes in defined benefit obligation and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' previously permitted under AASB 119 and accelerate that recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated balance sheet to reflect the full value of the plan deficit or surplus.

During the year, the remaining defined benefit plan, the 'Leighton Superannuation Plan' was formally wound-up, with all remaining employees transferred to defined contribution schemes. As such the application of the revised AASB 119 Standard is no longer relevant to the Group. Any restatement of prior period balances as a result of retrospective application is not included in the comparative results of the Group as any restatement is considered wholly immaterial.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Amendments to AASB 7 disclosures – Offsetting financial assets and financial liabilities
The Group has applied AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* relating to AASB 7 disclosure requirements for the first time in the current year. The amendments to AASB 7 requires entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments have been applied retrospectively.

AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* requires that when there is a change in accounting policy, the revised policy is applied retrospectively as if the new accounting policy had always been applied. Therefore certain amounts shown in the financial report as at 31 December 2013 do not correspond to the financial report as at 31 December 2012 or to the financial report as at 31 December 2011 (which represents the 1 January 2012 earliest opening comparative balance).

The effect of the changes in accounting policies on individual line items, where applicable, in the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of financial position is shown in more detail in note 40: *Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements*. The adoption of AASB 11 was the only new accounting standard adopted which resulted in a material restatement of prior period financial statements and related notes. All other standards and amendments adopted have impacted disclosures within the financial statements only.

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 actual outcomes within the next financial year that are different from the estimates and assumptions in the areas 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;
- 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 for business combinations.

Basis of consolidation
Subsidiaries
The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Results of controlled entities are included in the consolidated statement of profit or loss from the date control is obtained and excluded from the date the entity is no longer controlled. Intragroup balances and transactions, and any unrealised gains or losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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.

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at cost less impairment.

Investments in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Company owns between 20% and 50% of the voting power of another entity.

Investments in associates are accounting for using the equity method and recognised initially at cost. The cost of the investments includes transaction costs.

The consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investments, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

When the Company's share of losses exceeds its interest in an equity accounted investment, the carrying value of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further loss is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint arrangements

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Company has assessed the nature of its joint arrangements and determined to have both joint operations and joint ventures.

Joint operations

The Company recognises its direct right to the, and its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate headings. Details of joint operations are set out in note 27: *Joint operations*.

Joint ventures

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary, to ensure consistency with the policies adopted by the group.

Other investments

Other investments are accounted for as available-for-sale financial assets.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

a) 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 statement of profit or loss 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.

b) 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.

c) 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 statement of profit or loss 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 statement of financial position 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 statement of financial position 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 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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

d) 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.

e) 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 statement of financial position.

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 statement of profit or loss.

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 statement of profit or loss 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.

f) Derivative financial instruments

Derivative financial instruments are stated at fair value, with changes in fair value recognised in the statement of profit or loss. 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 statement of profit or loss.

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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

g) 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.

h) 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.

Assets classified as held for sale are presented separately from the other assets in the statement of financial position. 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 statement of financial position. Interest and other expenses attributable to the liabilities associated with assets held for sale continue to be recognised.

i) 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 statement of profit or loss.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

j) 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.

k) 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 statement of profit or loss as a gain on acquisition of a controlled entity.

l) 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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

m) 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 statement of profit or loss 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 statement of profit or loss. Reversals of impairment losses, other than in respect of goodwill and available-for-sale assets, are recognised in the statement of profit or loss. Any increase above original cost of the asset is treated as a revaluation increase in equity.

n) 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 contribution superannuation plans exist to provide benefits for eligible employees or their dependants. Contributions by the Group are expensed to the statement of profit or loss as incurred.

Share-based payment transactions

Ownership based remuneration is provided to employees via the plans outlined in Note 37: *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.

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.

o) 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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

p) 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.

q) 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 statement of profit or loss. 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.

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 statement of profit or loss 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 statement of profit or loss as part of the gain or loss on sale.

Notes continued

for the year ended 31 December 2013

2. REVENUE

	Note	12 months to December 2013 $m	12 months to December 2012 $m ^(restated)
Construction contracting services		16,040.7	13,435.9
Mining contracting services		4,416.6	5,374.1
Property development revenue		519.6	438.8
Other services revenue		1,524.5	1,519.6
Revenue from external customers		22,501.4	20,768.4
Interest			
- Related parties	38 (e)	22.7	20.8
- Other parties		24.3	30.0
Unwinding of discounts on non-current receivables			
- Related parties	38 (e)	7.2	6.3
- Other parties		8.0	4.2
Dividends/ distributions		1.1	-
Other revenue		63.3	61.3
Total revenue	32	22,564.7	20,829.7

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 as a result of a change in accounting policy. Refer to note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

Notes continued

for the year ended 31 December 2013

3. EXPENSES

	Note	12 months to December 2013 $m	12 months to December 2012 $m ^(restated)
Materials		(5,563.8)	(4,867.0)
Subcontractors		(6,370.7)	(5,775.6)
Plant costs		(1,287.3)	(1,394.8)
Personnel costs		(5,908.1)	(5,538.3)
Depreciation of property, plant and equipment	4	(905.4)	(1,033.6)
Amortisation of intangibles	4	(27.9)	(24.4)
Net gain / (loss) on acquisition of controlled entities	4	(78.3)	-
Net gain / (loss) on sale of assets	4	234.2	135.4
Impairments	4	(124.7)	(98.0)
Property development - cost of goods sold		(503.9)	(416.8)
Foreign exchange gains / (losses)		(2.3)	(3.3)
Operating lease payments - plant and equipment		(235.8)	(244.1)
Operating lease payments - other		(122.2)	(116.5)
Design, engineering and technical consulting fees		(123.3)	(204.6)
Other expenses		(563.6)	(541.8)
Total expenses		(21,583.1)	(20,123.4)

^ Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 as a result of a change in accounting policy. Refer to note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.

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for the year ended 31 December 2013

4. ITEMS INCLUDED IN PROFIT / (LOSS) BEFORE TAX

	Note	12 months to December 2013 $m	12 months to December 2012 $m ^(restated)
Finance costs			
Interest			
- Related parties	38 (e)	(1.2)	(1.0)
- Other parties		(139.4)	(130.6)
Finance charge for finance leases		(46.6)	(30.9)
Facility fees			
- Bank guarantees, insurance bonds and letters of credit		(29.2)	(39.3)
- Other		(16.8)	(8.9)
Impact of discounting			
- Related parties	38 (e)	(21.6)	-
- Other		(0.6)	(2.3)
Interest rate swap close out transferred from equity		-	(1.2)
Total finance costs		(255.4)	(214.2)
Depreciation of property, plant and equipment			
- Buildings		(2.7)	(2.3)
- Leasehold land, buildings and improvements		(14.8)	(13.6)
- Plant and equipment		(887.9)	(1,017.7)
Total depreciation of property, plant and equipment	28	(905.4)	(1,033.6)
Amortisation			
- Intangibles	15	(27.9)	(24.4)
Net gain / (loss) on acquisition of controlled entities			
- Controlled entities	30	(78.3)	-
Net gain / (loss) on sale of assets			
- Controlled entities and businesses	30	215.0	115.2
- Plant and equipment		19.2	20.2
Total gain / (loss) on sale of assets		234.2	135.4
Impairments			
- Investments in infrastructure toll road companies	36 (f)	(18.5)	(63.0)
- Investments accounted for using the equity method	25	(15.0)	(35.0)
- Property development and property joint venture write-downs		(81.2)	-
- Property, plant and equipment	28	(10.0)	-
Total impairments		(124.7)	(98.0)

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 as a result of a change in accounting policy. Refer to note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

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for the year ended 31 December 2013

5. AUDITOR'S REMUNERATION

	12 months to December 2013 $'000	12 months to December 2012 $'000^
Audit and review services		
Deloitte Touche Tohmatsu ("Deloitte")		
- Audit and review of financial statements – Deloitte Australia#	2,820	3,221
- Audit and review of financial statements – related overseas firms	1,130	955
Other auditors		
- Audit and review of financial statements – other auditors	388	382
Audit and review services	4,338	4,558
Other assurance services		
Deloitte		
- Other assurance services – Deloitte Australia#	143	338
Other auditors		
- Other assurance services – other auditors	21	-
Other assurance services	164	338
Other services		
Deloitte		
- In relation to taxation and other services – Deloitte Australia*	45	1,264
- In relation to taxation and other services – related overseas firms*	-	5
Other auditors		
- Other services – other auditors	41	18
Other services	86	1,287

^ Following the adoption of AASB 11 Joint Arrangements by the Group, whilst comparative balances have required restatement throughout the consolidated financial report as a result of a change in accounting policy, there were no restatements required in relation to AASB 11 Joint Arrangements.

 # The 12 months to December 2012 has been restated to include additional fees for audit services and other services relating to the prior year paid in the 12 months to December 2013, of $576,000 and $32,000 respectively.

** The engagement and commencement of the procedures in relation to the provision of taxation and other services in the period to 31 December 2012 noted above occurred prior to the appointment of Deloitte as the statutory auditor of the Group on 22 May 2012.*

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 Group's *Charter of External Auditor Independence*.

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for the year ended 31 December 2013

6. INCOME TAX (EXPENSE) / BENEFIT

	12 months to December 2013 $m	12 months to December 2012 $m ^(restated)
Income tax (expense) / benefit recognised in the statement of profit or loss		
Current tax expense	(115.0)	(87.5)
Deferred tax (expense) / benefit	(159.7)	(35.9)
(Under) / over provision in prior periods	7.5	(0.6)
Total income tax (expense) / benefit in statement of profit or loss	(267.2)	(124.0)
Deferred tax recognised directly in equity		
Revaluation of cash flow hedges	(6.0)	(2.2)
Revaluation of available-for-sale assets	4.1	-
Total deferred tax (expense) / benefit recognised in equity	(1.9)	(2.2)
Reconciliation of prima facie tax to income tax (expense) / benefit		
Profit / (loss) before tax	736.1	566.1
Prima facie income tax (expense) / benefit at 30% (31 December 2012: 30%)	(220.8)	(172.3)
The following items have affected income tax (expense) / benefit for the year:		
Entertainment and other non-allowable items	(9.8)	(9.1)
Tax losses previously not recognised	-	32.1
Tax losses written off	(16.8)	-
Overseas income tax differential	(18.4)	(5.0)
Research and development credit	34.6	41.5
Movement in provision for taxes on retained earnings of controlled entities	(14.6)	(15.0)
Equity accounted and joint venture income tax differential	(3.0)	15.2
Asset impairments	(13.1)	(10.5)
Other	(12.8)	(0.3)
Current period income tax (expense) / benefit	(274.7)	(123.4)
(Under) / over provision in prior periods	7.5	(0.6)
Income tax (expense) / benefit	(267.2)	(124.0)

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 and reflect adjustments made as detailed in note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

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for the year ended 31 December 2013

7. CASH AND CASH EQUIVALENTS

	December 2013 $m	December 2012 $m ^(restated)
Funds on deposit	799.2	313.3
Cash at bank and on hand	921.5	1,694.4
Total cash and cash equivalents	1,720.7	2,007.7

^ Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 as a result of a change in accounting policy. Refer to note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.

8. TRADE AND OTHER RECEIVABLES

	Note	December 2013 $m	December 2012 $m ^(restated)
Contract debtors	36 (a)	4,035.8	2,818.9
Trade debtors		531.8	517.8
Other amounts receivable		435.0	362.2
Prepayments		80.8	91.4
Derivative financial assets	36 (b)	10.9	0.4
Amounts receivable from related parties[1]	38 (e)	715.8	615.3
Non-current tax asset[2]		44.0	30.4
Total trade and other receivables		5,854.1	4,436.4
Current		5,051.1	3,760.6
Non-current		803.0	675.8
Total trade and other receivables		5,854.1	4,436.4

^ Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 as a result of a change in accounting policy. Refer to note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.

Notes continued

for the year ended 31 December 2013

8. TRADE AND OTHER RECEIVABLES CONTINUED

	December 2013 $m	December 2012 $m ^(restated)
Additional information on contract debtors		
Amounts due from customers - contract debtors	4,035.8	2,818.9
Amounts due to customers - trade creditors	(987.0)	(695.2)
Net contract debtors	3,048.8	2,123.7
Net contract debtors excluding retentions	2,898.3	2,039.8
Retentions	150.5	83.9
Net contract debtors	3,048.8	2,123.7
Cash received to date	64,615.5	55,115.3
Total progressive value of all contracts in progress at reporting date	67,664.3	57,239.0

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 as a result of a change in accounting policy. Refer to note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

[1] The Group has the following trade and other receivables relating to Al Habtoor Leighton LLC ("HLG"):

- loan receivables:
  - non-current interest free shareholder loans provided to HLG of US$104.2 million (31 December 2012: US$117.2 million) equivalent to $115.7 million (31 December 2012: $112.7 million) maturing on 30 September 2017; and
  - non-current interest bearing loans of US$415.0 million (31 December 2012: US$415.0 million) equivalent to $461.1 million (31 December 2012: $399.0 million) maturing on 30 September 2017; and
- non-current interest receivable of US$49.2 million (31 December 2012: US$30.1 million), equivalent to $54.7 million (31 December 2012: $28.9 million), is receivable from HLG on the interest bearing shareholder loans.

[2] The non-current tax asset of $44.0 million (31 December 2012: $30.4 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 $20.9 million (31 December 2012: $10.1 million) represents the amount of income taxes recoverable from the payment of tax in excess of the amounts due to the relevant tax authority.

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for the year ended 31 December 2013

10. INVENTORIES

	December 2013 $m	December 2012 $m ^(restated)
Property developments		
Cost of acquisition	396.8	479.8
Development expenses capitalised	196.9	208.7
Rates, taxes, finance and other costs capitalised	29.9	55.5
Total property developments	623.6	744.0
Other inventories		
Raw materials and consumables at cost	296.8	313.5
Total other inventories	296.8	313.5
Total inventories	920.4	1,057.5
Current	556.0	569.8
Non-current	364.4	487.7
Total inventories	920.4	1,057.5

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 as a result of a change in accounting policy. Refer to note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

Finance costs capitalised to property developments during the period: $13.7 million (31 December 2012: $15.6 million). Property developments pledged as security for interest bearing liabilities - refer to note 36(j): *Financial instruments - Assets Pledged as Security*.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	December 2013 $m	December 2012 $m ^(restated)
Associates	25	499.3	461.8
Joint venture entities	26	326.3	400.0
Total investments accounted for using the equity method		825.6	861.8

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 as a result of a change in accounting policy. Refer to note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

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for the year ended 31 December 2013

12. OTHER INVESTMENTS

	Note	December 2013 $m	December 2012 $m^
Equity and stapled securities available-for-sale			
Listed		1.6	1.6
Unlisted	36 (f)	91.1	95.4
Total equity and stapled securities available-for-sale		92.7	97.0
Current		-	-
Non-current		92.7	97.0
Total other investments		92.7	97.0

^ *Following the adoption of AASB 11 Joint Arrangements by the Group, whilst comparative balances have required restatement throughout the consolidated financial report as a result of a change in accounting policy, there were no restatements required in relation to other investments.*

13. DEFERRED TAXES

	December 2013 $m	December 2012 $m^
Recognised deferred tax assets / (liabilities)		
Deferred tax assets are attributed to the following:		
Contract debtors	69.4	53.6
Property developments	48.9	27.6
Other inventories	1.8	1.5
Property, plant and equipment	94.8	153.3
Employee benefits	207.3	172.0
Contract profit differential	(386.5)	(138.8)
Withholding tax on retained earnings of non-resident and controlled entities	(72.3)	(78.1)
Investment revaluations	78.3	102.3
(Gain) / loss on disposal / acquisition of controlled entities	(117.9)	(66.1)
Foreign exchange	8.0	3.8
Tax losses	160.8	24.4
Trade and other payables and other	(6.3)	(9.5)
Total deferred taxes	86.3	246.0
Unrecognised deferred tax assets		
Deferred tax assets which have not been recognised in respect of tax losses	2.3	2.0

^ *Following the adoption of AASB 11 Joint Arrangements by the Group, whilst comparative balances have required restatement throughout the consolidated financial report as a result of a change in accounting policy, there were no restatements required in relation to deferred taxes.*

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for the year ended 31 December 2013

14. PROPERTY, PLANT AND EQUIPMENT

	Note	December 2013 $m	December 2012 $m ^(restated)
Land		10.7	12.8
Buildings		42.9	44.1
Accumulated depreciation		(17.6)	(16.0)
		25.3	28.1
Leasehold land, buildings and improvements		151.7	144.4
Accumulated depreciation		(79.6)	(69.1)
		72.1	75.3
Plant and equipment		4,118.5	4,531.4
Accumulated depreciation		(2,474.0)	(2,575.8)
		1,644.5	1,955.6
Total property, plant and equipment[1]	28	1,752.6	2,071.8
Non-current		1,752.6	2,071.8
Total property, plant and equipment		1,752.6	2,071.8

[1] *Plant and equipment of $535.1 million (31 December 2012: $854.0 million) is under finance lease.*

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 as a result of a change in accounting policy. Refer to note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

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for the year ended 31 December 2013

15. INTANGIBLES

	Note	Goodwill $m	Other intangibles[1] $m	Total intangibles $m
Cost				
Balance at 31 December 2011		131.4	188.4	319.8
Transfers		(35.5)	-	(35.5)
Additions		1.0	46.4	47.4
Acquisitions through business combinations	30	-	1.4	1.4
Adjustment to the fair value of business combinations		-	-	-
Balance at 31 December 2012^		96.9	236.2	333.1
Balance at 1 January 2013^		96.9	236.2	333.1
Additions		0.6	59.6	60.2
Transfers		14.6	3.2	17.8
Acquisitions through business combinations		246.1	19.5	265.6
Adjustment to the fair value of business combinations		-	-	-
Balance at 31 December 2013		358.2	318.5	676.7
Amortisation and impairment				
Balance at 31 December 2011		(16.8)	(33.9)	(50.7)
Amortisation		(0.6)	(23.8)	(24.4)
Transfers		-	(2.3)	(2.3)
Balance at 31 December 2012^		(17.4)	(60.0)	(77.4)
Balance at 1 January 2013^		(17.4)	(60.0)	(77.4)
Amortisation		-	(27.9)	(27.9)
Transfers		(0.2)	2.1	1.9
Balance at 31 December 2013		(17.6)	(85.8)	(103.4)
Carrying amounts				
Balance at 31 December 2011		114.6	154.5	269.1
Balance at 31 December 2012^		79.5	176.2	255.7
Balance at 31 December 2013		340.6	232.7	573.3

[1] *Other intangibles include:*

- *IT software systems of $183.4 million with a useful life of up to 7 years (31 December 2012: $145.2 million up to 7 years);*
- *Devine Limited brand name of $24.0 million (31 December 2012: $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 11% (31 December 2012: 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: up to 21 years - $23.6 million (31 December 2012: indefinite - $4.1m; 5 years - $1.5m); and*
- *Wai Ming engineering license with useful life of: indefinite - $1.7 million (31 December 2012: indefinite - $1.4m).*

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for the year ended 31 December 2013

15. INTANGIBLES CONTINUED

	December 2013 $m	December 2012 $m ^(restated)
Impairment tests for cash-generating units containing goodwill		
The following cash-generating units have the following carrying amounts of goodwill:		
Thiess Group	26.7	5.6
Leighton Asia, India & Offshore ("LAIO") Group	234.8	17.5
John Holland Group	19.3	25.5
Leighton Contractors Group	59.8	30.9
Balance at reporting date	340.6	79.5

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 6%-15% (31 December 2012: 7%-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

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 as a result of a change in accounting policy. Refer to note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

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for the year ended 31 December 2013

16. TRADE AND OTHER PAYABLES

	Note	December 2013 $m	December 2012 $m ^(restated)
Trade creditors and accruals[1]		5,447.8	4,532.8
Other creditors		364.9	610.1
Amounts payable to related parties	38 (e)	74.9	43.8
Trade and other payables	36 (b)	5,887.6	5,186.7
Derivative financial liabilities	36 (b)	5.7	12.9
Total trade and other payables		5,893.3	5,199.6
Current[1]		5,548.5	5,001.9
Non-current		344.8	197.7
Total trade and other payables		5,893.3	5,199.6

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 as a result of a change in accounting policy. Refer to note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

[1] *31 December 2013: includes $110.0 million in relation to deferred consideration on the acquisition of the remaining 39.9% interest in Leighton Welspun Contractors Private Limited ("LWIN") by Leighton International Limited, a controlled entity of the Company. Refer to note 30: Acquisitions and Disposals of Controlled Entities and Businesses for further detail. This was paid subsequent to reporting date. Refer to note 42: Events subsequent to reporting date for further detail.*

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for the year ended 31 December 2013

17. CURRENT TAX LIABILITIES

The current tax liability of $51.3 million (restated 31 December 2012: $85.3 million^) represents the amounts payable in respect of current and prior periods.

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 as a result of a change in accounting policy. Refer to note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

18. PROVISIONS

	December 2013 $m	December 2012 $m ^(restated)
Employee benefits		
Balance at beginning of reporting period	580.2	543.8
Provisions made during the reporting period	557.4	491.5
Provisions acquired during the reporting period through business combinations	35.2	-
Disposals	-	(2.4)
Provisions used during the reporting period	(530.1)	(450.6)
Effect of movements in foreign exchange	12.4	(2.1)
Balance at reporting date	655.1	580.2
Site restoration		
Balance at beginning of reporting period	-	34.3
Provisions made during the reporting period	-	-
Provisions used during the reporting period	-	(34.3)
Balance at reporting date	-	-
Total provisions	655.1	580.2
Current	477.0	406.5
Non-current	178.1	173.7
Total provisions	655.1	580.2

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.

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 as a result of a change in accounting policy. Refer to note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

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for the year ended 31 December 2013

19. INTEREST BEARING LIABILITIES

	Note	December 2013 $m	December 2012 $m^
Current			
Interest bearing loans		415.5	322.3
Finance lease liabilities		141.0	206.8
Interest bearing liabilities - limited recourse loans		33.0	105.2
Total current liabilities	36	589.5	634.3
Non-current			
Interest bearing loans		1,123.4	1,328.5
Finance lease liabilities		258.2	707.8
Interest bearing liabilities - limited recourse loans		154.0	89.9
Total non-current liabilities	36	1,535.6	2,126.2
Total interest bearing liabilities	36	2,125.1	2,760.5

^ *Following the adoption of AASB 11 Joint Arrangements by the Group, whilst comparative balances have required restatement throughout the consolidated financial report as a result of a change in accounting policy, there were no restatements required in relation to interest bearing liabilities.*

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for the year ended 31 December 2013

20. EQUITY

	Company	
	December 2013 No. of shares	December 2012 No. of shares
Issued and fully paid share capital		
Balance at beginning of reporting period	337,164,188	337,087,596
Issue of executive share rights for nil consideration[1]	-	76,592
Exercise of options[2]	71,000	-
Balance at reporting date	337,235,188	337,164,188

	Company	
	12 months to December 2013 $m	12 months to December 2012 $m
Share capital		
Balance at beginning of reporting period	2,027.2	2,027.2
Exercise of options	1.4	-
Balance at reporting date	2,028.6	2,027.2

[1] *During the 12 month period to 31 December 2013 the Company did not issue shares (31 December 2012: 76,592 shares for $nil consideration were issued).*
[2] *During the year the Company issued 71,000 shares to satisfy options issued in 2009 under the LSEOP at an issue price of $18.87, resulting in an increase in share capital of $1.4 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.

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21. RESERVES

	12 months to December 2013 $m	12 months to December 2012 $m^
Foreign currency translation reserve		
Balance at beginning of reporting period	(280.5)	(232.6)
Included in statement of comprehensive income[1]	180.4	(47.9)
Balance at reporting date	(100.1)	(280.5)
Hedging reserve		
Balance at beginning of reporting period	(6.8)	(33.0)
Included in statement of comprehensive income[2]	12.5	26.2
Balance at reporting date	5.7	(6.8)
Fair value reserve		
Balance at beginning of reporting period	-	-
Included in statement of comprehensive income	9.6	-
Balance at reporting date	9.6	-
Associates equity reserve		
Balance at beginning of reporting period	21.2	21.2
Included in statement of comprehensive income	-	-
Balance at reporting date	21.2	21.2
Equity reserve		
Balance at beginning of reporting period	(17.6)	(6.2)
Included in statement of comprehensive income	0.3	(11.4)
Balance at reporting date	(17.3)	(17.6)
Share based payments reserve		
Balance at beginning of reporting period	54.3	41.3
Included in statement of profit or loss	16.9	13.0
Balance at reporting date	71.2	54.3
Total reserves at reporting date	(9.7)	(229.4)

[1] *Includes amounts reclassified and included in the statement of profit or loss in the year ended 31 December 2013 of a loss of $68.9 million (31 December 2012: $nil). Refer to note 30: Acquisitions and Disposals of Controlled Entities and Businesses for further detail.*

[2] *Includes amounts reclassified and included in the statement of profit or loss in the period ended 31 December 2013 of $nil (31 December 2012 of $3.7 million).*

^ *Following the adoption of AASB 11 Joint Arrangements by the Group, whilst comparative balances have required restatement throughout the consolidated financial report as a result of a change in accounting policy, there were no restatements required in relation to reserves.*

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for the year ended 31 December 2013

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).

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 2013 $m	12 months to December 2012 $m^
Balance at beginning of reporting period		1,046.7	866.2
Included in statement of profit or loss		508.7	450.1
Dividends paid	23	(354.1)	(269.6)
Balance at reporting date		1,201.3	1,046.7

^ *Following the adoption of AASB 11 Joint Arrangements by the Group, whilst comparative balances have required restatement throughout the consolidated financial report as a result of a change in accounting policy, there were no restatements required in relation to retained earnings.*

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for the year ended 31 December 2013

23. DIVIDENDS

	Cents per share	$m
2013 final dividend		
Subsequent to reporting date the Company announced a 50% franked final dividend in respect of the year ended 31 December 2013.† The dividend is payable on 4 April 2014. This dividend has not been provided for in the statement of financial position.	60.0	202.3
Dividends recognised in the reporting period to 31 December 2013 †		
30 June 2013 interim ordinary dividend 50% franked paid on 3 October 2013	45.0	151.8
31 December 2012 final ordinary dividend 50% franked paid on 28 March 2013	60.0	202.3
		354.1
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

† *The unfranked portion of the dividend has been declared Conduit Foreign Income.*

	Company	
	December 2013 $m	December 2012 $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	49.9	89.8

The impact of the 2013 final dividend, declared after reporting date, on the dividend franking account will be a reduction of $43.3 million (2012: $43.3 million).

^ *Following the adoption of AASB 11 Joint Arrangements by the Group, whilst comparative balances have required restatement throughout the consolidated financial report as a result of a change in accounting policy, there were no restatements required in relation to dividends.*

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for the year ended 31 December 2013

24. EARNINGS PER SHARE

	12 months to December 2013	12 months to December 2012^
Basic earnings per share	150.9¢	133.5¢
Diluted earnings per share	150.1¢	133.1¢
Profit / (loss) attributable to members of the parent entity used in the calculation of basic and diluted earnings per share ($m)	508.7	450.1
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	337,222,530	337,106,520
Weighted average effect of share options on issue[1]	-	-
Contingently issuable shares[2]	1,762,956	1,147,240
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	338,985,486	338,253,760

[1] *Share options are not dilutive for 31 December 2013 and 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 37: Employee Benefits.*

^ *Following the adoption of AASB 11 Joint Arrangements by the Group, whilst comparative balances have required restatement throughout the consolidated financial report as a result of a change in accounting policy, there were no restatements required in relation to earnings per share.*

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25. ASSOCIATES

The Group has the following investments in associates:

			Ownership interest	
Name of entity	Principal activity	Country	December 2013 %	December 2012 %
Al Habtoor Leighton LLC	Construction	United Arab Emirates	45	45
Aurum Partnership Pty Limited[1]	Investment	Australia	-	33
Dunsborough Lakes Village Syndicate[1]	Development	Australia	20	20
LCIP Co-Investment Unit Trust	Investment	Australia	25	25
Macmahon Holdings Limited[1]	Construction, Contract Mining	Australia	20	24
Metro Trains Melbourne Pty Limited[1]	Services	Australia	20	20
Sedgman Limited[1]	Construction, Contract Mining	Australia	36	33
Paradip Multi Cargo Berth[2,3]	Development	India	26	-
Vizag General Cargo Berth Ltd[2,3]	Construction	India	26	-

All associates 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.*
3 *These entities were acquired as part of the acquisition of the remaining 39.9% interest in Leighton Welspun Contractors Private Limited ("LWIN") by Leighton International Limited, a controlled entity of the Group. Refer to note 30: Acquisitions and Disposals of Controlled Entities and Businesses for further detail.*

Al Habtoor Leighton LLC ("HLG")

During the reporting period, the carrying value of the Group's investment in HLG increased from $297.7 million to $345.1 million (equivalent to US$309.6 million and US$310.6 million). The increase was primarily attributable to a foreign exchange translation gain of $46.4 million. 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	➢	18% (31 December 2012: 16%)
Growth rate	➢	3% (31 December 2012: 3%) for cash flows beyond five years. This rate does not exceed the expected long-term average growth rate for the Middle East & North Africa ("MENA") region
Legacy project receivables	➢	There continues to be a delay in payment from clients in the MENA region, particularly for projects in progress at the time the Group invested in HLG. It is assumed of the remaining unprovided legacy project receivables, 50% will be collected within twenty-four months and 50% collected subsequently (31 December 2012: 49% and 51% 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 loans and other receivables provided to HLG.
The Group has pledged the following security against borrowings by HLG under two facilities totalling US$345.6 million (31 December 2012: two facilities totalling US$272.0 million):

- letters of credit of US$68.0 million (31 December 2012: US$136.0 million), equivalent to $75.6 million (31 December 2012: $130.8 million); and
- guarantees of US$277.6 million (31 December 2012: US$136.0 million), equivalent to $308.4 million (31 December 2012: $130.8 million).

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for the year ended 31 December 2013

25. ASSOCIATES CONTINUED

The Group's share of associates' results, assets and liabilities are as follows:

	12 months to December 2013 $m	12 months to December 2012 $m^
Revenue	1,070.7	1,162.2
Expenses	(1,045.1)	(1,185.2)
Profit / (loss) before tax	25.6	(23.0)
Income tax (expense) / benefit	(7.4)	(7.5)
Profit / (loss) for the period	18.2	(30.5)

	December 2013 $m	December 2012 $m^
Current assets	1,225.1	1,009.4
Non-current assets	761.7	720.6
Total assets	1,986.8	1,730.0
Current liabilities	891.7	766.8
Non-current liabilities	595.8	501.4
Total liabilities	1,487.5	1,268.2
Equity accounted associates at reporting date[1]	499.3	461.8

[1] *Investments in listed associates for which there are published price quotations had a market value at reporting date of: $91.1 million (31 December 2012: $143.2 million).*

^ *Following the adoption of AASB 11 Joint Arrangements by the Group, whilst comparative balances have required restatement throughout the consolidated financial report as a result of a change in accounting policy, there were no restatements required in relation to associates.*

Impairments of investments in associates of $15.0 million arose due to a decline in the recoverable amount of the investments (31 December 2012: $35.0 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%-18% (31 December 2012: 15%-16%) were used in these calculations.

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25. ASSOCIATES CONTINUED

Set out below are the associates of the group as at 31 December 2013 which, in the opinion of the directors, are material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

				Ownership interest held by the Company	
Name of entity	Place of business / country of incorporation	Measurement method	Nature of relationship	December 2013 %	December 2012 %
Al Habtoor Leighton LLC[1]	United Arab Emirates	Equity method	Associate	45	45

[1] *There is no quoted market value for Al Habtoor Leighton LLC ("HLG") as it is not a listed entity.*

a) Commitments and contingent liabilities in respect of material associates

	December 2013 $m	December 2012 $m
Commitments - Associates	15.4	16.5
Contingent Liabilities - Associates		
Letters of credit and guarantees	384.0	261.6

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25. ASSOCIATES CONTINUED

b) Summarised financial information for material associates

The following table provides summarised financial information for HLG, and reconciles the carrying amount of the Group's interest in HLG and its share of profit and other comprehensive income of its equity accounted investment in HLG (net of tax).

	December 2013 $m	December 2012 $m
Percentage of interest	45%	45%
Summarised balance sheet		
Current assets	995.9	711.9
Non-current assets	612.7	553.5
Current liabilities	(734.6)	(539.9)
Non-current liabilities	(528.9)	(427.8)
Net assets	345.1	297.7
Revenue	498.6	444.7
Profit / (loss) for the period	1.1	(47.0)
Other comprehensive income	-	-
Total comprehensive income	1.1	(47.0)
Dividends received	-	-

c) Individually immaterial associates

In addition to the interests in associates disclosed above, the group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	December 2013 $m	December 2012 $m
Individually immaterial associates		
Aggregate amounts of the Group's carrying value:		
Net assets	154.2	164.1
Aggregate amounts of the Group's share of profit:		
Profit / (loss) for the period	17.1	16.5

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26. JOINT VENTURE ENTITIES

The Group has the following joint venture entities:

			Ownership interest	
Name of entity	Principal activity	Country	December 2013 %	December 2012 %
400 George Street Partnership[1]	Development	Australia	-	50
APM Group (Aust) Pty Ltd & Broad Construction Services (NSW/VIC) Pty Ltd[1]	Construction	Australia	50	50
APN No. 19 Pty Ltd & Leighton Properties (VIC) Pty Ltd[1]	Development	Australia	-	50
Applemead Pty Ltd	Development	Australia	50	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
Bayview Project Noosa Partnership[1]	Development	Australia	-	50
Brisbane Motorway Services Pty Limited[1]	Services	Australia	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
Cockatoo Mining Pty Ltd[1]	Contract Mining	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
Double One 3 Unit Trust	Development	Australia	25	-
Erskineville Residential Project Pty Ltd	Construction	Australia	50	-
Fallingwater Trust[1]	Development	Australia	15	15

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26. JOINT VENTURE ENTITIES CONTINUED

Name of entity	Principal activity	Country	Ownership interest December 2013 %	Ownership interest December 2012 %
Folkestone/Leighton JV Pty Limited[1]	Development	Australia	50	50
Garlanja Joint Venture	Construction	Australia	75	75
Gateway Motorway Services Pty Limited[1]	Services	Australia	50	50
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
Holland York Joint Venture[1]	Construction	Australia	50	50
Hollywood Apartments Pty Ltd	Development	Australia	50	-
Hollywood Apartments Trust	Development	Australia	50	-
HPAL Freehold Pty Limited	Development	Australia	-	50
Infocus Infrastructure Management Pty Limited[1]	Services	Australia	50	50
JM Joint Venture[1]	Construction	Australia	50	50
John Holland BRW Joint Venture[1]	Construction	Australia	50	50
John Holland Downer EDI Engineering Power Joint Venture[1]	Construction	Australia	65	65
John Holland Macmahon Joint Venture (Bell Bay) [1]	Construction	Australia	80	80
John Holland McConnell Dowell 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
Kentz E & C Pty Ltd[1]	Construction	Australia	50	50
Kings Square No.4 Unit Trust	Development	Australia	50	-
Kings Square Pty Ltd	Development	Australia	50	-
Kurunjang Development Pty Ltd[1]	Investment	Australia	50	50
Leighton Abigroup Joint Venture[1]	Construction	Australia	50	50
Leighton BMD JV[1]	Construction	Australia	50	50
Leighton Contractors & Baulderstone Hornibrook Bilfinger Berger Joint Venture[1]	Construction	Australia	50	50
Leighton Hsin Chong Joint Venture[1]	Construction	Hong Kong	-	50
Leighton Infra 13 Joint Venture[2]	Construction	India	50	-
Leighton Kumagai Joint Venture (MetroRail) [1]	Construction	Australia	55	55
Leighton/Ngarda Joint Venture (LNJV) [1]	Construction	Australia	88	88
Leighton OSE Joint Venture- Indore[2]	Construction	India	50	-
Leighton OSE Joint Venture- Agra[2]	Construction	India	50	-
Leighton Services UAE LLC (formerly known as Thiess Services Middle East LLC)	Services	UAE	50	50
Leighton Welspun Contractors Private Limited[2, 3]	Construction	India	-	65

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26. JOINT VENTURE ENTITIES CONTINUED

Name of entity	Principal activity	Country	Ownership interest December 2013 %	Ownership interest December 2012 %
Majwe Mining Joint Venture (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
Moonee Ponds Pty Ltd	Development	Australia	50	-
Mosaic Apartments Holdings Pty Ltd[1]	Development	Australia	50	50
Mosaic Apartments Pty Ltd[1]	Development	Australia	50	50
Mosaic Apartments Unit Trust	Development	Australia	50	50
Mulba Mia Leighton Broad Joint Venture[1]	Construction	Australia	50	50
New Future Alliance (SIHIP)	Construction	Australia	66	66
Nextgen Group Holdings Pty Ltd[5]	Services	Australia	30	-
Ngarda Civil and Mining Pty Limited[1]	Contract Mining	Australia	50	50
North Parramatta No.1 Pty Ltd[1]	Development	Australia	25	-
North Parramatta No.1 Unit Trust[1]	Development	Australia	25	-
Northern Gateway Alliance	Construction	New Zealand	50	50
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
Silcar Pty Limited[4]	Services	Australia	-	50
SmartReo Pty Ltd	Construction	Australia	50	-
Southern Gateway Alliance (Mandurah)	Construction	Australia	69	69
The Kurunjang Development Trust[1]	Development	Australia	50	50
Thiess Alstom Joint Venture[1]	Construction	Australia	50	50
Thiess Barnard Joint Venture	Construction	Australia	50	50
Thiess Black and Veatch Joint Venture[1]	Construction	Australia	50	50
Thiess Downer EDI Works Joint Venture[1]	Construction	Australia	75	75
Thiess Hochtief Joint Venture[1]	Construction	Australia	50	50
Thiess Services Arkwood Joint Venture[1]	Services	Australia	-	50
Thiess United Group Joint Venture[1]	Construction	Australia	50	50
TSDI Pty Ltd[1]	Services	Australia	50	50
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

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26. JOINT VENTURE ENTITIES CONTINUED

Name of entity	Principal activity	Country	Ownership interest December 2013 %	Ownership interest December 2012 %
VR Pakenham Trust[1]	Development	Australia	50	50
Wallan Project Pty Ltd[1]	Investment	Australia	25	25
Wallan Project Trust[1]	Investment	Australia	50	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	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.

[3] *On 27 December 2013, Leighton International Limited, a controlled entity of the Group, acquired the remaining 39.9% interest in Leighton Welspun Contractors Private Limited. Refer note 30: Acquisitions and Disposals of Controlled Entities and Businesses for further detail.*
[4] *On 29 July 2013, Thiess Services Pty Limited, a controlled entity of the Group, acquired the remaining 50% interest in Silcar Pty Limited. Refer note 30: Acquisitions and Disposals of Controlled Entities and Businesses for further detail.*
[5] *On 28 June 2013, the Group acquired a 29.9% interest in the Nextgen Group Holdings Pty Limited joint venture following the sale of 70.1% of the Telecommunication Assets business to the Ontario Teachers' Pension Plan on that date. Refer to note 30: Acquisitions and Disposals of Controlled Entities and Business for further detail.*

Where the Group has an ownership interest in a joint venture entity greater than 50% but does not control the arrangement due to the existence of joint control, the joint venture is not consolidated.

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26. JOINT VENTURE ENTITIES CONTINUED

The Group's share of joint venture entities' results, assets and liabilities are as follows:

	12 months to December 2013 $m	12 months to December 2012 $m ^(restated)
Revenue	775.6	1,135.1
Expenses	(786.0)	(1,017.3)
Profit / (loss) before tax	(10.4)	117.8
Income tax (expense) / benefit	2.1	(13.3)
Profit / (loss) for the period	(8.3)	104.5

	December 2013 $m	December 2012 $m ^(restated)
Current assets	196.9	231.2
Non-current assets	381.9	380.6
Total assets	578.8	611.8
Current liabilities	216.2	179.0
Non-current liabilities	36.3	32.8
Total liabilities	252.5	211.8
The Group's share of joint venture entities' net assets at reporting date	326.3	400.0

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 and reflect adjustments made as detailed in note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

Individually immaterial joint ventures

The Group has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	December 2013 $m	December 2012 $m
Individually immaterial joint ventures		
Aggregate amounts of the Group's carrying value:		
Net assets	326.3	400.0
Aggregate amounts of the Group's share of profit:		
Profit / (loss) for the period	(8.3)	104.5

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27. JOINT OPERATIONS

The Group has the following interest in joint operations:

Name of arrangement	Principal activity	Country	Ownership interest December 2013 %	Ownership interest December 2012 %
Abigroup Contractors Pty Ltd & Coleman Rail Pty Ltd & John Holland Pty Ltd (Integrate Rail JV) [2]	Construction	Australia	40	40
Baulderstone Leighton Joint Venture[2]	Construction	Australia	50	50
BGC Contracting & John Holland & Macmahon Joint Venture (Roy Hill Rail JV)[1, 2]	Construction	Australia	40	40
BJB Joint Venture[2]	Services	Australia	38	38
China State Leighton Joint Venture[2]	Construction	Hong Kong	50	50
Coleman Rail Pty Ltd & John Holland Pty Ltd Joint Venture (Rail Revitalisation Project, SA) [1, 2]	Construction	Australia	50	50
Coleman Rail Pty Ltd & John Holland Pty Ltd & York Civil Pty Ltd Joint Venture (Tracksure Rail Upgrade)[1,2]	Construction	Australia	38	38
Coleman Rail Pty Ltd & John Holland Pty Ltd & York Civil Pty Ltd Joint Venture (Trackworks Upgrade Adelaide) [1, 2]	Construction	Australia	38	38
Degremont Thiess Services Joint Venture[1, 2]	Services	Australia	40	40
Erskineville Residential Project[2]	Development	Australia	50	50
EV LNG Australia Pty Ltd & Thiess Pty Ltd (EVT JV) [2]	Construction	Australia	50	50
Gammon - Leighton Joint Venture[2]	Construction	Hong Kong	50	50
Garlanja[1, 2]	Construction	Australia	75	75
GHD & John Holland Joint Venture (Perth City Link Rail Alliance)[1, 2]	Construction	Australia	85	80
Hazell Brothers John Holland Joint Venture[1, 2]	Construction	Australia	50	50
HYLC Joint Venture[1, 2]	Construction	Australia	50	50
JM JV SIA Joint Venture[1, 2]	Construction	Australia	80	80
John Holland & Leed & Macmahon Joint Venture (Urban Superway) [1, 2]	Construction	Australia	80	40
John Holland & Leed Engineering Joint Venture (NIAW) [1, 2]	Construction	Australia	67	67
John Holland & UGL Joint Venture (Murrumbidgee Irrigation) [1, 2]	Construction	Australia	50	50
John Holland Abigroup Contractors Joint Venture (Bulk Water) [1, 2]	Construction	Australia	50	50
John Holland Abigroup Contractors Joint Venture (Coffs Infrastructure) [1, 2]	Construction	Australia	50	50
John Holland Coleman Rail Joint Venture[1, 2]	Construction	Australia	50	50
John Holland Colin Joss Joint Venture[1, 2]	Construction	Australia	50	50
John Holland Downer EDI Joint Venture[1, 2]	Construction	Australia	60	60
John Holland Fairbrother Joint Venture[1, 2]	Construction	Australia	50	50
John Holland Fulton Hogan Joint Venture[1, 2]	Construction	New Zealand	50	50
John Holland Laing O’Rourke Joint Venture[1, 2]	Construction	Australia	50	50

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27. JOINT OPERATIONS CONTINUED

Name of arrangement	Principal activity	Country	Ownership interest December 2013 %	Ownership interest December 2012 %
John Holland Laing O'Rourke & NRW Joint Venture[1]	Construction	Australia	33	-
John Holland Macmahon Joint Venture (Roe and Tonkin Highways)[1, 2]	Construction	Australia	50	50
John Holland Macmahon Joint Venture (Ross River Dam)[1, 2]	Construction	Australia	50	50
John Holland Pty Ltd & Pindan Contracting Pty Ltd[2]	Construction	Australia	50	50
John Holland Tenix Alliance Joint Venture[1, 2]	Construction	Australia	50	50
John Holland Veolia Water Australia Joint Venture (Blue Water)[1, 2]	Construction	Australia	74	74
John Holland Veolia Water Australia Joint Venture (Hong Kong Sludge)[2]	Construction	Australia	40	40
John Holland Veolia Water Australia Joint Venture (Gold Coast Desalination Plant)[1, 2]	Construction	Australia	64	64
John Holland Pty Ltd & Lend Lease Project Management & Construction (Australia) Pty Limited[2]	Construction	Australia	50	50
John Holland & Bouygues Travaux Publics (Glenfield Junction Alliance)[1]	Construction	Australia	54	-
John Holland & Bouygues Travaux Publics (North Strathfield Rail Underpass Alliance)[1]	Construction	Australia	50	-
Leighton - Gammon Joint Venture[2]	Construction	Hong Kong	50	50
Leighton Abigroup Consortium (Epping to Thornleigh)	Construction	Australia	50	-
Leighton Boral Amey NSW Joint Venture	Services	Australia	44	-
Leighton Boral Amey QLD Joint Venture	Services	Australia	44	-
Leighton China State John Holland Joint Venture (City of Dreams)[1, 2]	Construction	Macau	70	70
Leighton China State Joint Venture (Wynn Resort)[1, 2]	Construction	Macau	50	50
Leighton China State Van Oord Joint Venture[2]	Construction	Hong Kong	45	45
Leighton Construction India (Private) Limited[3]	Construction	India	50	50
Leighton Contractors Downer Joint Venture[1, 2]	Construction	Australia	50	50
Leighton Fulton Hogan Joint Venture (Sapphire to Woolgoolga)[1, 2]	Construction	Australia	50	50
Leighton Fulton Hogan Joint Venture (SH16 Causeway Upgrade)	Construction	New Zealand	50	-
Leighton Kumagai Joint Venture (Route 9 - Eagle's Nest Tunnel)[2]	Construction	Hong Kong	51	51
Leighton Kumagai Joint Venture (Wanchai East & North Point Trunk Sewerage)[2]	Construction	Hong Kong	51	51
Leighton Monnis Infrastructure JV LLC	Construction	Mongolia	55	55
Leighton Swietelsky Joint Venture[1, 2]	Services	Australia	50	50
Leighton-Able Joint Venture[2]	Construction	Hong Kong	51	51
Leighton-Chubb E&M Joint Venture[2]	Construction	Hong Kong	50	50
Leighton-Total Joint Operation[2]	Construction	Indonesia	70	70

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27. JOINT OPERATIONS CONTINUED

			Ownership interest	
Name of arrangement	Principal activity	Country	December 2013 %	December 2012 %
Link 200 Joint Venture[1, 2]	Construction	Hong Kong	48	48
Link 200 Station Joint Venture[1, 2]	Construction	Hong Kong	60	60
Link 200 Tunnel Joint Venture[1, 2]	Construction	Hong Kong	60	60
Murray & Roberts Marine Malaysia - Leighton Contractors Malaysia Joint Venture	Construction	Malaysia	50	-
N.V. Besix S.A. & Thiess Pty Ltd (Best JV) [2]	Construction	Australia	50	50
Taiwan Track Partners Joint Venture[2]	Construction	Taiwan	28	28
Task JV (Thiess & Sinclair Knight Merz)	Construction	Australia	60	-
Thiess Balfour Beatty Joint Venture[2]	Construction	Australia	67	65
Thiess Black and Veatch Joint Venture (VIC)	Construction	Australia	50	-
Thiess Decmil Kentz Joint Venture[1, 2]	Construction	Australia	33	33
Thiess Degremont Joint Venture[1, 2]	Construction	Australia	65	65
Thiess Degremont Nacap Joint Venture[1, 2]	Construction	Australia	33	33
Thiess John Holland Dragados Joint Venture	Construction	Australia	75	-
Thiess MacDow Joint Venture[1, 2]	Construction	Australia	50	50
Thiess Sedgman Joint Venture[1, 2]	Construction	Australia	50	50
Thiess Pty Ltd & York Civil Pty Ltd[2]	Construction	Australia	65	65
Thiess Services and South Eastern Water (formerly US Utility Services Joint Venture) [2]	Services	Australia	50	50

All joint operations have a reporting date of 31 December with the following exceptions:

[1] *Arrangements have a 30 June reporting date.*

[2] *Following the Group's adoption of AASB 11 Joint Arrangements, certain joint arrangements which would previously have been classified as joint ventures are now classified as joint operations.*

[3] *Entities have a 31 March 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.

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for the year ended 31 December 2013

28. RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT CARRYING VALUES

12 months to December 2013	Note	Land $m	Buildings $m	Leasehold land, buildings and improvements $m	Plant and equipment $m	Total property, plant and equipment $m ^(restated)
Opening carrying amount^		12.8	28.1	75.3	1,955.6	2,071.8
Additions[1]		-	29.6	13.7	1,101.3	1,144.6
Acquisitions through business combinations		-	-	1.1	50.0	51.1
Disposals		(2.1)	(29.5)	-	(568.8)	(600.4)
Written off[2]	4	-	-	(4.5)	(5.5)	(10.0)
Transfers[3]		-	(0.1)	-	(118.5)	(118.6)
Depreciation		-	(2.8)	(14.8)	(887.8)	(905.4)
Effects of exchange rate fluctuations		-	-	1.3	118.2	119.5
Carrying amount at reporting date		10.7	25.3	72.1	1,644.5	1,752.6

[1] *Additions to property, plant and equipment include finance lease additions of $75.8 million.*
[2] *Amounts written off during the reporting period of $10.0 million arose due to a decline in the recoverable amount of the property, plant and equipment.*
[3] *Includes transfers to assets held for sale of $201.9 million.*
^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 and reflect adjustments made as detailed in note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

Notes continued

for the year ended 31 December 2013

29. RECONCILIATION OF PROFIT / (LOSS) FOR THE PERIOD TO NET CASH FROM OPERATING ACTIVITIES

	12 months to December 2013 $m	12 months to December 2012 $m ^(restated)
Profit / (loss) for the period	468.9	442.1
Adjustments for non-cash items:		
- Depreciation of property, plant and equipment	905.4	1,033.6
- Amortisation of intangibles	27.9	24.4
- Net (gain) / loss on acquisition of controlled entities	78.3	-
- Net (gain) / loss on sale of controlled entities	(215.0)	(115.2)
- Net (gain) / loss on sale of assets	(19.2)	(20.2)
- Impairment of investments in infrastructure toll road companies	18.5	63.0
- Impairment of investments accounted for using the equity method	15.0	35.0
- Property development and property joint ventures write-downs	81.2	-
- Impairment of property, plant and equipment	10.0	-
- Foreign exchange losses	(2.5)	4.4
- Net amounts set aside to provisions	564.0	476.6
- Share of profits of associates	(5.9)	47.8
- Share based payments	16.9	13.0
Net changes in assets / liabilities:		
- Decrease / (increase) in receivables	(828.1)	(676.8)
- Decrease / (increase) in joint ventures	15.5	(28.2)
- Decrease / (increase) in inventories	79.7	(153.6)
- Increase / (decrease) in payables	(19.8)	303.8
- Increase / (decrease) in provisions	(520.6)	(436.5)
- Current and deferred income tax movement	132.7	162.6
Net cash from operating activities	802.9	1,175.8

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 and reflect adjustments made as detailed in note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

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for the year ended 31 December 2013

30. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES

Acquisitions – Leighton Welspun Contractors Private Limited

12 months to December 2013	Fair values $m
Cash and cash equivalents	27.2
Trade and other receivables	239.9
Investments accounted for using the equity method	1.2
Property, plant and equipment	26.8
Intangibles	11.6
Current and deferred tax	17.4
Trade and other payables	(208.0)
Provisions	(2.1)
Interest bearing liabilities	(55.2)
Net identifiable assets and liabilities	58.8
Cash flows from acquisition	
Cash consideration[1]	-
Cash acquired	27.2

[1] *There was no cash consideration during the period. Subsequent to the reporting date deferred cash consideration of $110.0 million was paid. See note 42: Events subsequent to reporting date for further detail.*

Leighton Welspun Contractors Private Limited ("LWIN")

On 27 December 2013 Leighton International Limited, a controlled entity of the Company, acquired the remaining 39.9% interest in its Indian joint venture, LWIN, from Welspun Infra Projects Private Limited ("Welspun"), for $110.0 million, taking its ownership interest to 100%. As a result of this purchase the Group has gained control of LWIN.

The acquisition has been accounted for under the requirements of Accounting Standard AASB 3 *Business Combinations* as follows: the purchase consideration paid for LWIN was determined as $275.9 million (comprising: deferred cash consideration of $110.0 million; the acquisition date fair value of the Group's previously held equity interest of 60.1% of $165.9 million); and the fair value of the identifiable net assets of LWIN acquired by the Group was $58.8 million.

As the total purchase consideration exceeded the fair value of the identifiable net assets of LWIN, this resulted in the recognition of goodwill on acquisition of $217.1 million. The goodwill is attributable to the skilled workforce, prospective projects and expected combination synergies. In accordance with AASB 3, the Group revalued its previously held equity interest in LWIN to fair value, resulting in a loss on remeasurement of $9.4 million, and reclassified the joint ventures' $68.9 million foreign currency translation reserve from equity to profit and loss, resulting in a total loss on acquisition of a controlled entity of $78.3 million.

Due to the date of the acquisition there was no contribution by LWIN as a controlled entity to the Group's operating profit and loss for the year ended 31 December 2013. LWIN's contribution for the year is recorded in share of profits of joint ventures within the LAIO segment. See note 32: *Segment information*.

Notes continued

for the year ended 31 December 2013

30. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES CONTINUED

Disposals - Telecommunication Assets ("TA")

On 28 June 2013, the Group sold 70.1% of the TA to the Ontario Teachers' Pension Plan ("Teachers'"), and entered in to a joint venture arrangement with Teachers'. As the Group no longer controls TA the transaction has been recorded as a disposal of controlled entities and the acquisition of an interest in a joint venture entity. The disposal has been accounted for under the requirements of Accounting Standard AASB 10 *Consolidated Financial Statements* as follows: the total consideration received was $771.1 million (comprising: cash consideration of $614.1 million (which is subject to a potential completion adjustment) and non-cash consideration of $157.0 million (fair value of the 29.9% retained interest)) less the carrying value of TA's net assets of $556.1 million, resulting in a gain before tax of $215.0 million. Refer to note 4: *Items included in profit / (loss) before tax.* The portion of this gain which is attributable to recognising the investment retained in the former subsidiaries at their fair values is $64.3 million; the portion of the gain attributable to the investment in the former subsidiaries disposed is $150.7 million. TA's contribution from 1 January 2013 to 28 June 2013 to Group revenue of $126.0 million and $44.6 million to Group net profit after tax is recorded in the Leighton Contractors segment. Refer to note 32: *Segment information.*

At 31 December 2012 TA was disclosed as held for sale (assets held for sale: $658.6m; and liabilities associated with assets held for sale: $174.3m).

	$m
Gain on disposal	
Cash consideration	614.1
Non-cash consideration	157.0
Carrying amount on disposal	(556.1)
Net gain on disposal of controlled entities before tax	215.0
Carrying value of assets and liabilities of entities and businesses disposed	
Cash and cash equivalents	18.4
Trade and other receivables	21.2
Inventories: consumables	1.5
Deferred tax assets	21.3
Property, plant and equipment	649.3
Intangibles	25.9
Trade and other payables	(96.5)
Current tax liabilities	(6.3)
Provisions	(7.7)
Interest bearing liabilities	(71.0)
Net assets disposed	556.1
Cash flows resulting from sale	
Cash consideration	614.1
Cash disposed	(18.4)
Net cash inflow	595.7

Notes continued

for the year ended 31 December 2013

30. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES CONTINUED

Disposals - Telecommunication Assets ("TA") *continued*

The following controlled entities were disposed as part of the sale of TA:

- Australia-Singapore Cable (Australia) Pty Limited
- Australia-Singapore Cable (International) Limited
- Australia-Singapore Cable (Singapore) Pte Ltd
- Infoplex Pty Ltd
- Metronode (NSW) Pty Ltd
- Metronode Investments Pty Ltd
- Metronode M2 Pty Ltd
- Metronode New Zealand Limited
- Metronode Pty Ltd
- Metronode S2 Pty Ltd
- Nextgen Networks Pty Limited
- Nextgen Pure Data Pty Ltd
- Nextgen Telecom (WA) Pty Ltd
- Nextgen Telecom Pty Ltd
- Nextgen Services Pty Ltd
- Nextgen Networks International Ltd

Other acquisitions and disposals

December 2013
Acquisition – Macmahon Construction Business ("MCB")

On 27 February 2013, the Group acquired the MCB from Macmahon Holdings Limited for $24.6 million. The majority of the contracts were acquired by the John Holland Group and the acquisition's contribution to net profit after tax in the ten month period to 31 December 2013 is included in the John Holland segment as disclosed in note 32: *Segment Information*.

Acquisition – Enpower Solutions Pty Ltd ("Enpower")

On 12 April 2013, Leighton Contractors Pty Limited, a controlled entity of the Company, acquired selected assets and liabilities of Enpower for $3.0 million. Enpower's contribution to net profit after tax in the eight month period to 31 December 2013 is included in the Leighton Contractors segment as disclosed in note 32: *Segment Information*.

Acquisition - Silcar Pty Limited ("Silcar")

On 29 July 2013 Thiess Services Pty Limited ("Thiess Services"), a controlled entity of the Company, acquired the remaining 50% interest in Silcar from Siemens Pty Limited ("Siemens") for nil consideration, taking its ownership interest to 100%. Silcar's contribution to net profit after tax in the five month period to 31 December 2013 is included in the Thiess segment as disclosed in note 32: *Segment Information*.

December 2012
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. Wai Ming's contribution to net profit after tax in the eight month period to 31 December 2012 is included in the Leighton Asia, India and Offshore segment as disclosed in note 32: *Segment Information*.

Disposals - Thiess Waste Management business ("TWM")

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 31 December 2012 reporting period was $24.3 million (31 December 2011: $9.4 million).

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for the year ended 31 December 2013

30. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES CONTINUED

Thiess Waste Management business continued

12 months to December 2012	$m
Gain on disposal	
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

Other

The following immaterial disposals of controlled entities and businesses took place in the twelve month year ended 31 December 2012:

- Swan Water Services Pty Ltd; and
- Victorian Wave Partners Pty Ltd.

31. HELD FOR SALE

31 December 2013 - PT Arutmin Indonesian Mining Assets and Liabilities ("Arutmin")

On 23 December 2013 PT Thiess Contractors Indonesia ("TCI"), a wholly owned subsidiary of Thiess Pty Limited, signed a Deed of Settlement and Termination Agreement ("STA") with PT Arutmin Indonesia, for the sale of selected assets of TCI.

The assets and associated liabilities are used to provide the TCI's contract mining services to PT Arutmin Indonesia, the owners of the Senakin and Satui mines.

As the sale is expected to be completed within one year from the reporting date, the selected assets and associated liabilities, as shown overleaf, have been classified as held for sale at the reporting date, and are presented in the Thiess segment at 31 December 2013.

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for the year ended 31 December 2013

31. HELD FOR SALE CONTINUED

31 December 2012 - Telecommunication Assets ("TA")

In the prior year, a plan to sell TA was initiated and actively marketed for sale. TA comprised entities and assets that provided telecommunications infrastructure to both external and internal parties of the Group. The assets and associated liabilities shown in the table below were included in the Leighton Contractors segment at 31 December 2012.

The completion of this sale occurred on 28 June 2013. Refer to note 30: *Acquisitions and Disposals of Controlled Entities and Businesses* for further details.

	December 2013 $m	December 2012 $m
	Arutmin	TA
Assets		
Cash and cash equivalents	-	10.0
Trade and other receivables	-	10.3
Inventories: consumables	27.5	1.5
Total current assets	27.5	21.8
Deferred tax assets	-	25.4
Property, plant and equipment*	193.6	575.9
Intangibles	-	35.5
Total non-current assets	193.6	636.8
Total assets	221.1	658.6
Liabilities		
Trade and other payables	-	(112.7)
Current tax liabilities	-	(19.0)
Interest bearing liabilities	(105.1)	-
Provisions	-	(4.4)
Total current liabilities	(105.1)	(136.1)
Provisions	-	(1.7)
Interest bearing liabilities	-	(36.5)
Total non-current liabilities	-	(38.2)
Total liabilities	(105.1)	(174.3)

Other held for sale*

Other held for sale also includes rail and mining equipment of $8.3 million (31 December 2012 rail and barge assets: $14.2 million) actively marketed for sale.

* *Total Property, plant and equipment of $201.9 million was reclassified to assets held for sale during the reporting period (includes $193.6 million in relation to Arutmin and an additional $8.3 million transferred to 'Other held for sale' above during the reporting period).*

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32. SEGMENT INFORMATION

Description of segments

Operating segments have been identified based on separate financial information that is regularly reviewed by the Leighton Group Chief Executive Officer, the Chief Operating Decision Maker ("CODM"). The Leighton Group is structured on a decentralised basis comprising the following main operating companies and a corporate head office:

- 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 composition of reportable segments has not changed since the prior reporting period. The types of services from which segments derive revenue, are included in note 2: *Revenue*. The Group's share of revenue from associates and 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 147 to 148. The corporate segment represents the corporate head office and includes transactions relating to Group finance, taxation, treasury, corporate secretarial and certain strategic investments.

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 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.

Geographical segments

	Revenue		Non-current assets	
	12 months to December 2013 $m	12 months to December 2012 $m ^(restated)	December 2013 $m	December 2012 $m ^(restated)
Geographical information				
Australia Pacific	18,839.6	17,553.0	1,605.4	2,074.3
Asia, Middle East & Africa	3,725.1	3,276.7	1,084.9	740.9
Total	22,564.7	20,829.7	2,690.3	2,815.2

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 and reflect adjustments made as detailed in note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

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.

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32. SEGMENT INFORMATION CONTINUED

12 months to December 2013	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	7,993.1	6,852.1	4,769.4	3,280.8	498.6	641.9	422.0	(109.1)	24,348.8
Interest revenue	-	10.9	0.7	-	-	-	50.6	-	62.2
Segment revenue	7,993.1	6,863.0	4,770.1	3,280.8	498.6	641.9	472.6	(109.1)	24,411.0
Inter-segment revenue	(51.7)	-	(15.5)	(13.8)	-	-	(28.1)	109.1	-
Segment joint venture and associate revenue	(241.6)	(214.3)	(232.7)	(265.9)	(498.6)	(8.0)	(385.2)	-	(1,846.3)
External revenue	7,699.8	6,648.7	4,521.9	3,001.1	-	633.9	59.3	-	22,564.7
Result									
Segment result before interest, restructuring costs, losses on acquisition, gains on sale, and impairments	292.0	474.2	146.3	135.7	1.1	77.5	(88.5)	-	1,038.3
Interest	(95.4)	(39.9)	(7.9)	(58.5)	-	(40.7)	(13.0)	-	(255.4)
Restructuring costs	-	-	-	-	-	-	(58.8)	-	(58.8)
Segment result before losses on acquisition, gains on sale and impairments	196.6	434.3	138.4	77.2	1.1	36.8	(160.3)	-	724.1
Loss on acquisition of controlled entities	-	-	-	(78.3)	-	-	-	-	(78.3)
Gain on sale of controlled entities and businesses	215.0	-	-	-	-	-	-	-	215.0
Impairments	(18.5)	-	(10.0)	-	-	(81.2)	(15.0)	-	(124.7)
Segment result	393.1	434.3	128.4	(1.1)	1.1	(44.4)	(175.3)	-	736.1
Income tax (expense) / benefit									(267.2)
Profit / (loss) for the year									468.9
(Profit) / loss for the year attributable to non-controlling interests									39.8
Profit / (loss) for the year attributable to members of the parent entity									508.7
Other									
Share of profit / (loss) of associates and joint venture entities	14.5	(3.9)	12.8	(8.5)	1.0	(1.1)	(4.9)	-	9.9
Depreciation	(276.5)	(370.5)	(42.1)	(211.5)	-	(1.2)	(3.6)	-	(905.4)
Amortisation	(21.8)	(1.1)	(1.9)	-	-	-	(3.1)	-	(27.9)
Other material non-cash expenses	(18.5)	-	(10.0)	(78.3)	-	(81.2)	(15.0)	-	(203.0)

Notes continued

for the year ended 31 December 2013

32. SEGMENT INFORMATION CONTINUED

12 months to December 2012 ^(restated)	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	521.1	(0.2)	23,065.7
Interest revenue	-	5.7	-	-	-	-	55.6	-	61.3
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	(444.9)	(397.1)	(228.2)	(171.4)	(444.6)	(90.0)	(521.1)	-	(2,297.3)
External revenue	6,691.5	6,839.9	4,317.5	2,457.6	-	467.6	55.6	-	20,829.7
Result									
Segment result before interest, gains on sale and impairments	342.9	237.7	84.6	212.3	(33.2)	23.8	(105.0)	-	763.1
Interest	(53.3)	(22.6)	(20.3)	(38.6)	(13.8)	(49.7)	(15.9)	-	(214.2)
Segment result before gains on sale and impairments	289.6	215.1	64.3	173.7	(47.0)	(25.9)	(120.9)	-	548.9
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	32.8	173.7	(67.0)	(25.9)	(135.9)	-	566.1
Income tax (expense) / benefit									(124.0)
Profit / (loss) for the period									442.1
(Profit) / loss for the year attributable to non-controlling interests									8.0
Profit / (loss) for the year attributable to members of the parent entity									450.1
Other									
Share of profit / (loss) of associates and joint venture entities	45.3	37.3	14.2	6.7	(47.0)	14.0	3.5	-	74.0
Depreciation	(275.0)	(470.5)	(92.4)	(190.5)	-	(1.2)	(4.0)	-	(1,033.6)
Amortisation	(21.9)	-	-	-	-	-	(2.5)	-	(24.4)
Other material non-cash expenses	-	(31.5)	(31.5)	-	(20.0)	(17.2)	(15.0)	-	(115.2)

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 as a result of a change in accounting policy. Refer to note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

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for the year ended 31 December 2013

33. COMMITMENTS

	December 2013 $m	December 2012 $m ^(restated)
Expenditure commitments in relation to operating leases contracted at the reporting date but not recognised as liabilities, are payable as follows:		
- within one year	433.2	307.0
- later than one year but not later than five years	905.2	567.4
- later than five years	198.9	122.9
	1,537.3	997.3
Representing:		
Cancellable operating leases		
Plant and equipment	345.9	349.1
Property	179.4	152.9
Non-cancellable operating leases		
Plant and equipment		
- within one year	143.1	65.9
- later than one year but not later than five years	354.0	133.2
- later than five years	0.2	-
Property		
- within one year	92.9	72.5
- later than one year but not later than five years	265.6	165.9
- later than five years	148.0	43.2
Other		
- within one year	4.0	0.9
- later than one year but not later than five years	4.2	6.7
- later than five years	-	7.0
	1,537.3	997.3

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 and reflect adjustments made as detailed in note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

Operating leases

The Group leases plant and equipment used in contract mining and construction 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.

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33. COMMITMENTS CONTINUED

Capital commitments

Capital expenditure contracted for at reporting date but not recognised as liabilities is as follows:

	December 2013 $m	December 2012 $m ^(restated)
Property, plant and equipment		
Payable:		
- within one year	196.7	360.8
- later than one year but not later than five years	11.0	154.0
- later than five years	-	-
	207.7	514.8
Investments[1]		
Payable:		
- within one year	-	4.5
- later than one year but not later than five years	10.0	15.5
- later than five years	10.0	-
	20.0	20.0
Joint venture commitments - property, plant and equipment		
Payable:		
- within one year	9.3	0.5
- later than one year but not later than five years	-	-
- later than five years	-	-
	9.3	0.5
Share of associates' commitments - property, plant and equipment		
Payable:		
- within one year	17.9	30.8
- later than one year but not later than five years	4.5	32.1
- later than five years	-	-
	22.4	62.9

[1] *Deferred cash consideration in relation to the acquisition of 39.9% of LWIN of $110.0 million has not been included above at 31 December 2013 as it has been recognised in current payables (refer to note 16: Trade and other payables).*

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 and reflect adjustments made as detailed in note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

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for the year ended 31 December 2013

34. CONTINGENT LIABILITIES

Bank guarantees, insurance bonds and letters of credit

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

	December 2013 $m	December 2012 $m
Bank guarantees	2,619.1	2,346.7
Insurance, performance and payment bonds	1,280.0	739.1
Letters of credit	514.2	720.2

Letters of credit include those provided for the Group's capital commitments totalling $34.1 million (31 December 2012: $234.1 million) and those provided on behalf of HLG to the lender totalling $75.6 million (31 December 2012: $130.8 million). Guarantees of $308.4 million have also been provided on behalf of HLG to the lender (refer to note 25: *Associates*).

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 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 arrangements under which the controlled entity may be jointly and severally liable for the liabilities of the joint arrangement.

v) Under the terms of the Class Order described in note 39: *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.

vii) On 17 May 2013 and 7 October 2013, the Company announced to the Australian Stock Exchange that it had been made aware of proposals to commence litigation by two separate parties in relation to the Company's continuous disclosure obligations. The proceedings relating to the 2011 profit downgrade were commenced on 30 October 2013. The proceedings relating to an alleged failure to disclose the report to the AFP and related matters commenced on 4 October 2013. The Company denies both claims and is defending both sets of proceedings.

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for the year ended 31 December 2013

35. 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.

36. 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 statement of financial position. The Group's maximum exposure to credit risk for receivables at the reporting date by geographic region was: Australia Pacific $3,547.8 million (31 December 2012: $2,376.1 million^) and Asia, Middle East & Africa $2,306.3 million (31 December 2012: $2,060.3 million^).

The ageing of the Group's receivables at the reporting date was: not past due: $2,485.1 million (31 December 2012: $1,761.6 million); past due: $293.1 million (31 December 2012: $394.1 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 2012: 3%).

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 and reflect adjustments made as detailed in note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

	12 months to December 2013 $m	12 months to December 2012 $m
Provision for impairment of receivables		
Balance at beginning of reporting period	(3.4)	(2.3)
Net provision (made) / used	(14.7)	(1.1)
Balance at reporting date	(18.1)	(3.4)

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 2012: $nil).

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for the year ended 31 December 2013

36. 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 2013 the Group had undrawn bank facilities of $1,231.0 million (31 December 2012: $987.5 million) including $nil (31 December 2012: $40.6 million) relating to facilities held for sale, and undrawn guarantee facilities of $767.8 million (31 December 2012: $913.4 million).

Contractual maturities of financial assets and liabilities as at 31 December 2013:

December 2013	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	1,538.9	(2,019.6)	(514.8)	(674.5)	(830.3)
Finance lease liabilities	504.3	(538.3)	(265.9)	(272.4)	-
Limited recourse loans	187.0	(199.1)	(39.5)	(159.6)	-
Total interest bearing liabilities*	2,230.2	(2,757.0)	(820.2)	(1,106.5)	(830.3)
Trade and other payables	5,887.6	(5,887.6)	(5,544.2)	(343.4)	-
Derivative financial liabilities					
Forward exchange contracts used for foreign currency hedging:					
Outflow	5.1	(83.3)	(70.5)	(12.8)	-
Other cash flow hedges:					
Outflow	0.6	(100.0)	-	(100.0)	-
Total derivative financial liabilities	5.7	(183.3)	(70.5)	(112.8)	-
Total trade and other payables	5,893.3	(6,070.9)	(5,614.7)	(456.2)	-
Derivative financial assets					
Forward exchange contracts used for foreign currency hedging:					
Inflow	(10.9)	204.5	201.0	3.5	-
Total derivative financial assets	(10.9)	204.5	201.0	3.5	-

* *Total interest bearing liabilities includes liabilities associated with assets held for sale. Refer to note 31: Held for Sale.*

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for the year ended 31 December 2013

36. FINANCIAL INSTRUMENTS CONTINUED

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	5,186.7	(5,186.7)	(4,994.7)	(192.0)	-
Derivative financial liabilities					
Forward exchange contracts used for foreign currency hedging:					
Outflow	12.1	(389.4)	(312.5)	(76.9)	-
Other cash flow hedges:					
Outflow	0.8	(0.7)	(0.5)	(0.2)	-
Total derivative financial liabilities	12.9	(390.1)	(313.0)	(77.1)	-
Total trade and other payables	5,199.6	(5,576.8)	(5,307.7)	(269.1)	-
Derivative financial assets					
Forward exchange contracts used for foreign currency hedging:					
Inflow	(0.4)	74.6	65.5	9.1	-
Total derivative financial assets	(0.4)	74.6	65.5	9.1	-

* *Total interest bearing liabilities includes liabilities associated with assets held for sale. Refer to note 31: Held for Sale*

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 and reflect adjustments made as detailed in note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements*

Guarantees

Guarantees have not been included in the maturity analysis for financial liabilities above. Guarantees provided to HLG, with a carrying value of $nil (31 December 2012: $nil), are disclosed in note 25: *Associates*.

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for the year ended 31 December 2013

36. FINANCIAL INSTRUMENTS CONTINUED

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 through 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. There were no losses recognised in the current year (31 December 2012: $63.0 million loss, $44.1 million loss after tax) (refer note 4: *Items included in profit / (loss) before tax)*.

Fair values

For the fair values of listed and unlisted investments, see section (f) of this note.

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.

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for the year ended 31 December 2013

36. 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 $5.2 million (31 December 2012: $12.3 million). It is expected that the current hedged forecast transactions will occur during the periods outlined in section (b) above and will affect the statement of profit or loss in the same periods. There are no gains or losses recognised in the statement of profit or loss 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		Statement of Profit or Loss	
	December 2013	December 2012	12 months to December 2013	12 months to December 2012
US$ United States dollar	0.90	1.04	0.96	1.04

The Group's exposure to foreign currency risk at balance date was: assets US$3,726.8 million (31 December 2012: US$4,154.1 million); liabilities US$2,604.0 million (31 December 2012: US$2,404.1 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 2012.

	Equity		Statement of Profit or Loss	
	December 2013 $m	December 2012 $m	12 months to December 2013 $m	12 months to December 2012 $m
US$ depreciates by 5% against AU$ (AU$ appreciates)	(63.8)	(57.1)	(1.5)	(6.6)
US$ appreciates by 5% against AU$ (AU$ depreciates)	70.5	63.1	1.7	7.3

Notes continued

for the year ended 31 December 2013

36. 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 increased the Group's profit after tax and retained earnings by $12.1 million (31 December 2012: increased by $7.8 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 2013 $m	December 2012 $m ^(restated)
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(1,521.6)	(1,408.2)
	(1,521.6)	(1,408.2)
Variable rate instruments		
Financial assets	1,720.7	2,007.7
Financial liabilities*	(708.6)	(1,388.8)
	1,012.1	618.9

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 and reflect adjustments made as detailed in note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

* *Total interest bearing liabilities includes liabilities associated with assets held for sale. Refer to note 31: Held for Sale.*

Notes continued

for the year ended 31 December 2013

36. FINANCIAL INSTRUMENTS CONTINUED

f) Net fair values of financial assets and liabilities

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 2013	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	-	-	91.1	91.1
Derivatives	-	10.9	-	10.9
Total assets	1.6	10.9	91.1	103.6
Liabilities				
Derivatives	-	5.7	-	5.7
Total liabilities	-	5.7	-	5.7

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	-	12.9	-	12.9
Total liabilities	-	12.9	-	12.9

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 and reflect adjustments made as detailed in note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

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for the year ended 31 December 2013

36. 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 below. The table below analyses the changes in Level 3 instruments as follows:

	12 months to December 2013 $m	12 months to December 2012 $m^
Unlisted equity and stapled securities available-for-sale		
Balance at beginning of reporting period	95.4	62.0
Additions	0.5	33.4
Gains recognised in other comprehensive income	13.7	-
Impairment[1]	(18.5)	-
Capital return	-	-
Balance at reporting date	91.1	95.4

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

^ *Following the adoption of AASB 11 Joint Arrangements by the Group, whilst comparative balances have required restatement throughout the consolidated financial report as a result of a change in accounting policy, there were no restatements required in relation to net fair values of financial assets and liabilities.*

[1] *Impairments of investments in infrastructure and toll road companies of $18.5 million during the reporting period arose from a decline in the recoverable amount of the investment due to Cross City Tunnel entering administration. This has been included in the Corporate segment as disclosed in note 32: Segment information.*

Valuation techniques

Listed and unlisted investments

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.

Listed and unlisted debt

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 statement of financial position approximate fair values. The fair value of interest bearing liabilities is:

- *Listed debt*: Medium Term Notes fair value $287.4 million; carrying value $280.0 million (31 December 2012: fair value $295.7 million; carrying value $280.0 million); and 10-Year-Fixed-Rate Guaranteed Notes fair value US$538.5 million, equivalent to $598.3 million; carrying value US$492.7 million, equivalent to $547.4 million (31 December 2012: fair value US$512.1 million; carrying value US$491.7 million).
- *Unlisted debt*: Guaranteed Senior Notes fair value $589.4 million; carrying value $576.0 million (31 December 2012: fair value: $727.9 million; carrying value $604.4 million).

Cash flow hedges

The Group's foreign currency forward contracts are not traded in active markets. The fair values of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, e.g. market exchange and interest rates and are included in Level 2 of the fair value hierarchy.

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for the year ended 31 December 2013

36. FINANCIAL INSTRUMENTS CONTINUED

Valuation process

The internal valuation process for unlisted investments, unlisted debt and cash flow hedges is managed by a team in the Group finance department which performs the valuations required for financial reporting purposes. The valuation team reports to the Group's Chief Financial Officer ("CFO"). Discussions on valuation processes and outcomes are held between the valuation team and CFO as required. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Valuation inputs

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. There were no significant inter-relationships between unobservable inputs that materially affect fair values.

Financial assets/ financial liabilities	Significant unobservable input(s)	Range of inputs	Relationship of unobservable inputs to fair value
Unlisted investments	Growth rates	2.5% - 3.0%	The impact on inputs to a change in the unobservable inputs would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity
	Discount rates	10% - 15%	
Unlisted debt	Bond curves	1% - 4%	
Cash flow hedges	Exchange rates	US$	
	Interest rates	1% - 5%	

g) Interest Bearing Loans

Syndicated Loans

On 21 June 2013, Leighton Finance Limited, a wholly owned subsidiary of the Company, entered into a syndicated bank facility for $1.0 billion, maturing on 21 June 2016. Carrying amount at 31 December 2013: $nil. This facility replaces the previous syndicated facility of $600.0 million which had a maturity date of 8 December 2013.

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% which matured 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. During the reporting period the Series A Notes of US$111.0 million (equivalent to $123.3 million), were repaid. Carrying amount at 31 December 2013: US$169.0 million (31 December 2012: US$279.5 million) equivalent to $187.8 million (31 December 2012: $268.8 million), of which US$nil is due for repayment within twelve months from the reporting date.

Notes continued

for the year ended 31 December 2013

36. 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 2013: US$349.4 million (31 December 2012: US$349.0 million) equivalent to $388.2 million (31 December 2012: $335.6 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 Senior 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. Carrying amount at 31 December 2013: US$492.7 million (31 December 2012: US$491.7 million) equivalent to $547.4 million (31 December 2012: $472.8 million).

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 semi-annually on the 28th day of January and July in each year, and mature on 28 July 2014.

Bilateral Loans

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 September 2015. During the reporting period $75.0 million was repaid. Carrying amount at 31 December 2013: $nil (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. During the reporting period $100.0 million was repaid. Carrying amount at 31 December 2013: $nil (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. In the prior period to 31 December 2012, $75.0 million was repaid, with an additional $75.0 million repaid during the current reporting period. Carrying amount at 31 December 2013: $nil (31 December 2012: $75.0 million).

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36. FINANCIAL INSTRUMENTS CONTINUED

Other Unsecured Loans

Other unsecured loans outstanding as at 31 December 2013: $135.5 million (31 December 2012: $43.7 million). Other unsecured loans expected to be settled within twelve months after reporting date: $135.5 million (31 December 2012: $3.1 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.

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 2013: $187.0 million (31 December 2012: $195.1 million).

j) Assets Pledged as Security

The total carrying value of financial assets pledged as security at the reporting date is as follows:

	December 2013 $m	December 2012 $m^
Assets pledged as security		
Property development - mortgaged	520.3	564.5
Other assets - fixed and floating charge	165.1	179.3
Total pledged assets	685.4	743.8

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 36(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.

^ *Following the adoption of AASB 11 Joint Arrangements by the Group, whilst comparative balances have required restatement throughout the consolidated financial report as a result of a change in accounting policy, there were no restatements required in relation to assets pledged as security.*

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for the year ended 31 December 2013

36. FINANCIAL INSTRUMENTS CONTINUED

k) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the balance sheet are disclosed in the table below.

	Effects of offsetting on the balance sheet			Related amounts not offset	
	Gross amounts of bank accounts with a debit balance (financial asset) $m	Gross amounts of bank accounts with a credit balance (financial liability) $m	Net cash amount $m	Amounts subject to master netting arrangements $m	Net amount $m
December 2013					
Cash[1]	3,103.2	(2,346.4)	756.8	-	-
December 2012					
Cash[1]	3,252.7	(1,747.1)	1,505.6	-	-

[1] *The Group has transactional banking facilities that notionally pool grouped bank accounts with credit and debit balances. The legal right of offset means that the actual cash balance is the sum of all credit and debit balances of grouped bank accounts in the notional pool.*

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37. EMPLOYEE BENEFITS

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 the LESP. The rules of the 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 2012: nil). No new shares were issued under the LESP during the reporting period (31 December 2012: nil). Expense recognised during the reporting period: $nil (31 December 2012: $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 the 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 three 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 2012: $nil). Expense recognised during the reporting period: $nil (31 December 2012: $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 the 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 2012: 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 50th percentile before any parcel A options are exercisable (50% exercisable at threshold) then pro rata to the 75th percentile and then at the 75th percentile or greater 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) then pro rata to the 75th percentile and then at 12% per annum or greater all parcel B options are exercisable.

Amount recognised during the reporting period: Expense $2.4 million (31 December 2012: Gain $4.5 million).

Notes continued

for the year ended 31 December 2013

37. EMPLOYEE BENEFITS CONTINUED

b) Option plans continued

	Leighton Senior Executive Option Plan	
	2008	2009
Date of grant	25 Jan 2008	4 May 2009
Date of expiry	25 Jan 2013	4 May 2014
Exercise price[1]	$44.91	$18.87
Original grant	1,461,000	4,833,500
Unexercised options		
Unexercised options at 31 December 2011	666,351	4,031,000
- Granted	-	-
- Exercised[2]	-	-
- Lapsed	(7,507)	(77,500)
Unexercised options at 31 December 2012	658,844	3,953,500
- Granted	-	-
- Exercised[3]	-	(71,000)
- Lapsed[4]	(658,844)	(57,500)
Unexercised options at 31 December 2013	-	3,825,000
Exercisable options		
- At 31 December 2012	111,601	1,964,250
- At 31 December 2013	-	1,868,250

[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 2013.*
[2] *The weighted average share price during the reporting period to 31 December 2012 was $18.62.*
[3] *The weighted average share price during the reporting period to 31 December 2013 was $17.98.*
[4] *All 2008 options granted on 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 Peter Gregg

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. 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 four 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.

Notes continued

for the year ended 31 December 2013

37. 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.

There were no further share rights granted during the reporting period to 31 December 2013.

	Long-Term Incentive Plan – 2011 Award to P Gregg
Date of grant	1 Jan 2011
Date of expiry[1]	31 Dec 2014
Grant fair value for TSR performance hurdle ("parcel A")	$19.01
Grant fair value for EPS hurdle ("parcel B")	$26.61
Original grant	38,466
Unvested rights	
Unvested rights at 31 December 2011	38,466
- Granted	-
- Vested[2]	-
Unvested rights at 31 December 2012	38,466
- Granted	-
- Vested[3]	-
Unvested rights at 31 December 2013[4]	38,466

[1] *Each LTI performance hurdle is tested over a three 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 and then re-tested at six month intervals.*

[2] *The weighted average share price during the reporting period to 31 December 2012 was $18.62.*

[3] *The weighted average share price during the reporting period to 31 December 2013 was $17.98.*

[4] *The performance hurdles were not met at the first test date on 10 February 2014 and as a result 25% of the award lapsed immediately. The remainder will be carried forward to the next test date.*

Notes continued

for the year ended 31 December 2013

37. EMPLOYEE BENEFITS CONTINUED

c) Rights plans continued

Equity Incentive Plans – 2012 and 2013 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 awards of share rights made in 2012 and 2013 under the Long-Term Incentive Plan, STI Deferral Plan and One-off Awards described below.

Long-Term Incentive Plan – 2012 Awards

The Long-Term Incentive Plan – 2012 Awards performance 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 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 three, four and five year performance periods.

Amount recognised during the reporting period: Expense $2.3 million (31 December 2012: Expense $2.3 million).

	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
- Granted[3]	1,662	-	-
- Vested[4]	-	-	-
- Lapsed	(22,944)	-	-
Unvested rights at 31 December 2013	543,810	21,768	21,768

Notes continued

for the year ended 31 December 2013

37. EMPLOYEE BENEFITS CONTINUED

c) Rights plans continued

[1] *Each 2012 LTI performance hurdle is tested over a three 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 four and five year performance period respectively.*
[2] *The weighted average share price during the reporting period to 31 December 2012 was $18.62.*
[3] *Represents an adjustment to the number of rights issued in the prior reporting period.*
[4] *The weighted average share price during the reporting period to 31 December 2013 was $17.98.*

Long-Term Incentive Plan – 2013 Awards

The Long-Term Incentive Plan – 2013 Awards performance 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 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 2013) 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 10% per annum before any parcel B share rights vest (50% vest at threshold) then pro rata to 14% per annum and then at 14% per annum all parcel B share rights vest.

Amount recognised during the reporting period: Expense $2.8 million (31 December 2012: Expense $nil).

	2013 LTI award
Date of grant	1 Jan 2013
Date of expiry[1]	Feb 2016
Grant fair value for TSR performance hurdle ("parcel A")	$9.41
Grant fair value for EPS hurdle ("parcel B")	$14.87
Original grant	705,426
Unvested rights at 31 December 2012	-
- Granted	705,426
- Lapsed	(18,010)
- Vested[2]	-
Unvested rights at 31 December 2013	687,416

[1] *Each 2013 LTI performance hurdle is tested over a three 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 2013 was $17.98.*

Notes continued

for the year ended 31 December 2013

37. EMPLOYEE BENEFITS CONTINUED

c) Rights plans continued

One-Off 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 and 2013, 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 $5.8 million (31 December 2012: Expense $3.4 million).

	One-off Awards – 2012 Awards	One-off Awards – 2013 Awards
Date of grant	1 Jan 2012 - 31 Dec 2012	3 May 2013
Date of expiry	5 Sept 2012 - 31 Dec 2017	31 Dec 14 - 1 Jan 17
Grant fair value	$16.20 -$25.66	$18.06
Original grant	811,018	22,034
Unvested rights at 31 December 2011	-	-
- Granted	811,018	-
- Vested[1]	(1,169)	-
Unvested rights at 31 December 2012	809,849	-
- Granted[2]	9,924	22,034
- Vested[3]	(138,064)	-
- Lapsed	(71,865)	-
Unvested rights at 31 December 2013	609,844	22,034

[1] *The weighted average share price during the reporting period to 31 December 2012 was $18.62.*
[2] *For the 2012 Awards this represents an adjustment to the number of rights issued in the prior reporting period.*
[3] *The weighted average share price during the reporting period to 31 December 2013 was $17.98.*

Short-Term Incentive Plan (Deferral)

For executives, a percentage of the amount which was earned as a short-term incentive for each financial year is paid in cash, and a percentage 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 each financial year, deferred share rights are granted following the determination of individual short-term incentive payments. The number of deferred share rights granted is determined by reference to the five day volume weighted average price of fully paid ordinary shares in the company over the five days following the Company's full year results announcement.

The deferred share rights were granted for no cost and entitle the participant to receive one fully paid ordinary share in the Company per right. Awards to each Director or Specified Executive under the Short-Term Incentive Plan (Deferral) during the 2013 Financial Year are disclosed in note 38 (c): *Related Party Disclosures - Rights plans*.

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for the year ended 31 December 2013

37. EMPLOYEE BENEFITS CONTINUED

The total value of deferred share rights to be granted to eligible executives for the 2013 financial year will be determined in February 2014. Amount recognised during the reporting period: Expense $3.5 million (31 December 2012: Expense $2.6 million).

	2012 STI Deferral award
Date of grant	1 January 2013
Date of expiry	31 December 2014
Grant fair value	$23.32
Original grant	193,907
Unvested rights at 31 December 2012	-
- Granted	193,907
- Vested[1]	-
- Lapsed	(2,210)
Unvested rights at 31 December 2013	191,697

[1] *The weighted average share price during the reporting period to 31 December 2013 was $17.98.*

Notes continued

for the year ended 31 December 2013

37. 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.

Defined contribution superannuation funds

During the period, the Group recognised $363.6 million (31 December 2012: $361.1 million) of defined contribution expenses.

Defined benefit superannuation funds

During the period, the Leighton Superannuation Plan and the AMEC Superannuation Fund members were transferred to the defined contribution category within the same plans. As a result, there are no defined benefit superannuation plans at year end.

38. RELATED PARTY DISCLOSURES

Key management personnel

Key management personnel compensation included in personnel costs:

	12 months to December 2013 $'000	12 months to December 2012 $'000^
Short-term employee benefits	20,180	19,062
Post-employment benefits	412	464
Long-term benefits	-	2,384
Termination benefits	347	408
Share-based payments	7,132	4,205
	28,071	26,523

^ *Following the adoption of AASB 11 Joint Arrangements by the Group, whilst comparative balances have required restatement throughout the consolidated financial report as a result of a change in accounting policy, there were no restatements required in relation to related party disclosures.*

Loans to key management personnel

There were no loans to key management personnel in the current or prior reporting period.

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for the year ended 31 December 2013

38. 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 2013	Held at 1 January 2013	Purchases	Received on exercise of options	Sales	Gift shares	Held at 31 December 2013
Directors						
P Dwyer	5,000	-	-	-	-	5,000
M Fernández Verdes[1]	2,745	-	-	-	-	2,745
P Gregg[2]	3,652	-	-	-	-	3,652
R Higgins AO[3]	-	6,090	-	-	-	6,090
R Humphris OAM	30,000	-	-	-	-	30,000
M Hutchinson[4]	2,500	2,500	-	-	-	5,000
S Johns[5]	20,066	-	-	-	-	20,066
I Macfarlane AC[6]	6,795	-	-	-	-	6,795
V McFadden[7]	-	-	-	-	-	-
W Osborn[8]	7,673	-	-	-	-	7,673
D Robinson	1,489	-	-	-	-	1,489
P Sassenfeld[1]	1,858	-	-	-	-	1,858
H Tyrwhitt	2,110	-	-	-	-	2,110
Specified Executives						
D Chandran[9]	-	-	-	-	-	-
I Edwards	110	-	-	-	-	110
M Gray	6,830	-	-	-	-	6,830
C Laslett	1,219	-	-	-	-	1,219
B Munro	79,370	-	-	-	-	79,370
G Palin	219	-	-	-	-	219
M Rollo	475	-	-	-	-	475
A Valderas[10]	-	-	-	-	-	-
R Willcock[11]	-	-	-	-	-	-
	172,111	8,590	-	-	-	180,701

Notes continued

for the year ended 31 December 2013

38. RELATED PARTY DISCLOSURES CONTINUED

Equity holdings and transactions

a) Shareholdings continued

[1] *Held on behalf of HOCHTIEF Australia Holdings Limited.*
[2] *Mr Gregg was appointed Deputy Chief Executive Officer on 12 April 2013 in addition to his role as Chief Financial Officer.*
[3] *Appointed as a Non-Executive Director on 18 June 2013.*
[4] *Appointed as a Non-Executive Director on 18 June 2013.*
[5] *Reflects the number of shares held by Mr Johns as at 22 March 2013, being the date he resigned as Chairman and a Non-Executive Director.*
[6] *Reflects the number of shares held by Mr MacFarlane AC as at 22 March 2013, being the date he resigned as a Non-Executive Director.*
[7] *Appointed as a Non-Executive Director on 18 June 2013.*
[8] *Reflects the number of shares held by Mr Osborn as at 22 March 2013, being the date he resigned as a Non-Executive Director.*
[9] *Mr Chandran's role as Chief Human Resources Officer was expanded to Chief Human Resources and Corporate Services Officer on 22 May 2013.*
[10] *Appointed as Chief Operating Officer on 4 December 2013.*
[11] *Reflects the number of shares held by Mr Willcock as at 30 April 2013, being the date he ceased as an Executive. Mr Willcock ceased as Group Company Secretary and General Counsel on 17 April 2013.*

Notes continued

for the year ended 31 December 2013

38. 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 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

Notes continued

for the year ended 31 December 2013

38. 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.*

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for the year ended 31 December 2013

38. 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 2013	Held at 1 January 2013	Granted	Exercised	Lapsed	Held at 31 December 2013
Directors					
P Gregg	-	-	-	-	-
H Tyrwhitt	110,032	-	-	(30,032)	80,000
Specified Executives					
D Chandran	-	-	-	-	-
I Edwards	30,000	-	-	-	30,000
M Gray	50,016	-	-	(15,016)	35,000
C Laslett	25,000	-	-	-	25,000
B Munro	25,000	-	-	-	25,000
G Palin	50,000	-	-	-	50,000
M Rollo	-	-	-	-	-
A Valderas	-	-	-	-	-
R Willcock	-	-	-	-	-
	290,048	-	-	(45,048)	245,000

122,500 options were exercisable at 31 December 2013.

Notes continued

for the year ended 31 December 2013

38. 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 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 2013

38. RELATED PARTY DISCLOSURES CONTINUED

c) Rights plans

Long-Term Incentive Plan – 2011 Award to Executive Directors, 2012 Awards, 2012 Additional Award, and 2013 Awards
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 2013	Held at 1 January 2013	Granted	Exercised	Lapsed	Held at 31 December 2013
Directors					
P Gregg	114,663	77,186	-	-	191,849
H Tyrwhitt	104,499	107,204	-	-	211,703
Specified Executives					
D Chandran	16,978	17,368	-	-	34,346
I Edwards	17,504	18,708	-	-	36,212
M Gray	-	-	-	-	-
C Laslett	104,486	39,752	-	-	144,238
B Munro	39,182	39,752	-	-	78,934
G Palin	39,182	39,752	-	-	78,934
M Rollo	22,202	22,308	-	-	44,510
A Valderas	-	-	-	-	-
R Willcock	18,284	18,010	-	(36,294)	-
	476,980	380,040	-	(36,294)	820,726

The movement during the prior 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

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for the year ended 31 December 2013

38. RELATED PARTY DISCLOSURES CONTINUED

c) Rights plans continued

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 2013	Held at 1 January 2013	Granted	Exercised	Lapsed	Held at 31 December 2013
Directors					
P Gregg	-	-	-	-	-
H Tyrwhitt	-	-	-	-	-
Specified Executives					
D Chandran	16,822	-	-	-	16,822
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	-	-	-	-	-
A Valderas	-	-	-	-	-
R Willcock	-	-	-	-	-
	157,825	-	-	-	157,825

The movement during the prior 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

Notes continued

for the year ended 31 December 2013

38. RELATED PARTY DISCLOSURES CONTINUED

c) Rights plans continued

Short-term Incentive Plan (Deferral) – 2013 Awards

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 2013	Short-term incentive Plan (Deferral) to be awarded[1]
Directors	
P Gregg	$908,100
H Tyrwhitt	$1,135,125
Specified Executives	
D Chandran	$153,250
I Edwards[2]	$52,845
M Gray	$382,823
C Laslett	$99,004
B Munro	$494,400
G Palin	$364,019
M Rollo	$200,589
A Valderas	-
R Willcock	-
Total cash value to be awarded as at 31 December 2013	$3,790,155

[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 2013 Financial Year.*

[2] *The cash value of the award is HKD 370,973.*

Short-term Incentive Plan (Deferral) – 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 2013	Short-term Incentive Plan (deferral) in respect of the year ended December 2012	Granted	Exercised	Lapsed	Held at 31 December 2013
Directors					
P Gregg	$559,125	23,976	-	-	23,976
H Tyrwhitt	$755,400	32,392	-	-	32,392
Specified Executives					
D Chandran	$95,316	4,087	-	-	4,087
I Edwards[1]	$78,938	3,417	-	-	3,417
M Gray	$100,000	4,288	-	-	4,288
C Laslett	$180,000	7,718	-	-	7,718
B Munro	$200,000	8,576	-	-	8,576
G Palin	$180,000	7,718	-	-	7,718
M Rollo	$100,000	4,288	-	-	4,288
A Valderas	-	-	-	-	-
R Willcock	$51,548	2,210	-	(2,210)	-
	$2,300,327	98,670	-	(2,210)	96,460

[1] *The cash value of the award is HKD 634,538.*

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for the year ended 31 December 2013

38. RELATED PARTY DISCLOSURES CONTINUED

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.

V McFadden is the non-executive Chairman of SKILLED Group Limited, which receives fees from the Group for services provided in relation to contract labour.

R Seidler received consulting fees of $61,407 paid by the Company during the period. Fees were due and payable under normal payment terms. He receives fees from HOCHTIEF Australia Holdings Limited for services provided to that company, which is a related party.

Notes continued

for the year ended 31 December 2013

38. 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 related party transactions was not material in the overall operations of the Group.

	December 2013 $'000	December 2012 $'000 ^(restated)
Aggregate amounts receivable from related parties at reporting date		
Associates[1]	642,625	555,125
Joint venture entities	73,176	60,203
Aggregate amounts payable to related parties at reporting date		
Associates	(1,690)	(983)
Joint venture entities	(73,223)	(42,803)

[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 2013 $'000	12 months to December 2012 $'000 ^(restated)
Revenue - interest received / receivable from related parties		
Associates	22,670	20,695
Revenue - unwinding of discounts on non-current receivables - related parties		
Associates	7,174	6,318
Finance costs - interest paid / payable to related parties		
Joint venture entities	(1,150)	(940)
Finance costs - impact of discounting - related parties		
Associates	(21,616)	-

^ *Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2012 and reflect adjustments made as detailed in note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements.*

	December 2013 Number of employees	December 2012 Number of employees
Number of employees		
Number of employees at reporting date	55,990	56,323

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for the year ended 31 December 2013

38. 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 2012: 8).

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, 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 20 February 2014, HOCHTIEF Australia Holdings Limited held 198,178,255 shares in the Company.

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for the year ended 31 December 2013

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES

a) Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2013 the parent entity of the Group was Leighton Holdings Limited. A statement of profit or loss and statement of financial position at 31 December 2013 is set out below:

	Company	
	12 months to December 2013 $m	12 months to December 2012 $m^
Comprehensive income		
Profit/ (loss) for the period	256.0	(73.9)
Other comprehensive income	-	-
Total comprehensive income for the period	256.0	(73.9)

	December 2013 $m	December 2012 $m^
Statement of Financial Position		
Current assets	113.7	71.1
Non-current assets	2,558.2	2,610.0
Total assets	2,671.9	2,681.1
Current liabilities	1.2	0.3
Non-current liabilities	584.9	515.2
Total liabilities	586.1	515.5
Net assets	2,085.8	2,165.6
Equity		
Share capital	2,028.6	2,027.2
Reserves	71.2	54.3
Retained earnings[1]	(14.0)	84.1
Total equity	2,085.8	2,165.6

[1] *Subsequent to the reporting date, certain operating companies of the Group declared dividends totalling $610.0 million, payable to Leighton Holdings Limited on 1 March 2014. This would have the effect of increasing retained earnings to $596.0 million.*

^ *Following the adoption of AASB 11 Joint Arrangements by the Group, whilst comparative balances have required restatement throughout the consolidated financial report as a result of a change in accounting policy, there were no restatements required in relation to the parent entity disclosure.*

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for the year ended 31 December 2013

39. 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]		51%	Qld
145 Ann Street Pty Ltd	(C)	100%	Qld
145 Ann Street Trust	(C)	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)	(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
Boggo Road Project Pty Limited	(C)	100%	Qld
Boggo Road Project Trust	(C)	100%	Qld
BOS Australia Pty Ltd	(C)	100%	WA
Broad Construction Services (NSW/VIC) Pty Ltd[1]	(C)	100%	WA
Broad Construction Services (QLD) Pty Ltd[1]	(C)	100%	Qld
Broad Construction Services (WA) Pty Ltd[1]	(C)	100%	WA
Broad Group Holdings Pty Ltd[1]	(C)	100%	WA
Chargepoint Pty Ltd (formerly LSE Technology (Australia) Pty Limited) [2]	(C)	100%	NSW
Delron Cleaning Pty Ltd		80%	WA
Delron Group Facility Services Pty Limited	(A)	80%	WA
Devine Bacchus Marsh Pty Ltd		51%	Qld
Devine Constructions Pty Ltd		51%	Qld
Devine Funds Pty Ltd		51%	Vic
Devine Funds Unit Trust		51%	N/A
Devine Homes Pty Ltd		51%	Qld
Devine Land Pty Ltd		51%	Qld
Devine Limited		51%	Qld
Devine Management Services Pty Ltd		51%	Qld
Devine Queensland No. 10 Pty Ltd		51%	Qld
Devine Springwood No. 1 Pty Ltd		51%	NSW
Devine Springwood No. 2 Pty Ltd		51%	Qld
Devine Springwood No. 3 Pty Ltd		51%	Qld
D.M.B Pty Ltd		51%	Qld
Doubleone 3 Pty Ltd		51%	Qld

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for the year ended 31 December 2013

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

Name of entity		Interest held	Place of incorporation
Ewenissa Pty Limited	(C)	100%	ACT
FleetCo Finance Pty Limited	(B),(C)	100%	VIC
FleetCo Holdings Pty Limited	(B),(C)	100%	VIC
FleetCo Management Pty Limited	(B),(C)	100%	VIC
FleetCo Rentals No.1 Pty Limited	(B),(C)	100%	VIC
FleetCo Rentals Pty Limited	(B),(C)	100%	VIC
FleetCo Services Pty Limited	(B),(C)	100%	VIC
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	(C)	100%	NT
HWE Maintenance Services Pty Ltd	(C)	100%	WA
HWE Mining Pty Limited[1]	(C)	100%	Vic
HWE Newman Assets Pty Limited	(C)	100%	Vic
Inspire Schools Finance Pty Limited	(B),(C)	100%	QLD
Jarrah Wood Pty Ltd	(C)	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
John Holland Infrastructure Pty Ltd	(C)	100%	Vic
John Holland Infrastructure Trust	(C)	100%	N/A

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for the year ended 31 December 2013

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

Name of entity		Interest held	Place of incorporation
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
Kings Square Developments Pty Ltd		100%	Qld
Kings Square Developments Unit Trust		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 Emirates
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) Sole Co. Limited		100%	Laos
Leighton Contractors (Malaysia) Sdn Bhd		100%	Malaysia
Leighton Contractors (Philippines) Inc	(A)	40%	Philippines
Leighton Contractors Asia (Cambodia) Co. Ltd		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]	(C)	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

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for the year ended 31 December 2013

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

Name of entity		Interest held	Place of incorporation
Leighton Engineering & Construction (Singapore) Pte Ltd		100%	Singapore
Leighton Engineering Joint Venture		70%	Malaysia
Leighton Engineering Sdn Bhd (formerly known as DPS Leighton Offshore Engineering Sdn Bhd)		100%	Malaysia
Leighton Fabrication and Modularization	(B)	100%	Thailand
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 Group Property Services Pty Ltd	(B),(C)	100%	Vic
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]	(C)	100%	WA
Leighton Infrastructure Investments Pty Limited[2]	(C)	100%	NSW
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 M&E Limited (formerly known as Wai Ming Contracting Company Limted)		100%	Hong Kong
Leighton Middle East & Africa (Holding) Limited		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		100%	Singapore
Leighton Offshore Australia Pty Ltd	(C)	100%	Vic
Leighton Offshore Eclipse Pte Ltd	(B)	100%	Singapore

Notes continued

for the year ended 31 December 2013

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

Name of entity		Interest held	Place of incorporation
Leighton Offshore Faulkner Pte Ltd	(B)	100%	Singapore
Leighton Offshore Mynx Pte Ltd	(B)	100%	Singapore
Leighton Offshore Pte Ltd		100%	Singapore
Leighton Offshore Sdn Bhd (formerly known as Leighton International Sdn Bhd)		100%	Malaysia
Leighton Offshore Stealth Pte Ltd	(B)	100%	Singapore
Leighton Offshore-John Holland Joint Venture (LTA Project)		100%	Singapore
Leighton Pacific St Leonards Pty Limited	(C)	100%	Vic
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 (NSW) Pty Limited[1]	(B)	100%	NSW
Leighton Properties (VIC) Pty Ltd[1]	(C)	100%	Vic
Leighton Properties (WA) Pty Limited[1]	(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 U.S.A. Inc.		100%	United States
Leighton Welspun Contractors Private Limited		100%	India
Leighton-John Holland Joint Venture		100%	Hong Kong
Leighton-John Holland Joint Venture (Thomson Line)		100%	Singapore
Leighton-LNS Joint Venture		80%	Hong Kong
LH Holdings Co Pty Ltd[2]	(C)	100%	Vic
LMENA No. 1 Pty Limited[1]	(C)	100%	Vic
LMENA Pty Limited[2]	(C)	100%	Vic
LPWRAP Pty Ltd	(C)	100%	Vic
Martox Pty Limited		59%	NSW
Menette Pty Ltd	(C)	100%	Vic
Mode Apartments Pty Ltd	(B)	51%	N/A
Mode Apartments Unit Trust	(B)	51%	N/A
Moonamang Joint Venture Pty Ltd	(A),(C)	100%	WA

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for the year ended 31 December 2013

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

Name of entity		Interest held	Place of incorporation
Moorookyle Devine Pty Ltd		51%	Vic
Nestdeen Pty Ltd	(C)	100%	Qld
Nexus Point Solutions Pty Ltd	(C)	100%	NSW
Opal Insurance (Singapore) Pte Ltd		100%	Singapore
Pioneer Homes Australia Pty Ltd[3]		51%	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		51%	Qld
Riverstone Rise Gladstone Unit Trust		51%	N/A
Silcar Pty Ltd[1]		100%	Vic
Silcar Pty Ltd & Thiess Services Pty Ltd	(C)	100%	N/A
Silcar New Caledonia SAS		100%	New Caledonia
Silverton Group Pty Ltd	(C)	100%	WA
Talcliff Pty Ltd		51%	Qld
Technical Resources Pty Limited	(C)	100%	NSW
Telecommunication Infrastructure Pty Ltd	(C)	100%	Vic
Thai Leighton Limited	(A)	49%	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%	Vic
Thiess Mining Maintenance Pty Ltd (formerly 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

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39. 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[1]	(C)	100%	Qld
Thiess Services John Holland Services Joint Venture[3]	(C)	100%	Qld
Thiess Services Limited		100%	New Zealand
Thiess Services Pty Ltd[1]	(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%	QLD
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
Western Port Highway Trust	(C)	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 as at 31 December 2013.*
2 *These companies are parties to the Deed of Cross Guarantee but do not have the benefit of ASIC Class Order 98/1418 as at 31 December 2013, 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 2013 reporting period.*
(C) *Entities included in tax-consolidated Group.*

Where the Group has an ownership interest of less than 50%, the entity is consolidated where the Group can demonstrate its control of the entity, in that is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Notes continued

for the year ended 31 December 2013

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

c) Acquisition and disposal of controlled entities

Refer to note 30: *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 2013 as they are no longer required by the Group in the ordinary course of business:

- Silverton Group (Aust) Pty Ltd
- Metro Developments Australia Pty Ltd
- Broad Construction Services (VIC) Pty Ltd
- Broad Construction Services (SA) Pty Ltd
- Broad Construction Services (NT) 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: $2,385.6 million (31 December 2012: $2,322.6 million); insurance bonds: $1,254.2 million (31 December 2012: $704.5 million); letters of credit: $414.2 million (31 December 2012: $720.2 million).

Capital expenditure contracted for at the reporting date but not recognised as liabilities of the parent was $nil (31 December 2012: $nil).

f) Material subsidiaries including consolidated structured entities

Set out below are the Company's principal subsidiaries at 31 December 2013. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Company, and the proportion of ownership interests held equals to the voting rights held by the Company.

			Ownership interest held by the Company		Ownership interest held by non-controlling interests	
Name of entity	Principal activity	Country	December 2013 %	December 2012 %	December 2013 %	December 2012 %
Leighton Contractors Pty Ltd[1]	Mining & construction	Australia	100	100	-	-
Thiess Pty Ltd[1]	Mining & construction	Australia	100	100	-	-
John Holland Group Pty Ltd	Construction	Australia	100	100	-	-
Leighton Asia Limited	Mining & construction	Hong Kong	100	100	-	-
Leighton International Limited	Mining & construction	Cayman Islands	100	100	-	-

[1] *These companies (Leighton Holdings Limited (LHL) Class Order Companies) have the benefit of ASIC Class Order 98/1418. For further information, refer to section (h)*

Non-controlling interests

There were no material non-controlling interests relating to the Company's material subsidiaries disclosed above as at 31 December 2013 and as such no material transactions with non-controlling interests during the period to 31 December 2013.

Notes continued

for the year ended 31 December 2013

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

g) Parent entity transactions with wholly-owned controlled entities

Transactions with wholly-owned controlled entities were as follows: aggregate amounts receivable: $867.4 million (31 December 2012: $973.5 million); aggregate amounts payable: $583.7 million (31 December 2012: $514.0 million); interest received / receivable: $34.6 million (31 December 2012: $35.4 million); interest paid / payable: $15.8 million (31 December 2012: $0.1 million); fees charged: $nil million (31 December 2012: $0.7 million); dividends received: $315.0 million (31 December 2012: $nil); fees paid: $135.0 million (31 December 2012: $145 million). Subsequent to the reporting date, certain operating companies of the Group declared dividends totalling $610.0 million, payable to Leighton Holdings Limited on 1 March 2014. This would have the effect of increasing retained earnings to $596.0 million.

h) 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 six months any creditor has not been paid in full. The LHL Class Order Companies have also given similar guarantees in the event that the Company or other LHL Class Order Companies party to the Deed of Cross Guarantee are wound up.

Thiess Pty Ltd, Thiess Services Pty Ltd, Silcar Pty Ltd, Leighton Properties (WA) Pty Ltd and Leighton Properties (NSW) Pty Ltd became parties to the Deed on 19 December 2013 by virtue of a Deed of Assumption approved by ASIC.

A.C.N. 112 829 624 Pty Ltd, HWE Cockatoo Pty Ltd, HWE Maintenance Services Pty Limited and HWE Newman Assets Pty Limited have been released from its obligations under the Deed by executing a Revocation Deed dated 19 December 2013 which has been lodged with ASIC.

A consolidated statement of profit or loss and statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 December 2013 is set out below:

Deed of Cross Guarantee	12 months to December 2013 $m	12 months to December 2012 $m^
Statement of Profit or Loss		
Profit / (loss) before tax	841.3	(124.3)
Income tax (expense) / benefit	(76.4)	36.8
Profit / (loss) for the period	764.9	(87.5)
Retained earnings brought forward	(202.7)	190.3
Retained earnings brought forward - adjustment for new entities party to the deed of Cross Guarantee	421.8	2.0
Retained earnings brought forward - adjustment for entities removed from the deed of Cross Guarantee	(53.6)	(37.9)
Dividends paid	(354.1)	(269.6)
Retained earnings at reporting date	576.3	(202.7)

^ *Following the adoption of AASB 11 Joint Arrangements by the Group, whilst comparative balances have required restatement throughout the consolidated financial report as a result of a change in accounting policy, there were no restatements required in relation to the deed of cross guarantee.*

Notes continued

for the year ended 31 December 2013

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

Deed of Cross Guarantee	December 2013 $m	December 2012 $m^
Statement of Financial Position		
Assets		
Cash and cash equivalents	737.8	138.1
Trade and other receivables	3,315.7	1,442.3
Current tax assets	82.6	9.0
Inventories: consumables and development properties	209.3	79.5
Assets held for sale	-	166.1
Total current assets	4,345.4	1,835.0
Trade and other receivables	2,773.2	2,836.0
Inventories: development properties	101.6	142.6
Investments accounted for using the equity method	592.1	465.5
Other investments	1,089.4	1,376.0
Deferred tax assets	95.8	123.2
Property, plant and equipment	696.8	565.8
Intangibles	206.1	155.0
Total non-current assets	5,555.0	5,664.1
Total assets	9,900.4	7,499.1
Liabilities		
Trade and other payables	3,563.2	1,821.6
Current tax liabilities	-	-
Provisions	358.7	127.9
Interest bearing liabilities	851.6	1,117.3
Liabilities associated with assets held for sale	-	52.3
Total current liabilities	4,773.5	3,119.1
Trade and other payables	2,776.1	2,359.3
Provisions	103.0	57.0
Interest bearing liabilities	203.2	635.5
Total non-current liabilities	3,082.3	3,051.8
Total liabilities	7,855.8	6,170.9
Net assets	2,044.6	1,328.2
Equity		
Share capital	2,028.6	2,027.2
Reserves	(560.3)	(496.3)
Retained earnings	576.3	(202.7)
Total equity	2,044.6	1,328.2

^ *Following the adoption of AASB 11 Joint Arrangements by the Group, whilst comparative balances have required restatement throughout the consolidated financial report as a result of a change in accounting policy, there were no restatements required in relation to the deed of cross guarantee.*

Notes continued

for the year ended 31 December 2013

40. IMPACT OF THE CHANGE IN ACCOUNTING POLICY ON ADOPTION OF AASB 11 *JOINT ARRANGEMENTS*

Impact on the Group's historical financial statements on adoption of AASB 11

As a result of the adoption of AASB 11, certain amounts previously disclosed in the Group's historical financial statements have been adjusted to reflect the retrospective impact of the change in accounting policy adopted from 1 January 2013.

The following tables summarise the adjustments made to the Group's consolidated statement of profit or loss and consolidated statement of cash flows for the year ended 31 December 2012, and to the Group's consolidated statement of financial position as at 1 January 2012 and 31 December 2012.

Impact on consolidated statement of profit or loss – 31 December 2012

	12 months to December 2012 $m As previously reported	$m Change in accounting policy	12 months to December 2012 $m As now restated
Revenue	18,951.7	1,878.0	20,829.7
Expenses	(18,142.4)	(1,981.0)	(20,123.4)
Finance costs	(210.1)	(4.1)	(214.2)
Share of profits / (losses) of associates and joint venture entities	(36.1)	110.1	74.0
Profit / (loss) before tax	563.1	3.0	566.1
Income tax (expense) / benefit	(121.0)	(3.0)	(124.0)
Profit / (loss) for the year	442.1	-	442.1
(Profit) / loss for the year attributable to non-controlling interests	8.0	-	8.0
Profit / (loss) for the year attributable to members of the parent entity	450.1	-	450.1
Dividends per share - Final	60.0¢	-	60.0¢
Dividends per share - Interim	20.0¢	-	20.0¢
Basic earnings per share	133.5¢	-	133.5¢
Diluted earnings per share	133.1¢	-	133.1¢

Notes continued

for the year ended 31 December 2013

40. IMPACT OF THE CHANGE IN ACCOUNTING POLICY ON ADOPTION OF AASB 11 *JOINT ARRANGEMENTS* CONTINUED

Impact on consolidated statement of cash flows – 31 December 2012

	12 months to December 2012 $m As previously reported	$m Change in accounting policy	12 months to December 2012 $m As now restated
Cash flows from operating activities			
Cash receipts in the course of operations (including GST)	19,945.4	2,337.6	22,283.0
Cash payments in the course of operations (including GST)	(18,734.1)	(2,274.7)	(21,008.8)
Cash flows from operating activities	1,211.3	62.9	1,274.2
Dividends received	19.1	-	19.1
Interest received	28.9	7.6	36.5
Finance costs paid	(199.5)	(4.1)	(203.6)
Income taxes received / (paid)	49.6	-	49.6
Net cash from operating activities	1,109.4	66.4	1,175.8
Cash flows from investing activities			
Payments for intangibles	(44.7)	(0.4)	(45.1)
Payments for plant and equipment	(1,216.7)	(8.1)	(1,224.8)
Proceeds from sale of property, plant and equipment	102.1	-	102.1
Payments for investments in controlled entities and businesses	(10.8)	-	(10.8)
Proceeds from sale of investments in controlled entities and businesses	172.4	-	172.4
Payments for other investments	(43.7)	-	(43.7)
Loans to associates	(39.2)	-	(39.2)
Net cash from investing activities	(1,080.6)	(8.5)	(1,089.1)
Cash flows from financing activities			
Proceeds from share issues	-	-	-
Proceeds from borrowings	896.3	-	896.3
Repayment of borrowings	(542.6)	-	(542.6)
Proceeds from sale and finance leaseback of property, plant and equipment	433.9	-	433.9
Repayment of finance leases	(173.9)	-	(173.9)
Dividends paid to non-controlling interests	(3.4)	-	(3.4)
Dividends paid to owners of the Company	(269.6)	-	(269.6)
Net cash from financing activities	340.7	-	340.7
Net increase / (decrease) in cash held	369.5	57.9	427.4
Net cash at the beginning of the year	1,503.2	102.8	1,606.0
Effects of exchange rate fluctuations on cash held	(25.7)	-	(25.7)
Net cash at reporting date	1,847.0	160.7	2,007.7

Notes continued

for the year ended 31 December 2013

40. IMPACT OF THE CHANGE IN ACCOUNTING POLICY ON ADOPTION OF AASB 11 *JOINT ARRANGEMENTS* CONTINUED

Impact on consolidated statement of financial position – 31 December 2012

	31 December 2012 $m As previously reported	$m Change in accounting policy	31 December 2012 $m As now restated
Assets			
Cash and cash equivalents	1,847.0	160.7	2,007.7
Trade and other receivables	3,440.8	319.8	3,760.6
Current tax assets	10.1	-	10.1
Inventories: consumables and development properties	549.5	20.3	569.8
Assets held for sale	672.8	-	672.8
Total current assets	6,520.2	500.8	7,021.0
Trade and other receivables	673.4	2.4	675.8
Inventories: development properties	473.4	14.3	487.7
Investments accounted for using the equity method	876.8	(15.0)	861.8
Other investments	97.0	-	97.0
Deferred tax assets	246.0	-	246.0
Property, plant and equipment	2,064.1	7.7	2,071.8
Intangibles	255.3	0.4	255.7
Total non-current assets	4,686.0	9.8	4,695.8
Total assets	11,206.2	510.6	11,716.8
Liabilities			
Trade and other payables	4,507.3	494.6	5,001.9
Current tax liabilities	76.7	8.6	85.3
Provisions	401.7	4.8	406.5
Interest bearing liabilities	634.3	-	634.3
Liabilities associated with assets held for sale	174.3	-	174.3
Total current liabilities	5,794.3	508.0	6,302.3
Trade and other payables	195.4	2.3	197.7
Provisions	173.4	0.3	173.7
Interest bearing liabilities	2,126.2	-	2,126.2
Total non-current liabilities	2,495.0	2.6	2,497.6
Total liabilities	8,289.3	510.6	8,799.9
Net assets	2,916.9	-	2,916.9
Equity			
Share capital	2,027.2	-	2,027.2
Reserves	(229.4)	-	(229.4)
Retained earnings	1,046.7	-	1,046.7
Total equity attributable to equity holders of the parent	2,844.5	-	2,844.5
Non-controlling interests	72.4	-	72.4
Total equity	2,916.9	-	2,916.9

Notes continued

for the year ended 31 December 2013

40. IMPACT OF THE CHANGE IN ACCOUNTING POLICY ON ADOPTION OF AASB 11 *JOINT ARRANGEMENTS* CONTINUED

Impact on consolidated statement of financial position – 1 January 2012

	1 January 2012 $m As previously reported	$m Change in accounting policy	1 January 2012 $m As now restated
Assets			
Cash and cash equivalents	1,503.2	102.8	1,606.0
Trade and other receivables	2,461.6	499.8	2,961.4
Current tax assets	92.6	-	92.6
Inventories: consumables and development properties	481.3	8.0	489.3
Assets held for sale	4.6	-	4.6
Total current assets	4,543.3	610.6	5,153.9
Trade and other receivables	777.9	8.8	786.7
Inventories: development properties	420.4	12.3	432.7
Investments accounted for using the equity method	998.8	(19.0)	979.8
Other investments	63.6	-	63.6
Deferred tax assets	307.3	-	307.3
Property, plant and equipment	2,520.0	1.1	2,521.1
Intangibles	269.1	-	269.1
Total non-current assets	5,357.1	3.2	5,360.3
Total assets	9,900.4	613.8	10,514.2
Liabilities			
Trade and other payables	4,025.8	529.0	4,554.8
Current tax liabilities	59.3	7.4	66.7
Provisions	305.3	25.7	331.0
Interest bearing liabilities	669.8	-	669.8
Liabilities associated with assets held for sale	-	-	-
Total current liabilities	5,060.2	562.1	5,622.3
Trade and other payables	352.3	51.7	404.0
Provisions	247.1	-	247.1
Interest bearing liabilities	1,473.9	-	1,473.9
Total non-current liabilities	2,073.3	51.7	2,125.0
Total liabilities	7,133.5	613.8	7,747.3
Net assets	2,766.9	-	2,766.9
Equity			
Share capital	2,027.2	-	2,027.2
Reserves	(209.3)	-	(209.3)
Retained earnings	866.2	-	866.2
Total equity attributable to equity holders of the parent	2,684.1	-	2,684.1
Non-controlling interests	82.8	-	82.8
Total equity	2,766.9	-	2,766.9

Notes continued

for the year ended 31 December 2013

41. 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 2013, unless noted otherwise below, 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 9 *Financial Instruments* (revised December 2010) and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (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 2017 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 2011-4 *Amendments to Australian 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. This amendement is not available for early adoption. The amendments are not expected to have a significant impact on the Group's financial statements.

- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
  AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. 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 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
  AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs to sell. 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 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]*
  AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. 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.

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for the year ended 31 December 2013

42. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to reporting date the Group:

- declared a 50% franked dividend of 60.0 cents per share; and
- on 7 February 2014, $110.0 million was paid to Welspun Infra Projects Private Limited in relation to the deferred consideration on the acquisition of the remaining 39.9% interest in Leighton Welspun Contractors Private Limited.

The Directors approved the financial report on 20 February 2014.

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 92 to 200, 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 2013 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 39 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those 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 2013.

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 20th day of February 2014.

Signed for and on behalf of the Board in accordance with a resolution of the Directors:

R D Humphris	H G Tyrwhitt
Chairman	Chief Executive Officer

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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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 Statement of Financial Position as at 31 December 2013, and the Consolidated Statement of Profit or Loss, the Consolidated Statement of Profit or Loss and Other 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 92 to 201.

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 2013 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 64 to 88 of the Directors' Report for the year ended 31 December 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G. Couttas

G Couttas
Partner
Chartered Accountants
Sydney, 20 February 2014

Shareholdings

Information regarding the company's shareholders on 18 March 2014 is as follows:

TWENTY LARGEST SHAREHOLDERS

The percentage of the total holding of the twenty largest shareholders, as shown in the company's register of members, is 81.19%. Their names and number of shares held are as follows:

Name	No. of shares	% of issued capital
HOCHTIEF Australia Holdings Limited	198,172,460	58.69
J P Morgan Nominees Australia Limited	17,176,867	5.09
HSBC Custody Nominees (Australia) Limited	15,834,799	4.69
National Nominees Limited	12,040,413	3.57
JP Morgan Nominees Australia Limited <Cash Income A/C>	11,452,366	3.39
Citicorp Nominees Pty Limited	6,473,788	1.92
Warbont Nominees Pty Ltd <Accumulation Entrepot A/C>	3,356,021	0.99
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,333,085	0.39
BNP Paribas Noms Pty Ltd <Drp>	1,084,735	0.32
HSBC Custody Nominees (Australia) Limited - A/C 3	886,555	0.26
Argo Investments Limited	783,572	0.23
Milton Corporation Limited	757,865	0.22
CS Fourth Nominees Pty Ltd	719,882	0.21
Gwynvill Investments Pty Limited	683,500	0.20
Share Direct Nominees Pty Ltd <10026 A/C>	668,314	0.20
Bainpro Nominees Pty Limited	620,030	0.18
National Nominees Limited <N A/C>	560,000	0.17
AMP Life Limited	553,086	0.16
Merrill Lynch (Australia) Nominees Pty Limited	536,043	0.16
HSBC Custody Nominees (Australia) Limited - A/C 2	491,202	0.15
Total	**274,184,583**	81.19
Total shares on issue	**337,662,188**	

SHARE CLASSES AND DISTRIBUTION SCHEDULE

As at 18 March 2014, the company had 377,662,118 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]	40,185	12,536,045	3.71%
1,001 – 5,000	11,515	23,841,744	7.06%
5,001 – 10,000	1,239	8,617,866	2.56%
10,001 – 100,000	600	13,403,865	3.97%
100,001 and over	46	279,262,668	82.70%
Total	53,585	337,662,188	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 24 shareholders with less than a marketable parcel (100 shares), based on the market price of $21.00 as at 18 March 2014.

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: 17 March 2014)	198,178,255	58.77%
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)		
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.

Shareholder information

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 4 April 2014 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 and substantial shareholders is in the Shareholdings section on page 203.

OTHER AVAILABLE PUBLICATIONS

We provide regular shareholder communications such as Quarterly Shareholder Updates (for March and September quarters), Half Yearly and Annual Reports to all shareholders who have indicated their preference to receive these publications.

This year, we have introduced a new report for all shareholders titled the 2013 Annual Review. The 2013 Annual Review will supplement this Annual Report and will provide shareholders with key highlights and messages from the 2013 Financial Year.

We have also introduced a new online report for all shareholders titled the 2013 Sustainability Report. The 2013 Sustainability Report highlights the policies, standards and initiatives that go towards representing how we have been strengthening the foundations of the Group. It represents our cultural and business transformation during the past two years, presented across a range of sustainability categories and indicators.

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 at: *www.leighton.com.au/investor-and-media-centre/financial-and-event-calendar*. Please note that timing of events can be subject to change.

BIDDER'S STATEMENT

On 14 March 2014, Leighton received a copy of HOCHTIEF's Bidder's Statement in relation to the proportional takeover offer for three out of every eight Leighton shares at $22.50 per share (the "Improved Offer"). HOCHTIEF's Bidder's Statement was also released to the ASX on 14 March 2014 and is expected to be dispatched to shareholders at the end of March.

As announced to the market on 13 March 2014, the independent Directors recommend that minority shareholders accept the Improved Offer in the absence of a superior proposal. The recommendation of the independent Directors will be provided in the Leighton Target's Statement, which will also include an Independent Expert's Report and is due to be sent to shareholders no later than 11 April 2014.

Shareholders are encouraged to read both of these documents and, if they consider it appropriate, to seek professional advice before deciding how to respond to the Improved Offer.

FIVE YEAR STATISTICAL SUMMARY

	December 2013	December 2012*	December 2011#^	June 2011^	June 2010^
Summary of financial position					
Share capital	**2,028.6**	2,027.2	2,027.2	2,016.2	1,232.9
Total equity attributable to equity holders of the parent	**3,220.2**	2,844.5	2,684.1	2,236.7	2,564.7
Total equity	**3,246.1**	2,916.9	2,766.9	2,319.9	2,568.1
Total liabilities	**8,829.9**	8,799.9	7,133.5	7,480.3	6,197.7
Total assets	**12,076.0**	11,716.8	9,900.4	9,800.2	8,765.8
Summary of financial performance					
Revenue – Group, joint ventures and associates	**24,411.0**	23,127.0	12,176.9	19,376.7	18,642.1
Profit before finance costs and tax	**991.5**	780.3	565.9	(331.3)	1,022.7
Profit/(loss) before tax	**736.1**	566.1	475.4	(490.9)	842.6
Income tax (expense)/benefit	**(267.2)**	(124.0)	(130.5)	85.2	(227.5)
Profit/(loss) for the period	**468.9**	442.1	344.9	(405.7)	615.1
Profit/(loss) for the period attributable to members of the parent entity	**508.7**	450.1	340.0	(408.8)	612.0
Financial statistics					
Dividends per ordinary share	**105.0¢**	80.0¢	60.0¢	60.0¢	150.0¢
Earnings per ordinary share					
- basic	**150.9¢**	133.5	101.0¢	(133.1¢)	204.6¢
- diluted	**150.1¢**	133.1	101.0¢	(133.1¢)	201.9¢
Return on average equity attributable to members of the parent entity	**16.8%**	16.5%	13.8%	(17.0%)	25.0%
Return on total assets	**4.2%**	3.8%	3.4%	(4.2%)	7.0%
Profit before finance costs and tax to total revenue	**4.1%**	3.4%	4.7%	(1.7%)	5.5%
Profit for the period attributable to members of the parent entity to total revenue	**2.1%**	1.9%	2.8%	(2.1%)	3.3%
Dividend times covered	**1.4**	1.7	1.7	(2.2)	1.4
Dividend payout ratio	**69.6%**	59.9%	59.4%	(45.1%)	73.3%
Interest times covered	**3.9**	3.6	6.3	(2.1)	5.7
Net tangible assets per ordinary share	**$7.93**	$7.89	$7.41	$6.43	$8.13
Current ratio	**1.1**	1.1	0.9	0.9	1.0
Total equity to total assets	**26.9%**	24.9%	28.0%	23.7%	29.3%
Total equity to total liabilities	**36.8%**	33.1%	38.8%	31.0%	41.4%
Gross borrowings to total equity	**65.5%**	94.6%	77.5%	78.7%	65.0%

The December 2011 Transitional Financial Year relates to a six month financial period. As such, the information presented above is not entirely comparable to the 2010 to 2011 and the 2012 and 2013 Financial Year information in this table.

* Re-stated to include the impact upon adoption of AASB 11 Joint Arrangements, as set out in note 40: Impact of the change in accounting policy on adoption of AASB 11 Joint Arrangements to the Financial Report on pages 195 to 198.

^ Periods prior to December 2012 have not been restated to include the impact of the adoption of AASB 11.

	December 2013	December 2012	December 2011#	June 2011	June 2010
Safety statistics^~					
Fatalities (Australia)	0	1	2	1	2
Fatalities (International)	5	2	1	3	2
TRIFR (Australia)[1]	8.2	10.5	14.6	15.7	15.8
TRIFR (International)[1]	3.4	2.8	2.8	2.9	2.8
LTIFR (Australia)[2]	1.4	1.6	1.8	1.8	1.6
LTIFR (International)[2]	1.3	0.7	0.4	0.6	0.8
Potential class 1 (Australia)[3]	324	464	216	451	616
Potential class 1 (International)[3]	145	136	55	108	73
Actual class 1 (Australia)	2	4	3	2	5
Actual class 1 (International)	7	6	3	7	6
Workforce statistics^					
Number of employees	55,990	56,323	53,141	51,075	45,340
Female participation (Australia)	16.8%	16.9%	16.5%	16.1%	15.3%
Female participation (International)	7.4%	7.0%	7.3%	7.9%	6.5%
Indigenous participation (Australia)	2.9%	2.1%	1.5%	1.5%	1.6%
Local participation (International)[4]	93.5%	91.7%	92.9%	-*	-*
Environment statistics^					
Environmental level 1 (Australia)[5]	0	0	0	2	0
Environmental level 1 (International)[5]	0	0	0	0	0

The December 2011 Transitional Financial Year relates to a six month financial period. As such, the information presented above is not entirely comparable to the 20010 to 2011 and the 2012 and 2013 Financial Year information in this table.

^ 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.

* Data not collected.

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 that 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. Local participation data not collected prior to 1 July 2011.

5 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.

Directory and offices

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Russell A Higgins AO
Michael J Hutchinson
Pedro López Jiménez
Vickki A McFadden
David P Robinson
Peter W Sassenfeld
José Luis del Valle Pérez

Alternate Director
Robert L Seidler AM

Associate Directors
Ian L Edwards
Mark C Gray
Craig A Laslett
Bruce A Munro
Glenn M Palin

Group Company Secretary
Vanessa R Rees

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