



Vanessa Rees
Group Company Secretary

Leighton Holdings Limited
ABN 57 004 482 982

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20 March 2015

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

2015 AGM NOTICE OF MEETING AND PROXY FORM

In accordance with Listing Rule 3.17, please find attached copies of the Notice of Meeting and Proxy Form for the Company's 2015 Annual General Meeting (AGM), and the Company's 2014 Annual Report.

The AGM will be held in the Wentworth Ballroom, Sofitel Sydney Wentworth, 61-101 Phillip Street Sydney, New South Wales, on Tuesday 21 April 2015 at 10.00 am (AEST).

The Notice of Meeting and Proxy Form together with the Company's 2014 Annual Report, will be dispatched to shareholders today.

The 2014 Annual Report was previously released to the ASX on 20 February 2015.

These documents are also available on the Leighton Holdings website at www.leighton.com.au

Yours faithfully
LEIGHTON HOLDINGS LIMITED

VANESSA REES
Group Company Secretary

Registered Office:
472 Pacific Highway
St Leonards NSW 2065 Australia
Fax number +61 2 9925 6005

Share Registrar:
Computershare Investor Services
Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000 Australia
Fax number + 61 3 9473 2555

Share Registrar's Postal Address:
Share Registrar
Computershare Investor Services
Pty Limited
GPO Box 242
Melbourne VIC 3001 Australia

LEIGHTON HOLDINGS LIMITED ABN 57 004 482 982

NOTICE OF ANNUAL GENERAL MEETING 2015

To: The Shareholders

Notice is hereby given that the 2015 Annual General Meeting (**2015 AGM**) of Leighton Holdings Limited (the **Company**) will be held in the **Wentworth Ballroom, Sofitel Sydney Wentworth, 61-101 Phillip Street Sydney, New South Wales, on Tuesday 21 April 2015 at 10.00 am (AEST)** to transact the following business:

1. Annual Financial Report and Directors' and Auditor's Reports

To receive the Financial Report and Reports of the Directors and Auditor for the financial year ended 31 December 2014 (**2014 Financial Year**).

To consider and if thought fit pass the following resolutions as ordinary resolutions:

2. Remuneration Report

To adopt the Remuneration Report for the 2014 Financial Year.

(Note: The vote on this resolution is non-binding.)

3. Election and Re-election of Directors

3.1 That Mr Russell Langtry Chenu, who was appointed as an Independent Non-executive Director of the Company on 11 June 2014 and retires in accordance with clause 17.2 of the Company's constitution, be elected as a director.

3.2 That Mr Trevor Gerber, who was appointed as an Independent Non-executive Director of the Company on 11 June 2014 and retires in accordance with clause 17.2 of the Company's constitution, be elected as a director.

3.3 That Dr Kirstin Irene Ferguson, who was appointed as an Independent Non-executive Director of the Company on 10 July 2014 and retires in accordance with clause 17.2 of the Company's constitution, be elected as a director.

3.4 That Mr Peter-Wilhelm Sassenfeld, a Non-executive Director of the Company, who is retiring by rotation in accordance with clause 18.2 of the Company's constitution, be re-elected as a director.

See Item 3 of the accompanying Explanatory Notes for information about the election of Directors.

To consider and if thought fit pass the following resolution as a special resolution:

4. Change of Company name

That, for the purpose of section 157(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**) and for all other purposes, the Company's name be changed from Leighton Holdings Limited to *CIMIC Group Limited* and that, for the purpose of section 136(2) of the *Corporations Act* and for all other purposes, all references to "Leighton Holdings Limited" in the Company's constitution be replaced with references to "CIMIC Group Limited".

See Item 4 of the accompanying Explanatory Notes for information about the change of Company name.

Invitation

After the meeting, all shareholders are invited to join the Directors for light refreshments.

By Order of the Board

Vanessa Rees, Group Company Secretary
Sydney

20 March 2015

Registered Office:
472 Pacific Highway
St Leonards NSW 2065 Australia
Fax number +61 2 9925 6005

Share Registrar:
Computershare Investor Services
Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000 Australia
Fax number +61 3 9473 2555

Share Registrar's Postal Address:
Share Registrar
Computershare Investor Services
Pty Limited
GPO Box 242
Melbourne VIC 3001 Australia

PROXIES

A proxy form accompanies this notice. Additional proxy forms will be provided by the Company's Share Registrar, Computershare Investor Services Pty Limited, on request.

As a shareholder entitled to attend and vote at the meeting, you may appoint up to 2 proxies to attend and vote for you. You may specify the proportion or number of votes that the proxy may exercise. If you appoint 2 proxies and do not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes.

A proxy need not be a shareholder of the Company.

The key management personnel (**KMP**) of the Company (which includes each of the Directors) and their closely related parties will not be able to vote your proxy on item 2 unless you have directed them how to vote. The term "closely related party" is defined in the Corporations Act and includes any of the KMP's spouse, dependants and certain other close family members, as well as any companies controlled by the KMP. If you intend to appoint a member of the KMP as your proxy, please ensure that you direct them how to vote on item 2 by marking the voting box for this item.

There is a limited carve-out from the KMP voting exclusions that applies to the Chairman of the meeting. If you appoint the Chairman of the meeting as your proxy, or the Chairman of the meeting is appointed as your proxy by default, but you do not mark any of the voting boxes for item 2, by submitting the proxy form you will be taken to have expressly authorised the Chairman of the meeting to vote in favour of item 2. The Chairman of the meeting intends to vote all available proxies in favour of all of the resolutions to be put to shareholders as set out in this notice.

The proxy form must be signed by you or your attorney. Proxies given by corporations must be executed either in accordance with section 127 of the Corporations Act or under the hand of a duly authorised officer or attorney.

The proxy form and the power of attorney or other authority under which it is signed (if any), or a certified copy of the power of attorney or authority, must be received by the Company's Share Registrar not later than **10.00 am (AEST) on Sunday 19 April 2015**. See above for the fax number and address of the Share Registrar.

Online Lodgement: You may lodge an electronic proxy online at www.investorvote.com.au (Control Number 137676) not later than 10.00 am (AEST) on Sunday 19 April 2015. You will need your Security holder Reference Number (**SRN**) or Holder Identification Number (**HIN**) and to confirm your postcode if you reside in Australia or country of residence if you reside outside Australia.

ELIGIBILITY TO VOTE

For the purposes of the meeting, shares will be taken to be held by persons who are registered as members as at **10.00 am (AEST) on Sunday 19 April 2015**. Accordingly, transactions registered after that time will be disregarded in determining shareholders entitled to attend and vote at the meeting.

Voting Exclusions

Item 2

The Company will disregard any votes cast on item 2:

- by or on behalf of a member of the KMP whose remuneration is disclosed in the Remuneration Report and their closely related parties (such as close family members and any companies the person controls); and
- as a proxy by a member of the KMP and any of their closely related parties,

unless the vote is cast as proxy for a person entitled to vote on item 2 in accordance with a direction on the proxy form or by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy.

Registered Office:
472 Pacific Highway
St Leonards NSW 2065 Australia
Fax number +61 2 9925 6005

Share Registrar:
Computershare Investor Services
Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000 Australia
Fax number + 61 3 9473 2555

Share Registrar's Postal Address:
Share Registrar
Computershare Investor Services
Pty Limited
GPO Box 242
Melbourne VIC 3001 Australia

QUESTIONS FOR THE AUDITOR

Shareholders may submit written questions to the Company's Auditor, Deloitte Touche Tohmatsu, if the question is relevant to the content of Deloitte Touche Tohmatsu's Audit Report for the 2014 Financial Year or the conduct of its audit of the Company's Financial Report for the 2014 Financial Year.

Relevant written questions for the Auditor must be received by the Company by no later than **5.00 pm, Tuesday 14 April 2015**. Please send any written questions to the Company's Share Registry:

By hand: Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000
Australia

By mail: Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By email: www.investorcentre.com/contact

By facsimile: Within Australia: (03) 9473 2500
From outside Australia: +61 3 9473 2500

LEIGHTON HOLDINGS LIMITED ABN 57 004 482 982

EXPLANATORY NOTES

ITEM 1

ANNUAL FINANCIAL REPORT AND DIRECTORS' AND AUDITOR'S REPORTS

Shareholders will have the opportunity at the meeting to ask questions about or make comments on the Financial Report and the Directors' and Auditor's Reports as well as on the management of the Company.

Shareholders will also have the opportunity at the meeting to ask questions of the Company's external auditor, Deloitte Touche Tohmatsu, relevant to:

- the conduct of the audit;
- the preparation and content of the Auditor's Report;
- the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

ITEM 2

REMUNERATION REPORT

Shareholders will have a reasonable opportunity at the meeting to ask questions about or make comments on the Remuneration Report. The Remuneration Report on pages 27 to 43 of the Company's 2014 Annual Report sets out the remuneration policies of the Company and reports on the remuneration arrangements in place for Non-executive Directors, Executive Directors and the KMP of the Group during the 2014 Financial Year.

As prescribed by the Corporations Act, the vote on the adoption of the Remuneration Report is advisory only and does not bind the Directors or the Company. However, the Board does take the outcome of the vote and discussion at the meeting into account in setting remuneration policy for future years.

Recommendation

The Board unanimously recommends that shareholders vote **in favour** of Resolution 2.

ITEM 3

ELECTION AND RE-ELECTION OF DIRECTORS

Mr Russell Langtry Chenu and Mr Trevor Gerber were appointed by the Board as Independent Non-executive Directors on 11 June 2014. Dr Kirstin Irene Ferguson was appointed by the Board as an Independent Non-executive Director on 10 July 2014. In accordance with clause 17.2 of the constitution of the Company (**Constitution**), these directors hold office as Directors until the conclusion of the 2015 AGM and offer themselves for election at this meeting.

Mr Peter-Wilhelm Sassenfeld will retire by rotation in accordance with clause 18.2 of the Constitution and offers himself for re-election at this meeting.

The experience, qualifications and other details about the candidates for election to the office of Director are set out below.

Item 3.1 Election of Russell Langtry Chenu

Mr Russell Langtry Chenu (65)

Independent Non-executive Director
BCom, MBA, CPA

Appointed an Independent Non-executive Director on 11 June 2014. Mr Chenu is the Chairman of the Audit and Risk Committee and a member of the Remuneration and Nominations Committee and the Ethics and Compliance Committee.

Mr Chenu has a Bachelor of Commerce from the University of Melbourne and an MBA from Macquarie Graduate School of Management, Australia. Mr Chenu is an experienced corporate and finance executive who has held senior finance and management positions with a number of Australian publicly listed companies. In a number of these senior roles, he has been engaged in significant strategic business planning and business change, including several turnarounds, new market expansions and management leadership initiatives.

Mr Chenu was appointed as interim CFO of James Hardie Industries Plc in October 2004 and was appointed as CFO in February 2005 before retiring in November 2013. As CFO, he was responsible for accounting, treasury, taxation, corporate finance, information technology and systems, and procurement.

Mr Chenu is a Director of the following additional ASX listed entities: Metro Performance Glass Limited (since July 2014) and James Hardie Industries Plc (since August 2014).

Recommendation

The Board (excluding Mr Chenu) unanimously recommends that shareholders vote **in favour** of Resolution 3.1.

Item 3.2 Election of Trevor Gerber

Mr Trevor Gerber (59)

Independent Non-executive Director
BAcc, CA, SA

Appointed an Independent Non-executive Director on 11 June 2014. Mr Gerber is the Chairman of the Remuneration and Nominations Committee and a member of the Audit and Risk Committee.

Mr Gerber was an executive at Westfield Holdings Limited until 1999. During his 14 year career at Westfield, Mr Gerber's roles included Group Treasurer and Director of Funds Management responsible for Westfield Trust and Westfield America Trust. Mr Gerber has been a professional director since 2000. His board experience has been varied and includes property, funds management, hotels/tourism, infrastructure, aquaculture and aged care.

Mr Gerber is a Director of the following additional ASX listed entities: Sydney Airport Limited (since April 2002), Tassal Group Limited (since April 2012), Novion Property Group Limited (since April 2014) and Regis Healthcare Limited (since October 2014).

Recommendation

The Board (excluding Mr Gerber) unanimously recommends that shareholders vote **in favour** of Resolution 3.2.

Item 3.3 Election of Kirstin Irene Ferguson

Dr Kirstin Irene Ferguson (41)

Independent Non-executive Director
PhD LLB (Hons) BA (Hons) FAICD

Appointed an Independent Non-executive Director on 10 July 2014. Dr Ferguson is the Chairman of the Ethics and Compliance Committee and a member of the Audit and Risk Committee and Remuneration and Nominations Committee.

Dr Ferguson has a PhD in Business (Queensland University of Technology) and Honours degrees in Law (Queensland University of Technology) and Arts (University of New South Wales). Dr Ferguson is a Fellow of the Australian Institute of Company Directors, a Graduate of the AICD Company Directors Course and

a Graduate of the AICD International Company Directors Course. During her executive career, Dr Ferguson was CEO of the global workplace health and safety organisation, Sentis, and Director of Corporate Services of Deacons (now Norton Rose Fulbright).

Dr Ferguson is a Director of the following additional ASX listed entity: SCA Property Group (since January 2015).

Dr Ferguson is also a Non-executive Director of SunWater Limited (since October 2008), Hyne & Sons Pty Limited (since August 2013) and the Queensland Theatre Company (since May 2013). Previously, Dr Ferguson was the Independent Chairman of the Thiess Advisory Board (between February 2013 and June 2014), and a Non-executive Director of Dart Energy Limited (between November 2012 and March 2013) and the Queensland Rugby Union (between April 2011 and April 2013).

Recommendation

The Board (excluding Dr Ferguson) unanimously recommends that shareholders vote **in favour** of Resolution 3.3.

Item 3.4 Re-election of Peter-Wilhelm Sassenfeld

Mr Peter-Wilhelm Sassenfeld (48)

Non-executive Director
MBA

Appointed a Non-executive Director on 29 November 2011. Mr Sassenfeld is a member of the Audit and Risk Committee.

Mr Sassenfeld has an MBA from the University of Saarland, Germany.

Mr Sassenfeld was appointed as the CFO of HOCHTIEF AG in November 2011. Prior to this role he was the CFO of Ferrostaal AG. Mr Sassenfeld has previously worked as the CFO of Krauss Maffei AG and in senior finance roles at Bayer AG and the Mannesmann Group. Mr Sassenfeld is also a Director of HOCHTIEF Australia.

Recommendation

The Board (excluding Mr Sassenfeld) unanimously recommends that shareholders vote **in favour** of Resolution 3.4.

EXPLANATORY NOTES (continued)

ITEM 4

CHANGE OF COMPANY NAME

In accordance with section 157(1) of the Corporations Act, if a company wants to change its name, it must pass a special resolution adopting a new name.

It is proposed that shareholders approve the Company's name being changed from Leighton Holdings Limited to CIMIC Group Limited. The Board has approved this change of name subject to the approval of shareholders.

In June 2014, Leighton Holdings announced a Strategic Review of its operations which included a transformation of the operating model and the role of Leighton Holdings. The Leighton Group will now deliver its services through four specialised businesses focused on construction, contract mining, PPPs, and engineering.

The Board considers that the change of name is appropriate to support the transformation to the new operating model. The new name intends to provide a better representation of what we are and do and this will closely reflect our core activities. The new name, CIMIC Group Limited in particular stands for Construction, Infrastructure, Mining and Concessions.

Resolution 4 is a special resolution and, therefore, requires approval of 75% or more of all votes cast by shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a member which is a corporation, by a representative).

In accordance with section 157(3) of the Corporations Act, the change of name will take effect when ASIC alters the details of the Company's registration. The name CIMIC Group Limited has been reserved by the Company.

The Board will also request that ASX change the Company's ASX listing code from "LEI" to "CIM" after the change of name takes effect. The ASX listing code "CIM" has been reserved by the Company.

Recommendation

The Board unanimously recommends that shareholders vote **in favour** of Resolution 4.


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LEIGHTON HOLDINGS LIMITED ABN 57 004 482 982
NOTICE OF ANNUAL GENERAL MEETING 2015

— 000001 000 LEI
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

 **Online:**
www.investorvote.com.au

 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

In Person:
Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form



Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



 **For your vote to be effective it must be received by 10.00am (AEST) on Sunday 19 April 2015**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (except in relation to Item 2 where you have appointed a member of the key management personnel of the company or one of their closely related parties as your proxy, in which case there are additional restrictions explained below). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the Meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Appointing the Chairman as proxy: If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you leave Step 1 blank, or your named proxy does not attend the Meeting or does not vote on a poll in accordance with your instructions, the Chairman of the Meeting will be your proxy.

Proxy voting by key management personnel: The key management personnel of Leighton Holdings Limited (which includes each of the directors) and their closely related parties will not be able to vote your proxy on Item 2 unless you tell them how to vote or the Chairman of the Meeting is your proxy. If you intend to appoint a member of the key management personnel or one of their closely related parties as your proxy, please ensure that you direct them how to vote on Item 2 by marking the voting boxes. If you appoint the Chairman of the Meeting as your proxy, or the Chairman of the Meeting is appointed as your proxy by default, but you do not mark any of the voting boxes for Item 2, by submitting the proxy form you will be taken to have expressly authorised the Chairman of the Meeting to vote in favour of Item 2 even though the Item is connected with the remuneration of the Company's key management personnel.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: To sign under Power of Attorney you must lodge the Power of Attorney with the registrar by 10.00am (AEST) on Sunday 19 April 2015. If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the Meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return them with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Leighton Holdings Limited hereby appoint

☐

the Chairman
of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Leighton Holdings Limited to be held in the Wentworth Ballroom, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney, New South Wales, on Tuesday 21 April 2015 at 10.00am (AEST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Item 2 (except where I/we have indicated a different voting intention below) even though Item 2 is connected directly or indirectly with the remuneration of a member of the key management personnel, which includes the Chairman.

Important Note: The Chairman intends to vote undirected proxies in favour of each Item of business. If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting by marking the appropriate box in step 2 below.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

| | | For | Against | Abstain |
|-----|---|--------------------------|--------------------------|--------------------------|
| 2 | Remuneration Report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.1 | To elect Mr Russell Langtry Chenu as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.2 | To elect Mr Trevor Gerber as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.3 | To elect Dr Kirstin Irene Ferguson as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.4 | To re-elect Mr Peter-Wilhelm Sassenfeld as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 | Change of Company name | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

The Chairman of the Meeting intends to vote undirected proxies in favour of each Item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone


_____ / ____ / ____

Date

LEI

194892A

Computershare +


└ 000002 000 LEIRM
MR RETURN SAMPLE
123 SAMPLE STREET
SAMPLE SUBURB
SAMPLETOWN VIC 3030

Dear Securityholder,

We have been trying to contact you in connection with your securityholding in Leighton Holdings Limited. Unfortunately, our correspondence has been returned to us marked "Unknown at the current address". For security reasons we have flagged this against your securityholding which will exclude you from future mailings, other than notices of meeting.

Please note if you have previously elected to receive a hard copy Annual Report (including the financial report, directors' report and auditor's report) the dispatch of that report to you has been suspended but will be resumed on receipt of instructions from you to do so.

We value you as a securityholder and request that you supply your current address so that we can keep you informed about our Company. Where the correspondence has been returned to us in error we request that you advise us of this so that we may correct our records.

You are requested to include the following;

- > Securityholder Reference Number (SRN);
- > ASX trading code;
- > Name of company in which security is held;
- > Old address; and
- > New address.

Please ensure that the notification is signed by all holders and forwarded to our Share Registry at:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Victoria 3001
Australia

Note: If your holding is sponsored within the CHESS environment you need to advise your sponsoring participant (in most cases this would be your broker) of your change of address so that your records with CHESS are also updated.

Yours sincerely

Vanessa Rees
Group Company Secretary



2014 **ANNUAL REPORT**

LEIGHTON HOLDINGS LIMITED ABN 57 004 482 982

construction | mining | engineering | ppps

2014 Annual Report

CONTENTS

| Section | Page |
|-------------------------------------|------|
| Executive Chairman and CEO's Review | 2 |
| Directors' Report | 4 |
| Operating and Financial Review | 12 |
| Remuneration Report | 27 |
| Financial Report | 44 |
| Shareholdings | 150 |
| Shareholder information | 152 |
| Glossary | 153 |

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

The Leighton Holdings corporate governance statement is available on our website, in the section titled Board and Governance (www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach).

Executive Chairman and CEO's Review

Dear Shareholders,

As the Leighton Holdings Executive Chairman and CEO, I am proud to provide you with this review of the Leighton Group's progress during 2014.

STRATEGIC REVIEW

2014 marked the commencement of the transformation of the Leighton Group. We began a significant restructure, making progress on the objectives we set in June 2014 of strengthening the balance sheet, streamlining our operating model, and improving project delivery.

Our achievements included establishing dedicated, streamlined and efficient businesses focused on contract mining, construction, public private partnerships, and engineering. We also produced a sustainable reduction in overheads, divested John Holland and established a 50:50 investment partnership for the Services operations of Leighton Contractors and Thiess. The John Holland divestment and Services partnership are subject to customary approvals including from the Foreign Investment Review Board.

PERFORMANCE OVERVIEW

The John Holland divestment and Services partnership enabled the Leighton Group¹ to realise a 2014 pre-tax profit of \$973 million and positioned the Group to generate a net cash inflow of \$1.2 billion, following completion of the sales. These proceeds will significantly deleverage and de-risk the Group's balance sheet, reducing net debt² to a positive net cash position of \$20 million and gearing³ to slightly below zero following completion.

For the 2014 year, the Group reported a net profit after tax of \$677 million, a 33% improvement on the prior year, and underlying net profit after tax of \$620 million, at the top of the guidance range. Further details on the Company's performance, including the 40% increase in Leighton's share price during the year, are contained in the Operating and Financial Review within this Annual Report.

Recognising the result, we will pay a 100% franked, final dividend of 53 cents per share, based on a 60% underlying net profit after tax payout ratio, on 10 April 2015. In addition, shareholders will share in the value created by the divestments with the payment of a special dividend of 15 cents per share, 100% franked, also on 10 April 2015.

OUTLOOK

During the year, we continued to win and deliver work. Work in hand from continuing operations was more than \$30 billion at 31 December 2014. The composition reflects a more disciplined and rigorous approach to pre-contract risk assessment as well as the momentum shift from resources to infrastructure development in Australia.

Looking forward, our markets are continuing to offer an exciting range of new project opportunities, particularly as governments in Australia and Asia roll out initiatives to address significant infrastructure deficits. We currently have a record pipeline of tenders with individual values of over \$1 billion. We continue to strengthen our tender risk management processes, giving us confidence that we are positioned to capitalise on this pipeline, particularly with respect to domestic infrastructure projects including PPPs.

Our newly established PPP and engineering businesses will be essential to this strategy. The PPP business, Pacific Partnerships, combines and enhances our skills in PPPs and will operate at all levels of these projects: as the PPP manager, financing arranger, and operations and maintenance manager. Our engineering division has been established to drive internal engineering and design capabilities, and to promote greater technical self-reliance, thus enhancing our ability to manage risk and to deliver higher quality outcomes. By drawing together our engineering capabilities, we can better recognise and develop the engineering talent that exists within the Group.

Our 2015 forecast is for a net profit after tax in the range of \$450 million to \$520 million, driven by substantial improvement in margins from improved project delivery, continuation of the current cost saving program and reduced finance costs from the deleveraging of the balance sheet.

PEOPLE

I want to extend my gratitude to all of the Leighton employees who contributed to our accomplishments during 2014 and express my enthusiasm about our shared future.

Steering our Company into its next phase is an experienced management team who will translate the achievements of 2014 into a sustained benefit for all shareholders. Adolfo Valderas Martínez was appointed as Chief Operating Officer in 2013 and, following my appointment as CEO in March 2014, Javier Loizaga Jiménez was appointed as CFO. Managing Directors of our contract mining, construction, PPP and engineering businesses have also been confirmed.

¹ Group financial performance includes joint ventures and associates. It also includes John Holland and Services which were sold in December 2014 and which are shown in the Financial Statements as discontinued operations.

² Net cash/(debt) plus operating leases.

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

In addition to a strong management team, I am pleased that we have a Board with a broad range of commercial experience, including strong capabilities in corporate governance, strategy, risk, safety, finance and legal affairs to govern and direct this Company.

In May 2014, at the completion of HOCHTIEF Australia's proportional takeover offer, HOCHTIEF had increased its shareholding to 69.62%. The Board appointed two Directors – Pedro López Jiménez and José Luis del Valle Pérez. Further changes were made to the Board, including the retirement of Robert Humphris OAM as Chairman, who I thank for his commitment to Leighton for close to 10 years.

I was subsequently appointed as Executive Chairman and three Independent Non-executive Directors – Kirstin Ferguson, Russell Chenu, and Trevor Gerber – were appointed to the Board.

GOVERNANCE AND SUSTAINABILITY

Our Board is focused on high standards of governance, compliance, business conduct, safety and environmental performance – all of which are vital to Leighton's performance and sustainability. It is our belief that high quality corporate governance supports long-term value creation for shareholders and other stakeholders.

With this in mind, in 2014 we reviewed our corporate governance and reporting practices to enable us to early-adopt the third edition of the ASX Principles and Recommendations. In line with the decision to early adopt, our corporate governance statement has been made available on our website this year, in the section titled Board and Governance (www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach). I encourage you to visit our website to read it.

In terms of sustainability, I am pleased to report that in 2014, Leighton's performance was recognised by its continuing inclusion in the Dow Jones Sustainability Indices, the 'DJSI Australia'. The DJSI is an independent benchmarking system for leading sustainability-driven companies worldwide. Inclusion in the DJSI acknowledges the quality of the Group's sustainability practices across a range of different factors. We have maintained the highest rating in Risk and Crisis Management, and Resource Conservation and Resource Efficiency for two years in a row.

The Group also led the Industrials sector of the ASX 200/NZX 50 CDP (Carbon Disclosure Project) Investor Index for the second year in a row with a disclosure score of 97 and a performance band of B. This compares favourably with the ASX 200 average disclosure score of 76 and performance band of C.

SAFETY

In safety, we made improvements. The Group's Total Recordable Injury Frequency Rate measured per million hours worked improved both in our Australian and International operations to 4.6 at 31 December 2014 and is below our target of 5.5. The TRIFR in our Australian operations decreased to 7.0 for the year ending 31 December 2014 from 8.2 in the previous year. In our International operations, the TRIFR increased slightly to 2.7 for the year ending 31 December 2014 from 2.1 in the previous year.

The downward trending TRIFR rates have been underpinned by safety initiatives rolled out at our Operating Companies. Thiess has continued to improve its safety performance through the introduction of tailored lead indicators; LAIO has continued to enhance and develop its Strive for LIFE initiative, and has been recognised as a leader in the training and development of its workers; and Leighton Contractors has focused on safety performance through continuing to update its Safety Essentials program.

Despite this achievement, I am deeply saddened to report the death of three of our colleagues due to work-related incidents during 2014, and one in 2015. We are well-progressed in reviewing each incident and taking actions to prevent the occurrence of similar tragedies. The safety of our employees is a crucial matter for everyone within our organisation, and particularly for the Board and management. Our focus is on continued improvement and keeping our people safe.

CONCLUSION

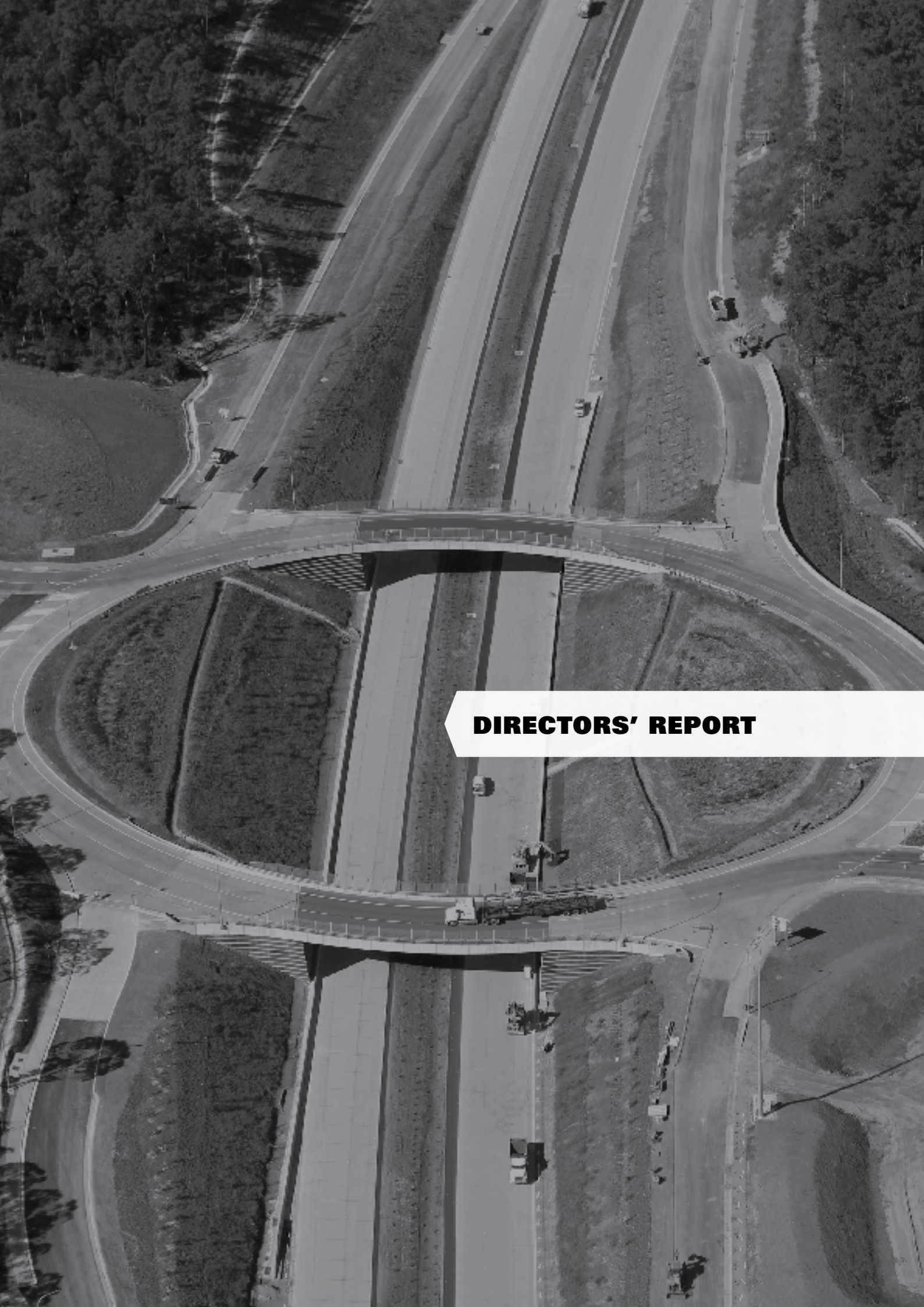
In closing, I am pleased to report that our Company is well positioned for the future. The Australian Government is aiming to catalyse \$125 billion in new infrastructure project spending over the next decade in Australia. Similarly, in our markets in Asia and the Middle East, governments continue spending on infrastructure as population growth, rising global incomes and urbanisation trends persist. We are ready to capitalise on these numerous opportunities in Australia and overseas.

In 2015 our aim is to make further progress on the achievements of 2014 by improving project delivery, continuing the current cost saving program and capturing the benefit of reduced finance costs as a result of the deleveraging of the balance sheet. I look forward to updating you further on our Company's performance and strategy, and our outlook, at the AGM on 21 April 2015.

Sincerely,



Marcelino Fernández Verdes
Executive Chairman and Chief Executive Officer



DIRECTORS' REPORT

Directors' Report

The Directors present their report for the 2014 Financial Year in respect of the Company and certain entities it controlled. This Directors' Report has been prepared in accordance with the requirements of Division 1 of Part 2M.3 of the Corporations Act and is dated 11 February 2015.

DIRECTORS' RESUMÉS

The Directors as at the date of this Directors' Report are:

MARCELINO FERNÁNDEZ VERDES (59)

Executive Chairman and Chief Executive Officer

Civ Eng

Appointed CEO of the Company on 13 March 2014. Appointed Executive Chairman on 11 June 2014. Mr Fernández Verdes was a Non-executive Director from October 2012 until his appointment as CEO. He has a degree in civil engineering from the University of Barcelona.

Mr Fernández Verdes has held a variety of positions in the construction industry since 1984. He has been a Member of the Executive Board and CEO of HOCHTIEF AG since November 2012. Mr Fernández Verdes was the Chief Operating Officer of HOCHTIEF AG from April to November 2012. In 1997, he became the General Manager of ACS Proyectos, Obras y Construcciones, and was subsequently appointed as Chairman and CEO in 2000. In 2004 he was appointed as Chairman and CEO of Dragados S.A. following the 2003 merger of Grupo ACS and Grupo Dragados. Mr Fernández Verdes has served as Chairman and CEO of Construction, Environment and Concessions at ACS since 2006. Mr Fernández Verdes was appointed to the Executive Committee of Grupo ACS in 2000, and was appointed Chairman of the Board and CEO of ACS Servicios y Concesiones, S.L. in 2006.

RUSSELL LANGTRY CHENU (65)

Independent Non-executive Director

BCom, MBA, CPA

Appointed Independent Non-executive Director on 11 June 2014. Mr Chenu has a Bachelor of Commerce from the University of Melbourne and an MBA from the Macquarie Graduate School of Management. Mr Chenu is an experienced corporate and finance executive who has held senior finance and management positions with a number of Australian publicly listed companies. In a number of these senior roles, he has been engaged in significant strategic business planning and business change, including several turnarounds, new market expansions and management leadership initiatives.

Mr Chenu was appointed as interim CFO of James Hardie Industries Plc in October 2004 and was appointed as CFO in February 2005 before retiring in November 2013. As CFO, he was responsible for accounting, treasury, taxation, corporate finance, information technology and systems, and procurement.

Mr Chenu is a Director of the following additional ASX listed entities: Metro Performance Glass Limited (since July 2014) and James Hardie Industries Plc (since August 2014).

JOSÉ LUIS DEL VALLE PÉREZ (64)

Non-executive Director

LLB

Appointed Non-executive Director on 13 March 2014. Mr del Valle Pérez completed a degree in Law from the University Complutense of Madrid in 1971 and, since 1974, has been Abogado del Estado de España (State Attorney of Spain). He has been a Member of the Bar Association of Madrid since 1976. As Spanish State Attorney he performed his duties in the Delegations of the Ministry of Finance and the Courts of Burgos and of Toledo, and in the Legal Departments of the Ministry of Health and of the Ministry of Labour and Social Security. Mr del Valle Pérez was previously a Director of the legal department of the political party UCD (from 1977 to 1981) and a Member of the Parliament (Congreso de los Diputados) of Spain (from 1979 to 1982). He was also Deputy Minister for Territorial Administration from 1981 to 1982. Since 1983 Mr del Valle Pérez has been a Director of and/or legal advisor to many Spanish companies, including Banesto (merged with Banco Santander), Continental Industrias del Caucho (a subsidiary of Continental AG), Fococafé and Continental Hispánica (subsidiary of Continental Grain Inc).

Mr del Valle was appointed as a Director of ACS in 1989 and is currently a Director and General Secretary of Grupo ACS and is also the Secretary and/or Director of its main subsidiaries and affiliates.

KIRSTIN IRENE FERGUSON (41)

Independent Non-executive Director

PhD, LLB (Hons), BA (Hons), FAICD

Appointed Independent Non-executive Director on 10 July 2014. Dr Ferguson has a PhD in Business (Queensland University of Technology) and Honours degrees in Law (Queensland University of Technology) and Arts (University of New South Wales). Dr Ferguson is a Fellow of the Australian Institute of Company Directors, a Graduate of the AICD Company Directors Course and a Graduate of the AICD International Company Directors Course. During her executive career, Dr Ferguson was CEO of the global workplace health and safety organisation, Sentis, and Director of Corporate Services of Deacons (now Norton Rose Fulbright).

Dr Ferguson is a Director of the following additional ASX listed entity: SCA Property Group (since January 2015).

Dr Ferguson is also a Non-executive Director of SunWater Limited (since October 2008), Hyne & Sons Pty Limited (since August 2013) and the Queensland Theatre Company (since May 2013). Previously, Dr Ferguson was the Independent Chairman of the Thiess Advisory Board (between February 2013 and June 2014), and a Non-executive Director of Dart Energy Limited (between November 2012 and March 2013) and the Queensland Rugby Union (between April 2011 and April 2013).

TREVOR GERBER (59)

Independent Non-executive Director

BAcc, CA, SA

Appointed Independent Non-executive Director on 11 June 2014. Mr Gerber was an executive at Westfield Holdings Limited until 1999. During his 14 year career at Westfield, Mr Gerber's roles included Group Treasurer and Director of Funds Management responsible for Westfield Trust and Westfield America Trust. Mr Gerber has been a professional director since 2000. His board experience has been varied and includes property, funds management, hotels/tourism, infrastructure, aquaculture and aged care.

Mr Gerber is a Director of the following additional ASX listed entities: Sydney Airport Limited (since April 2002), Tassal Group Limited (since April 2012), Novion Property Group Limited (since April 2014) and Regis Healthcare Limited (since October 2014).

PEDRO LÓPEZ JIMÉNEZ (72)

Non-executive Director

Civ Eng, MBA

Appointed Non-executive Director on 13 March 2014. Mr López Jiménez has a degree in civil engineering and an MBA from IESE Business School, Madrid. He has been awarded the Grand Cross of Isabel La Católica.

During his career Mr López Jiménez has held the following positions: General Director of Ports for the Ministry of Public Works (Spain), Secretary of State of Urban Affairs and Public Works (Spain), Board Member of Instituto Nacional de Industria (State owned holding company), Manager of the Thermal Plant Constructions in Hidroeléctrica Española, CEO of Empresarios Agrupados (thermal and nuclear plants engineering and construction management), Chairman and CEO of Endesa S.A., Board Member of Unión Eléctrica S.A. and Empresa Nacional Hidroeléctrica de la Ribagorçana, Chairman of Unión Fenosa S.A., Vice Chairman of Indra Sistemas S.A., Board Member of Compañía Española de Petróleos S.A.U., Board Member of ENCE S.A, Board Member of Keller Group, Plc, and Chairman of Gtceisu Construcción S.A. Additionally, he was the founder of CEOE (Confederation of Spanish Industries), Member of its first Executive Committee, founder and first Chairman of FEIE (Federation of Spanish Utility Companies), Board Member of Club Español de Energía (Spanish Energy Association).

Mr López Jiménez currently serves as Board Member (and Member of the Executive Committee) of ACS (since 1989), Vice Chairman of ACS Servicios y Concesiones S.A., Vice Chairman of ACS Servicios, Comunicaciones y Energía and is Chairman In Office of Dragados S.A. He is a Board Member of Ghesa Ingeniería y Tecnología S.A. (since 1971) and is Board Member of Gtceisu Construcción S.A. He was appointed as Chairman of the Supervisory Board of HOCHTIEF AG and Chairman of its Human Resources Committee and its Nomination Committee in October 2014.

Mr López Jiménez is currently a Board Member of the Malaga Picasso Museum, Álcara University, and the European Club Association, and is the Vice Chairman of the Real Madrid Football Club.

DAVID PAUL ROBINSON (59)

Non-executive Director

MCom, BEc, FCA, CTA

Appointed Non-executive Director on 17 December 1990. A Member of the Thiess Advisory Board from 18 June 2013 to 30 June 2014. Appointed Alternate Director for Mr López Jiménez on 11 June 2014. Previously an Alternate Director for Mr Peter Sassenfeld (from November 2011 to June 2013). 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. Participant 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. A former Director of Leighton Properties from May 2000 to August 2012.

PETER-WILHELM SASSENFELD (48)

Non-executive Director

MBA

Appointed Non-executive Director on 29 November 2011. Mr Sassenfeld has an MBA from the University of Saarland.

Mr Sassenfeld was appointed as the CFO of HOCHTIEF AG in November 2011. Prior to this role he was the CFO of Ferrostaal AG. Mr Sassenfeld has previously worked as the CFO of Krauss Maffei AG and in senior finance roles at Bayer AG and the Mannesmann Group.

ALTERNATE DIRECTOR'S RESUMÉ

ROBERT LESLIE SEIDLER AM (66)

Alternate Director

LLB

Appointed Alternate Director for Mr del Valle Pérez and Mr Sassenfeld on 11 June 2014. Mr Seidler AM was previously an Alternate Director for Mr Fernández Verdes (from June 2013 to June 2014), Mr Robinson (from November 2012 to June 2013), Dr Frank Stieler (from May 2011 to November 2012), Mr Manfred Wennemer (from November 2011 to October 2012), Dr Herbert Lütkestratkötter (from July 2007 to May 2011) and Dr Hans-Peter Keitel (from November 2003 to July 2007). He has a degree in Law from the University of Sydney and is a former partner of Blake Dawson (now Ashurst).

Mr Seidler AM is the Vice President of the Australia Japan Business Cooperation Committee and Chairman of Hunter Philip Japan Limited. He is 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 is currently a member of the New South Wales Government's Export and Investment Advisory Panel. Mr Seidler AM was appointed as a Director of HOCHTIEF Australia in November 2011. He was the Chairman of the Advisory Boards of Leighton Properties and Leighton Asia, India and Offshore (from November 2012 to 30 June 2014) and was the Chairman of Leighton Asia (from November 2011 to September 2012) and a Director of Leighton Properties (from May 2010 to August 2012) and Leighton International (from November 2009 to November 2011).

COMPANY SECRETARIES' RESUMÉS

JOHN EASY (50)

Group General Counsel and Company Secretary

LLB, BCom, FGIA

Appointed Group General Counsel and Company Secretary on 3 November 2014. Mr Easy has a Bachelor of Laws and Bachelor of Commerce (Major in Economics) from the University of New South Wales. He is a Fellow of the Governance Institute of Australia and holds a Graduate Diploma in Applied Corporate Governance. Mr Easy was previously the General Counsel and Company Secretary for DEXUS Property Group from 2004 to 2014 having been employed in its legal team since 1997. Whilst with Dexus, he was a member of the Executive Committee overseeing the management and strategic direction of the wider business and was involved in the establishment and public listing of the Deutsche Office Trust, the acquisition of the Paladin and AXA real estate funds management businesses, and the subsequent stapling and creation of the DEXUS Property Group. Prior to joining DEXUS Property Group, Mr Easy was a Senior Associate in the commercial property/funds management division of major law firms Allens Arthur Robinson and Gilbert + Tobin.

VANESSA ROBYN REES (45)

Group Company Secretary

Dip Law, AssocD Acc, FGIA

Appointed Group Company Secretary on 14 August 2013. Ms Rees has completed the accredited Diploma in Law by the Legal Profession Admission Board and has an Associate Degree of Accounting from the Northern Sydney Institute. Ms Rees is a Fellow of the Governance Institute of Australia and is on the GIA's Legislative Review Committee and was previously on the New South Wales Professional Development Committee. Ms Rees holds a Graduate Diploma in Applied Corporate Governance from the GIA. Ms Rees was appointed Company Secretary of the Company on 7 April 2009. She has previously held various listed company secretarial positions with Ascalon Capital Managers Limited and Investa Property Group.

FORMER DIRECTORS

During the 2014 Financial Year the following people ceased to hold office as Directors of the Company.

| Name | Period of Directorship |
|-----------------------------|--|
| Paula Jane Dwyer | 1 January 2012 to 19 May 2014 |
| Peter Allan Gregg | 4 July 2006 to 14 October 2009 and 23 December 2010 to 13 March 2014 |
| Russell Allan Higgins AO | 18 June 2013 to 19 May 2014 |
| Robert Douglas Humphris OAM | 6 September 2004 to 11 June 2014 |
| Michael James Hutchinson | 18 June 2013 to 13 June 2014 |
| Vicki Anne McFadden | 18 June 2013 to 19 May 2014 |
| Hamish Gordon Tyrwhitt | 25 August 2011 to 13 March 2014 |

BOARD MEETINGS

The number of Board and Board Committee meetings held, and the number of meetings attended by each Director, during the 2014 Financial Year are set out in the table below.

| Director Attendance at Board and Board Committee Meetings during the 2014 Financial Year | | | | | | | | | | | | | | | | | | |
|--|-------|----|----------------------------------|---|--------------------------------------|---|--------------------------------------|---|----------------------------------|---|-----------------------------------|----|-----------------------------|----|----------------------------------|----|---|----|
| | Board | | Due Diligence C'tee [#] | | Independent Board C'tee [^] | | Independent Board C'tee [*] | | Special Board C'tee [~] | | Audit and Risk C'tee ¹ | | Ethics and Compliance C'tee | | Remuneration & Nominations C'tee | | Tender Review and Risk C'tee ² | |
| | H | A | H | A | H | A | H | A | H | A | H | A | H | A | H | A | H | A |
| Current Directors | | | | | | | | | | | | | | | | | | |
| M Fernández Verdes | 11 | 11 | | | - | - | - | - | 2 | 2 | - | 7+ | 5 | 3 | 5 | 5 | 2 | 2 |
| R L Chenu | 3 | 3 | | | - | - | - | - | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | - | - |
| J del Valle Pérez | 8 | 6 | - | - | - | - | - | - | - | - | - | 1+ | 3 | 2 | 2 | 2 | - | - |
| K I Ferguson | 3 | 3 | - | - | - | - | - | - | 1 | 1 | 3 | 3 | 2 | 2 | 3 | 3 | - | - |
| T Gerber | 4 | 3 | - | - | - | - | - | - | - | - | 3 | 3 | - | - | 3 | 3 | - | - |
| P López Jiménez | 8 | 8 | - | - | - | - | - | - | - | - | - | 2+ | - | 1+ | 3 | 3 | - | - |
| D P Robinson | 11 | 11 | | | - | - | - | - | 5 | 5 | 7 | 7 | - | 2+ | - | 2+ | 1 | 1 |
| P W Sassenfeld | 11 | 11 | - | - | - | - | - | - | - | - | 7 | 6 | - | 1+ | - | - | 2 | 1 |
| Alternate Director | | | | | | | | | | | | | | | | | | |
| R L Seidler AM | - | 10 | - | - | - | - | - | - | - | - | - | 3* | - | 5* | - | 5* | - | 2* |
| Former Directors | | | | | | | | | | | | | | | | | | |
| P J Dwyer | 7 | 7 | 6 | 5 | 1 | 1 | 5 | 5 | 3 | 3 | 4 | 4 | - | - | 2 | 2 | 2 | 2 |
| P A Gregg | 2 | 2 | - | - | - | - | | | 1 | 1 | - | 2+ | - | - | - | 1+ | - | 1+ |
| R A Higgins AO | 7 | 6 | 6 | 6 | 1 | 1 | 5 | 5 | - | - | 4 | 3 | 2 | 2 | - | - | 2 | 1 |
| R D Humphris OAM | 8 | 8 | 6 | 6 | 1 | 1 | 5 | 5 | 3 | 3 | - | 2+ | 2 | 2 | 2 | 2 | 2 | 2 |
| M J Hutchinson | 8 | 8 | 6 | 6 | 1 | 1 | 5 | 5 | - | - | - | 2+ | 2 | 2 | - | - | 2 | 2 |
| V A McFadden | 7 | 7 | 6 | 5 | 1 | 1 | 5 | 5 | - | - | 4 | 4 | - | 1+ | 2 | 2 | - | - |
| H G Tyrwhitt | 2 | 2 | - | - | - | - | | | 1 | 1 | - | 2+ | 2 | 2 | - | 2+ | 1 | 1 |

Notes

Committee is abbreviated to C'tee.

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

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

Meetings held to carry out the due diligence and verification of the Target's Statement.

^ Meeting held to consider CFO appointment.

* Meetings held to evaluate and respond to the proportional takeover bid by HOCHTIEF Australia.

~ Meetings held to consider half year and annual results, annual report, notices of AGM and other related matters.

* The number of meetings attended by the Alternate Director in his capacity as an Alternate Director or as a standing invitee.

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

1 Audit Committee renamed Audit and Risk Committee on 30 June 2014 following dissolution of Tender Review and Risk Committee and transfer of enterprise risk matters to the Audit and Risk Committee at that date.

2 Tender Review and Risk Committee dissolved on 30 June 2014. Enterprise risk matters transferred to the Audit and Risk Committee at that date.

DIRECTORS' INTERESTS

Details of the Directors' relevant interests in the issued capital of the Company and its related body corporates as at the date of this Directors' Report are listed in the table below.

| Name | Relevant interests in Leighton | | | Relevant interests in ACS and/or HOCHTIEF AG | | |
|---------------------|--------------------------------|---------------------|--------------------|--|---------------------|--------------------|
| | Ordinary shares | Options over shares | Rights over shares | Ordinary shares | Options over shares | Rights over shares |
| M Fernández Verdes | 2,745 | - | - | 1,464,177 (ACS)* 10,314 (HOCHTIEF AG) | | - |
| R L Chenu | 2,500 | - | - | - | - | - |
| J L del Valle Pérez | 1,000 | - | - | 278,902 (ACS) | 769,426 (ACS) | - |
| K I Ferguson | 1,500 | - | - | - | - | - |
| T Gerber | 2,000 | - | - | - | - | - |
| P López Jiménez | 1,192 | - | - | 468,750(ACS)~ | - | - |
| D P Robinson | 1,489 | - | - | - | - | - |
| P W Sassenfeld | 1,858 | - | - | 8,227(HOCHTIEF AG) | - | - |

Notes

Mr Seidler AM (Alternate Director for Mr Sassenfeld and Mr del Valle Pérez) holds 100 ordinary shares, nil options and nil rights.

* 1,463,589 shares are held by Gesquiver, S.L (a closely related party to Mr Fernández Verdes).

~ 218,750 shares are held by FIDALSER, S.L and 250,000 shares are held by Fapin Mobi, S.L. (closely related parties to Mr López Jiménez).

No Director held a relevant interest in Devine Limited.

DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

Details of the Company's remuneration policy and remuneration paid to the Group's KMP are detailed in the Remuneration Report within this Annual Report.

CEO AND CFO DECLARATION

The CEO and CFO have given a declaration to the Board concerning the Group's financial statements in accordance with section 295A of the Corporations Act.

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 regulation.

Within Australia, the Company is required to report under the NGER Scheme and participate within the EEO Program. In addition, the Operating Companies are subject to project specific regulations across the various jurisdictions in which they operate. Failure to comply with these corporate and project specific requirements may result in penalties such as remediation of damage, court injunctions, and criminal and civil penalties.

To assist the Board in discharging its responsibilities the Company has adopted a governance framework which provides for:

- the delegation of accountability for achieving compliance with regulatory requirements (and other requirements) to the most appropriate person or group within the organisation; and
- an assurance and reporting process for the evaluation and oversight of compliance with these requirements back up to the Board.

In the 2014 Financial Year:

- the Company submitted its NGER Scheme report with EY (our NGER Scheme external auditor) providing limited assurance;
- the Operating Companies fulfilled the reporting duties of the EEO Program; and
- across the 252 million hours worked on projects there were no material breaches of legislation or conditions of approval (ie, those resulting in prosecution, significant financial penalties or contractual action against the Company, executive officers or individuals). However, there was \$17,060 in fines as a result of 10 breaches.

For further information regarding the Company's environmental governance, management approach, and performance (which expands beyond compliance) please refer to the Sustainability section of the Company website.

UNISSUED SHARES

As at the date of this Directors' Report there are 2,253,538 rights over unissued shares in the Company. These are rights which were issued in accordance with our employee incentive schemes and are set out below:

| Classes of Share Rights | Number of Share Rights |
|-------------------------|------------------------|
| STI Rights | 775,004 |
| LTI Rights | 1,478,534 |
| Total Rights | 2,253,538 |

On vesting, these rights may be satisfied through the issue of ordinary shares in the Company or the allocation of ordinary shares in the Company acquired on-market. Holders of these rights receive no voting rights and are not entitled to participate in any share or rights issue made by the Company.

There are no other classes of rights over unissued shares at the date of this Directors' Report.

Refer to the Remuneration Report for summaries of our STI and LTI plans and 'Note 37: Employee benefits' to the Financial Report within this Annual Report for further details. Refer to Shareholdings section of this Annual Report for details regarding the distribution of holdings of STI Rights and LTI Rights.

AUDIT

The declaration by the Group's external auditor, 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 section of this Directors' Report titled 'Lead Auditor's independence declaration under section 307C of the Corporations Act'.

INDEMNITY FOR GROUP OFFICERS AND AUDITORS

CONSTITUTION

The Constitution includes indemnities in favour of people who are, or have been, an 'Officer' or auditor of the Company. 'Officer' is defined in the Constitution as any Director, Secretary or executive officer of the Company.

The Constitution states that, to the extent permitted by law, the Company indemnifies 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.

DIRECTORS' DEED OF INDEMNITY

The Company has entered into deeds of indemnity, insurance and access with its current and former Directors. Under each director's 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 of indemnity 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 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, as defined by that deed.

In February 2013 the Board resolved to extend similar 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 Company Secretary) of the Company, an Operating Company or a subsidiary of an Operating Company;
- a Director, Company Secretary or an executive (in a role that has been approved by the CEO, CFO or Company 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.

Subsequent to the extension of the deeds of indemnity to Members of the Advisory Boards, the Advisory Boards were dissolved, effective 30 June 2014.

INSURANCE FOR GROUP OFFICERS

During and since the end of the 2014 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 Company Secretary of Leighton Holdings or any subsidiary and includes any other person who is concerned with, or takes part in, the management of the Company or a Subsidiary.

Under the directors' deeds and the 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 following table.

The Board has considered the position and, in accordance with the advice received from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the 2014 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 in the following table, did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

- all non-audit services were reviewed by the Audit and Risk 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 2014 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 2014 Financial Year are as follows:

| Non-audit services | Amount paid/payable \$'000 |
|-----------------------------|----------------------------|
| Other assurance services | 1,424 |
| Taxation and other services | 319 |
| Total | 1,743 |

ROUNDING OFF OF AMOUNTS

As the Company 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.

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 2014, 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,

except as set out below:

In July 2014 Deloitte Touche Tohmatsu employed an individual who, in the 12 months prior to their employment, had been an officer of a subsidiary of Leighton Holdings Limited. This was identified as a contravention of the Corporations Act 2001 and the individual is no longer an employee of Deloitte Touche Tohmatsu. During the time of employment the individual was not employed in the audit division, was not a member of the audit engagement team and did not provide any professional services to the Leighton Holdings Limited group.

Accordingly I consider that the independence of Deloitte Touche Tohmatsu in respect to the audit of the financial report of Leighton Holdings Limited for the year ended 31 December 2014 has not been impaired.

Yours faithfully



Deloitte Touche Tohmatsu



G Couttas
Partner
Chartered Accountants

Sydney, 11 February 2015

Operating and Financial Review

PRINCIPAL ACTIVITIES

The primary objective of the Leighton Group is to deliver sustainable returns to shareholders, competitive solutions for clients, and an enduring future for the Group.

The Leighton Group is one of the world's leading construction companies and the world's largest contract miner, with operations in Australia-Pacific, Asia, the Middle East and Africa.

In the 2014 Financial Year, the Leighton Group's principal activities were:

- construction;
- contract mining;
- operations and maintenance services; and
- development and investment.

These activities were undertaken in three principal markets, being:

- infrastructure;
- resources; and
- property.

Within the infrastructure market the Group operated across a range of sectors, including economic infrastructure such as road and rail transport, power and telecommunications, and social infrastructure such as hospitals and prisons.

Within the resources market, the Group had long-term mining contracts in coal and, to a lesser extent, in iron ore, gold, diamonds and copper. The Group also undertook construction in the oil and gas sector, in particular on the major LNG developments in Australia, and in the bulk commodities sector.

The Leighton Group currently operates in more than 20 countries throughout Australia-Pacific, Asia, the Middle East and Africa. It has the broadest footprint of any international contractor in regions that are positioned to provide the greatest share of the world's economic growth over the next 20 years.

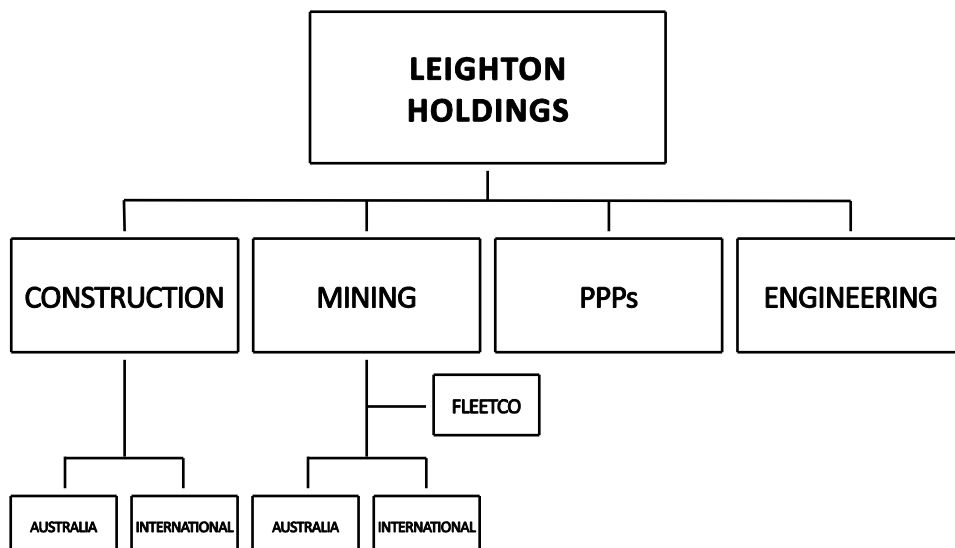
Contracting services were provided to both public and private sector clients through a variety of procurement methods including design and construct, alliancing and negotiated contracts.

BUSINESS MODEL

Up until June 2014, the Leighton Group delivered its services through a long-established structure, consisting of Leighton Holdings and five independent, overlapping Operating Companies, being: Leighton Contractors; Thiess; John Holland; Leighton Asia, India and Offshore; and Leighton Properties.

In June 2014, Leighton announced a Strategic Review of its operations. This included a transformation of the business operating model. Henceforth the Group will deliver its services through four specialised businesses focused on construction, contract mining, PPPs, and engineering. Refer section titled 'Strategic Review' below for further details.

The Group also has a 45% investment in the Habtoor Leighton Group, a Middle-East based construction company, and investments in other listed and non-listed entities.



STRATEGIC REVIEW

In June 2014, Leighton announced a Strategic Review of its operations, with the objective of positioning the Group to deliver sustainable long-term growth in cash backed profits by:

- strengthening the balance sheet;
- streamlining the operating model; and
- improving project delivery.

STRENGTHENING THE BALANCE SHEET

Rebuilding Leighton's balance sheet was identified in the Strategic Review as essential to the delivery of increased competitiveness, participation in PPPs and investment in the Group's future operations.

During the second half of 2014, Leighton heightened its focus on working capital management and, in particular, the recovery of trade receivables, with a proactive approach to claim documentation and client negotiations. Sustainable progress was made (refer section titled 'Financial Position'). The focus on the collection of receivables will continue in 2015 as we continue to target improvements.

In order to prevent the build-up of receivables in the future and to reduce volatility in its cash flow, the Group has also enhanced its approach to working capital management with strict management of working capital on current projects and with contract terms and conditions ensuring that future projects are cash-flow positive for their duration and that variations do not result in a build-up of working capital. Importantly, project managers are responsible for, and their remuneration is tied to, the level of receivables on their respective projects.

As part of the Strategic Review, Leighton also announced the evaluation of divestment and partnering opportunities for John Holland, Leighton Properties and the services businesses of Leighton Contractors and Thiess, as well as Leighton's 50.6% investment in Devine Limited.

On 12 December 2014, the Group announced the successful divestment of John Holland to CCCC International Holding Limited for an enterprise value of approximately \$1.15 billion, subject to customary approvals including by the Foreign Investment Review Board.

On 17 December 2014, the Group announced a 50:50 investment partnership for Leighton Contractors' and Thiess' merged operations and maintenance services businesses with funds managed by affiliates of Apollo Global Management LLC. The agreement represents an enterprise value for 100% of these businesses at \$1.075 billion. The partnership is subject to customary approvals including Foreign Investment Review Board and New Zealand Overseas Investment Office approvals.

Regarding Leighton Properties, dialogue with the market continues on a range of potential options.

The John Holland sale and Services investment partnership positively impacted the financial position of the Group, deleveraging and de-risking the balance sheet, (refer section titled 'Financial Position'). A strengthened balance sheet will be used to invest in the future, securing bonding facilities for construction projects, supporting capital-intensive contract mining projects and sustaining PPP investments, either through equity injections or guarantees.

STREAMLINING THE OPERATING MODEL

An integral part of the Strategic Review was the streamlining of the Group's existing operating model into four businesses focused on construction, contract mining, PPPs, and engineering.

The new structure is designed to deliver sustainable growth in shareholder returns, by focussing the skills, experience and expertise in the Leighton Group into dedicated businesses. Initiatives are also underway to take advantage of the Group's economies of scale, identify all possible synergies and reduce management layers and bureaucracy. The model will substantially lower the overhead base of Leighton Holdings and the Operating Companies and thereby improve competitiveness.

Standardised and simplified business processes and systems will be further implemented in 2015 to support the new structure and to improve consistency, accountability and reporting within the Group.

Construction and Contract Mining

During the second half of 2014, Leighton transitioned its people and activities into the new operating model. All new construction and contract mining contracts are now being taken on board under the new model.

FleetCo

Under the new blueprint, Leighton is considering options for its specialist asset owner, FleetCo. FleetCo currently holds approximately \$422 million¹ of the Group's circa \$2 billion mining fleet under operating leases, which were put in place in 4Q13. Subject to review, it is possible that the remainder of the domestic fleet will transfer into FleetCo during 2015.

¹ The value of fleet transferred was \$500 million and has been amortised to \$422 million at 31 December 2014.

Importantly, with the Group's global contract mining operations now delivered through Thiess, the Group continues to pursue savings from improved asset utilisation and centralised spare parts management providing efficiencies.

Leighton is currently investigating a range of strategic options. The timing and structure of any successful outcome is dependent on market conditions. Structured appropriately, it would free up a significant amount of the Group's capital.

Pacific Partnerships Pty Ltd

Combining the Group's expertise in PPPs and harnessing the wider ACS Group's experience in North America and Europe, the Group is now operating at all levels of PPP projects, offering end-to-end services. Pacific Partnerships has been established to undertake sponsorship and financial arrangement for PPP projects and subsequent operations and management of the assets, with Leighton Contractors undertaking the construction phase of the projects.

The PPP initiative forms a key component of Leighton's growth strategy. At a time when there continues to be a strong underlying forecast need for major infrastructure projects in Australia, the Group has positioned itself to optimise its capabilities to facilitate involvement in the pipeline of PPP opportunities. This includes all types of government concessions in economic infrastructure, such as roads and railways, and social infrastructure, such as hospitals, schools and prisons.

It is envisaged that PPP contracts will improve the quality and sustainability of the Group's work in hand. Longer-dated construction and services contracts under the PPP model are expected to broadly replace the LNG construction projects delivered during the past few years, which have provided strong revenue streams but have contributed to the Group's elevated level of working capital.

After the construction and ramp up phases of PPP projects are complete, the Group's equity investments will either be profitably recycled by selling them in part or in full to compatible long-term asset owners or will be retained on the balance sheet and form the basis for an effective infrastructure investment portfolio. A similar model for contract mining projects is also envisaged under a Build-Operate-Transfer model.

Engineering

The Group's engineering expertise has been concentrated into a new and focused engineering entity. This business spearheads the Group's internal engineering and design capabilities, providing specialist design, technical support, and research and technology for projects tendered and delivered by the Group.

Engineering is an internal service provider to the Group. It undertakes high-level concept design and construction reviews, identifying critical risks and providing engineering solutions to complex technical problems.

Engineering is also involved in the delivery phase of each project and assists in promoting greater technical self-reliance within project management teams, thereby reducing delivery risk and providing higher quality outcomes for clients.

IMPROVING PROJECT DELIVERY

The third key objective of the Strategic Review is the improvement of project delivery.

In addition to the establishment of Leighton's engineering company, the Group is further enhancing the entrepreneurial culture of its project managers and ensuring a focus on sustainable profit and cash generation within each project. Standardised business processes and systems will support the de-centralisation of decision making to the project manager level.

Importantly, the Group is continually reviewing and improving its risk management approach. Stricter criteria are being defined for the on-boarding of projects with tighter bidding discipline.

RISK MANAGEMENT

Leighton defines risk management as the identification, assessment and treatment of risks that have the potential to materially impact the Group's operations, people, and reputation, the environment and communities in which the Group works, and the financial prospects of the Group.

Leighton's risk management framework is tailored to its business, embedded largely within existing processes and aligned to the Company's objectives, both short and longer term.

Given the diversity of the Group's operations, and the breadth of its geographies and markets of operations, a wide range of risk factors have the potential to affect the achievement of business objectives. Key risks, including those arising due to externalities such as the economic, natural and social operating environments, are set out in the following table, together with the Group's approach to managing those risks.

| Risk description | Risk management approach |
|--|---|
| <i>The Group's operations require planning, training and supervision to manage workplace health and safety hazards.</i> | |
| A workplace health and safety incident or event may put our people and the community at risk. | The Group is committed to the health and safety of our people and the communities in which we work. Safety policies and standards apply across the Group. Compliance is regularly reviewed. The Group seeks continual improvement in safety performance. Safety governance is provided by the Board and the Ethics and Compliance Committee. |
| <i>The Group often works within, or adjacent to, sensitive environments.</i> | |
| An environmental incident or unplanned event may occur that adversely impacts the environment or the communities in which we work. | The Group is committed to the highest standard of environmental performance. Operating Companies environmental policies and procedures are aligned to the Group Policy and Standards. Should an incident occur, emergency response plans will be enacted. The Board Ethics and Compliance Committee oversees environmental performance. |
| <i>Work delivery is subject to inherent uncertainties, including those associated with contracts, scopes of work, recovery of variations and claims, weather, pricing and availability of materials and subcontractors, wage inflation, productivity and technical challenges.</i> | |
| Work delivery challenges may manifest in actual costs increasing from our earlier estimates. | Significant resources are devoted to the avoidance, management and resolution of work delivery challenges. Operating Companies provide project teams with guidance and support to achieve project and business objectives. Since the Strategic Review, Leighton's engineering company is also available to assist with project delivery. Project oversight is maintained by regular performance reviews that involve Operating Company and Leighton Holdings management, commensurate with the scale, complexity and status of the project. |
| <i>External factors may affect the Group's addressable markets and growth plans. Examples include economic downturns in developed countries, commodity price or foreign exchange rate changes, government policy amendments, terrorism and war.</i> | |
| Changes in economic, political or societal trends, or unforeseen external events and actions, may affect business development and project delivery. | The Group maintains a diverse portfolio of projects and investments across a range of markets and geographies. Regular and rigorous reviews of the Group's current and potential geographies, industries, activities and competitors are undertaken. Oversight of key risks is maintained by the Board Audit and Risk Committee, supported by a quarterly Risk Report that aggregates and highlights risks to the Group achieving its objectives. |
| Reduction in demand for global commodities and/or price may cause resource clients to curtail or cease capital investment programmes, or adjust operations, thereby impacting existing and future contracts. | The Group maintains a project, contract and investment portfolio that is diversified by geography, market, activity and client in order to mitigate the impact of emerging trends and market volatility. The Group continually seeks opportunities to improve its operations and thereby the value proposition it delivers to clients. |
| <i>The Group's reputation is critical to securing future work and attracting and retaining quality personnel, subcontractors and suppliers.</i> | |
| Issues impacting brand and reputation may impact the Group's ability to secure future work opportunities, investment, suppliers or joint venture partners. | The Group is committed to the highest standard of ethical conduct, and statutory and regulatory compliance. This is supported by a comprehensive range of Group level policies and standards, including our Code of Business Conduct. Leighton promotes clear governance through the empowerment of individuals with delegated authority, appropriate segregation of duties, and clear accountability and oversight for risks. |
| <i>The Group targets work that meets a defined risk appetite and appropriately balances risk and reward.</i> | |
| Work procurement challenges may impact our ability to secure high quality projects and contracts. | Application of the Group work procurement standards and approval process maximises the likelihood of securing quality work with commensurate returns for the risks taken. Pre-contracts assurance teams manage and assure the work procurement process. Leighton's engineering company is available to assist with project design, risk identification and engineering solutions during the tender phase. The Tender Review Management Committee oversees and approves the risk profile for key tenders. |

FINANCIAL HIGHLIGHTS

| | 12 months to 31 Dec 2014 | 12 months to 31 Dec 2013 | Improvement | |
|--|---|----------------------------------|-----------------------------------|----------------------------------|
| Shareholder returns (\$) | | | | |
| Closing share price | \$22.50 | \$16.11 | 40% | |
| Interim and final ordinary dividends per share | 110c | 105c | 5% | |
| Special dividend per share | 15c | - | 100% | |
| Total dividends per share | 125c | 105c | 19% | |
| Earnings per share (basic) | 200.0c | 150.9c | 33% | |
| Payout ratio for ordinary dividends (UNPAT) | 60% | 61% | | |
| | | | | |
| | 12 months to 31 Dec 2014 | 12 months to 31 Dec 2013 | Improvement | |
| Financial performance (\$m) | | | | |
| Group² | | | | |
| Revenue – before joint ventures and associates | 22,309.4 | 22,564.7 | (1)% | |
| Revenue – joint ventures and associates | <u>1,762.0</u> | <u>1,846.3</u> | <u>(5)%</u> | |
| Group revenue | 24,071.4 | 24,411.0 | (1)% | |
| EBIT before gains on divestments and contract debtors provision | 1,074.1 | 776.5 | 38% | |
| Gains on divestments | 973.2 | 215.0 | - | |
| Contract debtors provision | <u>(675.0)</u> | <u>-</u> | - | |
| EBIT | 1,372.3 | 991.5 | 38% | |
| Profit before tax | 1,131.1 | 736.1 | 54% | |
| Income tax | (452.5) | (267.2) | (69)% | |
| Profit for the year | 678.6 | 468.9 | 45% | |
| Non-controlling interests | (2.1) | 39.8 | - | |
| NPAT attributable to members | 676.5 | 508.7 | 33% | |
| Of which - UNPAT ³ | 620.1 | 583.8 | 6% | |
| - Net gain/(loss) on non-underlying items | 56.4 | (75.1) | - | |
| UNPAT margin | 2.6% | 2.4% | 8% | |
| | | | | |
| Continuing operations⁴ | | | | |
| Revenue | 18,406.0 | 17,753.8 | 4% | |
| EBIT before contract debtors provision | 824.3 | 611.0 | 35% | |
| Contract debtors provision | <u>(675.0)</u> | <u>-</u> | - | |
| EBIT | 149.3 | 611.0 | (76)% | |
| | | | | |
| | Proforma as at 31 Dec 2014 after divestments | As at 31 Dec 2014 Reported | As at 30 June 2014 Reported | As at 31 Dec 2013 Reported |
| Financial position (\$m) | | | | |
| Net cash/(debt) ⁵ | 20.0 | (1,623.2) | (1,957.6) | (1,338.4) |
| Equity | 3,781.6 | 3,781.6 | 3,315.5 | 3,246.1 |
| Gearing ⁶ | Below zero | 30.0% | 37.1% | 29.2% |
| Current trade and other receivables | 3,426.1 | 3,426.1 | 5,453.5 | 4,994.2 |
| Net contract debtors ⁷ | 1,965.1 | 1,965.1 | 3,717.8 | 2,991.9 |
| | | | | |
| | 12 months to 31 Dec 2014 | 6 months to 31 Dec 2014 | 6 months to 30 June 2014 | 12 months to 31 Dec 2013 |
| Cash flow (\$m) | | | | |
| Net cash from operating activities before dividends, interest, finance costs and tax | 1,409.8 | 1,331.3 | 78.5 | 1,114.8 |

² Group financial performance includes joint ventures and associates. It also includes John Holland and Services which were sold in December 2014 and which are shown in the Financial Statements as discontinued operations.

³ UNPAT is NPAT adjusted for non-underlying items (refer reconciliation in section titled 'Financial Position').

⁴ Continuing financial performance includes joint ventures and associates but excludes John Holland and Services which were sold in December 2014 and which are shown in the Financial Statements as discontinued operations.

⁵ Net cash/(debt) plus operating leases

⁶ Gearing is expressed as the ratio of net debt and operating leases to net debt, operating leases and shareholders' equity.

⁷ Net contract debtors represent the net of amounts due from customers and amounts due to customers, (refer to the Financial Statements, 'Note 8: Trade and Other Receivables – Additional information on contract debtors').

FINANCIAL HIGHLIGHTS

SHAREHOLDER RETURNS

- Leighton's share price grew 40% during the year, closing at \$22.50 on 31 December 2014.
- Leighton was the 10th best performer in the S&P/ASX 100, with a 48% total shareholder return in 2014.
- Final ordinary dividend of 53 cps, 100% franked, has been announced, with total ordinary dividends for the year of 110 cps representing a 60% payout of UNPAT and up 5% on FY13.
- Special dividend of 15 cps, 100% franked, has been announced as a result of the divestments, bringing total dividends to 125 cps for the year, up 19% on FY13.

FINANCIAL PERFORMANCE

- Revenue at \$24 billion with revenue from continuing operations of \$18 billion up 4%, underpinned by construction up 10%.
- Solid project performance and overhead efficiencies contributed to a 38% increase in Group EBIT before gains on divestments and contract debtor provisions and 35% increase in EBIT from continuing operations before contract debtors provision.
- By segment, construction contributed strongly, underpinned by domestic operations, while contract mining reflected the challenging macro conditions.
- \$675 million pre-tax contract debtors portfolio provision.
- Gains on divestments delivered \$973 million in pre-tax profit.
- UNPAT at the top of the guidance range.

FINANCIAL POSITION

- After divestments, the Group's balance sheet will be deleveraged with \$20 million of net cash and gearing below zero.
- The balance sheet will also be partially de-risked with a \$1.6 billion reduction in total trade and other receivables since 31 December 2013. Importantly, net contract debtors have reduced by \$1.0 billion in the year.

CASH FLOW

- Cash inflow from operating activities, before dividends, interest, finance costs and tax, totalled \$1.4 billion in FY14, an increase of 26% on FY13 with nearly all of the cash generated in 2H14.

WORK IN HAND

- Total work in hand was \$37.2 billion at 31 December 2014 and \$30.2 billion for continuing operations, reflecting a more disciplined and rigorous approach to pre-contract risk assessment and the momentum shift currently occurring from resources to infrastructure development in Australia.
- Record long-term pipeline of tenders with individual values of over \$1 billion, which reflects Government infrastructure initiatives.

FORECAST

- Forecast NPAT in the range of \$450 million-\$520 million.
- The forecast is driven by a substantial improvement in net margins from improved project delivery, continuation of the current cost saving program and reduced finance costs from the deleveraging of the balance sheet.

SIGNIFICANT CHANGES DURING THE 2014 FINANCIAL YEAR

Significant changes in the state of affairs of the Group during the 2014 Financial Year were as follows:

- the announcement and closure of a proportional offer by HOCHTIEF Australia for three out of every eight Leighton shares at a price of \$22.50, with HOCHTIEF Australia holding 69.62% of Leighton's shares at the offer's close;
- changes to the Board and management including the appointment of Marcelino Fernández Verdes as Executive Chairman and CEO;
- S&P affirmed its existing credit-grade rating of 'BBB-/A-3' with a stable outlook, and Moody's maintained an investment-grade rating while downgrading one level to 'Baa3' with a stable outlook;
- reorganisation of the business model into four specialised Operating Companies, focussed on contract mining, construction, PPPs and engineering;
- streamlining of operations including removing duplication and reducing management layers and bureaucracy;
- announced and recognised the divestment of John Holland (refer to notes to financial statements);
- announced and recognised a 50:50 partnership with Apollo Group for Leighton Contractors' and Thiess' operations and maintenance services businesses (refer to notes to financial statements);
- payment of \$110 million in finalisation of the acquisition of the remaining 39.9% interest in LWIN;
- repayment of \$280 million of Medium Term Notes which were issued in 2009 and matured in July 2014;
- settlement of a shareholder class action brought against Leighton in relation to the 11 April 2011 disclosure of a revision of its profit forecast for the 2011 financial year;
- payment of the 30 June 2014 25% franked interim ordinary dividend of 57 cents per share; and
- payment of the 31 December 2013 50% franked final ordinary dividend of 60 cents per share.

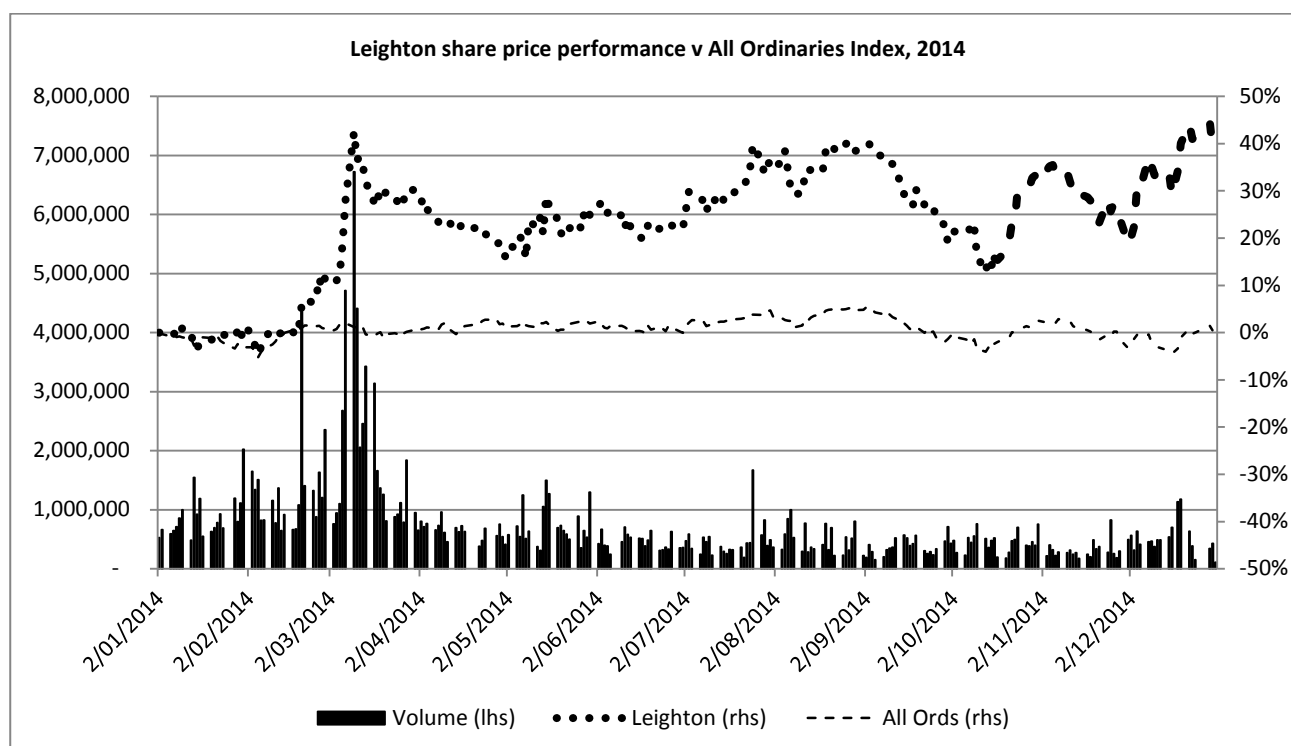
SHAREHOLDER RETURNS

PERFORMANCE OF LEIGHTON SHARES

During the 2014 year, Leighton's shares performed strongly, increasing by 40%, or \$6.39, to \$22.50. They traded to a high of \$23.39 during the year. Notably, the stock was the 11th best share price performer of the S&P/ASX 100, while other stocks in the engineering and services sector declined and the S&P/ASX 100 traded broadly flat over the course of the year.

The strength of Leighton's share price during the year was, to a significant degree, a reflection of:

- HOCHTIEF Australia's proportional offer in March 2014 for three out of every eight shares at a price of \$22.50; and
- positive market responses to:
 - the Strategic Review, announced in June 2014;
 - its successful delivery, in particular the announcements on the divestments late in the year; and
 - the HY14 and 3Q14 results.



TOTAL SHAREHOLDER RETURN

Combining the share price appreciation and dividends paid in the year, Leighton delivered a total shareholder return of 48% in 2014, the 10th best performer in the S&P/ASX 100.

DIVIDEND

The Group's dividend policy seeks to reward shareholders by growing dividends over time commensurate with the growth in profits.

Ordinary dividends for the year comprised:

- an interim dividend of 57 cents per share, franked at 25%, paid on 3 October 2014; and
- a final dividend of 53 cents per share, franked at 100%, to be paid on 10 April 2015.

Ordinary dividends total 110 cents per share, with a payout ratio of 60% of UNPAT. This compared with 105 cents per share in FY13, an increase of 5%.

As a result of the divestment of John Holland and the Services investment partnership in FY14, the Group is further rewarding shareholders with a special dividend of 15 cents per share, franked at 100%, to be paid on 10 April 2015. This brings total dividends to 125 cents per share for the year, up 19% on FY13.

EARNINGS PER SHARE

Earnings per ordinary share have grown from 133.5 cents in FY12, to 150.9 cents in FY13 and 200.0 cents in FY14, reflecting the improvement in profit over this period.

FINANCIAL PERFORMANCE⁸

REVENUE

Total revenue of \$24 billion was recorded in the 2014 Financial Year and may be analysed as follows:

| \$m | 2014 | 2013 | Difference |
|--|-----------------|-----------------|-------------|
| Revenue from continuing operations | 16,875.8 | 16,258.7 | 4% |
| Revenue from associates and joint ventures | 1,530.2 | 1,495.1 | 2% |
| Total revenue from continuing operations | 18,406.0 | 17,753.8 | 4% |
| Revenue from divestments (discontinued operations) | 5,433.6 | 6,306.0 | (14)% |
| Revenue from associates and joint ventures (discontinued operations) | 231.8 | 351.2 | (34)% |
| Total revenue | 24,071.4 | 24,411.0 | (1)% |

Delivery of a 4% increase in revenue from continuing operations reflected the resilience of the Group's diverse portfolio of work. Revenue is further analysed below.

| \$m | 2014 | % | 2013 | % |
|---|-----------------|-------------|-----------------|-------------|
| Construction | 12,431.0 | 67% | 11,318.7 | 64% |
| Contract mining | 3,973.0 | 22% | 4,811.4 | 27% |
| HLG | 735.1 | 4% | 498.6 | 3% |
| Commercial & residential | 1,027.3 | 6% | 649.9 | 3% |
| Corporate | 239.6 | 1% | 475.2 | 3% |
| Total revenue from continuing operations | 18,406.0 | 100% | 17,753.8 | 100% |
| Divestments (discontinued operations) | 5,665.4 | | 6,657.2 | |
| Group total | 24,071.4 | | 24,411.0 | |

Construction revenue was \$12.4 billion in FY14, up a strong 10% on FY13. The major projects by revenue included:

- LNG-related contracts in Western Australia, the Northern Territory and Queensland, including Gorgon, Wheatstone, Ichthys, and QCLNG;
- rail and road activities in Australia, including the Moreton Bay Rail Link in Queensland, Gateway Perth, upgrades to the Pacific Highway and the Regional Rail Link project in Victoria, as well as numerous packages of work to expand the rail network in Hong Kong;
- social infrastructure projects including the New Royal Adelaide Hospital, and the Townsville and Logan Hospital expansions in Queensland; and
- the Wynn Palace resort development in Macau, the Hong Kong-Macau passenger clearance building.

In contract mining, Group revenue was \$4.0 billion and reflected the challenging environment in the resources sector in the year. The Group continues to enhance 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. The major projects by revenue included:

- Solomon iron ore mine, Lake Vermont coal mine, Mt Owen coal mine, and Prominent Hill copper and gold mine in Australia; and
- Kaltim Prima Coal in Indonesia.

Revenue from the various market segments in continuing operations was split 71:29 between Domestic and International, compared with 74:26 in FY13.

EXPENSES

Total expenses of \$23 billion were recorded in the 2014 Financial Year, representing a decrease of 3% on FY13, with savings in overheads due to the Strategic Review initiatives to streamline the operating model, remove duplication, and reduce management layers and bureaucracy. It is expected that further significant savings will occur in FY15 as a result of:

- the annualised benefit of savings in FY14;
- continuation of the current cost savings program; and
- reduced finance costs from the deleveraging balance sheet.

Contract debtors provision

As part of the year-end review of the recoverability of trade and other receivables, the Group has created a contract debtors provision of \$675 million (pre-tax). The provision has been created on a portfolio basis and takes account of the assessed residual risks across the portfolio of exposures for non-recovery of contract debtors. The Group continues to maintain its entitlement to individual project receivables and remains committed to pursuing recovery of all amounts outstanding.

⁸ Group financial performance includes joint ventures and associates. It also includes John Holland and Services which were sold in December 2014 and which are shown in the Financial Statements as discontinued operations. In this Operating and Financial Review, Group financial performance is discussed, as a more accurate reflection of the performance of the business over the last twelve months.

Depreciation and amortisation

Depreciation and amortisation expense was \$651 million in FY14, representing a decrease of 30%. This reflected the reduction in depreciation following reduced mining activity, as owned mining equipment is depreciated based on cumulative hours worked; the changing mix in the portfolio of capital intensive and non-capital intensive contracts; and the reduction in finance-leased assets as a result of the FleetCo refinancings.

Finance costs

Finance costs were \$241 million in FY14, representing an improvement of 6% on FY13. This reduction was due, in part, to the full year benefit of the refinancing of \$500 million of finance leases into operating leases under the FleetCo initiative late in 2013 and the repayment in July 2014 of \$280 million of Medium Term Notes which carried an interest rate of 9.5%. The average interest rate for the 2014 Financial Year was 6.1%.

There will be a further reduction in interest costs in FY15, with the Group expecting to repay some debt facilities out of the after-tax cash inflow from the divestments. It also has US\$90 million of senior notes maturing in July 2015 and a further US\$90 million maturing in October 2015.

Gains on divestments

Gains on the divestments delivered \$973 million in pre-tax profit in FY14 of which \$423 million relates to the gain on sale of John Holland and \$550 million relates to the gain on the 50:50 investment partnership for Leighton Contractors' and Thiess' operations and maintenance services businesses. The John Holland divestment and Services partnership are subject to customary approvals including regulatory approvals such as from the Foreign Investment Review Board.

Importantly, the divestments deleverage and de-risk the balance sheet (refer section titled 'Financial Position'), delivering:

- \$1.2 billion in net cash;
- \$1.4 billion reduction in trade and other receivables;
- \$1.5 billion reduction in trade and other payables; and a
- \$602 million reduction in net contract debtors;

TAX

The Group reported a total tax expense of \$453 million for FY14. This equates to an overall effective tax rate of 40% and compares with an overall effective tax rate of 36% for the 2013 Financial Year.

The effective tax rate is impacted by:

- the blend of different tax rates on profits and losses from the various jurisdictions in which the Group operates;
- claims under the Research and Development concession;
- a 30% tax credit on the contract debtor provision of \$675 million; and
- taxes on the gains and losses on divestments. The overall effective tax rate on the gains on the divestments in FY14 was 38% and on the sale of Telco in FY13 was 47%. These differences arise as a result of the treatment of the various components of the divestment for tax law purposes and differences in the tax cost base of assets and liabilities compared to their accounting values.

EARNINGS

Total NPAT of \$677 million was up 33% on FY13. UNPAT was \$620 million, at the top of the guidance range, with the UNPAT margin expanding from 2.4% to 2.6%. The reconciliation of reported to underlying profit for FY14 and FY13 is as follows:

| FY14 | \$m | PBT | Tax | PAT | Minorities | NPAT |
|---|------------|----------------|----------------|--------------|-------------------|--------------|
| Reported | | 1,131.1 | (452.5) | 678.6 | (2.1) | 676.5 |
| Less gains on divestments | | (973.2) | 371.7 | (601.5) | - | (601.5) |
| Plus contract debtors provision | | 675.0 | (202.5) | 472.5 | - | 472.5 |
| Reported after gains on divestments and contract debtors provision | | 832.9 | (283.3) | 549.6 | (2.1) | 547.5 |
| Plus restructuring costs | | 98.4 | (29.5) | 68.9 | - | 68.9 |
| Plus property impairments | | 5.3 | (1.6) | 3.7 | - | 3.7 |
| Underlying | | 936.6 | (314.4) | 622.2 | (2.1) | 620.1 |

| FY13 | \$m | PBT | Tax | PAT | Minorities | NPAT |
|---|------------|--------------|----------------|--------------|-------------------|--------------|
| Reported | | 736.1 | (267.2) | 468.9 | 39.8 | 508.7 |
| Less gain on sale of Telco | | (215.0) | 100.0 | (115.0) | - | (115.0) |
| Plus loss on acquisition of LWIN | | 78.3 | - | 78.3 | - | 78.3 |
| Reported after gain/loss on divestment/acquisition | | 599.4 | (167.2) | 432.2 | 39.8 | 472.0 |
| Plus restructuring costs | | 58.7 | (23.0) | 35.7 | - | 35.7 |
| Plus impairments | | 124.7 | (16.7) | 108.0 | (31.9) | 76.1 |
| Underlying | | 782.8 | (206.9) | 575.9 | 7.9 | 583.8 |

SEGMENT ANALYSIS

The pre-tax results for the continuing operating segments are set out below. Construction produced a strong contribution, underpinned by the performance of the domestic operations, while contract mining reflected the challenging macro conditions, both domestically and overseas. The commercial and residential segment returned to profitability, while HLG broke-even.

| FY14 | \$m | Construction | Contract mining | HLG | Commercial & residential | Corporate | Total |
|---|------------|---------------------|------------------------|------------|-------------------------------------|------------------|---------------|
| Revenue | | 12,431.0 | 3,973.0 | 735.1 | 1,027.3 | 239.6 | 18,406.0 |
| Result before interest, non-underlying items and tax | | 761.0 | 258.0 | 0.0 | 88.8 | (206.8) | 901.0 |
| Interest | | (166.0) | (62.0) | - | (30.0) | 18.0 | (240.0) |
| Segment result before non-underlying items and tax | | 595.0 | 196.0 | 0.0 | 58.8 | (188.8) | 661.0 |
| Restructuring costs | | (38.7) | (23.0) | - | - | (9.7) | (71.4) |
| Contract debtors provision and impairments | | (5.3) | - | - | - | (675.0) | (680.3) |
| Segment result before tax | | 551.0 | 173.0 | 0.0 | 58.8 | (873.5) | (90.7) |

| FY13 | \$m | Construction | Contract mining | HLG | Commercial & residential | Corporate | Total |
|---|------------|---------------------|------------------------|------------|-------------------------------------|------------------|--------------|
| Revenue | | 11,318.7 | 4,811.4 | 498.6 | 649.9 | 475.2 | 17,753.8 |
| Result before interest, non-underlying items and tax | | 509.0 | 324.2 | 1.1 | 72.8 | (43.2) | 863.9 |
| Interest | | (89.5) | (81.3) | - | (36.0) | (46.2) | (253.0) |
| Segment result before non-underlying items and tax | | 419.5 | 242.9 | 1.1 | 36.8 | (89.4) | 610.9 |
| Loss on acquisition of controlled entities | | (78.3) | - | - | - | - | (78.3) |
| Restructuring costs | | (29.6) | (17.4) | - | (2.9) | - | (49.9) |
| Impairments | | (18.5) | - | - | (81.2) | (25.0) | (124.7) |
| Segment result before tax | | 293.1 | 225.5 | 1.1 | (47.3) | (114.4) | 358.0 |

FINANCIAL POSITION AND CASHFLOW

The financial position of the Group is set out below in comparison to 30 June 2014 and 31 December 2013. In relation to net debt and gearing, the impact of the divestments has also been shown⁹.

| \$m | Proforma December 2014 | | Proforma December 2014 | | December 2014 | June 2014 | December 2013 |
|--|------------------------------|------------------|------------------------------|------------------|--------------------|------------------|------------------|
| | After divestments | Adjust- ments | Before divestments | Adjust- ments | Reported | Reported | Reported |
| Net debt and gearing | | | | | | | |
| Cash and cash equivalents | 1,976.9 | (420.5) | 2,397.4 | 420.5 | 1,976.9 | 1,574.2 | 1,720.7 |
| Cash due from divestments ¹⁰ | 1,643.2 | 1,643.2 | - | - | - | - | - |
| Current interest bearing liabilities | (1,163.3) | - | (1,163.3) | - | (1,163.3) | (927.1) | (589.5) |
| Non-current interest bearing liabilities | (1,832.0) | - | (1,832.0) | - | (1,832.0) | (1,854.7) | (1,535.6) |
| Net cash/(debt) | 624.8 | 1,222.7 | (597.9) | 420.5 | (1,018.4) | (1,207.6) | (404.4) |
| Operating leases | (604.8) | - | (604.8) | - | (604.8) | (750.0) | (934.0) |
| Net cash/(debt) plus operating leases | 20.0 | - | (1,202.7) | - | (1,623.2) | (1,957.6) | (1,338.4) |
| Gearing | Below zero | - | 27.4% | - | 30.0% ⁸ | 37.1% | 29.2% |
| Working capital | | | | | | | |
| Current trade and other receivables | | | | | 3,426.1 | 5,453.5 | 4,994.2 |
| Current trade and other payables | | | | | (4,309.8) | (5,026.7) | (5,548.5) |
| Current inventories | | | | | 361.6 | 438.1 | 556.0 |
| | | | | | (522.1) | 864.9 | 1.7 |
| Net contract debtors ¹¹ | | | | | 1,965.1 | 3,717.8 | 2,991.9 |
| Other assets and liabilities | | | | | | | |
| Property, plant and equipment | | | | | 1,626.5 | 1,843.7 | 1,752.6 |
| Non-current trade and other receivables | | | | | 922.8 | 788.9 | 803.0 |
| Cash due from divestments | | | | | 1,643.2 | - | - |
| Equity-accounted investments | | | | | 1,013.6 | 805.7 | 825.6 |
| Other net capital employed | | | | | 116.0 | 219.9 | 267.6 |
| Total net assets | | | | | 3,781.6 | 3,315.5 | 3,246.1 |

NET DEBT AND GEARING

Significantly, on a proforma basis, following the completion of the divestments and receipt of the cash, the Group will have a deleveraged balance sheet. Net cash¹² will be \$20 million at 31 December 2014, with gearing falling to below zero. The improvement is testament to the successful delivery of the on-going Strategic Review initiatives.

Interest bearing liabilities

Current and non-current interest bearing liabilities totalled \$3.0 billion at 31 December 2014, compared with \$2.8 billion at June 2014 and \$2.1 billion at December 2013.

At 31 December 2014, the Group had a further \$1.6 billion of undrawn facilities on hand. The Group expects to repay debt facilities and reduce its finance costs in FY15.

Bonding

The Group has significant bonding and guarantee facilities available which are integral to the successful delivery of current and future work in hand. Bonds and guarantees in use at 31 December 2014 were \$3.5 billion for continuing operations (\$4.1 billion in total). An additional \$1.4 billion was undrawn of which \$916 million was committed and \$471 million was uncommitted.

⁹ In order to show a more accurate reflection of the situation before and after divestments, this Operating and Financial Review shows the net debt before and after divestments. The cash outflow of \$420.5 million for the deconsolidation of cash in divestments has been taken out of 'Before divestments' and included in 'After divestments'. The cash inflow of \$1,643.2 million for the purchase consideration has been taken out of 'Before divestments - receivables' and included in 'After divestments - cash'.

¹⁰ Cash due from divestments of \$1,643.2 million is disclosed in current trade and other receivables in the Financial Statements but shown here as cash (see explanation above).

¹¹ Net contract debtors represent the net of amounts due from customers and amounts due to customers (refer to the Financial Statements, 'Note 8: Trade and Other Receivables – Additional information on contract debtors').

¹² Net cash/(debt) plus operating leases.

Credit ratings

Following HOCHTIEF Australia's offer to acquire three out of every eight Leighton shares in March 2014, S&P affirmed its existing investment credit-grade rating of 'BBB-/A-3' with a stable outlook, and Moody's maintained an investment-grade rating for Leighton while downgrading one level to 'Baa3' with a stable outlook.

WORKING CAPITAL¹³

Within working capital, the net amount owed to the Group on its construction and mining contracts was \$2 billion at 31 December 2014. This balance, called net contract debtors, represents the net of amounts due from customers and amounts due to customers, (refer to the Financial Statements, 'Note 8: Trade and Other Receivables').

Net contract debtors were \$3 billion at 31 December 2013 and \$3.7 billion at 30 June 2014. Hence the Group achieved a reduction of \$1 billion since December 2013 and \$1.7 billion since June 2014. The latter reduction can be analysed as:

- \$476 million underlying reduction in contract debtors;
- \$675 million contract debtors provision; and
- \$602 million due to the deconsolidation of assets sold with the divestments.

The underlying reduction in net contract debtors of \$476 million since June 2014 is testament to the successful delivery of the on-going Strategic Review initiatives, in particular when contrasted with the increase in net contract debtors of \$726 million in the first half of the year.

Overall, working capital improved from \$2 million at 31 December 2013 to \$(522) million at 31 December 2014. This included a \$1.6 billion reduction in trade and other receivables. In 1H14, it deteriorated by \$863 million reflecting both the increase in receivables and reduction in payables in the six months to June. Significantly in 2H14 it improved by \$1.4 billion. Current receivables reduced by \$2 billion in 2H14 while current payables increased by \$717 million.

OTHER CAPITAL EMPLOYED

Property, plant and equipment

At 31 December 2014, the Group's property, plant and equipment balance was \$1.6 billion, with an additional \$605 million financed by the Group under operating leases. Property, plant and equipment purchases for the year totalled \$729 million and disposals were \$59 million. Importantly, the net cash spend on capital equipment reduced by 23% compared with the 2013 Financial Year as a result of strong capital management, more coordinated fleet management and redeployment of equipment. A decrease of \$267 million occurred due to the divestments, partially offset by an increase of \$112 million from the revaluation of US\$ denominated equipment at current exchange rates.

Non-current trade and other receivables

Non-current trade and other receivables of \$923 million included \$731 million of loan receivables and accrued interest owed by HLG. The increase over the FY13 balance of loan receivables was due to the F/X impact on HLG's US\$ denominated loans.

Equity-accounted investments

Equity-accounted investments included project-related associates and joint ventures, such as the Transmission Gully PPP in New Zealand and various property investments. Also included in this item are the Group's holdings in HLG, Nextgen Group and some listed entities and, as at 31 December 2014, the Services investment partnership.

HLG

The Group's total exposure to HLG as at 31 December 2014 was \$1.5 billion and comprised:

- \$383 million carrying value of the investment;
- \$731 million in loan receivables and accrued interest, in non-current receivables; and
- \$361 million in off-balance sheet letters of credit and guarantees.

The \$114 million increase in the total exposure over the year was due to the aforementioned F/X impact.

HLG recorded another break-even performance during the year, evidence of the stabilisation of the business, and continued to diversify its client and geographic base through its contract wins in the year¹⁴, including:

- US\$935 million contract for the New Orbital Highway in Qatar (in joint venture with the project totalling US\$1.7 billion);
- US\$395 million contract for Package Eight of the Jewel of the Creek project in Dubai;
- US\$300 million contract for the construction of pipelines for Doha's Mega Reservoir; and
- US\$163 million contract for the construction of the Emirates Flight Catering facility.

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

¹³ Working capital is defined as current trade and other receivables and current inventories, less current trade and other payables.

¹⁴ US dollar value as at the date of the announcement of the awards.

Nextgen Group

During the first half of 2013, the Group sold 70.1% of its non-core telecommunications assets but, continues to have access to upside value through its share of the joint venture which is equity accounted.

Listed investments

As at 31 December 2014, investments in listed entities were:

- Sedgman Limited: Leighton owned 36.7% of the resources engineering company;
- Macmahon Holdings Limited: Leighton owned 19.6% of the mining contracting company; and
- Devine Limited: Leighton owned 50.6% of the property development company.

The investment in Devine is consolidated while the holdings in Sedgman and Macmahon are equity-accounted.

CASH FLOW

The cash inflow from operating activities¹⁵ totalled \$1.4 billion in FY14, an increase of 26% over the \$1.1 billion net cash inflow in FY13. The comparison of the operating cash flows in 2H14 to 1H14, as set out below, illustrates the extent of the on-going successful delivery of the Strategic Review initiatives to improve cash flow. While in 1H14 \$79 million of cash was generated from operating activities, in 2H14 the Group generated \$1.3 billion.

| \$m | 1H14 | 2H14 | FY14 | FY13 |
|------------------------------------|------|---------|---------|---------|
| Net cash from operating activities | 78.5 | 1,331.3 | 1,409.8 | 1,114.8 |

WORK IN HAND

During the year, Leighton maintained its position as a leading infrastructure group with a diversified portfolio of work in hand. At 31 December 2014, work in hand was \$30.2 billion for the Group's continuing operations and \$37.2 billion on a like-for-like which includes the discontinued operations. The decline in work in hand from FY13 reflects a more disciplined and rigorous approach to pre-contract risk assessment as well as the impact of the macro-economic conditions. The increase in non-LNG construction partially absorbs the completion of construction of LNG projects and reductions in contract mining work in hand. Work in hand may be analysed as follows:

| \$m | 2014 | % | 2013 | % |
|---------------------------------------|---------------|-------------|---------------|-------------|
| Construction | 12,222 | 41% | 14,435 | 42% |
| Contract mining | 10,953 | 36% | 14,395 | 42% |
| HLG | 2,443 | 8% | 1,262 | 3% |
| Commercial & residential | 1,979 | 7% | 2,391 | 7% |
| Corporate | 2,588 | 8% | 2,171 | 6% |
| WIH from continuing operations | 30,185 | 100% | 34,654 | 100% |
| Discontinued operations | 7,035 | | 7,517 | |
| Group total | 37,220 | | 42,171 | |

Work in hand for continuing operations was split 58:42 between Domestic and International, compared with 65:35 in FY13.

PIPELINE

Leighton's markets offer a range of new project opportunities, particularly as governments in Australia and Asia roll out initiatives to address significant infrastructure deficits. (Refer section titled 'Operating Environment'). The Group's 12 month tender pipeline is above the equivalent pipeline at the time of the FY13 result.

Looking further ahead, the Group continues to see its strongest pipeline of tenders with individual values of over \$1 billion, between now and 2018, reflecting the expected beneficial impact of the Federal Government's infrastructure initiatives.

MAJOR CONTRACT AWARDS AND SCOPE INCREASES IN 2014¹⁶

During the period, \$9.3 billion of new contracts were awarded including:

- \$928 million share of the \$1.16 billion Passenger Clearance Building for the Hong Kong-Zhuhai-Macau Bridge Hong Kong Boundary Crossing Facilities;
- \$800 million share of the NZ\$1 billion Transmission Gully Motorway project in New Zealand;
- \$540 million contract to develop the Northern Beaches Hospital in NSW;
- \$453 million contract to construct tunnel buildings for the Central-Wanchai Bypass in Hong Kong;
- \$330 million contract to construct the mine process plant facilities for the Roy Hill mine in Western Australia; and
- \$250 million contract to operate the Jellinbah Plains open-pit coal mine.

Also awarded during the year, as part of the Northwest Rapid Transit Consortium, was the \$3.7 billion operations, trains and systems package for the North West Rail Link in Sydney.

¹⁵ Cash flow from operating activities is defined as the cash inflow from operating activities, before dividends, interest, finance costs and tax.

¹⁶ Australia dollar value as at date of announcement of the awards, unless otherwise noted.

HLG's contract awards in the year¹⁷, included:

- US\$935 million contract for the new orbital highway in Qatar (in joint venture with the project totalling US\$1.7 billion);
- US\$395 million contract for Package Eight of the Jewel of the Creek project in Dubai;
- US\$300 million contract for the construction of pipelines for Doha's Mega Reservoir; and
- US\$163 million contract for the construction of the Emirates Flight Catering facility.

Leighton also secured \$9.1 billion worth of contract extensions and variations, net of F/X, during the period, in particular in the oil and gas sector. Since the year-end, Leighton has announced the award of a \$929 million contract in joint venture with China State Construction Engineering for works on the Shatin to Central Link in Hong Kong. Leighton's share of the contract is \$474 million.

CONSTRUCTION WORK IN HAND

As at 31 December 2014, the Group's construction work in hand was \$12.2 billion, diversified across a range of markets and sectors in Australia and overseas. The major projects were:

- LNG-related contracts in Western Australia, Northern Territory and Queensland, including Gorgon and Ichthys;
- rail activities in Australia, including the North West Rail Link and the Moreton Bay Rail Link;
- rail activities in Hong Kong, including the Passenger Clearance Building for the Hong Kong Boundary Crossing Facilities, the West Kowloon Terminus Station and the Shatin to Central Line Hung Hom Station and Stabling Sidings;
- social infrastructure including the new Royal Adelaide Hospital and the new Northern Beaches Hospital; and
- Wynn Palace resort development in Macau.

CONTRACT MINING WORK IN HAND

As at 31 December 2014, the Group's contract mining work in hand was \$11.0 billion. The major projects were:

- Lake Vermont, Mt Owen, Sonoma and Curragh North coal mines in Australia;
- Solomon iron ore mine and Prominent Hill copper and gold mine in Australia;
- Kaltim Prima Coal and Wahana coal mines in Indonesia; and
- Ukhaa Khudag coal mine in Mongolia.

HLG WORK IN HAND

As at 31 December 2014, HLG's work in hand was \$5.4 billion and the Group's share was \$2.4 billion. The major projects were:

- road and water-related construction including the New Orbital Highway in Qatar, the Bidbid Sur Road in Oman, and pipelines for the Mega Reservoir Corridor Main 1 (Packages A and B) for KAHRAMAA, in Qatar;
- social infrastructure construction including the Al Mafraq Hospital in Abu Dhabi, and the healthcare centre and proton therapy centre in Saudi Arabia, both in joint venture; and
- building construction including the Habtoor Palace complex, Jewel of the Creek (Package Eight) and three residential towers and a multi-storey car park in Dubai, the Northgate Mall in Doha, and accommodation and utilities on four artificial islands for the Zakum Offshore Oilfield in Abu Dhabi.

OPERATING ENVIRONMENT

ECONOMIC OUTLOOK

The Reserve Bank of Australia, in its November 2014 Statement on Monetary Policy, estimated the GDP growth rate for Australia at 2.5-3.5% for 2015 and 2.75-4.25% for 2016. Overseas, the International Monetary Fund issued growth forecasts for 2015 and 2016 on 20 January 2015. World growth is expected to increase by 3.5% in 2015 and 3.7% in 2016 and, by region in 2015, growth is forecast at 3.6% for the US, 6.8% for China and 1.2% for the Eurozone.

DOMESTIC CONSTRUCTION MARKET OUTLOOK

The non-resource infrastructure construction market is forecast to become the most important source of growth over the next five years in Australia, underpinned by large urban passenger transport projects in the eastern states, with the Federal Government focused on upgrading Australia's infrastructure.

In the 2014 Federal Budget, the Government announced a total Federal commitment to new projects of \$50 billion by 2020, which is also intended to act as a catalyst for stimulating State Government and private sector investment. The objective is to exceed \$125 billion in new public and private infrastructure investment over the next decade. In an infrastructure statement in October 2014, the Australian Prime Minister reaffirmed the Federal Government's commitment to investment in infrastructure and outlined the major projects already underway. Growth in transport infrastructure construction will be supported by an extensive asset recycling program by some State Governments.

Importantly, it will also be supported by the private sector financing of major projects under PPP models. In its Utilities and Infrastructure Market Update in March 2014, ANZ International & Institutional Bank estimated PPP projects worth around \$50 billion¹⁸ will commence by 2020.

¹⁷ US dollar value as at the date of the announcement of the awards and at 100% value to HLG (Leighton's share is 45%).

¹⁸ While the underlying projects may change, the aggregate spend is likely to remain similar.

DOMESTIC CONTRACT MINING OUTLOOK

The Australian mining sector helped to drive the resources boom of the past decade and has substantially increased production capacity and export volumes. However, driven by continued pressure on commodity prices, the sector is currently focusing on the efficient extraction and production of resources while exploration and capital expenditure have been reduced.

The Leighton Group's work as a contract miner is primarily linked to production and export volumes. Nevertheless, while the mining industry is in efficiency and cost consolidation modes, contracting activity remains challenging. The Group continues to work collaboratively with its clients to improve efficiency and productivity.

Over the next two years, according to BIS Shrapnel¹⁹, there will be a relatively flat growth outlook for the value of contract mining as opposing forces offset each other: uncertainty surrounding global commodity demand and weak prices, offset by rising production volumes. From 2016/17 however, the combination of a weaker Australian dollar, strengthening commodity prices and rising production volumes should result in the overall contract mining market beginning to recover. In the medium to longer-term, resources fundamentals remain solid and the Group aims to further develop its position as the world's leading contract miner.

INTERNATIONAL MARKETS OUTLOOK

The Group's international markets generally have a positive outlook with the emerging economies typically forecasting higher growth rates than established geographies. Importantly in South East Asia, countries continue to roll out multi-billion dollar infrastructure investment programs in response to growing demand and infrastructure deficits. In the Middle East, construction spending in the Gulf Cooperation Council is expected to continue to grow, driven by diversification away from hydrocarbons and the region hosting several key international events over the next decade.

FUTURE DEVELOPMENTS

GROUP PROSPECTS

The Group is well-placed as a long-term provider of construction, contract mining, and operations and maintenance services in Australia and many Asian locations. The opportunities in these markets and geographies will continue to be the main drivers of demand for the Group.

The Group remains focused on improving its profitability and sustainability. In the near-term, a diverse level of work in hand will provide a solid base of revenue, albeit the momentum shift from resources to infrastructure construction in Australia may soften revenue in the short-term; while cost savings from overhead reductions and simplification, and finance costs from the deleveraging balance sheet will sustain profitability.

In the mid-to-long term, the pipeline of urban infrastructure projects in Australia remains strong, underpinning demand for the Group's construction, and operations and maintenance services. The Group has positioned itself to optimise its capabilities in this market and to grow its share of large and complex PPP projects, offering end-to-end services to its clients. It is envisaged that the on-boarding of longer-dated construction and services contracts under the PPP model will enhance the quality and sustainability of the Group's work in hand. Internationally, the Group's markets generally have a positive outlook and many countries continue to roll out major infrastructure investment programs which will provide a range of opportunities.

The urbanisation and industrialisation of Asia is continuing to underpin demand for resources and energy. Sustained production volumes will continue to drive mining opportunities for the Leighton Group. Contract mining of coal and other minerals remains a core activity and, given the buying power, scale and value proposition offered by the Group, these services are expected to remain in demand.

In the mid-to-long term, the Group will seek to deepen its exposure in existing sectors and markets, expand into new sectors in existing markets, and export its skills to new markets. The Group may also look to expand into other countries, for example by exporting its contract mining skills into North and South America. The Group may also consider making investments in local companies to enable it to expand its presence in countries where it already operates.

FORECAST

FY15 NPAT is expected to be within the range of \$450 million to \$520 million, subject to market conditions. The forecast range is driven by substantial improvement in margins, from improved project delivery, continuation of the current cost saving program and reduced finance costs from the deleveraging of the balance sheet.

SIGNIFICANT CHANGES SINCE BALANCE DATE

Subsequent to the reporting date:

- the Board determined to pay a 100% franked final, ordinary dividend of 53 cents per share; and
- the Board determined to pay a 100% franked special dividend of 15 cents per share.

The Directors approved the financial report on 11 February 2015.

¹⁹ BIS Shrapnel: Mining in Australia 2014-2029.

Remuneration Report (Audited)

SCOPE

The information provided in this Remuneration Report has been audited and is in accordance with the requirements of the *Corporations Act 2001 (Cth)* (Corporations Act).

For the purposes of this Remuneration Report, the Key Management Personnel (KMP) are referred to as either senior executives (which includes the CEO and Executive Chairman) or Non-executive Directors (including Alternate Directors). Details of the senior executives (as at 31 December 2014) are set out below. Details of former and departed senior executives are set out on page 35, and details of the Non-executive Directors (current and former) are set out on page 36.

SENIOR EXECUTIVE REMUNERATION – POLICY AND APPROACH

REMUNERATION PRINCIPLES

The key remuneration principles that underpin Leighton's approach to senior executive remuneration are to:

- ensure that senior executives are rewarded on the basis of performance measures that support the Group's business plans and strategy and are consistent with the Group's values;
- align the interests of senior executives and shareholders by focusing on those characteristics that underpin sustainable 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-term and medium-term performance horizons.

REMUNERATION COMPONENTS

Senior executive remuneration for the 2014 Financial Year was delivered as a mix of fixed and variable remuneration, set out in the following table:

| | | |
|-----------------|--------------------|--|
| 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. |

APPROACH TO SETTING REMUNERATION

Individual remuneration is determined by reference to:

- Group remuneration policy to incorporate in each senior executive's remuneration a mix of fixed and performance-based variable remuneration;
- available market data for comparable roles in similar-sized Australian listed companies and companies in the construction and mining industries of a similar size and scale; and
- consideration of factors specific to the individual.

Remuneration levels for senior executives are reviewed by the CEO and reported to the Remuneration and Nominations Committee annually and upon change in a senior executive's position.

SENIOR EXECUTIVE REMUNERATION – COMPONENTS IN DETAIL

The senior executives as at 31 December 2014 are identified in the table below. Details of former and departed senior executives (who ceased to be KMP during the year) are set out in the table on page 35.

| Executive Director | | |
|----------------------------|----------------------------|--|
| Marcelino Fernández Verdes | Executive Chairman and CEO | Appointed as CEO 13 March 2014. Elected Executive Chairman 11 June 2014. Previously a Non-executive Director from 10 October 2012 to 13 March 2014 |
| Executives | | |
| Javier Loizaga Jiménez | Chief Financial Officer | Appointed 10 April 2014 |
| Adolfo Valderas Martínez | Chief Operating Officer | Appointed 4 December 2013 |

The remuneration components described in this section apply to Mr Loizaga Jiménez and Mr Valderas Martínez as well as the senior executives who ceased to be KMP during the year. The remuneration arrangements applicable to Mr Fernández Verdes are described separately in the 'CEO Remuneration' section on page 31.

FIXED REMUNERATION

Fixed remuneration received by senior executives is 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 non-Australian locations.

No increases were made to fixed remuneration for current senior executives in the 2014 Financial Year compared with the 2013 Financial Year.

STI PLAN*Summary of 2014 STI*

| Who participated? | The following senior executives participated in the plan: Javier Loizaga Jiménez, Adolfo Valderas Martínez, Mark Gray, Craig Laslett, Bruce Munro, Glenn Palin and Michael Rollo. | | | | | | | | | | | | | | | | | |
|--|---|--|---------|------|----------------------------------|--|--|-----------|--------|---------|-----|--|--|--|-------------------|--------|---------|---------|
| How much could senior executives earn under the 2014 Financial Year STI? | <p>The STI opportunity provides a reward for threshold, target and stretch performance based on conditions referred to below. The table reflects the potential earnings as a percentage of fixed remuneration for the relevant executive and is dependent on seniority.</p> <p>The STI opportunities for 2014 were:</p> <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</td><td colspan="3">Neither the current nor former CEO participated in the STI</td></tr><tr><td>Senior executives</td><td>36-60%</td><td>60-100%</td><td>90-150%</td></tr></table> | | | Role | Percentage of fixed remuneration | | | Threshold | Target | Stretch | CEO | Neither the current nor former CEO participated in the STI | | | Senior executives | 36-60% | 60-100% | 90-150% |
| Role | Percentage of fixed remuneration | | | | | | | | | | | | | | | | | |
| | Threshold | Target | Stretch | | | | | | | | | | | | | | | |
| CEO | Neither the current nor former CEO participated in the STI | | | | | | | | | | | | | | | | | |
| Senior executives | 36-60% | 60-100% | 90-150% | | | | | | | | | | | | | | | |
| Over what period was performance measured? | The 2014 Financial Year. | | | | | | | | | | | | | | | | | |
| What were the performance conditions? | <p>Financial measures</p> <p>80%¹ of the amount that could be earned as STI was based on performance against financial measures and targets applicable to the relevant role.</p> <p>For senior executives in 2014, this financial component was based on UNPAT, UPBT, certified revenue, operating cash flow and ROFE.</p> <p>Senior executives are required to meet all thresholds for the financial KPIs in the businesses for which they are most closely responsible.</p> | <p>Non-financial measures</p> <p>20%¹ of the amount that could be earned as STI was based on performance against non-financial measures applicable to the relevant role, such as execution of the Strategic Review and safety.</p> | | | | | | | | | | | | | | | | |
| Why were those performance measures chosen? | <p>The financial measures are designed to encourage senior executives to focus 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.</p> | <p>The non-financial measures are designed to encourage a direct relationship between the measures set and the individual senior executive's role. They also ensure that contributions to critical initiatives, such as the Strategic Review, are recognised and rewarded.</p> | | | | | | | | | | | | | | | | |
| How is the STI paid? | <p>Cash</p> <p>75% of the STI amount determined to be paid to senior executives is paid in cash once the annual financial statements of the Group have been finalised and audited for the 2014 Financial Year.</p> <p>Deferred share rights</p> <p>The remaining 25% of the STI amount is delivered as share rights, the vesting of which is deferred for a further one year commencing at the end of the 2014 Financial Year and without any additional performance measures. On vesting, the senior executive receives one fully paid ordinary share for each share right. 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 one-year deferral period.</p> | | | | | | | | | | | | | | | | | |
| How was performance against targets assessed? | <p>Performance against financial and non-financial factors was assessed following the end of the 2014 Financial Year to determine the actual STI payments. A scorecard-based calculation was made and, the resulting STI amount adjusted, if required, following a qualitative assessment.</p> <p>Notwithstanding any STI amount determined, the Remuneration and Nominations Committee, on the recommendation of the CEO, retains an overriding ability to adjust the STI amount before payment taking into account all relevant circumstances. If circumstances after payment justify reducing the award, the Remuneration and Nominations Committee, in consultation with the CEO, can reduce the deferred share rights.</p> | | | | | | | | | | | | | | | | | |
| What happens if there is a change of control? | <p>If a change of control occurs, the Board, on the recommendation of the CEO, may determine whether, and the extent to which, any unvested share rights will vest, having regard to all relevant circumstances.</p> | | | | | | | | | | | | | | | | | |

| | |
|--|--|
| What happens if a senior executive ceases employment? | In general, if a senior executive resigns or is terminated for cause, then unvested deferred share rights will lapse. In general, if a senior executive leaves due to any other circumstances (eg, redundancy, retirement or total and permanent disability), the unvested deferred share rights will continue on foot and vest at the end of the one-year deferral period, but will be paid to the senior executive in cash based on the share price at the date of vesting. The Remuneration and Nominations Committee, in consultation with the CEO, makes final determinations on leaver treatment for senior executives. |
| 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. |

1. The performance conditions for Mr Rollo are based 40% on financial measures and 60% on non-financial measures.

STI outcomes for the 2014 Financial Year

STI payments for the 2014 Financial Year were determined based on senior executive performance against the applicable financial and non-financial KPIs, as described above. In general, during the 2014 Financial Year, the Group:

- experienced solid project performance and overhead efficiencies which contributed to growth in earnings;
- before divestments, successfully executed the Strategic Review initiatives which contributed to a strong financial balance sheet compared with June 2014; and
- executed the John Holland sale and the Services investment partnership which significantly deleverages and de-risks the balance sheet.

The following table sets out the outcomes for the 2014 Financial Year for each current, former and departed senior executive who participated in the 2014 STI.

Percentage of available STI earned¹

| Senior executive | Bonus earned (A\$) ² | Percentage of target STI | Percentage of maximum STI |
|-----------------------------|---------------------------------|--------------------------|---------------------------|
| Current | | | |
| J Loizaga Jiménez | 780,000 | 130% | 87% |
| A Valderas Martínez | 1,300,000 | 149% | 99% |
| Former³ | | | |
| C A Laslett | 250,000 | 27% | 18% |
| B A Munro | 1,260,700 | 136% | 91% |
| G M Palin ⁴ | 407,880 | - | - |
| M J Rollo | 442,170 | 85% | 57% |
| Departed³ | | | |
| M C Gray ⁴ | 237,250 | - | - |

1. Threshold, target and stretch values for all of the financial KPIs are approved by the CEO.
2. The STI awards were approved by the Remuneration and Nominations Committee on 10 February 2015 with the cash portion of the award payable in April 2015.
3. The change in roles and reporting lines within the Company as part of the Group's Strategic Review is described in the 'Former Senior Executives' section of this Remuneration Report.
4. This bonus payment represents a special incentive and is paid 100% in cash.

LTI PLAN

Summary of 2014 LTI grants

| | |
|--|---|
| Who participated? | The following senior executives participated in the plan: Mr Loizaga Jiménez, Mr Valderas Martínez, Mr Laslett, Mr Munro, Mr Palin and Mr Rollo. |
| What was granted? | Senior executives were granted share rights (in two parcels) with a face value equivalent to a percentage of their fixed remuneration. 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 rights. Each share right entitles the participant to receive one fully paid ordinary share in the Company, subject to meeting the vesting conditions (determined by the Remuneration and Nominations Committee, on the recommendation of the CEO) outlined in the table. |
| What are the performance measures? | Parcel A (50%) will be tested against a relative TSR performance measure. Parcel B (50%) will be tested against growth in EPS. |
| Over what period is performance measured? | Three years, from 1 January 2014 to 31 December 2016. |

| How is TSR performance measured? | <p>TSR measures the growth in a Company's share price together with the value of dividends during that period, assuming that those dividends are reinvested into new shares.</p> <p>Relative TSR is determined by measuring the TSR of Leighton and each company in the comparator group over the three year performance period. Leighton's TSR performance is given a percentile ranking that determines how many (if any) of the share rights will vest. The TSR results are calculated by an independent third party. The vesting schedule is as follows:</p> <table data-bbox="400 338 1485 517"> <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> <p>Irrespective of the above, no TSR rights will vest if the absolute TSR is less than or equal to 0%.</p> <p>The comparator group comprises the entities in the S&P/ASX 100 Index as at 1 January 2014. This comparator group was chosen as it represents the companies in which most of Leighton's shareholders could invest as an alternative to the Company.</p> | Company's TSR ranking in the comparator group | % of Parcel A vesting | Below 51 st percentile | Nil | At 51 st percentile | 50% | Between 51 st and 75 th percentiles | Between 50% and 100% increasing on a straight line basis | At or above 75 th percentile | 100% |
|---|--|---|-----------------------|-----------------------------------|-----|--------------------------------|-----|---|--|---|------|
| Company's TSR ranking in the comparator group | % of Parcel A vesting | | | | | | | | | | |
| Below 51 st percentile | Nil | | | | | | | | | | |
| At 51 st percentile | 50% | | | | | | | | | | |
| Between 51 st and 75 th percentiles | Between 50% and 100% increasing on a straight line basis | | | | | | | | | | |
| At or above 75 th percentile | 100% | | | | | | | | | | |
| How is the EPS performance measured? | <p>The Company's annual compound growth in EPS is measured over the three year performance period. Depending on the level of growth in EPS over the performance period, vesting of share rights will occur in accordance with the following schedule:</p> <table data-bbox="400 725 1485 904"> <tr> <th>EPS growth per annum</th><th>% of Parcel B vesting</th></tr> <tr> <td>Below 6%</td><td>Nil</td></tr> <tr> <td>Equal to 6%</td><td>50%</td></tr> <tr> <td>Between 6% and 10%</td><td>Between 50% and 100% increasing on a straight line basis</td></tr> <tr> <td>10% or greater</td><td>100%</td></tr> </table> <p>The EPS targets were set taking into account the Company's business plan earnings forecasts, its historic EPS performance, and analyst expectations of the Company's earnings growth.</p> <p>To ensure alignment with shareholders and the reward of sustainable performance, if a financial loss occurs in any of the years during the three-year performance period, the Remuneration and Nominations Committee, on the recommendation of the CEO, can reduce (to zero, if appropriate) the number of EPS rights that vest, irrespective of performance against the above targets.</p> | EPS growth per annum | % of Parcel B vesting | Below 6% | Nil | Equal to 6% | 50% | Between 6% and 10% | Between 50% and 100% increasing on a straight line basis | 10% or greater | 100% |
| EPS growth per annum | % of Parcel B vesting | | | | | | | | | | |
| Below 6% | Nil | | | | | | | | | | |
| Equal to 6% | 50% | | | | | | | | | | |
| Between 6% and 10% | Between 50% and 100% increasing on a straight line basis | | | | | | | | | | |
| 10% or greater | 100% | | | | | | | | | | |
| Why were these performance measures chosen? | <p>TSR was chosen because it provides a direct link between senior executive reward and returns to shareholders. TSR provides a relative, external, market-based performance measure.</p> <p>EPS was chosen because it encourages stable earnings growth over the relevant period.</p> | | | | | | | | | | |
| When will performance be tested? | <p>Testing of performance for both Parcels A and B will occur once the financial results for the 2016 Financial Year are known in February 2017.</p> <p>There is no re-testing of performance. Any share rights that do not vest will lapse.</p> | | | | | | | | | | |
| Do the share rights attract dividends and voting rights? | <p>The share rights do not carry any rights to dividends or voting.</p> <p>Shares allocated upon vesting of share rights rank equally with other ordinary shares on issue.</p> | | | | | | | | | | |
| What happens if there is a change of control? | <p>If a change of control occurs, the Board, on the recommendation of the CEO, 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.</p> | | | | | | | | | | |
| What if a senior executive ceases employment? | <p>In general, if a senior executive resigns or is terminated for cause, any unvested LTI grants will lapse.</p> <p>If a senior executive leaves due to any other circumstances (eg, redundancy, retirement or total and permanent disability), a <i>pro rata</i> portion of the senior executive's LTI grant will remain on foot following his or her 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. The Remuneration and Nominations Committee, in consultation with the CEO, makes final determinations on leaver treatment for senior executives.</p> | | | | | | | | | | |
| Can senior executives hedge their risk under the LTI? | <p>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.</p> | | | | | | | | | | |

2014 LTI grants to senior executives

Details of share rights granted to senior executives in the 2014 Financial Year, which were approved in December 2014, are set out in the following table.

| Name | Performance period start 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 (A\$) ³ |
|---------------------|-------------------------------|----------------|--|------------------------------|------------------|---|---|---|
| Current | | | | | | | | |
| J Loizaga Jimenez | 1 January 2014 | 34,266 | 17.51 | 600,000 | 31 December 2016 | 13.4 | 8.18 | 369,730 |
| A Valderas Martínez | 1 January 2014 | 32,552 | 17.51 | 570,000 | 31 December 2016 | 13.4 | 8.18 | 351,236 |
| Former | | | | | | | | |
| C A Laslett | 1 January 2014 | 52,942 | 17.51 | 927,000 | 31 December 2016 | 13.4 | 8.18 | 571,244 |
| B A Munro | 1 January 2014 | 52,942 | 17.51 | 927,000 | 31 December 2016 | 13.4 | 8.18 | 571,244 |
| G M Palin | 1 January 2014 | 52,942 | 17.51 | 927,000 | 31 December 2016 | 13.4 | 8.18 | 571,244 |
| M J Rollo | 1 January 2014 | 29,708 | 17.51 | 520,200 | 31 December 2016 | 13.4 | 8.18 | 320,549 |

1. The VWAP of Leighton securities over the five trading days following 20 February 2014 (the announcement of the financial results for the 2013 Financial Year) was \$17.51.
2. The fair value of equity instruments is determined as at the date of grant (in accordance with AASB 2 Share Based Payments) 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. The fair value is an estimate as the grant date will be in February 2015.
3. 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 the grant has not yet been tested, nothing has been paid or forfeited.

CEO REMUNERATION

POLICY AND APPROACH

The Board approves the CEO's remuneration arrangements following consideration by the Remuneration and Nominations Committee.

In determining Mr Fernández Verdes' remuneration, the Board decided to have remuneration arrangements which differ from the other senior executives but are consistent with the Group's remuneration framework. In making this decision, the Board took into consideration Mr Fernández Verdes' role as both CEO of Leighton and CEO of HOCHTIEF AG, and the Board's focus on achieving long-term financial returns for shareholders.

COMPONENTS

The key components of the CEO's remuneration are:

- a lump-sum annual allowance as a contribution to his living expenses; and
- a one-off award of share appreciation rights in 2014.

Mr Fernández Verdes receives remuneration from HOCHTIEF AG in consideration for his employment as HOCHTIEF AG CEO. Details of this remuneration are available in the HOCHTIEF Annual Report at <http://reports.hochtief.com>.

No remuneration is received by Mr Fernández Verdes for his duties as Executive Chairman of Leighton.

Summary of one-off award to the CEO

Mr Fernández Verdes was granted a one-off award of 1,200,000 share appreciation rights in accordance with the terms of his ESA. As the share appreciation rights form part of the CEO's remuneration, they are granted at no cost to him. The share appreciation rights do not carry any rights to dividends or voting.

The share appreciation rights entitle Mr Fernández Verdes to receive a cash payment reflecting the increase in value of the share price of Leighton from a base price of \$17.71 (being the VWAP of fully paid ordinary shares in Leighton traded on the ASX over the 30 day period before Mr Fernández Verdes' appointment as CEO on 13 March 2014) to the price at close of trading on the last trading day before the share appreciation right is exercised, with a maximum payment per share appreciation right of \$32.29.

The share appreciation rights will vest on 13 March 2016 and will be exercisable for three years from this date. No exercise price is payable on vesting of the share appreciation rights. Mr Fernández Verdes will not be able to exercise more than 40% of the share appreciation rights in any one Financial Year. Share appreciation rights will lapse on 13 March 2019 unless they have been exercised or forfeited before this date.

Mr Fernández Verdes would have forfeited any unvested or vested but unexercised share appreciation rights if he had ceased to be the CEO of Leighton before 31 December 2014. Further, Mr Fernández Verdes will forfeit any unvested or vested but unexercised rights if he does not remain a member of either the Executive Board or the Supervisory Board of HOCHTIEF AG for the period from appointment to 13 March 2017 or if his employment is summarily terminated.

If Mr Fernández Verdes ceases employment with Leighton prior to vesting but after 31 December 2014 in any other circumstance (ie, he is not summarily terminated) but remains a member of either the Executive Board or the Supervisory Board of HOCHTIEF AG, any unvested share appreciation rights will remain on foot and vest and become exercisable in the ordinary course.

Details of share appreciation rights granted to the CEO in the 2014 Financial Year are set out in the following table.

| Name | Grant date | Number granted | 30 day VWAP at start of vesting period | Test date (vesting date) | Fair Value per share appreciation right ¹ | Maximum value of grant ² |
|--------------------|--------------|----------------|--|--------------------------|--|-------------------------------------|
| M Fernández Verdes | 10 June 2014 | 1,200,000 | \$17.71 | 13 March 2016 | \$3.89 | \$38,748,000 |

1. The fair value of the share appreciation rights is determined at the date of grant (in accordance with AASB 2 Share Based Payments) and is re-evaluated annually.
2. The maximum value is calculated as the number of rights multiplied by the maximum payment per share appreciation right (\$32.29).

COMPANY PERFORMANCE

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

Year-on-year performance snapshot

| | Opening share price ¹ (A\$) | Closing share price (A\$) | Share price appreciation (%) | Dividend per share paid (A\$) | TSR ² (%) | EPS (A\$) | PBT (\$M) | NPAT (\$M) | Return on equity (%) | Cash flow from operations (\$M) | Gross debt to equity ratio (%) |
|--|--|---------------------------|------------------------------|-------------------------------|----------------------|-----------|-----------|------------|----------------------|---------------------------------|--------------------------------|
| December 2014³ | 16.28 | 22.50 | 38.2 | 1.17 | 36.31 | 2.00 | 1,131 | 677 | 19 | 1,410 | 79.2 |
| December 2013 | 17.90 | 16.11 | (10.0) | 1.05 | (38.79) | 1.51 | 736 | 509 | 17 | 1,115 | 65.5 |
| December 2012 | 19.25 | 17.88 | (7.1) | 0.80 | (45.75) | 1.33 | 566 | 450 | 16 | 1,274 | 94.6 |
| December 2011 Transitional Financial Year⁴ | 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 |

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. The December 2014 amounts shown above include both continuing and discontinued operations.
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 2010, 2011, and 2012 to 2014 Financial Year information in this table.

STATUTORY SENIOR EXECUTIVE REMUNERATION TABLE

| | SHORT-TERM EMPLOYEE BENEFITS | | | | POST-EMPLOYMENT | | SUBTOTAL (\$A) |
|---|------------------------------|------------------------------|--|----------------------------|-------------------------------|----------------------------|----------------|
| | Cash salary (A\$) | Bonuses (A\$) ^(a) | Non-monetary benefits (A\$) ^(b) | Other (A\$) ^(c) | Superannuation benefits (A\$) | Termination benefits (A\$) | |
| Current and former senior executives | | | | | | | |
| M Fernández Verdes ¹ | | | | | | | |
| 2014 Financial Year | - | - | - | 370,000 | - | - | 370,000 |
| 2013 Financial Year | - | - | - | - | - | - | - |
| C A Laslett* | | | | | | | |
| 2014 Financial Year | 704,454 | 187,500 | 20,506 | - | 15,972 | - | 928,432 |
| 2013 Financial Year | 1,217,675 | 148,505 | 21,195 | - | 23,864 | - | 1,411,239 |
| J Loizaga Jiménez ² | | | | | | | |
| 2014 Financial Year | 723,485 | 585,000 | - | 200,000 | - | - | 1,508,485 |
| 2013 Financial Year | - | - | - | - | - | - | - |
| B A Munro* | | | | | | | |
| 2014 Financial Year | 695,583 | 945,525 | - | - | 25,417 | - | 1,666,525 |
| 2013 Financial Year | 1,212,323 | 741,600 | 22,648 | 300,000 | 23,677 | - | 2,300,248 |
| G M Palin* | | | | | | | |
| 2014 Financial Year | 716,732 | 407,880 | 7,980 | - | 13,136 | - | 1,145,728 |
| 2013 Financial Year | 1,196,925 | 546,029 | 6,851 | 75,000 | 39,075 | - | 1,863,880 |
| M J Rollo* | | | | | | | |
| 2014 Financial Year | 508,978 | 331,628 | 3,056 | - | 10,756 | - | 854,418 |
| 2013 Financial Year | 849,875 | 300,884 | 3,531 | - | 17,125 | - | 1,171,415 |
| A Valderas Martínez | | | | | | | |
| 2014 Financial Year | 924,423 | 975,000 | - | - | - | - | 1,899,423 |
| 2013 Financial Year | 36,538 | - | - | 250,000 | - | - | 286,538 |
| Former senior executives | | | | | | | |
| D Chandran ³ | | | | | | | |
| 2014 Financial Year | 573,700 | - | 2,478 | 31,223 | 12,524 | - | 619,925 |
| 2013 Financial Year | 703,933 | 229,875 | 12,228 | - | 17,125 | - | 963,161 |
| I L Edwards ⁴ * | | | | | | | |
| 2014 Financial Year | 508,737 | - | 123,100 | - | - | - | 631,837 |
| 2013 Financial Year | 858,668 | 79,267 | 165,332 | 261,439 | 74,968 | - | 1,439,674 |
| M C Gray ⁵ * | | | | | | | |
| 2014 Financial Year | 523,706 | 237,250 | 6,421 | - | 20,972 | - | 788,349 |
| 2013 Financial Year | 914,000 | 574,235 | 10,476 | - | 29,500 | - | 1,528,211 |
| P A Gregg ⁶ | | | | | | | |
| 2014 Financial Year | 348,633 | - | 25,921 | - | 8,887 | 10,276,144 | 10,659,585 |
| 2013 Financial Year | 1,782,875 | 908,100 | 21,259 | - | 17,125 | - | 2,729,359 |
| H G Tyrwhitt ⁷ | | | | | | | |
| 2014 Financial Year | 485,941 | - | 216,424 | - | 8,887 | 13,585,179 | 14,296,431 |
| 2013 Financial Year | 2,482,875 | 1,135,125 | 262,276 | - | 17,125 | - | 3,897,401 |

* Where applicable, this table sets out the payments and benefits to each senior executive up until the date on which they ceased to be defined as a KMP, or ceased employment with the Group (as appropriate), with the exception of 'Bonuses' which capture full year amounts.

1. Mr Fernández Verdes was appointed CEO on 13 March 2014 and Executive Chairman on 11 June 2014. Previously he was a Non-executive Director from 10 October 2012 to 13 March 2014. Remuneration paid to Mr Fernández Verdes as a Non-executive Director is disclosed in the Non-executive Director Remuneration section of this Remuneration Report.
2. Mr Loizaga Jiménez was appointed CFO on 10 April 2014. He was paid a one-off relocation allowance of \$200,000 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.
3. Mr Chandran's cessation of employment did not give rise to any entitlements under his LTI or STI awards.
4. The Remuneration and Nominations Committee, on the recommendation of the CEO, determined that Mr Edwards would retain his one-off award in accordance with the terms of deferred share rights and any unvested deferred share rights held under the STI plan and forfeit his LTI performance rights.
5. The Remuneration and Nominations Committee, on the recommendation of the CEO, determined that Mr Gray would retain all unvested share rights upon his retirement in accordance with the terms of the grant.
6. Mr Gregg's termination arrangements were approved by shareholders at the AGM on 19 May 2014.
7. Mr Tyrwhitt's termination arrangements were approved by shareholders at the AGM on 19 May 2014.

| LONG-TERM EMPLOYEE BENEFITS | | | TOTAL PAYMENTS AND ACCRUALS (A\$) | Percentage of cash bonuses (STI) (%) ^(e) | Percentage of share-based incentive (%) ^(f) |
|---|---|--|---|--|--|
| Share rights fair value (sign-on awards) (A\$) ^(d) | Share rights fair value (LTI and STI deferral) (A\$) ^(d) | Options fair value (A\$) ^(d) | | | |
| 2,334,000 | - | - | 2,704,000 | - | 86.32 |
| - | - | - | - | - | - |
| - | 847,291 | - | 1,775,723 | 10.56 | 47.72 |
| 207,328 | 418,298 | 31,531 | 2,068,396 | 7.18 | 31.77 |
| - | 220,744 | - | 1,729,229 | 33.83 | 12.77 |
| - | - | - | - | - | - |
| 323,334 | 904,766 | - | 2,894,625 | 32.66 | 42.43 |
| 359,259 | 556,764 | 31,531 | 3,247,802 | 22.83 | 29.18 |
| 204,256 | 697,052 | - | 2,047,036 | 19.93 | 44.03 |
| 204,255 | 506,637 | 63,063 | 2,637,835 | 20.70 | 29.34 |
| - | 445,765 | - | 1,300,182 | 25.51 | 34.28 |
| - | 283,644 | - | 1,455,059 | 20.68 | 19.49 |
| - | 279,579 | - | 2,179,002 | 44.75 | 12.83 |
| - | - | - | 286,538 | - | - |
| - | 224,389 | - | 844,314 | - | 26.58 |
| 162,500 | 224,389 | - | 1,350,050 | 17.03 | 28.66 |
| 58,727 | 192,926 | - | 883,490 | - | 28.48 |
| 58,726 | 193,344 | 37,838 | 1,729,582 | 4.58 | 16.76 |
| 130,200 | 160,942 | - | 1,079,491 | 21.98 | 26.97 |
| 260,400 | 160,941 | 44,144 | 1,993,696 | 28.80 | 23.35 |
| - | 1,421,690 | - | 12,081,275 | - | 11.77 |
| - | 1,724,389 | - | 4,453,748 | 20.39 | 38.72 |
| - | 1,124,167 | - | 15,420,598 | - | 7.29 |
| - | 1,502,541 | 100,900 | 5,500,842 | 20.64 | 29.15 |

(a) This amount represents cash STI payments and special incentive awards to the senior executive for the 2014 Financial Year to be paid in April 2015.

(b) Non-monetary benefits including items such as car parking, other fringe benefits and fringe benefit tax where applicable.

(c) These amounts include the value of the 2010 deferred bonuses paid to Mr Edwards, Mr Munro and Mr Palin in the 2013 Financial Year. No further deferred bonuses were paid in the 2014 Financial Year. For Mr Valderas Martínez and Mr Loizaga Jiménez, this amount pertains to a one-off relocation allowance to assist with their relocation to Sydney. For Mr Fernández Verdes, this amount pertains to the fixed allowance amounts established for 2014 and is based on 10 months service. For Mr Chandran, this amount pertains to a dividend equivalent payment relating to the vesting of a one-off STI deferral award.

(d) In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the 2014 Financial Year (ie, grants of STI deferred share rights and LTI grants as at 31 December 2014). 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 equities at the date of their grant has been determined in accordance with AASB 2.

(e) Percentage calculation is based on the cash STI received in the 2014 Financial Year as a percentage of total payments and accruals.

(f) The percentage of each senior executive's remuneration for the 2014 Financial Year that consisted of equity as a percentage of total payments and accruals.

FORMER AND DEPARTED SENIOR EXECUTIVES

As part of the Group's Strategic Review, roles and reporting lines within the Company were assessed and changes were made to align the management structure with the new Group structure. As a result, from 6 August 2014 a number of senior executives who were previously considered to be KMP (due to the roles they occupied and level of authority they possessed) no longer fall into this category. These senior executives are listed below. In some cases, these senior executives are continuing their employment with the Group.

For former senior executives who remain employees of the Leighton Group, remuneration for the period up until the date on which they ceased to be KMP is disclosed in the Statutory Senior Executive Remuneration table. For departed senior executives who ceased employment with the Group during the year, remuneration (including termination benefits where applicable) is reported in the Statutory Senior Executive Remuneration table for the period up until the date they ceased to be KMP.

Former Senior Executives

| Name | Title (at 31 December 2014) | Change during the 2014 Financial Year |
|-------------|---|---------------------------------------|
| C A Laslett | Managing Director, Leighton 'Engineering Company' | Ceased as KMP on 6 August 2014 |
| B A Munro | Managing Director, Thiess | Ceased as KMP on 6 August 2014 |
| G M Palin | Managing Director, John Holland | Ceased as KMP on 6 August 2014 |
| M J Rollo | Chief Risk Officer | Ceased as KMP on 6 August 2014 |

Departed Senior Executives

| Name | Title (on date departed) | Change during the 2014 Financial Year |
|--------------|--|--|
| D Chandran | Chief Human Resources and Corporate Services Officer | Ceased as KMP and ceased employment on 8 September 2014 |
| I L Edwards | Managing Director, LAIO | Ceased as KMP on 6 August 2014 and ceased employment on 14 October 2014 |
| M C Gray | Managing Director, Leighton Properties | Ceased as KMP on 6 August 2014 and ceased employment on 23 December 2014 |
| P A Gregg | Deputy CEO and CFO | Ceased as KMP and ceased employment on 12 March 2014 |
| H G Tyrwhitt | CEO | Ceased as KMP and ceased employment on 12 March 2014 |

SUMMARY OF EXECUTIVE SERVICE AGREEMENTS

Mr Fernández Verdes

The key terms of Mr Fernández Verdes' ESA are:

- fixed allowance amounts established for 2014 (\$370,000 - based on 10 months' service) and 2015 (\$495,000) are adjusted for inflation in 2016 and any adjustments after that date as agreed with the Board and negotiated with the employee;
- a one-off award of share appreciation rights in 2014 as described in the 'CEO Remuneration' section of this Remuneration Report. Mr Fernández Verdes will not be eligible to participate in the STI or LTI;
- either party may terminate the ESA, the period of notice being the minimum period required by applicable legislation;
- there is no specified term;
- there are no specified payments to be made on termination; and
- a six month restraint period (in Australia) applies following termination but specifically allows Mr Fernández Verdes to accept roles with ACS, HOCHTIEF AG and their related companies.

Other Senior Executives

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

The key standard terms of the ESAs for senior executives are:

- remuneration is reviewed annually;
- either party is able to terminate the service agreement on six months' notice;
- there is no specified term;
- 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.

The ESAs 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.

ENGAGEMENT OF REMUNERATION CONSULTANTS

During the year, the Non-executive Directors engaged Egan Associates to provide a remuneration recommendation in relation to the senior executives. The recommendation was provided directly to the previous Deputy Chairman and there was no consultation between Egan Associates and the senior executives. On this basis, the Board is satisfied that the remuneration recommendation was free from undue influence by senior executives.

Egan Associates' fees for providing the remuneration recommendation were approximately \$24,717 (including GST). Egan Associates did not provide any other advice to the Company during the financial year and accordingly the Company did not make any payments to Egan Associates other than those disclosed above.

NON-EXECUTIVE DIRECTOR REMUNERATION

The current and former Non-executive Directors who held office during 2014 are set out in the following table.

Non-executive Directors during 2014

| Name | Title (at 31 December 2014) | Change during the 2014 Financial Year |
|--|---|---|
| Current Non-executive Directors | | |
| Russell L Chenu | Independent Non-executive Director | Appointed 11 June 2014 |
| José L del Valle Pérez | Non-executive Director | Appointed 13 March 2014 |
| Kirstin I Ferguson | Independent Non-executive Director | Appointed 10 July 2014 |
| Trevor Gerber | Independent Non-executive Director | Appointed 11 June 2014 |
| Pedro López Jiménez | Non-executive Director | Appointed 13 March 2014 (Previously an Alternate Director for Mr Sassenfeld from 18 June 2013 to 11 June 2014) |
| David P Robinson | Non-executive Director | |
| Peter-Wilhelm Sassenfeld | Non-executive Director | |
| Current Alternate Directors | | |
| David P Robinson | Alternate Director for Mr López Jiménez | Appointed 11 June 2014 |
| Robert L Seidler AM | Alternate Director for Mr del Valle Pérez and Mr Sassenfeld | Appointed 11 June 2014 (Previously an Alternate Director for Mr Fernández Verdes from 18 June 2013 to 11 June 2014) |

| Name | Title (at departure and/or cessation date of previous role) | Change during the 2014 Financial Year |
|---------------------------------------|---|--|
| Former Non-executive Directors | | |
| Paula J Dwyer | Deputy Chairman and Independent Non-executive Director | Ceased 19 May 2014 |
| Marcelino Fernández Verdes | Non-Executive Director | Non-executive Director from 10 October 2012 until his appointment as CEO on 13 March 2014. |
| Russell A Higgins AO | Independent Non-executive Director | Ceased 19 May 2014 |
| Robert D Humphris OAM | Chairman and Independent Non-executive Director | Ceased 11 June 2014 |
| Michael J Hutchinson | Independent Non-executive Director | Ceased 13 June 2014 |
| Vicki A McFadden | Independent Non-executive Director | Ceased 19 May 2014 |

SETTING NON-EXECUTIVE DIRECTOR REMUNERATION

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 the 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.

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

FEE LEVELS AND FEE POOL

The Non-executive Directors fees remain unchanged since 31 December 2013, with the exception of the fees paid to Non-executive Directors who are members of the Audit and Risk Committee. An increase in the fees paid to members of this Committee was approved by the Board (excluding the impacted committee members) on 13 December 2013 and were effective from 1 January 2014 to reflect the time commitment required. In accordance with the resolution of the Board, the annual fees paid to the Committee Chairman increased from \$46,000 to \$55,000 and fees paid to the other Committee members increased from \$23,000 to \$30,000 per annum. On 30 June 2014, following the dissolution of the Tender Review and Risk Committee, the responsibilities of the Audit Committee increased and it was re-named the Audit and Risk Committee.

Board and Committee fees for 2014

| Name | Chairman¹ | Member |
|--|-----------------------------|---------------|
| Board | nil | 185,000 |
| Audit and Risk Committee | 55,000 | 30,000 |
| Ethics and Compliance Committee | 40,000 | 20,000 |
| Remuneration and Nominations Committee | 40,000 | 20,000 |
| Special Committees ² | 3,850 | 3,850 |

1. The CEO receives no additional remuneration for his duties as Executive Chairman (or membership of any Committee). Details of his remuneration for his role as CEO are set out in the 'CEO Remuneration' section.
2. This fee is payable to all Non-executive Directors for each day of service on a Special Committee.

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 \$4.5 million (including superannuation contributions), as approved by shareholders at the 2013 AGM.

OPERATING COMPANY APPOINTMENTS

Non-executive Directors who received additional fees during the 2014 Financial Year for being a member of Operating Company Advisory Boards are Mr Robinson and Mr Humphris OAM. All Operating Company Advisory Boards were disbanded effective 30 June 2014.

The fees were set at \$90,000 for the Chairman and \$75,000 for a member, plus superannuation.

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 2014 Financial Year Mr Seidler AM was the Chairman of the Advisory Boards of Leighton Properties and LAIO to 30 June 2014 for which he received fees of \$98,325 from Leighton.

NON-EXECUTIVE DIRECTOR TOTAL REMUNERATION

Details of Non-executive Directors' remuneration in Australian dollars for the 2014 Financial Year and 2013 Financial Year are set out in the following table.

Non-executive Director Remuneration

| | SHORT-TERM BENEFITS | | | Non-monetary benefits (A\$) | POST-EMPLOYMENT BENEFITS | | Total Remuneration for services as a Non-executive Director (A\$) |
|--|---|-------------|--|-----------------------------|-------------------------------------|---------------------------|---|
| | Board and Committee fees (A\$) ¹ | Other (A\$) | Operating Company Board fees and extra service fees (A\$) ² | | Super-annuation contributions (A\$) | Termination benefits(A\$) | |
| Current Non-executive Directors | | | | | | | |
| R L Chenu | | | | | | | |
| 2014 Financial Year | 159,890 | - | - | - | 10,870 | - | 170,760 |
| 2013 Financial Year | - | - | - | - | - | - | - |
| K I Ferguson | | | | | | | |
| 2014 Financial Year | 134,696 | - | - | - | 9,392 | - | 144,088 |
| 2013 Financial Year | - | - | - | - | - | - | - |
| T Gerber | | | | | | | |
| 2014 Financial Year | 140,000 | - | - | - | 10,548 | - | 150,548 |
| 2013 Financial Year | - | - | - | - | - | - | - |
| P López Jiménez | | | | | | | |
| 2014 Financial Year | 182,385 | - | - | - | - | - | 182,385 |
| 2013 Financial Year | - | - | - | - | - | - | - |
| J L del Valle Pérez | | | | | | | |
| 2014 Financial Year | 172,477 | - | - | - | - | - | 172,477 |
| 2013 Financial Year | - | - | - | - | - | - | - |
| D P Robinson ³ | | | | | | | |
| 2014 Financial Year | 215,000 | - | 77,792 | - | 18,279 | - | 311,071 |
| 2013 Financial Year | 221,475 | - | 48,313 | - | 17,125 | - | 286,913 |
| P W Sassenfeld ¹ | | | | | | | |
| 2014 Financial Year | 225,000 | - | - | - | 18,279 | - | 243,279 |
| 2013 Financial Year | 197,331 | - | - | - | 17,125 | - | 214,456 |
| Former Non-executive Directors | | | | | | | |
| P J Dwyer | | | | | | | |
| 2014 Financial Year | 187,621 | - | - | - | 8,887 | - | 196,508 |
| 2013 Financial Year | 328,995 | - | 87,777 | - | 17,125 | - | 433,897 |
| M Fernández Verdes ¹ | | | | | | | |
| 2014 Financial Year | 49,396 | - | - | - | 4,443 | - | 53,839 |
| 2013 Financial Year | 200,176 | - | 28,795 | - | 19,196 | - | 248,167 |
| R A Higgins AO | | | | | | | |
| 2014 Financial Year | 160,713 | - | - | - | 8,705 | - | 169,418 |
| 2013 Financial Year | 129,700 | - | - | - | 8,887 | - | 138,587 |
| R D Humphris OAM | | | | | | | |
| 2014 Financial Year | 331,108 | - | 82,500 | - | 16,519 | - | 430,127 |
| 2013 Financial Year | 542,036 | - | 192,042 | 17,787 | 34,615 | - | 786,480 |
| M J Hutchinson | | | | | | | |
| 2014 Financial Year | 156,875 | - | - | - | 8,887 | - | 165,762 |
| 2013 Financial Year | 128,382 | - | - | - | 8,887 | - | 137,269 |
| V A McFadden | | | | | | | |
| 2014 Financial Year | 143,336 | - | - | - | 8,887 | - | 152,223 |
| 2013 Financial Year | 126,084 | - | - | - | 8,887 | - | 134,971 |

- Neither Mr Sassenfeld nor Mr Fernández Verdes (in his role as Executive Chairman or previously in his role as Non-executive Director) received any Director fees directly from Leighton. The amounts in the table represent the payment by Leighton to HOCHTIEF AG in respect of their services.
- This amount represents the total fees paid to the members of the Operating Company Advisory Boards in relation to services in the 2014 Financial Year.
- Mr Robinson will receive a maximum benefit on retirement limited to his entitlement under the Non-executive Director Retirement Plan as if he had retired on 1 July 2008. This entitlement totals \$363,495.

ADDITIONAL EQUITY DISCLOSURES

This section provides additional information regarding KMP equity holdings as required by the Corporations Act and applicable Australian Accounting Standards.

MOVEMENT IN KMP SHAREHOLDINGS (DIRECTORS AND SENIOR EXECUTIVES)

The following table sets out the movement in KMP shareholdings (either direct or indirect) during the 2014 Financial Year.

| Name | Balance at 31 Dec 2013 | Purchases | Received on exercise of options | Received on vesting of shares | Sales | Closing Balance ¹ |
|---------------------------------------|---------------------------|-----------|---------------------------------------|-------------------------------------|----------|---------------------------------|
| Directors (current and former) | | | | | | |
| R L Chenu | - | 2,500 | - | - | - | 2,500 |
| J L del Valle Pérez | - | 1,000 | - | - | - | 1,000 |
| P J Dwyer | 5,000 | - | - | - | (1,875) | 3,125 |
| K I Ferguson | - | 1,500 | - | - | - | 1,500 |
| M Fernández Verdes | 2,745 | - | - | - | - | 2,745 |
| T Gerber | - | 2,000 | - | - | - | 2,000 |
| P Gregg | 3,652 | - | - | - | - | 3,652 |
| R Higgins AO | 6,090 | - | - | - | (2,283) | 3,807 |
| R D Humphris OAM | 30,000 | - | - | - | (11,249) | 18,751 |
| M J Hutchinson | 5,000 | - | - | - | (1,875) | 3,125 |
| P López Jiménez | 1,192 | - | - | - | - | 1,192 |
| V A McFadden | - | 7,000 | - | - | (2,625) | 4,375 |
| D P Robinson | 1,489 | - | - | - | - | 1,489 |
| P W Sassenfeld | 1,858 | - | - | - | - | 1,858 |
| H G Tyrwhitt | 2,110 | - | 40,000 | - | (40,000) | 2,110 |
| Current senior executives | | | | | | |
| J Loizaga Jiménez | - | - | - | - | - | - |
| A Valderas Martínez | - | - | - | - | - | - |
| Former senior executives | | | | | | |
| C A Laslett | 1,219 | - | 12,500 | - | (13,219) | 500 |
| B A Munro | 79,370 | - | 12,500 | - | (46,951) | 44,919 |
| G M Palin | 219 | - | - | - | - | 219 |
| M Rollo | 475 | - | - | - | (178) | 297 |
| Departed senior executives | | | | | | |
| D Chandran | - | - | - | - | - | - |
| I L Edwards | 110 | - | 15,000 | - | (15,041) | 69 |
| M C Gray | 6,830 | - | 17,500 | 33,696 | (24,500) | 33,526 |

1. The closing balance is as at 31 December 2014 or as at the date of departure.

MOVEMENTS IN RIGHTS UNDER CURRENT LTI PLAN

The following table sets out the movement of share rights granted during the 2014 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 2013 | Granted (number) ¹ | Granted (value) (A\$) | Vested and exercised (number) ² | Vested and exercised (value) (A\$) ³ | Lapsed (number) | Lapsed (value) (A\$) ⁴ | Balance at 31 Dec 2014 |
|-----------------------------------|------------|------------------------|-------------------------------|-----------------------|--|---|-----------------|-----------------------------------|------------------------|
| Current senior executives | | | | | | | | | |
| J Loizaga Jiménez | 2014 | - | 34,266 | 600,000 | - | - | - | - | 34,266 |
| A Valderas Martínez | 2014 | - | 32,552 | 570,000 | - | - | - | - | 32,552 |
| Former senior executives | | | | | | | | | |
| C A Laslett | 2014 | - | 52,942 | 927,000 | - | - | - | - | 52,942 |
| | 2013 | 39,752 | - | - | - | - | - | - | 39,752 |
| | 2012 | 39,182 | - | - | - | - | - | - | 39,182 |
| B A Munro | 2014 | - | 52,942 | 927,000 | - | - | - | - | 52,942 |
| | 2013 | 39,752 | - | - | - | - | - | - | 39,752 |
| | 2012 | 39,182 | - | - | - | - | - | - | 39,182 |
| G M Palin | 2014 | - | 52,942 | 927,000 | - | - | - | - | 52,942 |
| | 2013 | 39,752 | - | - | - | - | - | - | 39,752 |
| | 2012 | 39,182 | - | - | - | - | - | - | 39,182 |
| M J Rollo | 2014 | - | 29,708 | 520,200 | - | - | - | - | 29,708 |
| | 2013 | 22,308 | - | - | - | - | - | - | 22,308 |
| | 2012 | 22,202 | - | - | - | - | - | - | 22,202 |
| Departed senior executives | | | | | | | | | |
| D Chandran ⁵ | 2014 | - | - | - | - | - | - | - | - |
| | 2013 | 17,368 | - | - | - | - | 17,368 | 386,264 | - |
| | 2012 | 16,978 | - | - | - | - | 16,978 | 377,591 | - |
| I L Edwards ⁶ | 2014 | - | - | - | - | - | - | - | - |
| | 2013 | 18,708 | - | - | - | - | 18,708 | 350,588 | - |
| | 2012 | 17,504 | - | - | - | - | 17,504 | 328,025 | - |
| P A Gregg ⁷ | 2014 | - | - | - | - | - | - | - | - |
| | 2013 | 77,186 | - | - | 77,186 | 1,736,685 | - | - | - |
| | 2012 | 76,197 | - | - | 76,197 | 1,714,433 | - | - | - |
| H G Tyrwhitt ⁸ | 2014 | - | - | - | - | - | - | - | - |
| | 2013 | 107,204 | - | - | 107,204 | 2,412,090 | - | - | - |
| | 2012 | 104,499 | - | - | 104,499 | 2,351,228 | - | - | - |

1. Rights were granted to senior executives in February 2015 as their 2014 LTI. Additional details regarding this grant are disclosed in the 'LTI Plan' section of this Remuneration Report.
2. Performance hurdles for the 2012, 2013 and 2014 LTI are due to be tested in February 2015, 2016, and 2017 respectively.
3. The vested and exercised value is calculated by multiplying the number of vested rights by the offer price (\$22.50) announced in the HOCHTIEF Bidder's statement.
4. The lapse value for departed employees is calculated by multiplying the number of rights by the closing price as at the termination date.
5. Mr Chandran's cessation of employment did not give rise to any entitlements under his LTI awards.
6. The Remuneration and Nominations Committee, on the recommendation of the CEO, determined that Mr Edwards would forfeit his LTI performance rights.
7. Following shareholder approval on 19 May 2014, the remaining portion of Mr Gregg's 2011 LTI, 2012 LTI and 2013 LTI vested in full on his termination and he received a cash payment in lieu of shares.
8. Following shareholder approval on 19 May 2014, Mr Tyrwhitt's 2012 LTI and 2013 LTI vested in full on his termination and he received a cash payment in lieu of shares.

DEFERRED SHARE RIGHTS UNDER STI

Share rights were awarded to senior executives based on the value of the deferred component of the STI awards. These share rights will vest after a further one to two year deferral period.

| Name | Award year | Grant date | Vesting date ⁵ | Award value at grant (A\$) | Number granted | Fair value per share right (A\$) | % vested | % forfeited |
|-----------------------------------|------------|----------------|---------------------------|----------------------------|----------------|----------------------------------|----------|-------------|
| Current senior executives | | | | | | | | |
| J Loizaga Jiménez | 2013 | - | - | - | - | - | - | - |
| | 2012 | - | - | - | - | - | - | - |
| A Valderas Martínez | 2013 | - | - | - | - | - | - | - |
| | 2012 | - | - | - | - | - | - | - |
| Former senior executives | | | | | | | | |
| C A Laslett | 2013 | 1 January 2014 | 31 December 2015 | 99,004 | 5,654 | 17.51 | - | - |
| | 2012 | 1 January 2013 | 31 December 2014 | 180,000 | 7,718 | 23.32 | - | - |
| B A Munro | 2013 | 1 January 2014 | 31 December 2015 | 494,400 | 28,235 | 17.51 | - | - |
| | 2012 | 1 January 2013 | 31 December 2014 | 200,000 | 8,576 | 23.32 | - | 20 |
| G M Palin | 2013 | 1 January 2014 | 31 December 2015 | 364,019 | 20,789 | 17.51 | - | - |
| | 2012 | 1 January 2013 | 31 December 2014 | 180,000 | 7,718 | 23.32 | - | - |
| M J Rollo | 2013 | 1 January 2014 | 31 December 2015 | 200,589 | 11,455 | 17.51 | - | - |
| | 2012 | 1 January 2013 | 31 December 2014 | 100,000 | 4,288 | 23.32 | - | - |
| Departed senior executives | | | | | | | | |
| D Chandran ¹ | 2013 | 1 January 2014 | 31 December 2015 | 153,250 | 8,752 | 17.51 | - | 100 |
| | 2012 | 1 January 2013 | 31 December 2014 | 95,316 | 4,087 | 23.32 | - | 100 |
| I L Edwards ² | 2013 | 1 January 2014 | 31 December 2015 | 51,590 | 2,946 | 17.51 | - | - |
| | 2012 | 1 January 2013 | 31 December 2014 | 79,696 | 3,417 | 23.32 | - | - |
| M C Gray | 2013 | 1 January 2014 | 31 December 2015 | 382,823 | 21,863 | 17.51 | - | - |
| | 2012 | 1 January 2013 | 31 December 2014 | 100,000 | 4,288 | 23.32 | - | - |
| P A Gregg ³ | 2013 | 1 January 2014 | 31 December 2015 | - | - | - | - | - |
| | 2012 | 1 January 2013 | 31 December 2014 | 559,125 | 23,976 | 23.32 | 100 | - |
| H G Tyrwhitt ⁴ | 2013 | 1 January 2014 | 31 December 2015 | - | - | - | - | - |
| | 2012 | 1 January 2013 | 31 December 2014 | 755,400 | 32,392 | 23.32 | 100 | - |

1. Mr Chandran's cessation of employment did not give rise to any entitlements under his STI awards.
2. The Remuneration and Nominations Committee, on the recommendation of the CEO, determined that Mr Edwards would retain his one-off award in accordance with the terms of deferred share rights and any unvested share rights held under the STI Deferral.
3. Following shareholder approval on 19 May 2014, Mr Gregg's 2012 STI Deferral awards vested on his termination and he received a cash payment in lieu of shares.
4. Following shareholder approval on 19 May 2014, Mr Tyrwhitt's 2012 STI Deferral awards vested on his termination and he received a cash payment in lieu of shares.
5. For awards with a vesting date of 31 December 2014, final vesting is subject to Remunerations and Nominations Committee approval.

ONE-OFF AWARD GRANTED TO MR FERNÁNDEZ VERDES IN 2014

In the 2014 Financial Year, a one-off award of share appreciation rights was awarded to Mr Fernández Verdes on his appointment as CEO. The award will expire on 13 March 2019.

Full details of this award can be found in the 'CEO Remuneration' section of this Remuneration Report.

| Name | Plan | Grant date | Vesting date | Number granted | Fair value per SAR (A\$) | % vested | % forfeited |
|--------------------|------|--------------|---------------|----------------|--------------------------|----------|-------------|
| M Fernández Verdes | SAR | 10 June 2014 | 13 March 2016 | 1,200,000 | 3.89 | - | - |

ONE-OFF AWARDS GRANTED TO SENIOR EXECUTIVES IN 2012

One-off grants of share rights to some senior executives were made in 2012 in order to transition to the new ESAs. 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.

| Name | Balance at 31 Dec 2013 ¹ | VWAP at date of award (A\$) ² | Value at date of award (A\$) | Vesting date | Fair value expensed in 2014 Financial Year (A\$) ³ | Balance at 31 Dec 2014 | % vested | % forfeited |
|--|-------------------------------------|--|------------------------------|-------------------------------|---|------------------------|----------|-------------|
| Deferred share rights awarded to former senior executives | | | | | | | | |
| B A Munro | 50,207 | 19.32 | 970,000 | 31 December 2014 | 323,333 | - | 100 | - |
| G M Palin | 49,690 | 19.32 | 960,000 | 31 August 2016 | 204,255 | 49,690 | - | - |
| Deferred share rights awarded to departed senior executives | | | | | | | | |
| D Chandran | 16,822 | 19.32 | 325,000 | 1 January 2014 | - | - | 100 | - |
| I L Edwards | 7,410 | 22.19 | 164,433 | 31 December 2014 | 58,726 | - | 100 | - |
| M C Gray | 33,696 | 19.32 | 651,000 | 30 June 2014 | 130,200 | - | 100 | - |
| Total | 157,825 | | 3,070,433 | | 716,514 | 49,690 | | |
| Performance rights awarded to former senior executives | | | | | | | | |
| C A Laslett | 21,768 | 22.97 | 500,000 | 31 December 2014 ⁴ | 91,353 | 21,768 | - | - |
| | 21,768 | 22.97 | 500,000 | 31 December 2015 | 65,712 | 21,768 | - | - |
| | 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 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 \$22.19 respectively. The VWAP of Leighton 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 grant date (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.
4. Final vesting is subject to Remuneration and Nominations Committee approval.

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 2014 Financial Year.

| Name | Plan | Balance at 31 Dec 2013 | Vested (number) | Vested (value) (A\$) ³ | Exercisable (number) ⁴ | Exercised (number) | Exercised (value) (A\$) | Lapsed (number) | Lapsed (value) (A\$) | Balance at 31 Dec 2014 |
|--------------|-------------------------|------------------------|-----------------|-----------------------------------|-----------------------------------|--------------------|-------------------------|-----------------|----------------------|------------------------|
| H G Tyrwhitt | 2009 LSEOP ¹ | 80,000 | - | - | 40,000 | 40,000 | 754,800 | 40,000 | 754,800 | - |
| I L Edwards | 2009 LSEOP ¹ | 30,000 | - | - | 15,000 | 15,000 | 283,050 | 15,000 | 283,050 | - |
| P A Gregg | 2011 LTI ² | 38,466 | 28,850 | 649,125 | - | - | - | 9,616 | 157,125 | - |
| M C Gray | 2009 LSEOP ¹ | 35,000 | - | - | 17,500 | 17,500 | 330,225 | 17,500 | 330,225 | - |
| C A Laslett | 2009 LSEOP ¹ | 25,000 | - | - | 12,500 | 12,500 | 235,875 | 12,500 | 235,875 | - |
| G M Palin | 2009 LSEOP ¹ | 50,000 | - | - | 25,000 | - | - | 50,000 | 943,500 | - |
| B A Munro | 2009 LSEOP ¹ | 25,000 | - | - | 12,500 | 12,500 | 235,875 | 12,500 | 235,875 | - |

1. 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. All unvested or unexercised options lapsed on 4 May 2014.
2. Mr Gregg 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. The EPS and TSR performance hurdles were not met at the first test date and the Remuneration and Nominations Committee determined on 10 February 2014 that 25% of his award would lapse in accordance with the vesting conditions. Following shareholder approval at the AGM on 19 May 2014, the remaining portion of Mr Gregg's 2011 LTI vested in full on his termination and he received a cash payment in lieu of shares.
3. The vested value is calculated by multiplying the number of vested options by \$22.50.
4. The options in this column represent the portion of the 2009 LSEOP EPS parcel that vested in previous reporting periods, being 20.13% and 100% respectively.

The Leighton Holdings Limited Directors' Report for the 2014 Financial Year is signed at Sydney on 11 February 2015 in accordance with a resolution of the Directors.



Marcelino Fernández Verdes
Executive Chairman and Chief Executive Officer



FINANCIAL REPORT

Financial Report

TABLE OF CONTENTS

| | Page |
|--|------|
| Consolidated Statement of Profit or Loss | 46 |
| Consolidated Statement of Profit or Loss and other Comprehensive Income | 47 |
| Consolidated Statement of Financial Position | 48 |
| Consolidated Statement of Changes in Equity | 49 |
| Consolidated Statement of Cash Flows | 50 |
| Notes to the Consolidated Financial Statements | 51 |
| 1. Summary of significant accounting policies | 51 |
| 2. Revenue | 60 |
| 3. Expenses | 61 |
| 4. Items included in profit / (loss) before tax | 62 |
| 5. Auditor's remuneration | 63 |
| 6. Income tax (expense) / benefit | 64 |
| 7. Cash and cash equivalents | 65 |
| 8. Trade and other receivables | 65 |
| 9. Current tax assets | 67 |
| 10. Inventories | 67 |
| 11. Investments accounted for using the equity method | 67 |
| 12. Other investments | 68 |
| 13. Deferred taxes | 68 |
| 14. Property, plant and equipment | 69 |
| 15. Intangibles | 70 |
| 16. Trade and other payables | 72 |
| 17. Current tax liabilities | 73 |
| 18. Provisions | 73 |
| 19. Interest bearing liabilities | 74 |
| 20. Equity | 75 |
| 21. Reserves | 76 |
| 22. Retained earnings | 77 |
| 23. Dividends | 78 |
| 24. Earnings per share | 79 |
| 25. Associates | 80 |
| 26. Joint venture entities | 84 |
| 27. Joint operations | 89 |
| 28. Reconciliation of property, plant and equipment carrying values | 92 |
| 29. Reconciliation of profit / (loss) for the period to net cash from operating activities | 93 |
| 30. Acquisitions, disposals and discontinued operations | 94 |
| 31. Held for sale | 100 |
| 32. Segment information | 101 |
| 33. Commitments | 104 |
| 34. Contingent liabilities | 106 |
| 35. Capital risk management | 107 |
| 36. Financial instruments | 107 |
| 37. Employee benefits | 118 |
| 38. Related party disclosures | 128 |
| 39. Leighton Holdings Limited and controlled entities | 131 |
| 40. New accounting standards | 145 |
| 41. Events subsequent to reporting date | 146 |
| Directors' Declaration | 147 |
| Independent Auditor's Report to the Members of Leighton Holdings Limited | 148 |

Consolidated Statement of Profit or Loss

for the year ended 31 December 2014

| | Note | 12 months to December 2014 \$m | 12 months to December 2013 \$m ^(restated) |
|---|------|--------------------------------------|---|
| Continuing operations | | | |
| Revenue | 2 | 16,875.8 | 16,258.7 |
| Expenses | 3 | (16,743.3) | (15,656.4) |
| Finance costs | 4 | (240.0) | (253.0) |
| Share of profits / (losses) of associates and joint venture entities | | 16.8 | 8.7 |
| Profit / (loss) before tax | | (90.7) | 358.0 |
| Income tax (expense) / benefit | 6 | (22.1) | (131.1) |
| Profit / (loss) for the year from continuing operations | | (112.8) | 226.9 |
| Discontinued operations | | | |
| Profit / (loss) for the year from discontinued operations | 30 | 791.4 | 242.0 |
| Profit / (loss) for the year | | 678.6 | 468.9 |
| (Profit) / loss for the year attributable to non-controlling interests | | (2.1) | 39.8 |
| Profit / (loss) for the year attributable to members of the parent entity | | 676.5 | 508.7 |
| Dividends per share - Final | 23 | 68.0¢ | 60.0¢ |
| Dividends per share - Interim | 23 | 57.0¢ | 45.0¢ |
| Earnings per share for profit / (loss) from continuing and discontinued operations | | | |
| Basic earnings per share | 24 | 200.0¢ | 150.9¢ |
| Diluted earnings per share | 24 | 198.8¢ | 150.1¢ |
| Earnings per share for profit / (loss) from continuing operations | | | |
| Basic earnings per share | 24 | (33.9¢) | 79.2¢ |
| Diluted earnings per share | 24 | (33.7¢) | 78.7¢ |

^Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2013 and have been re-presented to separately show those operations classified as discontinued in the current year, as detailed in note 30: Acquisitions, disposals and discontinued operations.

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

Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2014

| | Note | 12 months to December 2014 \$m | 12 months to December 2013 \$m ^(restated) |
|--|------|--------------------------------------|---|
| Profit / (loss) for the year attributable to members of the parent entity | | 676.5 | 508.7 |
| Other comprehensive income attributable to members of the parent entity: | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| - Foreign exchange translation differences (net of tax) | 21 | 234.9 | 180.4 |
| - Effective portion of changes in fair value of cash flow hedges (net of tax) | 21 | (5.3) | 12.5 |
| - Change in fair value of available-for-sale assets (net of tax) | 21 | 4.4 | 9.6 |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| - Change in value of equity reserves (net of tax) | 21 | (0.8) | 0.3 |
| Other comprehensive income / (expense) for the year | | 233.2 | 202.8 |
| Total comprehensive income / (expense) for the year attributable to members of the parent entity | | 909.7 | 711.5 |
| <i>Total comprehensive income / (expense) for the year attributable to members of the parent entity:</i> | | | |
| Total comprehensive income / (expense) for the year | | 911.8 | 671.7 |
| Total comprehensive (income) / expense for the year attributable to non-controlling interests | | (2.1) | 39.8 |
| Total comprehensive income / (expense) for the year attributable to members of the parent entity | | 909.7 | 711.5 |
| Continuing operations | | 118.6 | 469.7 |
| Discontinued operations | | 791.1 | 241.8 |
| Total comprehensive income / (expense) for the year attributable to members of the parent entity | | 909.7 | 711.5 |

^Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2013 and have been re-presented to separately show those operations classified as discontinued in the current year, as detailed in note 30: Acquisitions, disposals and discontinued operations.

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 2014

| | | 31 December 2014 \$m | 31 December 2013 \$m ^(restated) |
|---|------|----------------------------|---|
| | Note | | |
| Assets | | | |
| Cash and cash equivalents | 7 | 1,976.9 | 1,720.7 |
| Trade and other receivables | 8 | 3,426.1 | 4,994.2 |
| Trade and other receivables - proceeds receivable on sale of controlled entities and businesses | 8 | 1,643.2 | - |
| Current tax assets | 9 | 53.0 | 20.9 |
| Inventories: consumables and development properties | 10 | 361.6 | 556.0 |
| Assets held for sale | 31 | 254.4 | 229.4 |
| <i>Total current assets</i> | | <i>7,715.2</i> | <i>7,521.2</i> |
| Trade and other receivables | 8 | 922.8 | 803.0 |
| Inventories: development properties | 10 | 356.7 | 364.4 |
| Investments accounted for using the equity method | 11 | 1,013.6 | 825.6 |
| Other investments | 12 | 112.3 | 92.7 |
| Deferred tax assets | 13 | 240.8 | 86.3 |
| Property, plant and equipment | 14 | 1,626.5 | 1,752.6 |
| Intangibles | 15 | 556.0 | 630.2 |
| <i>Total non-current assets</i> | | <i>4,828.7</i> | <i>4,554.8</i> |
| Total assets | | 12,543.9 | 12,076.0 |
| Liabilities | | | |
| Trade and other payables | 16 | 4,309.8 | 5,548.5 |
| Current tax liabilities | 17 | 622.9 | 51.3 |
| Provisions | 18 | 310.9 | 477.0 |
| Interest bearing liabilities | 19 | 1,163.3 | 589.5 |
| Liabilities associated with assets held for sale | 31 | 93.8 | 105.1 |
| <i>Total current liabilities</i> | | <i>6,500.7</i> | <i>6,771.4</i> |
| Trade and other payables | 16 | 272.6 | 344.8 |
| Provisions | 18 | 157.0 | 178.1 |
| Interest bearing liabilities | 19 | 1,832.0 | 1,535.6 |
| <i>Total non-current liabilities</i> | | <i>2,261.6</i> | <i>2,058.5</i> |
| Total liabilities | | 8,762.3 | 8,829.9 |
| Net assets | | 3,781.6 | 3,246.1 |
| Equity | | | |
| Share capital | 20 | 2,052.5 | 2,028.6 |
| Reserves | 21 | 219.0 | (9.7) |
| Retained earnings | 22 | 1,482.2 | 1,201.3 |
| Total equity attributable to equity holders of the parent | | 3,753.7 | 3,220.2 |
| Non-controlling interests | | 27.9 | 25.9 |
| Total equity | | 3,781.6 | 3,246.1 |

^Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2013 and have been restated to reflect the final purchase price allocation of 2013 acquisitions as detailed in note 30: Acquisitions, disposals and discontinued operations.

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 2014

| | 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 2013 | 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 |
| Profit for the year | - | - | 676.5 | 676.5 | 2.1 | 678.6 |
| Other comprehensive income | - | 233.2 | - | 233.2 | - | 233.2 |
| Transactions with owners in their capacity as owners: | | | | | | |
| - Contributions of equity | 23.9 | - | - | 23.9 | - | 23.9 |
| - Dividends | - | - | (395.6) | (395.6) | - | (395.6) |
| - Share based payments | - | (4.5) | - | (4.5) | - | (4.5) |
| - Other | - | - | - | - | (0.1) | (0.1) |
| Total transactions with owners | 23.9 | (4.5) | (395.6) | (376.2) | (0.1) | (376.3) |
| Total equity at 31 December 2014 | 2,052.5 | 219.0 | 1,482.2 | 3,753.7 | 27.9 | 3,781.6 |

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 2014

| | Note | 12 months to December 2014 \$m | 12 months to December 2013 \$m |
|---|------|--------------------------------------|--------------------------------------|
| Cash flows from operating activities | | | |
| Cash receipts in the course of operations (including GST) | | 25,628.6 | 24,186.8 |
| Cash payments in the course of operations (including GST) | | (24,218.8) | (23,072.0) |
| Cash flows from operating activities | | 1,409.8 | 1,114.8 |
| Dividends received | | 23.5 | 16.3 |
| Interest received | | 25.3 | 21.7 |
| Finance costs paid | | (229.1) | (231.5) |
| Income taxes (paid) / received | | (85.7) | (118.4) |
| Net cash from operating activities | 29 | 1,143.8 | 802.9 |
| Cash flows from investing activities | | | |
| Payments for intangibles | | (28.3) | (53.6) |
| Payments for property, plant and equipment | | (705.1) | (964.5) |
| Proceeds from sale of property, plant and equipment | | 81.8 | 149.8 |
| Payments for investments in controlled entities and businesses | | (110.0) | (34.9) |
| Proceeds from sale of investments in controlled entities and businesses | | - | 614.1 |
| Cash acquired from acquisition of investments in controlled entities and businesses | | - | 27.2 |
| Cash disposed from sale of investments in controlled entities and businesses | | (420.5) | (18.4) |
| Payments for investments | | (1.9) | (200.0) |
| Proceeds from sale of investments | | 33.7 | - |
| Net cash from investing activities | | (1,150.3) | (480.3) |
| Cash flows from financing activities | | | |
| Proceeds from share issues | | 23.9 | 1.4 |
| Cash payments in relation to employee share plans | | (25.9) | - |
| Proceeds from borrowings | | 1,458.2 | 254.1 |
| Repayment of borrowings | | (678.6) | (568.7) |
| Proceeds from sale and finance leaseback of property, plant and equipment | | - | 200.4 |
| Repayment of finance leases | | (181.7) | (268.4) |
| Dividends paid to non-controlling interests | | (0.3) | (0.4) |
| Dividends paid to owners of the Company | | (395.6) | (354.1) |
| Net cash from financing activities | | 200.0 | (735.7) |
| Net increase / (decrease) in cash held | | 193.5 | (413.1) |
| Net cash at the beginning of the period | | 1,720.7 | 2,007.7 |
| Effects of exchange rate fluctuations on cash held | | 62.7 | 126.1 |
| Net cash at reporting date | 7 | 1,976.9 | 1,720.7 |

Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

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 joint arrangements.

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 40: *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 2014, as follows:

- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* AASB 124;
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*;
- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*;
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*;
- AASB 1031 *Materiality (December 2013)*; and
- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B)*.

While these standards introduced new disclosure requirements, they do not affect the Group's accounting policies or any of the amounts recognised in the financial statements.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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. During the year the Group revised its estimation of the recoverability of contract debtors. A portfolio basis is applied to determining the recoverability of contract debtors. This revision resulted in an impairment of \$675.0 million in the current period (refer to note 4: *Items included in profit / (loss) before tax from continuing operations*, and note 8: *Trade and other receivables*).

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
- Asset disposals:
 - Controlled entities and businesses: determination of loss of control and fair value of consideration;
 - Other assets: determination as to whether the significant risks and rewards of ownership have transferred;
- Estimation of the economic life of property, plant and equipment and intangibles;
- 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.

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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of consolidation continued

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 entity. 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 accounted for using the equity method and recognised initially at cost. The cost of the investments includes transaction costs and goodwill on acquisition.

The consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investments, after adjustments for impairment 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, 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 statement of financial position at cost, including transaction costs and goodwill on acquisition, 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 adjusted for where necessary, to ensure consistency with the policies adopted by the Group.

Other investments

Other investments are accounted for as either available-for-sale financial assets, or fair value through profit and loss financial assets.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

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.

Other revenue 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 2014

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 where a right of offset exists.

Trade and other receivables

Contract and trade debtors include all net receivables from construction, contract mining 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.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets designated as at fair value through profit and loss comprise equity securities that otherwise would have been classified as available-for-sale. These financial assets are measured at fair value at each reporting date and movements in fair value are taken into the statement of profit and 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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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;
- 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.

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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

l) Intangible assets continued

(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 10 years.

IT systems are carried at cost less accumulated amortisation and any impairment losses.

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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

n) Employee benefits continued

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) 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.

p) 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 2014

2. REVENUE

| | Note | 12 months to December 2014 \$m | 12 months to December 2013 \$m ^(restated) |
|---|--------|--------------------------------------|---|
| Construction contracting services | | 12,228.5 | 11,090.7 |
| Mining contracting services | | 3,666.7 | 4,416.6 |
| Property development revenue | | 728.4 | 519.6 |
| Other revenue | | 156.3 | 170.7 |
| Revenue from external customers | | 16,779.9 | 16,197.6 |
| Interest | | | |
| - Related parties | 38 (b) | 24.2 | 22.0 |
| - Other parties | | 25.8 | 23.4 |
| Unwinding of discounts on non-current receivables | | | |
| - Related parties | 38 (b) | 6.6 | 7.2 |
| - Other parties | | 31.2 | 8.0 |
| Dividends / distributions | | 8.1 | 0.5 |
| Interest and dividends | | 95.9 | 61.1 |
| Total revenue from continuing operations ¹ | 32 | 16,875.8 | 16,258.7 |

¹31 December 2014: Total revenue from continuing operations excludes \$5,433.6 million of revenue from discontinued operations (31 December 2013: \$6,306.0 million). Refer to note 30: Acquisitions, disposals and discontinued operations.

^Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2013 and have been re-presented to separately show those operations classified as discontinued in the current year, as detailed in note 30: Acquisitions, disposals and discontinued operations.

Notes continued

for the year ended 31 December 2014

3. EXPENSES

| | Note | 12 months to December 2014 \$m | 12 months to December 2013 \$m ^(restated) |
|---|------|--------------------------------------|---|
| Materials | | (2,775.9) | (3,230.5) |
| Subcontractors | | (5,587.3) | (4,459.2) |
| Plant costs | | (1,216.8) | (1,162.0) |
| Personnel costs | | (4,362.5) | (4,536.1) |
| Depreciation of property, plant and equipment | 4 | (543.2) | (840.7) |
| Amortisation of intangibles | 4 | (34.7) | (24.0) |
| Net gain / (loss) on acquisition of controlled entities | 4 | - | (78.3) |
| Net gain / (loss) on sale of assets | 4 | 47.3 | (13.9) |
| Impairments | 4 | (680.3) | (124.7) |
| Property development - cost of goods sold | | (759.9) | (503.9) |
| Foreign exchange gains / (losses) | | (0.4) | (2.4) |
| Operating lease payments - plant and equipment | | (275.1) | (204.5) |
| Operating lease payments - other | | (94.0) | (82.1) |
| Design, engineering and technical consulting fees | | (106.6) | (98.3) |
| Other expenses | | (353.9) | (295.8) |
| Total expenses from continuing operations ¹ | | (16,743.3) | (15,656.4) |

¹31 December 2014: Total expenses from continuing operations excludes \$5,199.2 million of expenses from discontinued operations (31 December 2013: \$6,141.7 million). Refer to note 30: Acquisitions, disposals and discontinued operations.

^Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2013 and have been re-presented to separately show those operations classified as discontinued in the current year, as detailed in note 30: Acquisitions, disposals and discontinued operations.

Notes continued

for the year ended 31 December 2014

4. ITEMS INCLUDED IN PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS¹

| | Note | 12 months to December 2014 \$m | 12 months to December 2013 \$m ^(restated) |
|--|--------|--------------------------------------|---|
| Finance costs | | | |
| Interest | | | |
| - Related parties | 38 (b) | (4.2) | (0.4) |
| - Other parties | | (175.2) | (138.0) |
| Finance charge for finance leases | | (19.1) | (46.6) |
| Facility fees | | | |
| - Bank guarantees, insurance bonds and letters of credit | | (29.2) | (29.2) |
| - Other | | (10.3) | (16.6) |
| Impact of discounting | | | |
| - Related parties | 38 (b) | (0.4) | (21.6) |
| - Other | | (1.6) | (0.6) |
| Total finance costs | | (240.0) | (253.0) |
| Depreciation of property, plant and equipment | | | |
| - Buildings | | (0.8) | (2.2) |
| - Leasehold land, buildings and improvements | | (6.6) | (1.7) |
| - Plant and equipment | | (535.8) | (836.8) |
| Total depreciation of property, plant and equipment | 28 | (543.2) | (840.7) |
| Amortisation | | | |
| - Intangibles | 15 | (34.7) | (24.0) |
| Net gain / (loss) on acquisition of controlled entities | | | |
| - Controlled entities | 30 | - | (78.3) |
| Net gain / (loss) on sale of assets | | | |
| - Investments | | 30.4 | - |
| - Plant and equipment | | 16.9 | (13.9) |
| Total gain / (loss) on sale of assets | | 47.3 | (13.9) |
| Impairments | | | |
| - Investments in infrastructure toll road companies | 36 (f) | - | (18.5) |
| - Investments accounted for using the equity method | 25 | - | (15.0) |
| - Property development and property joint venture write-downs | | (5.3) | (81.2) |
| - Property, plant and equipment | | - | (10.0) |
| - Contract debtors provision | 8 | (675.0) | - |
| Total impairments | | (680.3) | (124.7) |

¹Items included in profit / (loss) before tax from continuing operations exclude the following from discontinued operations: \$1.2 million relating to finance costs (31 December 2013: \$2.4 million), \$68.4 million relating to depreciation (31 December 2013: \$64.7 million), \$4.9 million relating to amortisation (31 December 2013: \$3.9 million), and \$973.2 million relating to gain on sale of controlled entities and businesses (31 December 2013: \$215.0 million).

Notes continued

for the year ended 31 December 2014

5. AUDITOR'S REMUNERATION

| | 12 months to December 2014 \$'000 | 12 months to December 2013 \$'000 |
|--|---|---|
| Audit and review services | | |
| <i>Deloitte Touche Tohmatsu ("Deloitte")</i> | | |
| - Audit and review of financial statements – Deloitte Australia ¹ | 2,323 | 3,461 |
| - Audit and review of financial statements – related overseas firms ¹ | 1,277 | 1,177 |
| <i>Other auditors</i> | | |
| - Audit and review of financial statements – other auditors | 559 | 388 |
| Audit and review services | 4,159 | 5,026 |
| Other assurance services | | |
| <i>Deloitte</i> | | |
| - Other assurance services – Deloitte Australia ¹ | 1,424 | 252 |
| <i>Other auditors</i> | | |
| - Other assurance services – other auditors | 298 | 21 |
| Other assurance services | 1,722 | 273 |
| Other services | | |
| <i>Deloitte</i> | | |
| - In relation to taxation and other services – Deloitte Australia | 319 | 45 |
| - In relation to taxation and other services – related overseas firms | - | - |
| <i>Other auditors</i> | | |
| - Other services – other auditors | - | 41 |
| Other services | 319 | 86 |

¹The 12 months to December 2013 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 2014 of \$796,400.

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*.

Notes continued

for the year ended 31 December 2014

6. INCOME TAX (EXPENSE) / BENEFIT

| | 12 months to December 2014 \$m | 12 months to December 2013 \$m |
|---|--------------------------------------|--------------------------------------|
| Income tax (expense) / benefit recognised in the statement of profit or loss | | |
| Current tax expense | (602.4) | (115.0) |
| Deferred tax (expense) / benefit | 154.6 | (159.7) |
| (Under) / over provision in prior periods | (4.7) | 7.5 |
| Total income tax (expense) / benefit in statement of profit or loss | (452.5) | (267.2) |
| Deferred tax recognised directly in equity | | |
| Revaluation of cash flow hedges | 2.2 | (6.0) |
| Revaluation of available-for-sale assets | 1.9 | 4.1 |
| Total deferred tax (expense) / benefit recognised in equity | 4.1 | (1.9) |
| Reconciliation of prima facie tax to income tax (expense) / benefit | | |
| Profit / (loss) from continuing operations | (90.7) | 358.0 |
| Profit / (loss) from discontinued operations | 1,221.8 | 378.1 |
| Profit / (loss) before tax | 1,131.1 | 736.1 |
| Prima facie income tax (expense) / benefit at 30% (31 December 2013: 30%) | (339.3) | (220.8) |
| The following items have affected income tax (expense) / benefit for the year: | | |
| Entertainment and other non-allowable items | (9.9) | (9.8) |
| Tax losses written off | (12.1) | (16.8) |
| Overseas income tax differential | (31.2) | (18.4) |
| Research and development credit | 11.7 | 34.6 |
| Movement in provision for taxes on retained earnings of controlled entities | 7.8 | (14.6) |
| Equity accounted and joint venture income tax differential | 4.9 | (3.0) |
| Asset impairments | - | (13.1) |
| Tax differential on divestments / other | (79.7) | (12.8) |
| Current period income tax (expense) / benefit | (447.8) | (274.7) |
| Under) / over provision in prior periods | (4.7) | 7.5 |
| Income tax (expense) / benefit ¹ | (452.5) | (267.2) |

¹31 December 2014: Total income tax (expense) / benefit amount includes \$430.4 million relates to discontinued operations (31 December 2013: \$136.1 million). Refer to note 30: Acquisitions, disposals and discontinued operations.

Notes continued

for the year ended 31 December 2014

7. CASH AND CASH EQUIVALENTS

| | December 2014 \$m | December 2013 \$m |
|----------------------------|----------------------|----------------------|
| Funds on deposit | 203.4 | 799.2 |
| Cash at bank and on hand | 1,773.5 | 921.5 |
| Cash and cash equivalents* | 1,976.9 | 1,720.7 |

*31 December 2014: During the reporting period, the Group disposed of \$420.5 million of cash and cash equivalents (31 December 2013: \$18.4 million). Refer to note 30: Acquisitions, disposals and discontinued operations.

8. TRADE AND OTHER RECEIVABLES

| | Note | December 2014 \$m | December 2013 \$m |
|--|--------|----------------------|----------------------|
| Contract debtors ¹ | | 3,302.6 | 3,978.9 |
| Contract debtors provision ⁶ | | (675.0) | - |
| Total net contract debtors | | 2,627.6 | 3,978.9 |
| Proceeds receivable on sale of controlled entities and businesses ⁵ | | 1,643.2 | - |
| Trade debtors | | 511.5 | 531.8 |
| Other amounts receivable | | 359.0 | 435.0 |
| Prepayments | | 41.1 | 80.8 |
| Derivative financial assets | 36 (b) | 1.2 | 10.9 |
| Amounts receivable from related parties ² | 38 (b) | 771.7 | 715.8 |
| Non-current tax asset ³ | | 36.8 | 44.0 |
| Total trade and other receivables ⁴ | | 5,992.1 | 5,797.2 |
| Current | | 5,069.3 | 4,994.2 |
| Non-current | | 922.8 | 803.0 |
| Total trade and other receivables ⁴ | | 5,992.1 | 5,797.2 |

Notes continued

for the year ended 31 December 2014

8. TRADE AND OTHER RECEIVABLES CONTINUED

| | December 2014 \$m | December 2013 \$m |
|--|----------------------|----------------------|
| Additional information on contract debtors | | |
| Amounts due from customers - net contract debtors | 2,627.6 | 3,978.9 |
| Amounts due to customers - trade creditors | (662.5) | (987.0) |
| Net contract debtors | 1,965.1 | 2,991.9 |
| Net contract debtors excluding retentions | 1,806.4 | 2,841.4 |
| Retentions | 158.7 | 150.5 |
| Net contract debtors | 1,965.1 | 2,991.9 |
| Cash received to date | 66,321.1 | 64,615.5 |
| Total progressive value of all contracts in progress at reporting date | 68,286.2 | 67,607.4 |

¹The 31 December 2013 comparative has been adjusted as a result of a business combination fair value amendment relating to a prior year acquisition, as detailed in note 30: Acquisitions, disposals and discontinued operations.

²The 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\$109.6 million (31 December 2013: US\$104.2 million) equivalent to \$135.3 million (31 December 2013: \$115.7 million), maturing on 30 September 2017;
- non-current interest bearing loans of US\$415.0 million (31 December 2013: US\$415.0 million) equivalent to \$512.3 million (31 December 2013: \$461.1 million), maturing on 30 September 2017; and
- the repayment of the above loans is subject to certain restrictions as a result of the loans being subordinate to other external debt held by HLG. Repayment of these amounts is expected to occur after the settlement of HLG's external debt in September 2017, or where HLG receives prior written consent from the financier, or where a permitted payment under the financing arrangement occurs.

- non-current interest receivable of US\$67.1 million (31 December 2013: US\$49.2 million), equivalent to \$82.9 million (31 December 2013: \$54.7 million), is receivable from HLG on the interest bearing shareholder loans.

³The non-current tax asset of \$36.8 million (31 December 2013: \$44.0 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.

⁴31 December 2014: During the reporting period, the Group disposed of \$1,361.8 million of trade and other receivables (31 December 2013: \$21.2 million). Refer to note 30: Acquisitions, disposals and discontinued operations.

⁵Receivable in relation to businesses disposed during the reporting period (31 December 2013: \$nil). Refer to note 30: Acquisitions, disposals and discontinued operations.

⁶The Group has raised a contract debtors provision to cover the risk on a portfolio basis of unrecoverable contract debtors at 31 December 2014. Refer to note 1: Accounting estimates and judgements for discussion in respect of judgements made relating to construction and contract mining projects.

| | 12 months to December 2014 \$m | 12 months to December 2013 \$m |
|--|--------------------------------------|--------------------------------------|
| Contract debtors provision | | |
| Balance at beginning of reporting period | - | - |
| Net provision (made) / used | (675.0) | - |
| Balance at reporting date | (675.0) | - |

Notes continued

for the year ended 31 December 2014

9. CURRENT TAX ASSETS

The current tax asset of \$53.0 million (31 December 2013: \$20.9 million) represents the amount of income taxes recoverable from the payment of tax in excess of the amounts due to the relevant tax authority.

10. INVENTORIES

| | December 2014 \$m | December 2013 \$m |
|--|----------------------|----------------------|
| Property developments | | |
| Cost of acquisition | 333.0 | 396.8 |
| Development expenses capitalised | 143.9 | 196.9 |
| Rates, taxes, finance and other costs capitalised | 39.1 | 29.9 |
| Total property developments | 516.0 | 623.6 |
| Other inventories | | |
| Raw materials and consumables at cost ¹ | 202.3 | 296.8 |
| Total other inventories | 202.3 | 296.8 |
| Total inventories ² | 718.3 | 920.4 |
| Current | 361.6 | 556.0 |
| Non-current | 356.7 | 364.4 |
| Total inventories ² | 718.3 | 920.4 |

¹31 December 2014: Raw materials and consumables at cost exclude \$30.5 million of inventory included in assets held for sale at the end of the reporting period (31 December 2013: \$27.5 million). Refer to note 31: Held for sale.

²31 December 2014: During the reporting period, the Group disposed of \$53.6 million of inventory (31 December 2013: \$1.5 million). Refer to note 30: Acquisitions, disposals and discontinued operations.

Finance costs capitalised to property developments during the period: \$9.4 million (31 December 2013: \$13.7 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 2014 \$m | December 2013 \$m |
|--|------|----------------------|----------------------|
| Associates | 25 | 528.7 | 499.3 |
| Joint venture entities | 26 | 484.9 | 326.3 |
| Total investments accounted for using the equity method ³ | | 1,013.6 | 825.6 |

³31 December 2014: During the reporting period, the Group disposed of \$26.7 million of investments accounted for using the equity method (31 December 2013: \$nil). Refer to note 30: Acquisitions, disposals and discontinued operations.

Notes continued

for the year ended 31 December 2014

12. OTHER INVESTMENTS

| | Note | December 2014 \$m | December 2013 \$m |
|--|--------|----------------------|----------------------|
| Equity and stapled securities available-for-sale | | | |
| Listed | | 1.6 | 1.6 |
| Unlisted | | 73.7 | 57.4 |
| Total equity and stapled securities available-for-sale | 36 (f) | 75.3 | 59.0 |
| Other financial assets at fair value through profit or loss | | | |
| Listed | | - | - |
| Unlisted | | 37.0 | 33.7 |
| Total other financial assets at fair value through profit or loss | 36 (f) | 37.0 | 33.7 |
| Current | | - | - |
| Non-current | | 112.3 | 92.7 |
| Total other investments | | 112.3 | 92.7 |

13. DEFERRED TAXES

| | December 2014 \$m | December 2013 \$m |
|--|----------------------|----------------------|
| Recognised deferred tax assets / (liabilities) | | |
| Deferred tax assets are attributed to the following: | | |
| Contract debtors | 304.0 | 69.4 |
| Property developments | 30.5 | 48.9 |
| Other inventories | 0.4 | 1.8 |
| Property, plant and equipment | 87.3 | 94.8 |
| Employee benefits | 128.5 | 207.3 |
| Contract profit differential | (281.1) | (386.5) |
| Withholding tax on retained earnings of non-resident and controlled entities | (64.5) | (72.3) |
| Investment revaluations | 77.3 | 78.3 |
| (Gain) / loss on disposal / acquisition of controlled entities | (178.7) | (117.9) |
| Foreign exchange | 13.2 | 8.0 |
| Tax losses | 124.0 | 160.8 |
| Trade and other payables and other | (0.1) | (6.3) |
| Total deferred taxes ¹ | 240.8 | 86.3 |
| Unrecognised deferred tax assets | | |
| Deferred tax assets which have not been recognised in respect of tax losses | 3.0 | 2.3 |

¹ 31 December 2014: During the reporting period, the Group disposed of \$48.4 million of deferred taxes (31 December 2013: \$21.3 million). Refer to note 30: Acquisitions, disposals and discontinued operations.

Notes continued

for the year ended 31 December 2014

14. PROPERTY, PLANT AND EQUIPMENT

| | Note | December 2014 \$m | December 2013 \$m |
|--|------|----------------------|----------------------|
| Land | | 5.2 | 10.7 |
| Buildings | | 37.6 | 42.9 |
| Accumulated depreciation | | (16.0) | (17.6) |
| | | 21.6 | 25.3 |
| Leasehold land, buildings and improvements | | 96.7 | 151.7 |
| Accumulated depreciation | | (61.2) | (79.6) |
| | | 35.5 | 72.1 |
| Plant and equipment | | 3,869.6 | 4,118.5 |
| Accumulated depreciation | | (2,305.4) | (2,474.0) |
| | | 1,564.2 | 1,644.5 |
| Total property, plant and equipment ^{1,2,3} | 28 | 1,626.5 | 1,752.6 |
| Non-current | | 1,626.5 | 1,752.6 |
| Total property, plant and equipment | | 1,626.5 | 1,752.6 |

¹ Plant and equipment of \$364.3 million (31 December 2013: \$535.1 million) is under finance lease.

² 31 December 2014: Total property, plant and equipment excludes \$223.9 million of property, plant and equipment included in assets held for sale (31 December 2013: \$201.9 million). Refer to note 31: Held for sale.

³ 31 December 2014: During the reporting period, the Group disposed of \$267.5 million of property, plant and equipment (31 December 2013: \$649.3 million). Refer to note 30: Acquisitions, disposals and discontinued operations.

Notes continued

for the year ended 31 December 2014

15. INTANGIBLES

| | Note | Goodwill \$m | Other intangibles ¹ \$m | Total intangibles \$m |
|---|------|-----------------|---------------------------------------|--------------------------|
| Cost | | | | |
| Balance at 31 December 2012 | | 96.9 | 236.2 | 333.1 |
| Additions | | 0.6 | 59.6 | 60.2 |
| Transfers | | 14.6 | 3.2 | 17.8 |
| Acquisitions through business combinations ² | 30 | 303.0 | 19.5 | 322.5 |
| Balance at 31 December 2013 | | 415.1 | 318.5 | 733.6 |
| Balance at 1 January 2014 | | 415.1 | 318.5 | 733.6 |
| Additions | | - | 28.3 | 28.3 |
| Disposals ³ | | (71.8) | (54.2) | (126.0) |
| Transfers | | - | - | - |
| Effects of exchange rate fluctuations | | 32.8 | 1.3 | 34.1 |
| Balance at 31 December 2014 | | 376.1 | 293.9 | 670.0 |
| Amortisation and impairment | | | | |
| Balance at 31 December 2012 | | (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) |
| Balance at 1 January 2014 | | (17.6) | (85.8) | (103.4) |
| Amortisation | | - | (39.6) | (39.6) |
| Disposals ³ | | 5.3 | 23.7 | 29.0 |
| Transfers | | - | - | - |
| Balance at 31 December 2014 | | (12.3) | (101.7) | (114.0) |
| Carrying amounts | | | | |
| Balance at 31 December 2013 | | 397.5 | 232.7 | 630.2 |
| Balance at 31 December 2014 | | 363.8 | 192.2 | 556.0 |

¹Other intangibles include:

- IT software systems of \$153.0 million with a useful life of up to 10 years (31 December 2013: \$183.4 million up to 7 years);
- Devine Limited brand name of \$24.0 million (31 December 2013: \$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 2013: 11%) and growth rate of 3% (31 December 2013: 3%) has been used in discounting the projected cash flow;
- Customer contracts with useful lives of:
 - 1 to 5 years - \$12.5 million (31 December 2013: \$22.7 million); and
 - 5 to 20 years - \$0.9 million (31 December 2013: \$0.9 million);
- Wai Ming engineering license with useful life of: indefinite - \$1.8 million (31 December 2013: indefinite - \$1.7 million).

²The 31 December 2013 comparative has been adjusted as a result of a business combination fair value amendment relating to a prior year acquisition, as detailed in note 30: Acquisitions, disposals and discontinued operations.

³Disposals of \$97.0 million during the period relate to businesses disposed during the period (31 December 2013: \$25.9 million). Refer to note 30: Acquisitions, disposals and discontinued operations.

Notes continued

for the year ended 31 December 2014

15. INTANGIBLES CONTINUED

| | December 2014 \$m | December 2013 \$m |
|--|----------------------|----------------------|
| Impairment tests for cash-generating units containing goodwill | | |
| The following cash-generating units have the following carrying amounts of goodwill: | | |
| Construction | 313.2 | 289.9 |
| Contract mining | 35.8 | 35.8 |
| Corporate | 14.8 | 14.8 |
| Discontinued | - | 57.0 |
| Balance at reporting date | 363.8 | 397.5 |

As a result of the Leighton Group's Strategic Review of its operations, the Group has identified six separate businesses which include those focussed on construction, contract mining, PPP's and engineering as outlined in *note 32: Segment information*. As such the composition of the Group's reportable segments has changed since the prior reporting period which in turn has resulted in an adjustment to the presentation of cash generating units.

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. The recoverable amount of each cash-generating unit exceeds its carrying amount.

The key assumptions used in the value in use calculations 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 |
| Discount Rate | ➤ | Risk in the industry and country in which each unit operates |
| Growth Rate | ➤ | Relevant to the market conditions and business plan |

| Cash-generating units | Discount rate range | Growth rate range |
|-----------------------|------------------------|----------------------|
| Construction | 10-21% | 3-5% |
| Contract mining | 15% | 3% |
| Corporate | 10% | 3% |
| Discontinued | n/a | n/a |

Sensitivity to changes in assumptions

The recoverable amount of intangible assets exceeds the carrying value at 31 December 2014. Management considers that for the carrying value to equal the recoverable amount, there would have to be unreasonable changes to key assumptions. Management considers the chances of these changes occurring as unlikely.

Notes continued

for the year ended 31 December 2014

16. TRADE AND OTHER PAYABLES

| | Note | December 2014 \$m | December 2013 \$m |
|---|--------|----------------------|----------------------|
| Trade creditors and accruals ¹ | | 3,901.3 | 5,447.8 |
| Other creditors | | 625.2 | 364.9 |
| Amounts payable to related parties | 38 (b) | 55.2 | 74.9 |
| Trade and other payables | 36 (b) | 4,581.7 | 5,887.6 |
| Derivative financial liabilities | 36 (b) | 0.7 | 5.7 |
| Total trade and other payables² | | 4,582.4 | 5,893.3 |
| Current ¹ | | 4,309.8 | 5,548.5 |
| Non-current | | 272.6 | 344.8 |
| Total trade and other payables² | | 4,582.4 | 5,893.3 |

¹31 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, disposals and discontinued operations.

²31 December 2014: During the reporting period, the Group disposed of \$1,488.7 million of trade and other payables (31 December 2013: \$96.5 million). Refer to note 30: Acquisitions, disposals and discontinued operations.

Notes continued

for the year ended 31 December 2014

17. CURRENT TAX LIABILITIES

The current tax liability of \$622.9 million (31 December 2013: \$51.3 million) represents the amounts payable in respect of current and prior periods.

18. PROVISIONS

| | December 2014 \$m | December 2013 \$m |
|---|----------------------|----------------------|
| Employee benefits | | |
| Balance at beginning of reporting period | 655.1 | 580.2 |
| Provisions made during the reporting period | 533.3 | 557.4 |
| Provisions acquired during the reporting period through business combinations | - | 35.2 |
| Disposed during the period | (167.5) | (7.7) |
| Provisions used during the reporting period | (563.5) | (522.4) |
| Effect of movements in foreign exchange | 10.5 | 12.4 |
| Total provisions | 467.9 | 655.1 |
| Current | 310.9 | 477.0 |
| Non-current | 157.0 | 178.1 |
| Total provisions | 467.9 | 655.1 |

The provision for employee benefits relates to wages and salaries, annual leave, long service leave, retirement benefits and deferred bonuses.

Notes continued

for the year ended 31 December 2014

19. INTEREST BEARING LIABILITIES

| | Note | December 2014 \$m | December 2013 \$m |
|---|-------|----------------------|----------------------|
| <i>Current</i> | | | |
| Interest bearing loans | | 983.9 | 415.5 |
| Finance lease liabilities | | 94.7 | 141.0 |
| Interest bearing liabilities - limited recourse loans | | 84.7 | 33.0 |
| <i>Total current liabilities</i> | | 1,163.3 | 589.5 |
| <i>Non-current</i> | | | |
| Interest bearing loans | | 1,635.8 | 1,123.4 |
| Finance lease liabilities | | 188.1 | 258.2 |
| Interest bearing liabilities - limited recourse loans | | 8.1 | 154.0 |
| <i>Total non-current liabilities</i> | | 1,832.0 | 1,535.6 |
| <i>Total interest bearing liabilities^{1,2}</i> | 36(g) | 2,995.3 | 2,125.1 |

¹ 31 December 2014: total interest bearing liabilities excludes \$93.8 million of interest bearing liabilities included in liabilities held for sale as at the end of reporting period (31 December 2013: \$105.1 million). Refer to note 31: Held for sale.

² 31 December 2014: During the reporting period, the Group disposed of \$0.4 million of interest bearing liabilities (31 December 2013: \$71.0 million). Refer to note 30: Acquisitions, disposals and discontinued operations.

Notes continued

for the year ended 31 December 2014

20. EQUITY

| | Company | |
|--|--------------------------------|--------------------------------|
| | December 2014 No. of shares | December 2013 No. of shares |
| Issued and fully paid share capital | | |
| Balance at beginning of reporting period | 337,235,188 | 337,164,188 |
| Exercise of options ¹ | 1,268,375 | 71,000 |
| Balance at reporting date | 338,503,563 | 337,235,188 |

| | Company | |
|--|--------------------------------------|--------------------------------------|
| | 12 months to December 2014 \$m | 12 months to December 2013 \$m |
| Share capital | | |
| Balance at beginning of reporting period | 2,028.6 | 2,027.2 |
| Exercise of options ¹ | 23.9 | 1.4 |
| Balance at reporting date | 2,052.5 | 2,028.6 |

¹ During the 12 month period to 31 December 2014 the Company issued 1,268,375 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 \$23.9 million (31 December 2013: 71,000 shares 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.

Notes continued

for the year ended 31 December 2014

21. RESERVES

| | 12 months to December 2014 \$m | 12 months to December 2013 \$m |
|---|--------------------------------------|--------------------------------------|
| Foreign currency translation reserve | | |
| Balance at beginning of reporting period | (100.1) | (280.5) |
| Included in statement of comprehensive income | 234.9 | 180.4 |
| Balance at reporting date | 134.8 | (100.1) |
| Hedging reserve | | |
| Balance at beginning of reporting period | 5.7 | (6.8) |
| Included in statement of comprehensive income | (5.3) | 12.5 |
| Balance at reporting date | 0.4 | 5.7 |
| Fair value reserve | | |
| Balance at beginning of reporting period | 9.6 | - |
| Included in statement of comprehensive income | 4.4 | 9.6 |
| Balance at reporting date | 14.0 | 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 | (17.3) | (17.6) |
| Included in statement of comprehensive income | (0.8) | 0.3 |
| Balance at reporting date | (18.1) | (17.3) |
| Share based payments reserve | | |
| Balance at beginning of reporting period | 71.2 | 54.3 |
| Included in statement of profit or loss | 21.4 | 16.9 |
| Vesting of share based payments | (25.9) | - |
| Balance at reporting date | 66.7 | 71.2 |
| Total reserves at reporting date¹ | 219.0 | (9.7) |

¹Includes amounts reclassified and included in the statement of profit or loss in the year ended 31 December 2014: \$8.6 million (31 December 2013: \$68.9 million). Refer to note 30: Acquisitions, disposals and discontinued operations for further detail.

Notes continued

for the year ended 31 December 2014

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 share based payments issued to employees over the vesting period, and to recognise the value attributable to the vesting of share based payments during the reporting period.

22. RETAINED EARNINGS

| | Note | 12 months to December 2014 \$m | 12 months to December 2013 \$m |
|--|------|--------------------------------------|--------------------------------------|
| Balance at beginning of reporting period | | 1,201.3 | 1,046.7 |
| Included in statement of profit or loss | | 676.5 | 508.7 |
| Dividends paid | 23 | (395.6) | (354.1) |
| Balance at reporting date | | 1,482.2 | 1,201.3 |

Notes continued

for the year ended 31 December 2014

23. DIVIDENDS

| | Cents per share | \$m |
|---|-----------------|-------|
| 2014 final dividend (including special dividend) | | |
| Subsequent to reporting date the Company announced a 100% franked final dividend in respect of the year ended 31 December 2014. The dividend is payable on 10 April 2015. This dividend has not been provided for in the statement of financial position. | 68.0 | 229.1 |
| Dividends recognised in the reporting period to 31 December 2014[†] | | |
| 30 June 2014 interim ordinary dividend 25% franked paid on 3 October 2014 | 57.0 | 193.0 |
| 31 December 2013 final ordinary dividend 50% franked paid on 4 April 2014 | 60.0 | 202.6 |
| | | 395.6 |
| 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 unfranked paid on 28 March 2013 | 60.0 | 202.3 |
| | | 354.1 |

[†]The unfranked portion of the dividend has been declared Conduit Foreign Income.

| | Company | |
|--|----------------------|----------------------|
| | December 2014 \$m | December 2013 \$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 | 597.3 | 49.9 |

The impact of the 2014 final dividend, declared after reporting date, on the dividend franking account will be a reduction of \$98.2 million (2013: \$43.3 million).

Notes continued

for the year ended 31 December 2014

24. EARNINGS PER SHARE

| | 12 months to December 2014 | 12 months to December 2013 ^(restated) |
|--|-------------------------------|--|
| Basic earnings per share | | |
| From continuing operations | (33.9c) | 79.2c |
| From discontinued operations | 233.9c | 71.7c |
| Total basic earnings per share | 200.0c | 150.9c |
| Diluted earnings per share | | |
| From continuing operations | (33.7c) | 78.7c |
| From discontinued operations | 232.5c | 71.4c |
| Total diluted earnings per share | 198.8c | 150.1c |
| Profit / (loss) attributable to members of the parent entity used in the calculation of basic and diluted earnings per share (\$m) | | |
| From continuing operations | (114.6) | 266.9 |
| From discontinued operations | 791.1 | 241.8 |
| | 676.5 | 508.7 |
| 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 | 338,201,371 | 337,222,530 |
| Weighted average effect of share options on issue ¹ | - | - |
| Contingently issuable shares ² | 2,004,831 | 1,762,956 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | 340,206,202 | 338,985,486 |

^Certain amounts shown here do not correspond to the consolidated financial report as at 31 December 2013 and have been re-presented to separately show those operations classified as discontinued in the current year, as detailed in note 30: Acquisitions, disposals and discontinued operations.

¹Share options are not dilutive for 31 December 2014 as all unexercised and outstanding 2009 options granted on 4 May 2009 lapsed on 4 May 2014. Share options were also not dilutive for 31 December 2013.

²Contingently issuable shares relate to share rights under plans disclosed in note 37: Employee Benefits.

Notes continued

for the year ended 31 December 2014

25. ASSOCIATES

The Group has the following investments in associates:

| Name of entity | Principal activity | Country | Ownership interest | |
|--|-------------------------------|----------------------|--------------------|--------------------|
| | | | December 2014 % | December 2013 % |
| Al Habtoor Leighton LLC | Construction | United Arab Emirates | 45 | 45 |
| Dunsborough Lakes Village Syndicate ¹ | Development | Australia | 20 | 20 |
| LCIP Co-Investment Unit Trust ³ | Investment | Australia | 11 | 25 |
| Macmahon Holdings Limited ¹ | Contract Mining | Australia | 20 | 20 |
| Metro Trains Melbourne Pty Limited ^{1,4} | Services | Australia | - | 20 |
| Sedgman Limited ¹ | Construction, Contract Mining | Australia | 37 | 36 |
| Paradip Multi Cargo Berth Private Limited ² | Development | India | 26 | 26 |
| Vizag General Cargo Berth Ltd Private Limited ² | Construction | India | - | 26 |
| Wellington Gateway General Partner No.1 Limited ³ | Investment | New Zealand | 15 | - |
| Wellington Gateway Partnership No 1 Limited partnership ³ | Investment | New Zealand | 15 | - |
| Wellington Gateway General Partner No.2 Limited ³ | Investment | New Zealand | 15 | - |
| Wellington Gateway Partnership No 2 Limited partnership ³ | Investment | New Zealand | 15 | - |

All associates have a statutory reporting date of 31 December with the following exceptions:

¹Entities have a 30 June statutory reporting date.

²Entities have a 31 March statutory reporting date.

³The Group's investment has been equity accounted as a result of the Group's active participation on the Board and the Group's ability to impact decision making, leading to the assessment that significant influence exists.

⁴On 12 December 2014, the Group sold 100% of its shareholding in JHG which held the investment in Metro Trains Melbourne Pty Limited. Refer to note 30: Acquisitions, disposals and discontinued operations for further detail.

Al Habtoor Leighton LLC ("HLG")

During the reporting period, the carrying value of the Group's investment in HLG increased from \$345.1 million to \$383.4 million (equivalent to US\$310.6 million in 2014 and 2013). The increase was due to a foreign exchange translation gain of \$38.3 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 | ➤ | 16% (31 December 2013: 18%) |
| Growth rate | ➤ | 3% (31 December 2013: 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, 61% will be collected within twenty-four months and 39% collected subsequently (31 December 2013: 50% and 50% 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 |

Notes continued

for the year ended 31 December 2014

25. ASSOCIATES CONTINUED

Al Habtoor Leighton LLC ("HLG") continued

Management considers that for the carrying value to equal the recoverable amount, there would have to be unreasonable changes to key assumptions. Management considers the chances of these changes occurring as unlikely.

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\$292.5 million (31 December 2013: two facilities totalling US\$345.6 million):

- letters of credit of US\$78.7 million (31 December 2013: US\$68.0 million), equivalent to \$97.1 million (31 December 2013: \$75.6 million); and
- guarantees of US\$213.8 million (31 December 2013: US\$277.6 million), equivalent to \$264.0 million (31 December 2013: \$308.4 million).

Share of total assets and liabilities of associates' results, assets and liabilities:

| | 12 months to December 2014 \$m | 12 months to December 2013 \$m |
|--|--------------------------------------|--------------------------------------|
| Revenue | 1,035.3 | 838.0 |
| Expenses | (1,043.9) | (831.5) |
| Profit / (loss) before tax | (8.6) | 6.5 |
| Income tax (expense) / benefit | (3.0) | (1.6) |
| Profit / (loss) for the period ³ | (11.6) | 4.9 |
| | December 2014 \$m | December 2013 \$m |
| Current assets | 1,519.6 | 1,225.1 |
| Non-current assets | 788.4 | 761.7 |
| Total assets | 2,308.0 | 1,986.8 |
| Current liabilities | 1,265.0 | 891.7 |
| Non-current liabilities | 514.3 | 595.8 |
| Total liabilities | 1,779.3 | 1,487.5 |
| Equity accounted associates at reporting date ^{1,2} | 528.7 | 499.3 |

¹ 31 December 2014: During the reporting period, the Group disposed of investments in associates' totalling \$13.1 million (31 December 2013: \$nil). Refer to note 30: *Acquisitions, disposals and discontinued operations*.

² Investments in listed associates for which there are published price quotations had a market value at reporting date of: \$67.7 million (31 December 2013: \$91.1 million).

³ 31 December 2014: Total Profit / (loss) for the period from continuing operations excludes \$14.8 million which has been separately presented in share of profit / (losses) of associates and joint ventures from discontinued operations (31 December 2013: \$13.3 million). Refer note 30: *Acquisitions, disposals and discontinued operations*.

There were no impairments of investments during the reporting period (31 December 2013: \$15.0 million). Refer to note 4: *Items included in profit / (loss) before tax*. The recoverable amount of the investments is based on value in use calculations. Pre-tax discount rates within a range of 14%-18% were used in these calculations.

Notes continued

for the year ended 31 December 2014

25. ASSOCIATES CONTINUED

Set out below are the associates of the Group as at 31 December 2014 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.

| Name of entity | Place of business / country of incorporation | Measurement method | Nature of relationship | Ownership interest held by the Company | |
|--------------------------------------|--|--------------------|------------------------|--|--------------------|
| | | | | December 2014 % | December 2013 % |
| Al Habtoor Leighton LLC ¹ | United Arab Emirates | Equity method | Associate | 45 | 45 |

¹There 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 2014 \$m | December 2013 \$m |
|--|----------------------|----------------------|
| Commitments - Associates | 10.3 | 15.4 |
| Contingent Liabilities - Associates | | |
| Letters of credit and guarantees | 361.1 | 384.0 |

Notes continued

for the year ended 31 December 2014

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 2014 \$m | December 2013 \$m |
|-----------------------------------|----------------------|----------------------|
| Percentage of interest | 45% | 45% |
| Summarised balance sheet | | |
| Current assets | 1,383.3 | 995.9 |
| Non-current assets | 653.1 | 612.7 |
| Current liabilities | (1,166.6) | (734.6) |
| Non-current liabilities | (486.4) | (528.9) |
| Net assets | 383.4 | 345.1 |
| Summarised profit or loss | | |
| Revenue | 735.1 | 498.6 |
| Profit / (loss) for the period | - | 1.1 |
| Other comprehensive income | - | - |
| Total comprehensive income | - | 1.1 |
| 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 2014 \$m | December 2013 \$m |
|--|----------------------|----------------------|
| Individually immaterial associates | | |
| <i>Aggregate amounts of the Group's carrying value:</i> | | |
| Net assets | 145.3 | 154.2 |
| <i>Aggregate amounts of the Group's share of profit:</i> | | |
| Profit / (loss) for the period | (11.6) | 3.8 |

Notes continued

for the year ended 31 December 2014

26. JOINT VENTURE ENTITIES

The Group has the following joint venture entities:

| Name of entity | Principal activity | Country | Ownership interest | |
|---|--------------------|-------------|--------------------|--------------------|
| | | | December 2014 % | December 2013 % |
| A.C.N. 115 687 057 Pty Ltd (formerly known as Promet Engineers Pty Limited) ¹ | Construction | Australia | 50 | 50 |
| APM Group (Aust) Pty Ltd & Broad Construction Services (NSW/VIC) Pty Ltd ¹ | Construction | Australia | 50 | 50 |
| Applemead Proprietary Limited | 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 |
| Brisbane Motorway Services Pty Limited ^{1,4} | Services | Australia | - | 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 |
| Coleman Rail Pty Ltd & John Holland Pty Ltd & York Civil Pty Ltd Joint Venture (Trackworks Upgrade Adelaide) ^{1,3} | Construction | Australia | - | 38 |
| Coleman Rail Pty Ltd & John Holland Pty Ltd Joint Venture (Rail Revitalisation Project, SA) ^{1,3} | Construction | Australia | - | 50 |
| Conneq Infrastructure Services (Australia) Pty Ltd and John Holland Pty Ltd ^{1,3} | Services | Australia | - | 50 |
| Copperstring Pty Ltd ¹ | Construction | Australia | 50 | 50 |
| Cotter Googong Bulk Transfer Joint Venture ^{1,3} | Construction | Australia | - | 50 |
| Doubleone 3 Unit Trust ¹ | Development | Australia | 50 | 50 |
| Ersleville Residential Project Pty Ltd | Construction | Australia | 50 | 50 |
| Fallingwater Trust ¹ | Development | Australia | 15 | 15 |

Notes continued

for the year ended 31 December 2014

26. JOINT VENTURE ENTITIES CONTINUED

| Name of entity | Principal activity | Country | Ownership interest | |
|---|--------------------|-----------|--------------------|--------------------|
| | | | December 2014 % | December 2013 % |
| Folkestone/Leighton JV Pty Ltd ¹ | Development | Australia | - | 50 |
| Garlanja Joint Venture ¹ | Construction | Australia | 75 | 75 |
| Gateway Motorway Services Pty Limited ^{1,4} | Services | Australia | - | 50 |
| Great Eastern Alliance | Construction | Australia | 75 | 75 |
| Green Square Consortium Pty Ltd ¹ | Development | Australia | - | 50 |
| Hassall Street Pty Ltd | Development | Australia | - | 50 |
| Hassall Street Trust | Development | Australia | - | 50 |
| Hazell Brothers John Holland Joint Venture ^{1,3} | Construction | Australia | - | 50 |
| Holland York Joint Venture ^{1,3} | Construction | Australia | - | 50 |
| Hollywood Apartments Pty Ltd | Development | Australia | 50 | 50 |
| Hollywood Apartments Trust | Development | Australia | 50 | 50 |
| Infocus Infrastructure Management Pty Limited ^{1,4} | Services | Australia | - | 50 |
| JM Joint Venture ^{1,3} | Construction | Australia | - | 50 |
| JM JV SIA Joint Venture ^{1,3} | Construction | Australia | - | 80 |
| John Holland Abigroup Contractors Joint Venture (Coffs Infrastructure) ^{1,3} | Construction | Australia | - | 50 |
| John Holland BRW Joint Venture ^{1,3} | Construction | Australia | - | 50 |
| John Holland Coleman Rail Joint Venture ^{1,3} | Construction | Australia | - | 50 |
| John Holland Colin Joss Joint Venture ^{1,3} | Construction | Australia | - | 50 |
| John Holland Downer EDI Engineering Power Joint Venture ^{1,3} | Construction | Australia | - | 65 |
| John Holland Downer EDI Joint Venture ^{1,3} | Construction | Australia | - | 60 |
| John Holland Macmahon Joint Venture (Bell Bay) ^{1,3} | Construction | Australia | - | 80 |
| John Holland Macmahon Joint Venture (Roe and Tonkin Highways) ^{1,3} | Construction | Australia | - | 50 |
| John Holland Macmahon Joint Venture (Ross River Dam) ^{1,3} | Construction | Australia | - | 50 |
| John Holland McConnell Dowell Joint Venture ^{1,3} | Construction | Australia | - | 50 |
| John Holland Thames Water Joint Venture ^{1,3} | Construction | Australia | - | 50 |
| John Holland United Group Infrastructure Joint Venture ^{1,3} | Construction | Australia | - | 47 |
| Kentz E & C Pty Ltd | Construction | Australia | 50 | 50 |
| Kings Square No.4 Unit Trust | Development | Australia | 50 | 50 |
| Kings Square Pty Ltd | Development | Australia | 50 | 50 |
| Kurunjang Development Pty Ltd ¹ | Investment | Australia | 50 | 50 |
| LCS Employment Agency Ltd. | Services | Macau | 50 | 50 |
| Leighton Abigroup Joint Venture ¹ | Construction | Australia | 50 | 50 |
| Leighton BMD JV ¹ | Construction | Australia | 50 | 50 |
| BLEighton Construction India (Private) Limited ² | Construction | India | 50 | 50 |

Notes continued

for the year ended 31 December 2014

26. JOINT VENTURE ENTITIES CONTINUED

| Name of entity | Principal activity | Country | Ownership interest | |
|--|--------------------|-------------|--------------------|--------------------|
| | | | December 2014 % | December 2013 % |
| Leighton Contractors & Baulderstone Hornibrook Bilfinger Berger Joint Venture ¹ | Construction | Australia | 50 | 50 |
| Leighton Kumagai Joint Venture (MetroRail) ¹ | Construction | Australia | 55 | 55 |
| Leighton OSE Joint Venture- Agra ² | Construction | India | - | 50 |
| Leighton OSE Joint Venture- Indore ² | Construction | India | - | 50 |
| Leighton OSE Joint Venture ² | Construction | India | 50 | - |
| Leighton Services UAE Co LLC | Services | UAE | 50 | 50 |
| Leighton/Ngarda Joint Venture (LNJV) ¹ | Construction | Australia | 88 | 88 |
| Leighton-Infra 13 Joint Venture ² | Construction | India | 50 | 50 |
| LS Hold Co Pty Ltd ⁴ | Services | Australia | 50 | - |
| Majwe Mining Joint Venture (Proprietary) Limited | Contract Mining | Botswana | 60 | 60 |
| Manukau Motorway Extension ¹ | Construction | New Zealand | 50 | 50 |
| Marine & Civil Pty Ltd ¹ | Construction | Australia | 50 | 50 |
| Moonee Ponds Pty Ltd | Development | Australia | 50 | 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 Limited | Services | Australia | 29 | 30 |
| Ngarda Civil and Mining Pty Limited ¹ | Contract Mining | Australia | 50 | 50 |
| North Parramatta No.1 Pty Ltd ¹ | Development | Australia | - | 50 |
| North Parramatta No.1 Unit Trust ¹ | Development | Australia | - | 50 |
| Northern Gateway Alliance | Construction | New Zealand | 50 | 50 |
| Rail Link Joint Venture ^{1,3} | Construction | Australia | - | 65 |
| Riverina Estate Developments Pty Ltd ¹ | Investment | Australia | 50 | 50 |
| Riverina Estate Developments Trust ¹ | Development | Australia | 50 | 50 |
| Roche Thiess Linfox Joint Venture ^{1,4} | Contract Mining | Australia | - | 44 |
| RTL Mining and Earthworks Pty Ltd ¹ | Construction | Australia | 44 | 44 |
| RTL JV | Mining | Australia | 44 | - |
| SmartReo Pty Ltd | Construction | Australia | 50 | 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 (VIC) | Construction | Australia | 50 | 50 |

Notes continued

for the year ended 31 December 2014

26. JOINT VENTURE ENTITIES CONTINUED

| Name of entity | Principal activity | Country | Ownership interest | |
|--|--------------------|-------------|--------------------|--------------------|
| | | | December 2014 % | December 2013 % |
| Thiess Black and Veatch Joint Venture ¹ | Construction | Australia | 50 | 50 |
| Thiess Downer EDI Works JV ¹ | Construction | Australia | 75 | 75 |
| Thiess Hochtief Joint Venture ¹ | Construction | Australia | 50 | 50 |
| Thiess United Group Joint Venture ¹ | Construction | Australia | 50 | 50 |
| TSDI Pty Ltd ^{1,4} | Services | Australia | - | 50 |
| Viridian Noosa Pty Ltd ¹ | Development | Australia | 50 | 50 |
| Viridian Noosa Trust ¹ | Development | Australia | 50 | 50 |
| VR Pakenham Pty Ltd ¹ | Development | Australia | 50 | 50 |
| VR Pakenham Trust ¹ | Development | Australia | 50 | 50 |
| Wallan Project Pty Ltd ¹ | Investment | Australia | 50 | 50 |
| 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 ^{1,4} | Services | Australia | - | 50 |
| Wrap Southbank Unit Trust | Development | Australia | 48 | 50 |

All joint venture entities have a statutory reporting date of 31 December with the following exceptions:

¹Entities have a 30 June statutory reporting date.

²Entities 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.

³On 12 December 2014, the Group sold 100% of its shareholding in JHG. Refer to note 30: Acquisitions, disposals and discontinued operations for further detail.

⁴On 17 December 2014, the Group sold 50% of its share of the Services businesses and entered into a joint venture at that date. Refer to note 30: Acquisitions, disposals and discontinued operations 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.

Notes continued

for the year ended 31 December 2014

26. JOINT VENTURE ENTITIES CONTINUED

The Group's share of joint venture entities' results, assets and liabilities are as follows:

| | 12 months to December 2014 \$m | 12 months to December 2013 \$m |
|--|--------------------------------------|--------------------------------------|
| Revenue | 494.9 | 657.1 |
| Expenses | (459.6) | (651.2) |
| Profit / (loss) before tax | 35.3 | 5.9 |
| Income tax (expense) / benefit | (6.9) | (2.1) |
| Profit / (loss) for the period ² | 28.4 | 3.8 |
| | | |
| | December 2014 \$m | December 2013 \$m |
| Current assets | 521.5 | 196.9 |
| Non-current assets | 670.3 | 381.9 |
| Total assets | 1,191.8 | 578.8 |
| | | |
| Current liabilities | 415.4 | 216.2 |
| Non-current liabilities | 291.5 | 36.3 |
| Total liabilities | 706.9 | 252.5 |
| | | |
| The Group's share of joint venture entities' net assets at reporting date ¹ | 484.9 | 326.3 |

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 2014 \$m | December 2013 \$m |
|--|----------------------|----------------------|
| Individually immaterial joint ventures | | |
| <i>Aggregate amounts of the Group's carrying value:</i> | | |
| Net assets | 484.9 | 326.3 |
| | | |
| <i>Aggregate amounts of the Group's share of profit:</i> | | |
| Profit / (loss) for the period | 28.4 | 3.8 |

¹ 31 December 2014: During the reporting period, the Group disposed of investments in joint ventures totalling \$13.6 million (31 December 2013: \$nil). Refer to note 30: Acquisitions, disposals and discontinued operations.

² 31 December 2014: Total Profit / (loss) for the period from continuing operations excludes \$0.6 million which has been separately presented in share of profit / (losses) of associates and joint ventures from discontinued operations (31 December 2013: (\$12.1 million)). Refer to note 30: Acquisitions, disposals and discontinued operations.

Notes continued

for the year ended 31 December 2014

27. JOINT OPERATIONS

The Group has the following interest in joint operations:

| Name of arrangement | Principal activity | Country | Ownership interest | |
|--|--------------------|-------------|--------------------|--------------------|
| | | | December 2014 % | December 2013 % |
| Abigroup Contractors Pty Ltd & Coleman Rail Pty Ltd & John Holland Pty Ltd (Integrate Rail JV) ³ | Construction | Australia | - | 40 |
| Bacchus Marsh ¹ | Development | Australia | 50 | 50 |
| Baulderstone Leighton Joint Venture | Construction | Australia | 50 | 50 |
| BGC Contracting & John Holland & Macmahon Joint Venture (Roy Hill Rail JV) ^{1,3} | Construction | Australia | - | 40 |
| BJB Joint Venture ³ | Services | Australia | - | 38 |
| Casey Fields ¹ | Development | Australia | 55 | 55 |
| China State Leighton Joint Venture | Construction | Hong Kong | 50 | 50 |
| CHT Joint Venture | Construction | Australia | 50 | - |
| Coleman Rail Pty Ltd & John Holland Pty Ltd & York Civil Pty Ltd Joint Venture (Tracksure Rail Upgrade) ^{1,3} | Construction | Australia | - | 38 |
| Coleman Rail Pty Ltd & John Holland Pty Ltd (Activate) ^{1,3} | Construction | Australia | - | 60 |
| Colin Joss & Co Pty Ltd & John Holland Pty Ltd ^{1,3} | Construction | Australia | - | 79 |
| Deer Park ¹ | Development | Australia | 50 | 50 |
| Degremont Thiess Services Joint Venture ⁴ | Services | Australia | - | 40 |
| Edenbrook Estate ¹ | Development | Australia | 50 | 50 |
| Erskineville Residential Project | Development | Australia | 50 | 50 |
| EV LNG Australia Pty Ltd & Thiess Pty Ltd (EVT JV) | Construction | Australia | 50 | 50 |
| Gammon - Leighton Joint Venture | Construction | Hong Kong | 50 | 50 |
| Garlanja Joint Venture ^{1,4} | Construction | Australia | 25 | 75 |
| GHD & John Holland Joint Venture (Perth City Link Rail Alliance) ^{1,3} | Construction | Australia | - | 85 |
| Henry Road Pakenham Joint Venture ¹ | Development | Australia | 50 | 50 |
| HYLC Joint Venture ¹ | Construction | Australia | 50 | 50 |
| John Holland & Leed & Macmahon Joint Venture (Urban Superway) ^{1,3} | Construction | Australia | - | 80 |
| John Holland & Leed Engineering Joint Venture (NIAW) ^{1,3} | Construction | Australia | - | 67 |
| John Holland & UGL Joint Venture (Murrumbidgee Irrigation) ^{1,3} | Construction | Australia | - | 50 |
| John Holland Abigroup Contractors Joint Venture (Bulk Water) ^{1,3} | Construction | Australia | - | 50 |
| John Holland Fairbrother Joint Venture ^{1,3} | Construction | Australia | - | 50 |
| John Holland Fulton Hogan Joint Venture ^{1,3} | Construction | New Zealand | - | 50 |
| John Holland Laing O'Rourke & NRW Joint Venture ^{1,3} | Construction | Australia | - | 33 |
| John Holland Laing O'Rourke Joint Venture ^{1,3} | Construction | Australia | - | 50 |
| John Holland Pty Ltd & Bouygues Travaux Publics (North Strathfield Rail Underpass Alliance) ^{1,3} | Construction | Australia | - | 50 |
| John Holland Pty Ltd & Pindan Contracting Pty Ltd ³ | Construction | Australia | - | 50 |

Notes continued

for the year ended 31 December 2014

27. JOINT OPERATIONS CONTINUED

| Name of arrangement | Principal activity | Country | Ownership interest | |
|--|--------------------|-------------|--------------------|--------------------|
| | | | December 2014 % | December 2013 % |
| John Holland Pty Ltd & Bouygues Travaux Publics (Glenfield Junction Alliance) ^{1,3} | Construction | Australia | - | 54 |
| John Holland Pty Ltd & Lend Lease Project Management & Construction (Australia) Pty Limited ³ | Construction | Australia | - | 50 |
| John Holland Pty Ltd And Kellogg Brown & Root Pty Ltd ³ | Construction | Australia | - | 50 |
| John Holland Tenix Alliance Joint Venture ^{1,3} | Construction | Australia | - | 50 |
| John Holland Veolia Water Australia Joint Venture (Blue Water) ^{1,3} | Construction | Australia | - | 74 |
| John Holland Veolia Water Australia Joint Venture (Gold Coast Desalination Plant) ^{1,3} | Construction | Australia | - | 64 |
| Leighton - Chun Wo Joint Venture | Construction | Hong Kong | 84 | - |
| Leighton - Gammon Joint Venture | Construction | Hong Kong | 50 | 50 |
| Leighton/HEB Joint Venture | Construction | New Zealand | 80 | - |
| Leighton Abigroup Consortium (Epping to Thornleigh) | Construction | Australia | 50 | 50 |
| Leighton Boral Amey NSW Joint Venture ⁴ | Services | Australia | - | 44 |
| Leighton Boral Amey NSW Pty Limited ^{1, 4} | Services | Australia | - | 44 |
| Leighton Boral Amey QLD Joint Venture ⁴ | Services | Australia | - | 44 |
| Leighton Boral Amey QLD Pty Limited ^{1, 4} | Services | Australia | - | 44 |
| Leighton China State John Holland Joint Venture (City of Dreams) ^{1,3} | Construction | Macau | 40 | 70 |
| Leighton China State Joint Venture (Wynn Resort) ¹ | Construction | Macau | 50 | 50 |
| Leighton China State Van Oord Joint Venture | Construction | Hong Kong | 45 | 45 |
| Leighton Contractors Downer Joint Venture ¹ | Construction | Australia | 50 | 50 |
| Leighton Fulton Hogan Joint Venture (Sapphire to Woolgoolga) ¹ | Construction | Australia | 50 | 50 |
| Leighton Fulton Hogan Joint Venture (SH16 Causeway Upgrade) | Construction | New Zealand | 50 | 50 |
| Leighton Kumagai Joint Venture (Route 9 - Eagle's Nest Tunnel) ³ | Construction | Hong Kong | - | 51 |
| Leighton Kumagai Joint Venture (Wanchai East & North Point Trunk Sewerage) ³ | Construction | Hong Kong | - | 51 |
| Leighton Monnis Infrastructure JV LLC | Construction | Mongolia | - | 55 |
| Leighton Swietelsky Joint Venture ¹ | Services | Australia | 50 | 50 |
| Leighton-Able Joint Venture | Construction | Hong Kong | 51 | 51 |
| Leighton-Chubb E&M Joint Venture | Construction | Hong Kong | 50 | 50 |
| Leighton-Total Joint Operation | Construction | Indonesia | 70 | 70 |
| Link 200 Joint Venture ¹ | Construction | Hong Kong | 48 | 48 |
| Link 200 Station Joint Venture ¹ | Construction | Hong Kong | 60 | 60 |
| Link 200 Tunnel Joint Venture ¹ | Construction | Hong Kong | 60 | 60 |
| Murray & Roberts Marine Malaysia - Leighton Contractors Malaysia Joint Venture | Construction | Malaysia | 50 | 50 |
| N.V. Besix S.A. & Thiess Pty Ltd (Best JV) | Construction | Australia | 50 | 50 |

Notes continued

for the year ended 31 December 2014

27. JOINT OPERATIONS CONTINUED

| Name of arrangement | Principal activity | Country | Ownership interest | |
|---|--------------------|-------------|--------------------|--------------------|
| | | | December 2014 % | December 2013 % |
| Taiwan Track Partners Joint Venture | Construction | Taiwan | 28 | 28 |
| Task Joint Venture (Thiess & Sinclair Knight Merz) | Construction | Australia | 60 | 60 |
| Thiess Balfour Beatty Joint Venture | Construction | Australia | 67 | 67 |
| Thiess Black and Veatch Joint Venture ¹ | Construction | Australia | 50 | - |
| Thiess Decmil Kentz Joint Venture ¹ | Construction | Australia | 33 | 33 |
| Thiess Degremont JV | Construction | Australia | 65 | 65 |
| Thiess Degremont Nacap Joint Venture ¹ | Construction | Australia | 33 | 33 |
| Thiess John Holland Dragados Joint Venture ³ | Construction | Australia | 50 | 75 |
| Thiess MacDow Joint Venture ¹ | Construction | Australia | 50 | 50 |
| Thiess Pty Ltd & York Civil Pty Ltd | Construction | Australia | 65 | 65 |
| Thiess Sedgman Joint Venture ¹ | Construction | Australia | 50 | 50 |
| Thiess Services and South Eastern Water ⁴ | Services | Australia | - | 50 |
| Thiess Southbase Joint Venture | Construction | New Zealand | 50 | - |
| Veolia Water - Leighton- John Holland Joint Venture (formerly known as John Holland Veolia Water Australia Joint Venture (Hong Kong Sludge)) ³ | Construction | Hong Kong | 24 | 40 |
| John Holland – Leighton (South East Asia) Joint Venture ⁵ | Construction | Hong Kong | 50 | - |
| Leighton John Holland Joint Venture (Thomson Line) ⁵ | Construction | Singapore | 50 | - |
| Leighton Offshore-John Holland Joint Venture (LTA Project) ⁵ | Construction | Singapore | 50 | - |
| Leighton Holland Browse JV ⁵ | Construction | Australia | 50 | - |
| NRT – Infrastructure Joint Venture ⁵ | Construction | Australia | 50 | - |
| Leighton-John Holland Joint Venture ⁵ | Construction | Hong Kong | 50 | - |
| Leighton-John Holland Joint Venture (Lai Chi Kok) ⁵ | Construction | Hong Kong | 51 | - |
| Thiess John Holland Joint Venture (Airport Link) ⁵ | Construction | Australia | 50 | - |
| Thiess John Holland Joint Venture (Eastlink) ⁵ | Construction | Australia | 50 | - |
| Thiess John Holland Joint Venture (Lane Cove Tunnel) ⁵ | Construction | Australia | 50 | - |
| Thiess John Holland Motorway Services ⁵ | Construction | Australia | 50 | - |

All joint operations have a reporting date of 31 December with the following exceptions:

¹Arrangements have a 30 June reporting date.

²Entities 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.

³On 12 December 2014, the Group sold 100% of its shareholding in JHG. Refer to note 30: Acquisitions, disposals and discontinued operations for further detail.

⁴On 17 December 2014, the Group sold 50% of its share of the Services businesses and entered into a joint venture at that date. Refer to note 30: Acquisitions, disposals and discontinued operations for further detail.

⁵Following the sale of JHG and Services businesses during the period, these entities were transferred from controlled entities to joint arrangements.

Notes continued

for the year ended 31 December 2014

28. RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT CARRYING VALUES

| 12 months to December 2014 | Note | Land \$m | Buildings \$m | Leasehold land, buildings and improvements \$m | Plant and equipment \$m | Total property, plant and equipment \$m |
|--|------|-------------|------------------|---|-------------------------------|--|
| Opening carrying amount | | 10.7 | 25.3 | 72.1 | 1,644.5 | 1,752.6 |
| Additions ¹ | | - | 0.1 | 8.0 | 720.6 | 728.7 |
| Acquisitions through business combinations | | - | - | - | - | - |
| Disposals ³ | | (5.5) | (2.2) | (23.2) | (295.2) | (326.1) |
| Transfers to assets held for sale | 31 | - | - | - | (29.0) | (29.0) |
| Depreciation ² | | - | (1.6) | (22.0) | (588.0) | (611.6) |
| Effects of exchange rate fluctuations | | - | - | 0.6 | 111.3 | 111.9 |
| Carrying amount at reporting date | | 5.2 | 21.6 | 35.5 | 1,564.2 | 1,626.5 |

¹Additions to property, plant and equipment include finance lease additions of \$0.5 million.

²31 December 2014: Depreciation includes \$68.4 million of depreciation in relation to assets disposed of during the reporting period. Refer to note 30: Acquisitions, disposals and discontinued operations.

³31 December 2014: During the reporting period, of the \$326.1 million of total disposal of property, plant and equipment, \$267.5 million relates to the disposal of controlled entities and businesses (31 December 2013: \$649.3 million). Refer to note 30: Acquisitions, disposals and discontinued operations.

Notes continued

for the year ended 31 December 2014

29. RECONCILIATION OF PROFIT / (LOSS) FOR THE YEAR TO NET CASH FROM OPERATING ACTIVITIES

| | 12 months to December 2014 \$m | 12 months to December 2013 \$m |
|---|--------------------------------------|--------------------------------------|
| Profit / (loss) for the year | 678.6 | 468.9 |
| Adjustments for non-cash items: ¹ | | |
| - Depreciation of property, plant and equipment | 611.6 | 905.4 |
| - Amortisation of intangibles | 39.6 | 27.9 |
| - Net (gain) / loss on acquisition of controlled entities | - | 78.3 |
| - Net (gain) / loss on sale of controlled entities | (973.2) | (215.0) |
| - Net (gain) / loss on sale of assets | (48.9) | (19.2) |
| - Impairment of investments in infrastructure toll road companies | - | 18.5 |
| - Impairment of investments accounted for using the equity method | - | 15.0 |
| - Property development and property joint ventures write-downs | 5.3 | 81.2 |
| - Impairment of property, plant and equipment | - | 10.0 |
| - Foreign exchange losses | (5.6) | (2.5) |
| - Net amounts set aside to provisions | 542.3 | 564.0 |
| - Share of profits of associates | 11.2 | (5.9) |
| - Share based payments | 19.9 | 16.9 |
| <i>Net changes in assets / liabilities:</i> | | |
| - Decrease / (increase) in receivables | 533.5 | (828.1) |
| - Decrease / (increase) in joint ventures | 73.4 | 15.5 |
| - Decrease / (increase) in inventories | 148.2 | 79.7 |
| - Increase / (decrease) in payables | (268.7) | (19.8) |
| - Increase / (decrease) in provisions | (561.8) | (520.6) |
| - Current and deferred income tax movement | 338.4 | 132.7 |
| Net cash from operating activities | 1,143.8 | 802.9 |

¹Includes both continuing and discontinued operations

Notes continued

for the year ended 31 December 2014

30. ACQUISITIONS, DISPOSALS AND DISCONTINUED OPERATIONS

December 2014 acquisitions and disposals of controlled entities and businesses

Acquisitions

There were no acquisitions during the reporting period.

Disposals – John Holland Group (“JHG”)

On 12 December 2014, the Group sold 100% of its shareholding in JHG to CCCC International Holding Limited (“CCCCI”). The terms of the executed sale agreement mean that the Group no longer controls JHG and accordingly the transaction has been recorded as a disposal of controlled entities in accordance with Accounting Standard AASB 10 *Consolidated Financial Statements* (“AASB 10”). Completion of the sale is subject to customary approvals including by the Foreign Investment Review Board. Not all of these approvals been received as at the date of this financial report, being 11 February 2015. The disposal has been accounted for under the requirements of AASB 10 as follows: the total consideration receivable was \$723.9 million (comprising: cash consideration (which has not been received at the reporting date)) less the carrying value of JHG’s net assets of \$301.5 million and the recycling of reserves of \$1.1 million, resulting in a gain before tax of \$423.5 million. JHG’s contribution from 1 January 2014 to 12 December 2014 to Group revenue of \$3,195.5 million and \$36.5 million to Group net profit after tax, along with the gain on disposal, are recorded within discontinued operations.

| | |
|---|----------------|
| Gain on disposal | \$m |
| Cash consideration net of transaction costs | 723.9 |
| Carrying amount on disposal | (301.5) |
| Recycling of reserves | 1.1 |
| Net gain on disposal of controlled entities before tax | 423.5 |
| Carrying value of assets and liabilities of entities and businesses disposed | |
| Cash and cash equivalents | 331.2 |
| Trade and other receivables | 842.8 |
| Current tax asset | 0.3 |
| Inventories: consumables | 7.3 |
| Assets held for sale | 2.2 |
| Investments accounted for using the equity method | 13.1 |
| Deferred tax assets | 27.6 |
| Property, plant and equipment | 222.9 |
| Intangibles | 36.2 |
| Trade and other payables | (1,094.3) |
| Provisions | (87.8) |
| Net assets disposed | 301.5 |
| Cash flows resulting from sale | |
| Cash consideration (not received at reporting date) | - |
| Cash disposed | (331.2) |
| Net cash outflow | (331.2) |

The following controlled entities were disposed as part of the sale of JHG:

- John Holland Group Pty Ltd
- JHG Mutual Limited
- John Holland Melbourne Rail Franchise Pty Ltd
- John Holland (NZ) Ltd
- John Holland Pty Ltd
- John Holland Queensland Pty Ltd
- John Holland Rail Pty Ltd
- John Holland Sydney NRT Pty Ltd

Notes continued

for the year ended 31 December 2014

30. ACQUISITIONS, DISPOSALS AND DISCONTINUED OPERATIONS CONTINUED

Disposals – Thiess Services & Leighton Contractors Services businesses (“Services”)

On 17 December 2014, the Group sold 50% of its share of the Services businesses to funds managed by affiliates of Apollo Global Management, LLC (“Apollo”), and entered into a joint venture arrangement with Apollo. The terms of the executed sale agreements mean that the Group no longer controls Services and accordingly the transaction has been recorded as a disposal of controlled entities in accordance with Accounting Standard AASB 10 *Consolidated Financial Statements* (“AASB 10”) and the acquisition of an interest in a joint venture entity. Completion of the sale agreements is subject to customary regulatory approvals including Foreign Investment Review Board and New Zealand Overseas Investment Office approvals. We note these approvals had not been received as at the date of this financial report, being 11 February 2015. The disposal has been accounted for under the requirements of AASB 10 as follows: the total consideration receivable was \$860.6 million (comprising: cash consideration of \$633.3 million (which has not been received at the reporting date) and non-cash consideration of \$227.3 million (fair value of the 50% retained interest)) less the carrying value of Services’ net assets of \$318.4 million, and the recycling of reserves of \$7.5 million, resulting in a gain before tax of \$549.7 million. The portion of this gain which is attributable to recognising the investment retained in the former subsidiaries at their fair values is \$274.8 million; the portion of the gain attributable to the investment in the former subsidiaries disposed is \$274.9 million. Services’ contribution from 1 January 2014 to 17 December 2014 to Group revenue of \$2,238.1 million and \$153.4 million to Group net profit after tax, along with the gain on disposal, are recorded within discontinued operations.

| | |
|---|--------------|
| Gain on disposal | \$m |
| Cash consideration net of transaction costs | 633.3 |
| Non-cash consideration | 227.3 |
| Carrying amount on disposal | (318.4) |
| Recycling of reserves | 7.5 |
| Net gain on disposal of controlled entities before tax | 549.7 |

Carrying value of assets and liabilities of entities and businesses disposed

| | |
|---|--------------|
| Cash and cash equivalents | 89.3 |
| Trade and other receivables | 519.0 |
| Current tax assets | 0.4 |
| Inventories: consumables | 46.3 |
| Investments accounted for using the equity method | 13.6 |
| Deferred tax assets | 20.8 |
| Property, plant and equipment | 44.6 |
| Intangibles | 60.8 |
| Trade and other payables | (394.4) |
| Provisions | (79.7) |
| Interest bearing liabilities | (0.4) |
| Non controlling interests | (1.9) |
| Net assets disposed | 318.4 |

Cash flows resulting from sale

| | |
|---|---------------|
| Cash consideration (not received at reporting date) | - |
| Cash disposed | (89.3) |
| Net cash outflow | (89.3) |

Notes continued

for the year ended 31 December 2014

30. ACQUISITIONS, DISPOSALS AND DISCONTINUED OPERATIONS CONTINUED

Disposals – Thiess Services & Leighton Contractors Services businesses (“Services”) continued

The following controlled entities were disposed as part of the sale of Services:

- Chargepoint Pty Ltd
- Delron Cleaning Pty Ltd
- Delron Group Facility Services Pty Limited
- Silcar Pty Ltd*
- Silcar Nouvelle Calédonie SAS
- Thiess Services Ltd
- Thiess Services Pty Ltd*
- Leighton Services Australia Pty Limited
- Vision Hold Pty Limited*
- Visionstream Australia Pty Limited*
- Visionstream Pty Limited*
- Visionstream Services Pty Limited*
- Vytel Pty Limited*

*Party to the Deed of Cross Guarantee. Refer note 39(i): Leighton Holdings Limited and controlled entities – Deed of Cross Guarantee.

Discontinued operations of controlled entities and businesses

As a result, the JHG and Services sales have been classified as discontinued operations.

The combined results of the discontinued operations (JHG and Services businesses) included in the profit for the year are set out below. The comparative profit from discontinued operations has been re-presented to include those operations classified as discontinued in the current year.

| | 12 months to December 2014 \$m | 12 months to December 2013 \$m |
|---|--------------------------------------|--------------------------------------|
| Profit for the period from discontinued operations | | |
| Revenue | 5,433.6 | 6,306.0 |
| Expenses | (5,199.2) | (6,141.7) |
| Finance Costs | (1.2) | (2.4) |
| Share of profits / (losses) of associates and joint venture entities | 15.4 | 1.2 |
| Profit / (loss) before tax before gain / (loss) on sale of discontinued operations | 248.6 | 163.1 |
| Gain / (loss) on sale of assets from discontinued operations | 973.2 | 215.0 |
| Profit / (loss) before tax | 1,221.8 | 378.1 |
| Income tax (expense) / benefit from discontinued operations before gain on sale of assets | (58.7) | (36.1) |
| Income tax (expense) / benefit on gain on sale of assets | (371.7) | (100.0) |
| Income tax (expense) / benefit from discontinued operations | (430.4) | (136.1) |
| Profit / (loss) for the year from discontinued operations | 791.4 | 242.0 |
| Cash flows from discontinued operations | | |
| Net cash from / (used in) operating activities | (292.6) | (634.8) |
| Net cash from / (used in) investing activities | (40.6) | 500.3 |
| Net cash from / (used in) financing activities | (4.1) | (37.3) |
| Net cash flow for the year | (337.3) | (171.8) |

Notes continued

for the year ended 31 December 2014

30. ACQUISITIONS, DISPOSALS AND DISCONTINUED OPERATIONS CONTINUED

December 2013 acquisitions and disposals of controlled entities and businesses

Acquisitions – Leighton Welspun Contractors Private Limited (“LWIN”)

| | Provisional fair value on acquisition \$m | Fair value amendment \$m | Restated fair value on acquisition \$m |
|---|--|--------------------------------|---|
| 12 months to December 2013 | | | |
| Cash and cash equivalents | 27.2 | - | 27.2 |
| Trade and other receivables | 239.9 | (56.9) | 183.0 |
| Investments accounted for using the equity method | 1.2 | - | 1.2 |
| Property, plant and equipment | 26.8 | - | 26.8 |
| Intangibles | 11.6 | - | 11.6 |
| Current and deferred tax | 17.4 | - | 17.4 |
| Trade and other payables | (208.0) | - | (208.0) |
| Provisions | (2.1) | - | (2.1) |
| Interest bearing liabilities | (55.2) | - | (55.2) |
| Net identifiable assets and liabilities | 58.8 | (56.9) | 1.9 |
| Cash flows from acquisition | | | |
| Cash consideration ¹ | - | - | - |
| Cash acquired | 27.2 | - | 27.2 |
| Net cash inflow | 27.2 | - | 27.2 |

¹ There was no cash consideration paid during the period to 31 December 2013. Deferred cash consideration of \$110.0 million was paid during the period to 31 December 2014.

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 initial acquisition was provisionally accounted in the financial statements for the year ended 31 December 2013 under the requirements of Accounting Standard AASB 3 *Business Combinations* (“AASB 3”). During the year, the acquisition accounting was finalised and the adjustments to the fair value of the net assets acquired are set out in the table above. This resulted in a corresponding adjustment to goodwill recognised on acquisition.

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 \$1.9 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 \$274.0 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 Construction segment. See note 32: *Segment information*.

Notes continued

for the year ended 31 December 2014

30. ACQUISITIONS, DISPOSALS AND DISCONTINUED OPERATIONS 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 into 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 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. 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 within discontinued operations as TA was part of the Services business sold.

| | \$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 2014

30. ACQUISITIONS, DISPOSALS AND DISCONTINUED OPERATIONS 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 | ▪ Metronode Pty Ltd |
| ▪ Australia-Singapore Cable (International) Limited | ▪ Metronode S2 Pty Ltd |
| ▪ Australia-Singapore Cable (Singapore) Pte Ltd | ▪ Nextgen Networks Pty Limited |
| ▪ Infoplex Pty Ltd | ▪ Nextgen Pure Data Pty Ltd |
| ▪ Metronode (NSW) Pty Ltd | ▪ Nextgen Telecom (WA) Pty Ltd |
| ▪ Metronode Investments Pty Ltd | ▪ Nextgen Telecom Pty Ltd |
| ▪ Metronode M2 Pty Ltd | ▪ Nextgen Services Pty Ltd |
| ▪ Metronode New Zealand Limited | ▪ Nextgen Networks International Ltd |

Other acquisitions and disposals

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 discontinued operations.

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 Construction 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 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 discontinued operations.

Notes continued

for the year ended 31 December 2014

31. HELD FOR SALE

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 finance lease liabilities relating to Arutmin were reclassified for the first time as held for sale under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* at 31 December 2013 and have continued to be classified as held for sale at 31 December 2014 as the sale is still expected within 12 months of the reporting date.

The assets and associated liabilities are used to provide TCI's contract mining services to PT Arutmin Indonesia, the owners of the Senakin and Satui mines.

| | December 2014 \$m | December 2013 \$m |
|--------------------------------------|----------------------|----------------------|
| | Arutmin | Arutmin |
| Assets | | |
| Inventories: consumables | 30.5 | 27.5 |
| <i>Total current assets</i> | 30.5 | 27.5 |
| Property, plant and equipment* | 222.6 | 193.6 |
| <i>Total non-current assets</i> | 222.6 | 193.6 |
| Total assets | 253.1 | 221.1 |
| Liabilities | | |
| Interest bearing liabilities | (93.8) | (105.1) |
| <i>Total current liabilities</i> | (93.8) | (105.1) |
| <i>Total non-current liabilities</i> | - | - |
| Total liabilities | (93.8) | (105.1) |

***Other held for sale**

Other held for sale includes mining equipment of \$1.3 million (31 December 2013 rail and mining equipment: \$8.3 million) actively marketed for sale in addition to the Arutmin amounts disclosed above.

Notes continued

for the year ended 31 December 2014

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 segments and a corporate head office:

- Construction
- Contract Mining
- Public Private Partnerships ("PPP's")
- Engineering
- Habtoor Leighton Group ("HLG")
- Commercial & Residential

The performance of each segment forms the primary basis for all management reporting to the CODM. As a result of the Leighton Group's Strategic Review of its operations, the Group has identified six separate businesses which include those focussed on construction, contract mining, PPP's and engineering. As such the composition of the Group's reportable segments has changed since the prior reporting period. Accordingly, segment data for the prior period presented for comparative purposes has been restated to reflect the newly reportable and amended segments in accordance with AASB 8 *Operating Segments*. Whilst the Group has identified PPP's and Engineering as newly reportable segments, these segments have not begun reporting their results to the CODM during the reporting period. Their results, which are considered insignificant for the 2014 financial year, are included in the Construction and Contract Mining segments for the current and prior reporting periods.

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 segment. Performance is measured based on segment result. Information regarding the results of each reportable segment, as reported to the CODM, is included on pages 102-103. 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 information

| | Revenue | | Non-current assets | |
|---------------------------------|--------------------------------------|---|----------------------|----------------------|
| | 12 months to December 2014 \$m | 12 months to December 2013 \$m ^(restated) | December 2014 \$m | December 2013 \$m |
| Geographical information | | | | |
| Australia Pacific | 12,431.0 | 12,533.6 | 1,189.9 | 1,605.3 |
| Asia & Middle East | 4,444.8 | 3,725.1 | 1,349.3 | 1,141.9 |
| Total | 16,875.8 | 16,258.7 | 2,539.2 | 2,747.2 |

^Certain amounts shown here do not correspond to the consolidated preliminary final report as at 31 December 2013 and have been re-presented to separately show those operations classified as discontinued in the current year, as detailed in note 30: *Acquisitions, disposals and discontinued operations*.

Revenue is based on the geographical location of the customer and the location of the service provided. Assets are based on the geographical location of the assets. Geographical non-current assets comprise: inventories: development properties, property, plant & equipment, and intangibles.

Major customers

No revenue from transactions with a single external customer amount to 10% or more of the Group's revenue.

Notes continued

for the year ended 31 December 2014

32. SEGMENT INFORMATION CONTINUED

| 12 months to December 2014 | Construction \$m | Contract Mining \$m | Habtoor Leighton Group \$m | Commercial & Residential \$m | Corporate \$m | Eliminations \$m | Total \$m |
|---|---------------------|---------------------------|-------------------------------------|------------------------------------|------------------|---------------------|--------------|
| Revenue | | | | | | | |
| Segment revenue before interest | 12,431.0 | 3,973.0 | 735.1 | 996.2 | 551.2 | (368.3) | 18,318.2 |
| Interest revenue | - | - | - | 31.1 | 56.7 | - | 87.8 |
| Segment revenue | 12,431.0 | 3,973.0 | 735.1 | 1,027.3 | 607.9 | (368.3) | 18,406.0 |
| Inter-segment revenue | (212.6) | - | - | - | (155.7) | 368.3 | - |
| Segment joint venture and associate revenue | (162.5) | (130.1) | (735.1) | (114.6) | (387.9) | - | (1,530.2) |
| External revenue | 12,055.9 | 3,842.9 | - | 912.7 | 64.3 | - | 16,875.8 |
| Result | | | | | | | |
| Segment result before interest, losses on acquisition, gains on sale, restructuring costs and impairments | 761.0 | 258.0 | - | 88.8 | (206.8) | - | 901.0 |
| Interest | (166.0) | (62.0) | - | (30.0) | 18.0 | - | (240.0) |
| Segment result before losses on acquisition, gains on sale, restructuring costs and impairments | 595.0 | 196.0 | - | 58.8 | (188.8) | - | 661.0 |
| Loss on acquisition of controlled entities | - | - | - | - | - | - | - |
| Gain on sale of controlled entities and businesses | - | - | - | - | - | - | - |
| Restructuring costs | (38.7) | (23.0) | - | - | (9.7) | - | (71.4) |
| Impairments | (5.3) | - | - | - | (675.0) | - | (680.3) |
| Segment result | 551.0 | 173.0 | - | 58.8 | (873.5) | - | (90.7) |
| Income tax (expense) / benefit | | | | | | | (22.1) |
| Profit / (loss) for the year | | | | | | | (112.8) |
| Profit) / loss for the year attributable to non-controlling interests | | | | | | | (1.8) |
| Profit / (loss) for the year attributable to members of the parent entity | | | | | | | (114.6) |
| Other | | | | | | | |
| Share of profit / (loss) of associates and joint venture entities | 5.5 | 10.3 | - | 18.4 | (17.4) | - | 16.8 |
| Depreciation & amortisation | (155.0) | (408.0) | - | - | (14.9) | - | (577.9) |
| Other material non-cash expenses | (5.3) | - | - | - | (675.0) | - | (680.3) |

Notes continued

for the year ended 31 December 2014

32. SEGMENT INFORMATION CONTINUED

| 12 months to December 2013 [^] restated | Construction \$m | Contract Mining \$m | Habtoor Leighton Group \$m | Commercial & Residential \$m | Corporate \$m | Eliminations \$m | Total \$m |
|--|---------------------|---------------------------|-------------------------------------|------------------------------------|------------------|---------------------|--------------|
| Revenue | | | | | | | |
| Segment revenue before interest | 11,318.7 | 4,811.4 | 498.6 | 641.9 | 516.2 | (93.6) | 17,693.2 |
| Interest revenue | - | - | - | 8.0 | 52.6 | - | 60.6 |
| Segment revenue | 11,318.7 | 4,811.4 | 498.6 | 649.9 | 568.8 | (93.6) | 17,753.8 |
| Inter-segment revenue | (65.5) | - | - | - | (28.1) | 93.6 | - |
| Segment joint venture and associate revenue | (517.0) | (86.3) | (498.6) | (8.0) | (385.2) | - | (1,495.1) |
| External revenue | 10,736.2 | 4,725.1 | - | 641.9 | 155.5 | - | 16,258.7 |
| Result | | | | | | | |
| Segment result before interest, restructuring costs, losses on acquisition, gains on sale, and impairments | 509.0 | 324.2 | 1.1 | 72.8 | (43.2) | - | 863.9 |
| Interest | (89.5) | (81.3) | - | (36.0) | (46.2) | - | (253.0) |
| Segment result before losses on acquisition, gains on sale, restructuring costs and impairments | 419.5 | 242.9 | 1.1 | 36.8 | (89.4) | - | 610.9 |
| Loss on acquisition of controlled entities | (78.3) | - | - | - | - | - | (78.3) |
| Gain on sale of controlled entities and businesses | - | - | - | - | - | - | - |
| Restructuring costs | (29.6) | (17.4) | - | (2.9) | - | - | (49.9) |
| Impairments | (18.5) | - | - | (81.2) | (25.0) | - | (124.7) |
| Segment result | 293.1 | 225.5 | 1.1 | (47.3) | (114.4) | - | 358.0 |
| Income tax (expense) / benefit | | | | | | | (131.1) |
| Profit / (loss) for the year | | | | | | | 226.9 |
| Profit) / loss for the year attributable to non-controlling interests | | | | | | | 40.0 |
| Profit / (loss) for the year attributable to members of the parent entity | | | | | | | 266.9 |
| Other | | | | | | | |
| Share of profit / (loss) of associates and joint venture entities | 12.6 | 1.1 | 1.0 | (1.1) | (4.9) | - | 8.7 |
| Depreciation & amortisation | (235.4) | (619.7) | - | (1.2) | (8.4) | - | (864.7) |
| Other material non-cash expenses | (96.8) | - | - | (81.2) | (25.0) | - | (203.0) |

[^]Certain amounts shown here do not correspond to the consolidated preliminary final report as at 31 December 2013 and have been re-presented to separately show those operations classified as discontinued in the current year, as detailed in note 30: Acquisitions, disposals and discontinued operations.

Notes continued

for the year ended 31 December 2014

33. COMMITMENTS

| | December 2014 \$m | December 2013 \$m |
|---|----------------------|----------------------|
| Expenditure commitments in relation to operating leases contracted at the reporting date but not recognised as liabilities, are payable as follows: | | |
| - within one year | 319.1 | 433.2 |
| - later than one year but not later than five years | 533.0 | 905.2 |
| - later than five years | 174.6 | 198.9 |
| | 1,026.7 | 1,537.3 |
| Representing: | | |
| Cancellable operating leases¹ | | |
| Plant and equipment | 208.9 | 345.9 |
| Property | 135.1 | 179.4 |
| Other | 0.3 | - |
| Non-cancellable operating leases² | | |
| Plant and equipment | | |
| - within one year | 95.2 | 143.1 |
| - later than one year but not later than five years | 202.7 | 354.0 |
| - later than five years | 6.7 | 0.2 |
| Property | | |
| - within one year | 73.5 | 92.9 |
| - later than one year but not later than five years | 166.1 | 265.6 |
| - later than five years | 133.1 | 148.0 |
| Other | | |
| - within one year | 2.6 | 4.0 |
| - later than one year but not later than five years | 2.5 | 4.2 |
| - later than five years | - | - |
| Total operating lease commitments | 1,026.7 | 1,537.3 |

¹31 December 2014: During the reporting period, the Group disposed of cancellable operating lease commitments totalling \$20.6 million related to the disposal of controlled entities and businesses (31 December 2013: \$nil).

²31 December 2014: During the reporting period, the Group disposed of non-cancellable operating lease commitments totalling \$115.2 million related to the disposal of controlled entities and businesses (31 December 2013: \$nil).

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.

Notes continued

for the year ended 31 December 2014

33. COMMITMENTS CONTINUED

Capital commitments

Capital expenditure contracted for at reporting date but not recognised as liabilities is as follows:

| | December 2014 \$m | December 2013 \$m |
|---|----------------------|----------------------|
| Property, plant and equipment¹ | | |
| Payable: | | |
| - within one year | 25.0 | 196.7 |
| - later than one year but not later than five years | - | 11.0 |
| - later than five years | - | - |
| | 25.0 | 207.7 |
| Investments | | |
| Payable: | | |
| - within one year | 19.4 | - |
| - later than one year but not later than five years | - | 10.0 |
| - later than five years | - | 10.0 |
| | 19.4 | 20.0 |
| Joint venture commitments - property, plant and equipment | | |
| Payable: | | |
| - within one year | 23.7 | 9.3 |
| - later than one year but not later than five years | 6.0 | - |
| - later than five years | - | - |
| | 29.7 | 9.3 |
| Share of associates' commitments - property, plant and equipment² | | |
| Payable: | | |
| - within one year | 8.3 | 17.9 |
| - later than one year but not later than five years | - | 4.5 |
| - later than five years | - | - |
| | 8.3 | 22.4 |

¹ 31 December 2014: During the reporting period, the Group disposed of property, plant and equipment capital commitments totalling \$15.0 million related to the disposal of controlled entities and businesses (31 December 2013: \$nil).

² 31 December 2014: During the reporting period, the Group disposed of property, plant and equipment capital commitments of associates totalling \$0.4 million related to the disposal of controlled entities and businesses (31 December 2013: \$nil).

Notes continued

for the year ended 31 December 2014

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 2014 ¹ \$m | December 2013 \$m |
|--|-----------------------------------|----------------------|
| Bank guarantees | 2,070.9 | 2,619.1 |
| Insurance, performance and payment bonds | 1,051.8 | 1,280.0 |
| Letters of credit | 345.9 | 514.2 |

¹ 31 December 2014: During the reporting period, the Group disposed of bank guarantees totalling \$424.9 million (31 December 2013: \$nil), insurance, performance and payments bonds totalling \$213.8 million (31 December 2013: \$nil) and letters of credit totalling \$22.4 million (31 December 2013: \$nil) related to the disposal of controlled entities and businesses.

Letters of credit include those provided for the Group's capital commitments totalling \$14.1 million (31 December 2013: \$34.1 million) and those provided on behalf of HLG to the lender totalling \$97.1 million (31 December 2013: \$75.6 million). Guarantees of \$264.0 million (31 December 2013: \$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 by employees within the Leighton International business of its Code of Ethics that, if substantiated, may have contravened 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. The AFP is investigating the Iraq issue and the Leighton Group's international business operations. In November 2013, Australian Securities and Investments Commission (ASIC) made public statements about its cooperation with the AFP in the AFP's investigation. On 28 March 2014, ASIC informed the Senate Estimates Committee that it had commenced a formal investigation into potential breaches of the Corporations Act relating to a number of matters being investigated by the AFP. Leighton is cooperating with the AFP and the ASIC investigations. Leighton does not know when the investigations will be concluded.
- vii) On 17 May 2013 the Company announced to the Australian Stock Exchange that it had been made aware of a proposal to commence litigation in relation to the Company's continuous disclosure obligations. Proceedings related to the 2011 profit downgrade were commenced on 30 October 2013. As announced to the Australian Stock Exchange on 25 August 2014 those proceedings were settled.
- viii) On 7 October 2013, the Company announced to the Australian Stock Exchange that it had been made aware of proceedings relating to an alleged failure to disclose the report to the AFP (referred to in (vi) above) which had commenced 4 October 2013. The Company denies the claim and is defending the proceedings.

Notes continued

for the year ended 31 December 2014

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 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 the Australia Pacific, Asia and Middle East regions in the infrastructure, resources and property markets. The activities of the Group comprise mainly construction, contract mining, public private partnerships, engineering 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 and deposit 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 \$2,676.0 million (31 December 2013: \$3,547.8 million) and Asia, Middle East & Africa \$3,316.1 million (31 December 2013: \$2,249.4 million).

The ageing of the Group's receivables at the reporting date was: not past due: \$2,239.2 million (31 December 2013: \$2,485.1 million); past due: \$345.4 million (31 December 2013: \$293.1 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: 4% (31 December 2013: 3%).

| | 12 months to December 2014 \$m | 12 months to December 2013 \$m |
|--|--------------------------------------|--------------------------------------|
| Provision for impairment of trade debtors | | |
| Balance at beginning of reporting period | (18.1) | (3.4) |
| Net provision (made) / used | 6.1 | (14.7) |
| Balance at reporting date | (12.0) | (18.1) |

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 2013: \$nil).

Notes continued

for the year ended 31 December 2014

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 2014 the Group had undrawn bank facilities of \$1,590.3 million (31 December 2013: \$1,231.0 million), and undrawn guarantee facilities of \$916.4 million (31 December 2013: \$767.8 million).

Contractual maturities of derivative financial assets and financial liabilities as at 31 December 2014:

| December 2014 | 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 | 2,619.7 | (3,051.0) | (1,076.0) | (1,097.4) | (877.6) |
| Finance lease liabilities | 376.6 | (396.9) | (128.1) | (268.8) | - |
| Limited recourse loans | 92.8 | (96.9) | (88.0) | (8.9) | - |
| Total interest bearing liabilities ¹ | 3,089.1 | (3,544.8) | (1,292.1) | (1,375.1) | (877.6) |
| Trade and other payables | 4,581.7 | (4,581.7) | (4,309.1) | (272.6) | - |
| Derivative financial liabilities | | | | | |
| <i>Forward exchange contracts used for foreign currency hedging:</i> | | | | | |
| Outflow | 0.5 | (11.1) | (9.4) | (1.7) | - |
| <i>Other cash flow hedges:</i> | | | | | |
| Outflow | 0.2 | (0.2) | (0.2) | - | - |
| Total derivative financial liabilities | 0.7 | (11.3) | (9.6) | (1.7) | - |
| Total trade and other payables | 4,582.4 | (4,593.0) | (4,318.7) | (274.3) | - |
| Derivative financial assets | | | | | |
| <i>Forward exchange contracts used for foreign currency hedging:</i> | | | | | |
| Inflow | (1.2) | 51.6 | 51.6 | - | - |
| Total derivative financial assets | (1.2) | 51.6 | 51.6 | - | - |

¹Total interest bearing financial liabilities includes liabilities associated with held for sale during the reporting period. Refer to note 31: Held for sale.

Notes continued

for the year ended 31 December 2014

36. FINANCIAL INSTRUMENTS CONTINUED

b) Liquidity risk continued

Contractual maturities of derivative financial assets and financial 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 ¹ | 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 | | | | | |
| <i>Forward exchange contracts used for foreign currency hedging:</i> | | | | | |
| Outflow | 5.1 | (83.3) | (70.5) | (12.8) | - |
| <i>Other cash flow hedges:</i> | | | | | |
| 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 | | | | | |
| <i>Forward exchange contracts used for foreign currency hedging:</i> | | | | | |
| Inflow | (10.9) | 204.5 | 201.0 | 3.5 | - |
| Total derivative financial assets | (10.9) | 204.5 | 201.0 | 3.5 | - |

¹Total interest bearing financial liabilities includes liabilities associated with held for sale during the reporting period. Refer to note 31: Held for sale.

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 2013: \$nil), are disclosed in note 25: Associates.

Notes continued

for the year ended 31 December 2014

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.

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.

Notes continued

for the year ended 31 December 2014

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 \$0.5 million (31 December 2013: \$5.2 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 2014 | December 2013 | 12 months to December 2014 | 12 months to December 2013 |
| US\$ United States dollar | 0.81 | 0.90 | 0.90 | 0.96 |

The Group's exposure to foreign currency risk at balance date was: assets US\$4,501.7 million (31 December 2013: US\$3,726.8 million); liabilities US\$2,677.1 million (31 December 2013: US\$2,604.0 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 2013.

| | Equity | | Statement of Profit or Loss | |
|--|----------------------|----------------------|-----------------------------------|-----------------------------------|
| | December 2014 \$m | December 2013 \$m | 12 months to December 2014 \$m | 12 months to December 2013 \$m |
| US\$ depreciates by 5% against AU\$ (AU\$ appreciates) | (111.9) | (63.8) | (3.1) | (1.5) |
| US\$ appreciates by 5% against AU\$ (AU\$ depreciates) | 123.6 | 70.5 | 3.4 | 1.7 |

Notes continued

for the year ended 31 December 2014

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 'Interest bearing loans'.

At the 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 \$0.9 million (31 December 2013: increased by \$12.1 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 2014 \$m | December 2013 \$m |
|------------------------------------|----------------------|----------------------|
| Fixed rate instruments | | |
| Financial assets | - | - |
| Financial liabilities | (1,281.4) | (1,521.6) |
| | (1,281.4) | (1,521.6) |
| Variable rate instruments | | |
| Financial assets | 1,976.9 | 1,720.7 |
| Financial liabilities ¹ | (1,807.7) | (708.6) |
| | 169.2 | 1,012.1 |

¹Total interest bearing financial liabilities includes liabilities associated with held for sale during the reporting period. Refer to note 31: Held for sale.

Notes continued

for the year ended 31 December 2014

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 2014 | 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 | - | - | 73.7 | 73.7 |
| Financial assets at fair value through profit or loss | | | | |
| - Listed | - | - | - | - |
| - Unlisted | - | - | 37.0 | 37.0 |
| Derivatives | - | 1.2 | - | 1.2 |
| Total assets | 1.6 | 1.2 | 110.7 | 113.5 |
| Liabilities | | | | |
| Derivatives | - | (0.7) | - | (0.7) |
| Total liabilities | - | (0.7) | - | (0.7) |
| 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 | - | - | 57.4 | 57.4 |
| Financial assets at fair value through profit or loss | | | | |
| - Listed | - | - | - | - |
| - Unlisted | - | - | 33.7 | 33.7 |
| 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 |

Notes continued

for the year ended 31 December 2014

36. FINANCIAL INSTRUMENTS CONTINUED

f) Net fair values of financial assets and liabilities continued

Fair value hierarchy 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 and unlisted financial assets at fair value through profit and loss; the determination of the fair value of these securities is discussed below. The tables below analyses the changes in Level 3 instruments as follows:

| | 12 months to December 2014 \$m | 12 months to December 2013 \$m |
|--|--------------------------------------|--------------------------------------|
| Unlisted equity and stapled securities available-for-sale | | |
| Balance at beginning of reporting period | 57.4 | 62.1 |
| Additions | 10.0 | 0.1 |
| Gains recognised in other comprehensive income | 6.3 | 13.7 |
| Impairment ¹ | - | (18.5) |
| Balance at reporting date | 73.7 | 57.4 |
| | | |
| | 12 months to December 2014 \$m | 12 months to December 2013 \$m |
| Financial assets at fair value through profit or loss | | |
| Balance at beginning of reporting period | 33.7 | 33.3 |
| Additions | - | 0.4 |
| Gains recognised through profit or loss | 3.3 | - |
| Impairment | - | - |
| Balance at reporting date | 37.0 | 33.7 |

¹31 December 2013: Impairments of investments in infrastructure and toll road companies of \$18.5 million in the prior year arose from a decline in the recoverable amount of the investment due to the Cross City Tunnel entering administration. This has been included in the Corporate segment as disclosed in note 32: Segment information.

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.

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:

Notes continued

for the year ended 31 December 2014

36. FINANCIAL INSTRUMENTS CONTINUED

f) Net fair values of financial assets and liabilities continued

Valuation techniques continued

- *Listed debt:* Medium Term Notes fair value \$nil; carrying value \$nil (31 December 2013: fair value \$287.4 million; carrying value \$280.0 million); and 10-Year-Fixed-Rate Guaranteed Notes fair value US\$529.1 million, equivalent to \$653.2 million; carrying value US\$500.0 million, equivalent to \$617.3 million (31 December 2013: fair value US\$538.5 million; carrying value US\$492.7 million).
- *Unlisted debt:* Guaranteed Senior Notes fair value US\$569.3 million, equivalent to \$702.8 million; carrying value US\$519.0 million, equivalent to \$640.7 million (31 December 2013: fair value of US\$589.4 million; carrying value US\$518.4 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.

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 | 8% - 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. On 8 December 2014 the maturity date of this facility was extended to 8 December 2017. Carrying amount at 31 December 2014: \$600.0 million (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

Notes continued

for the year ended 31 December 2014

36. FINANCIAL INSTRUMENTS CONTINUED

g) Interest Bearing Loans continued

Guaranteed Senior Notes continued

Interest on the above notes is paid semi-annually on the 15th day of April and October in each year. Carrying amount at 31 December 2014: US\$169.0 million (31 December 2013: US\$169.0 million) equivalent to \$208.6 million (31 December 2013: \$187.8 million), of which US\$90.0 million is due for repayment within twelve months from the reporting date.

Leighton Finance (USA) Pty Limited (2010)

On 21 July 2010, Leighton Finance (USA) Pty Limited, a wholly owned subsidiary of the Company, issued a total of US\$350.0 million Guaranteed Senior Notes in three series:

- Series A Notes: US\$90.0 million Guaranteed Senior Notes at the rate of 4.51% maturing on 21 July 2015
- Series B Notes: US\$145.0 million Guaranteed Senior Notes at the rate of 5.22% maturing on 21 July 2017
- Series C Notes: US\$115.0 million Guaranteed Senior Notes at the rate of 5.78% maturing on 21 July 2020

Interest on the above notes is paid semi-annually on the 21st day of January and July in each year. Carrying amount at 31 December 2014: US\$350.0 million (31 December 2013: US\$349.4 million) equivalent to \$432.1 million (31 December 2013: \$388.2 million), of which US\$90.0 million is due for repayment within twelve months from the reporting date.

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 2014: US\$500.0 million (31 December 2013: US\$492.7 million) equivalent to \$617.3 million (31 December 2013: \$547.4 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 matured on 28 July 2014.

Bilateral Loans

During the reporting period, Leighton Finance Limited, a wholly owned subsidiary of the Company, drew down \$500.0 million under four existing bilateral facilities. Carrying amount at 31 December 2014: \$500.0 million (31 December 2013: \$nil). The amounts drawn under the facilities are expected to be settled within twelve months after the reporting date.

During the reporting period, Leighton Contractors (India) Private Limited and Leighton LLC, both wholly owned subsidiaries of the Company, entered into new short term bilateral facilities. The carrying value at 31 December 2014 was \$151.1 million (31 December 2013: \$nil). The amounts drawn under the facilities are expected to be settled within twelve months after the reporting date.

Other Unsecured Loans

Other unsecured loans outstanding as at 31 December 2014: \$110.6 million (31 December 2013: \$135.5 million). Other unsecured loans expected to be settled within twelve months after reporting date: \$110.6 million (31 December 2013: \$135.5 million).

h) Finance Lease Liabilities

The Group has leased mining plant and equipment in Indonesia, Mongolia and Australia under finance leases that expire within three years of the reporting date.

Notes continued

for the year ended 31 December 2014

36. FINANCIAL INSTRUMENTS CONTINUED

i) Limited Recourse Loans

The Group has limited recourse property development loans secured against certain property development assets of the Group and overseas borrowings by subsidiaries secured against the assets of the overseas subsidiaries. Carrying amount as at 31 December 2014: \$92.8 million (31 December 2013: \$187.0 million).

j) Assets Pledged as Security

The total carrying value of financial assets pledged as security at the reporting date is as follows:

| | December 2014 \$m | December 2013 \$m |
|--|----------------------|----------------------|
| Assets pledged as security | | |
| Property development - mortgaged | 386.4 | 520.3 |
| Other assets - fixed and floating charge | 137.5 | 165.1 |
| Total pledged assets | 523.9 | 685.4 |

Loans relating to development properties are secured by mortgages over the Group'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, is held by Devine's principal bankers relating to their commercial and residential property lending.

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 2014 | | | | | |
| Cash ¹ | 1,580.1 | (890.6) | 689.5 | - | - |
| December 2013 | | | | | |
| Cash ¹ | 2,698.0 | (2,342.1) | 355.9 | - | - |

¹The 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.

Notes continued

for the year ended 31 December 2014

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 and vested on 21 February 2014. On 2 September 2014 the Remuneration and Nominations Committee approved the termination of the LESP, which became effective 31 December 2014. During the reporting period, the Company purchased nil shares on-market (31 December 2013: nil). No new shares were issued under the LESP during the reporting period (31 December 2013: nil). Expense recognised during the reporting period: \$nil (31 December 2013: \$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 2013: \$nil). Expense recognised during the reporting period: \$nil (31 December 2013: \$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 2013: 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 12% per annum and then at 12% per annum or greater all parcel B options are exercisable.

Amount recognised during the reporting period: Expense \$nil (31 December 2013: Expense \$2.4 million).

Notes continued

for the year ended 31 December 2014

37. EMPLOYEE BENEFITS CONTINUED

Share based payments 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 2012 | 658,844 | 3,953,500 |
| - Granted | - | - |
| - Exercised ² | - | (71,000) |
| - Lapsed | (658,844) | (57,500) |
| Unexercised options at 31 December 2013 | - | 3,825,000 |
| - Granted | - | - |
| - Exercised ³ | - | (1,268,375) |
| - Lapsed ⁴ | - | (2,556,625) |
| Unexercised options at 31 December 2014 | - | - |
| Exercisable options | | |
| - At 31 December 2013 | - | 1,868,250 |
| - At 31 December 2014 | - | - |

¹The 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 2014.

²The volume weighted average share price during the reporting period to 31 December 2013 was \$17.98.

³The volume weighted average share price during the reporting period to 31 December 2014 was \$19.72.

⁴All unexercised and outstanding 2009 options granted on 4 May 2009 lapsed on 4 May 2014, 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 2014

37. EMPLOYEE BENEFITS CONTINUED

Share based payments 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 2014.

Amount recognised during the reporting period: Expense \$0.1 million (31 December 2013: Expense \$0.2 million).

| | 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 2012 | 38,466 |
| - Granted | - |
| - Vested ² | - |
| Unvested rights at 31 December 2013 | 38,466 |
| - Granted | - |
| - Vested ³ | (28,850) |
| - Lapsed ⁴ | (9,616) |
| Unvested rights at 31 December 2014 | - |

¹Each 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.

²The volume weighted average share price during the reporting period to 31 December 2013 was \$17.98.

³The volume weighted average share price during the reporting period to 31 December 2014 was \$19.72. Shareholder approval was received at the Annual General Meeting on 19 May 2014 for the accelerated vesting of the remaining portion of Mr Gregg's 2011 LTI award to the date of his cessation of employment and settlement in cash.

⁴The performance hurdles were not met at the first test date on 10 February 2014 and as a result 25% of the award lapsed immediately.

Notes continued

for the year ended 31 December 2014

37. EMPLOYEE BENEFITS CONTINUED

Share based payments continued

c) Rights plans continued

Equity Incentive Plans – 2012, 2013, and 2014 Awards

Shareholder approval was obtained at the Annual General Meeting on 22 May 2012 for the Equity Incentive Plan (“EIP”). The EIP provides the legal framework for the awards of share rights made in 2012, 2013 and 2014 under the Long-Term Incentive Plan (“LTI”), STI Deferral Plan (“STI”) and One-off Awards described below.

Long-Term Incentive Plan – 2012 Awards

The Long-Term Incentive Plan (“LTI”) – 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.

Notes continued

for the year ended 31 December 2014

37. EMPLOYEE BENEFITS CONTINUED

Share based payments continued

c) Rights plans continued

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 LTI, and measured over three, four and five year performance periods.

Amount recognised during the reporting period: Expense \$2.1 million (31 December 2013: Expense \$2.1 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 2012 | 565,092 | 21,768 | 21,768 |
| - Granted ² | 1,662 | - | - |
| - Vested ³ | - | - | - |
| - Lapsed | (22,944) | - | - |
| Unvested rights at 31 December 2013 | 543,810 | 21,768 | 21,768 |
| - Granted | - | - | - |
| - Vested ⁴ | (180,696) | - | - |
| - Lapsed | (42,992) | - | - |
| Unvested rights at 31 December 2014 ⁵ | 320,122 | 21,768 | 21,768 |

¹Each 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.

²Represents an adjustment to the number of rights issued in the prior reporting period.

³The volume weighted average share price during the reporting period to 31 December 2013 was \$17.98.

⁴The volume weighted average share price during the reporting period to 31 December 2014 was \$19.72. Shareholder approval was received at the Annual General Meeting on 19 May 2014 for the accelerated vesting of Mr Tyrwhitt and Mr Gregg's 2012 LTI award to the date of cessation of employment and settlement in cash.

⁵The total unvested rights balance at 31 December 2014 includes rights related to the disposal of controlled entities and businesses. Refer note 30: Acquisitions, disposals and discontinued operations. A portion of these rights relating to employees who leave the Group as a result of these disposals will lapse upon legal completion of the disposal.

Notes continued

for the year ended 31 December 2014

37. EMPLOYEE BENEFITS CONTINUED

Share based payments continued

c) Rights plans continued

Long-Term Incentive Plan – 2013 Awards

The Long-Term Incentive Plan (“LTI”) – 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 \$3.1 million (31 December 2013: Expense \$2.8 million).

| | 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 |
| - Vested ² | - |
| - Lapsed | (18,010) |
| Unvested rights at 31 December 2013 | 687,416 |
| - Granted | - |
| - Vested ³ | (184,390) |
| - Lapsed | (92,952) |
| Unvested rights at 31 December 2014 ⁴ | 410,074 |

¹Each 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.

²The volume weighted average share price during the reporting period to 31 December 2013 was \$17.98.

³The volume weighted average share price during the reporting period to 31 December 2014 was \$19.72. Shareholder approval was received at the Annual General Meeting on 19 May 2014 for the accelerated vesting of Mr Tyrwhitt and Mr Gregg’s 2013 LTI award to the date of cessation of employment and settlement in cash.

⁴The total unvested rights balance at 31 December 2014 includes rights related to the disposal of controlled entities and businesses. Refer note 30: Acquisitions, disposals and discontinued operations. A portion of these rights relating to employees who leave the Group as a result of these disposals will lapse upon legal completion of the disposal.

Notes continued

for the year ended 31 December 2014

37. EMPLOYEE BENEFITS CONTINUED

Share based payments continued

c) Rights plans continued

Long-Term Incentive Plan – 2014 Awards

The Long-Term Incentive Plan (“LTI”) – 2014 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 2014) 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; no rights will vest if TSR is less than or equal to 0%; 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 6% per annum before any parcel B share rights vest (50% vest at threshold) then pro rata to 10% per annum and then at 10% per annum all parcel B share rights vest.

Amount recognised during the reporting period: Expense \$5.6 million (31 December 2013: Expense \$nil).

| | 2014 LTI award |
|---|----------------|
| Date of grant | 1 Jan 2014 |
| Date of expiry ¹ | Feb 2017 |
| Grant fair value for TSR performance hurdle (“parcel A”) ² | \$8.18 |
| Grant fair value for EPS hurdle (“parcel B”) ² | \$13.40 |
| Original grant | 704,802 |
| Unvested rights at 31 December 2013 | - |
| - Granted | 704,802 |
| - Vested ³ | - |
| - Lapsed | - |
| Unvested rights at 31 December 2014 ⁴ | 704,802 |

¹Each 2014 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.

²The fair value of equity instruments is determined as at the date of grant (in accordance with Australian Accounting Standard AASB 2 Share Based Payments).

³The volume weighted average share price during the reporting period to 31 December 2014 was \$19.72.

⁴The total unvested rights balance at 31 December 2014 includes rights related to the disposal of controlled entities and businesses. Refer note 30: Acquisitions, disposals and discontinued operations. A portion of these rights relating to employees who leave the Group as a result of these disposals will lapse upon legal completion of the disposal.

Notes continued

for the year ended 31 December 2014

37. EMPLOYEE BENEFITS CONTINUED

Share based payments continued

c) Rights plans continued

One-Off Awards

One-off awards of Deferred Share Rights were granted under the Equity Incentive Plan ("EIP") for no cost and entitle the participant to receive one fully paid ordinary share in the Company per right. In 2012, 2013, and 2014 one-off awards were granted to employees:

- to replace existing cash-based service and retention arrangements where payment was due to vest over the longer-term; and
- as one-off awards to new and existing employees for recruitment and retention purposes.

All share rights issued expire on the earlier of their expiry date or termination of the individual's employment except in certain special circumstances. No performance conditions apply to these awards.

Amount recognised during the reporting period: Expense \$3.1 million (31 December 2013: Expense \$6.0 million).

| | One-off Awards – 2012 Awards | One-off Awards – 2013 Awards | One-off Awards – 2014 Awards |
|--|---------------------------------|---------------------------------|---------------------------------|
| Date of grant | 1 Jan 2012 - 31 Dec 2012 | 3 May 2013 | 1 Apr 2014 |
| Date of expiry | 5 Sept 2012 - 31 Dec 2017 | 31 Dec 14 - 1 Jan 17 | 31 Dec 14 - 1 July 16 |
| Grant fair value | \$16.20 - \$25.66 | \$18.06 | \$16.18 - \$17.63 |
| Original grant | 811,018 | 22,034 | 43,542 |
| Unvested rights at 31 December 2012 | 809,849 | - | - |
| - Granted ¹ | 9,924 | 22,034 | - |
| - Vested ² | (138,064) | - | - |
| - Lapsed | (71,865) | - | - |
| Unvested rights at 31 December 2013 | 609,844 | 22,034 | - |
| - Granted | - | - | 43,542 |
| - Vested ³ | (293,031) | (5,537) | (5,892) |
| - Lapsed | (8,833) | - | - |
| Unvested rights at 31 December 2014 ⁴ | 307,980 | 16,497 | 37,650 |

¹For the 2012 Awards this represents an adjustment to the number of rights issued in the prior reporting period.

²The volume weighted average share price during the reporting period to 31 December 2013 was \$17.98.

³The volume weighted average share price during the reporting period to 31 December 2014 was \$19.72.

⁴The total unvested rights balance at 31 December 2014 includes rights related to the disposal of controlled entities and businesses. Refer note 30: Acquisitions, disposals and discontinued operations. A portion of these rights relating to employees who leave the Group as a result of these disposals will lapse upon legal completion of the disposal.

Notes continued

for the year ended 31 December 2014

37. EMPLOYEE BENEFITS CONTINUED

Share based payments continued

c) Rights plans continued

Short-Term Incentive Plan (Deferral) – 2012, 2013 and 2014 Awards

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 (and 1 year for the 2014 short-term incentive deferral awards issued thereafter) 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) ("STI Deferral") during the 2014 financial year are disclosed in the Senior Executive Remuneration Section of the Remuneration report.

The total value of deferred share rights to be granted to eligible executives for the 2014 financial year will be determined in April 2015. Amount recognised during the reporting period: Expense \$5.9 million (31 December 2013: Expense \$3.5 million).

| | 2012 STI Deferral award | 2013 STI Deferral award |
|--|-------------------------------|-------------------------|
| Date of grant | 1 January 2013 | 1 January 2014 |
| Date of expiry | 31 December 2014 ⁵ | 31 December 2015 |
| Grant fair value | \$23.32 | \$17.51 |
| Original grant | 193,907 | 299,953 |
| Unvested rights at 31 December 2012 | - | - |
| - Granted | 193,907 | - |
| - Vested ¹ | - | - |
| - Lapsed | (2,210) | - |
| Unvested rights at 31 December 2013 | 191,697 | - |
| - Granted | - | 299,953 |
| - Vested ² | (56,368) | - |
| - Lapsed | (8,565) | (13,840) |
| Unvested rights at 31 December 2014 ⁴ | 126,764 | 286,113 |

¹The volume weighted average share price during the reporting period to 31 December 2013 was \$17.98.

²The volume weighted average share price during the reporting period to 31 December 2014 was \$19.72. Shareholder approval was received at the Annual General Meeting on 19 May 2014 for the accelerated vesting of Mr Tyrwhitt and Mr Gregg's 2012 STI Deferral award to the date of cessation of employment and settlement in cash.

³The full details of the 2014 STI Deferral award will be determined in April 2015.

⁴The total unvested rights balance at 31 December 2014 includes rights related to the disposal of controlled entities and businesses. Refer note 30: Acquisitions, disposals and discontinued operations. A portion of these rights relating to employees who leave the Group as a result of these disposals will lapse upon legal completion of the disposal.

⁵Final vesting is subject to approval of the Remuneration & Nominations Committee.

Notes continued

for the year ended 31 December 2014

37. EMPLOYEE BENEFITS CONTINUED

Share based payments continued

d) Share Appreciation Rights

Share Appreciation Rights – 2014 One-off Award to Marcelino Fernández Verdes (CEO)

Board approval was obtained on 11 December 2014 for the granting of share appreciation rights to Mr Fernández Verdes subject to a two year vesting period. The share appreciation rights were granted at no cost and entitle Mr Fernández Verdes to receive a cash payment reflecting the increase in value of the share price of the Company from the base share price of \$17.71 to the share price at close of trading on the last trading day before the share appreciation right is exercised, with a maximum payment per share appreciation right of \$32.29. The base price is the volume average weighted price of fully paid ordinary shares in Leighton traded on the ASX over the 30 day period before Mr Fernández Verdes' appointment as CEO on 13 March 2014. All share appreciation rights are subject to forfeiture if Mr Fernández Verdes had ceased to be the CEO of Leighton before 31 December 2014 or if he does not remain a member of either the Executive Board or the Supervisory Board of HOCHTIEF for the period up to and including 13 March 2017. The share appreciation rights will vest two years after his date of appointment and will be exercisable for three years from the date of vesting. No more than 40% of the share appreciation rights can be exercised in any one financial year.

Amount recognised during the reporting period: Expense \$2.3 million (31 December 2013: Expense \$nil).

| Share Appreciation Rights - 2014 One-off Award to M Fernández Verdes | |
|--|---------------|
| Date of grant | 10 June 2014 |
| Date of expiry | 13 March 2019 |
| Grant fair value | \$3.89 |
| Original grant | 1,200,000 |
| Unvested rights at 31 December 2013 | - |
| - Granted | 1,200,000 |
| - Vested ¹ | - |
| - Lapsed | - |
| Unvested rights at 31 December 2014 | 1,200,000 |

¹The volume weighted average share price during the reporting period to 31 December 2014 was \$19.72.

Other information

All offers under the Leighton Management Share Plan ("LMSP") are subject to pre-conditions of issue and are at the discretion of the Company. No further offers will be made under the Leighton Senior Executive Option Plan ("LSEOP"), and all legacy share option grants expired on 4 May 2014. The Leighton Employee Share Plan ("LESP") was terminated by the Remuneration and Nominations Committee on 2 September 2014, and no further offers will be made.

Defined contribution superannuation funds

During the period, the Group recognised \$342.1 million (31 December 2013: \$363.6 million) of defined contribution expenses.

Defined benefit superannuation funds

During the year ended 31 December 2013, 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.

Notes continued

for the year ended 31 December 2014

38. RELATED PARTY DISCLOSURES

Key management personnel

Key management personnel compensation:

| | 12 months to December 2014 \$'000 | 12 months to December 2013 \$'000 |
|------------------------------|---|---|
| Short-term employee benefits | 13,810 | 20,180 |
| Post-employment benefits | 117 | 412 |
| Long-term benefits | - | - |
| Termination benefits | 23,861 | 347 |
| Share-based payments | 9,570 | 7,132 |
| | 47,358 | 28,071 |

Loans to key management personnel

There were no loans to key management personnel in the current or prior reporting period.

a) Key management personnel

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

D Robinson is a principal in the firm of chartered accountants, Harveys, which receives fees from HOCHTIEF Australia Holdings Limited for services provided to that company, which is a related party.

R Seidler received 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 2014

38. RELATED PARTY DISCLOSURES CONTINUED

b) 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 2014 \$'000 | December 2013 \$'000 ^(restated) |
|--|-------------------------|--|
| Aggregate amounts receivable from related parties at reporting date | | |
| Associates ¹ | 735,179 | 642,625 |
| Joint venture entities ² | 826,648 | 73,176 |
| Aggregate amounts payable to related parties at reporting date | | |
| Associates | (1,287) | (1,690) |
| Joint venture entities | (53,962) | (73,223) |

¹Refer to note 8: Trade and other receivables for disclosure of interest free and interest bearing loan receivables from HLG.

²Includes \$790.1 million relating to the disposal of the Services business included within 'Proceeds receivable on sale of controlled entities and businesses' within note 8: Trade and other receivables.

| | 12 months to December 2014 \$'000 | 12 months to December 2013 \$'000 ^(restated) |
|--|---|--|
| Revenue - interest received / receivable from related parties | | |
| Associates ¹ | 22,620 | 21,939 |
| Joint venture entities | 1,555 | - |
| Revenue - unwinding of discounts on non-current receivables - related parties | | |
| Associates | 6,648 | 7,174 |
| Finance costs - interest paid / payable to related parties | | |
| Joint venture entities ¹ | (4,195) | (357) |
| Finance costs - impact of discounting - related parties | | |
| Associates | (351) | (21,616) |

¹Associates' revenue excludes \$0.2 million from discontinued operations. Joint venture entities' finance costs excludes \$0.8 million from discontinued operations.

^Certain amounts shown above do not correspond to the consolidated financial report as at 31 December 2013 and have been re-presented to separately show those operations classified as discontinued in the current year, as detailed in note 30: Acquisitions, disposals and discontinued operations.

| | December 2014 Number of employees | December 2013 Number of employees |
|---------------------------------------|---|---|
| Number of employees | | |
| Number of employees at reporting date | 36,512 | 55,990 |

Notes continued

for the year ended 31 December 2014

38. RELATED PARTY DISCLOSURES CONTINUED

c) 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: 7 (31 December 2013: 8).

The Group operates in the infrastructure, resources and property markets. Principal activities of the Group within these markets are construction, contract mining, public private partnerships, engineering, property development and other services (including environmental, telecommunications and operations and maintenance).

d) 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.

Leighton Holdings Limited Directors Mr J del Valle Pérez and Mr P López Jiménez were directors of ACS during the period.

At the date of this financial report, being 11 February 2015, HOCHTIEF Australia Holdings Limited held 235,661,965 shares in the Company.

Notes continued

for the year ended 31 December 2014

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES

a) Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2014 the parent entity of the Group was Leighton Holdings Limited. A statement of profit or loss and statement of financial position at 31 December 2014 is set out below:

| | Company | |
|--|--------------------------------------|--------------------------------------|
| | 12 months to December 2014 \$m | 12 months to December 2013 \$m |
| Comprehensive income | | |
| Profit / (loss) for the period | 945.0 | 256.0 |
| Other comprehensive income | - | - |
| Total comprehensive income for the period | 945.0 | 256.0 |
| | | |
| | December 2014 \$m | December 2013 \$m |
| Statement of Financial Position | | |
| Current assets | 1,544.9 | 113.7 |
| Non-current assets | 2,656.9 | 2,558.2 |
| Total assets | 4,201.8 | 2,671.9 |
| | | |
| Current liabilities | 747.4 | 1.2 |
| Non-current liabilities | 799.8 | 584.9 |
| Total liabilities | 1,547.2 | 586.1 |
| | | |
| Net assets | 2,654.6 | 2,085.8 |
| | | |
| Equity | | |
| Share capital | 2,052.5 | 2,028.6 |
| Reserves | 66.7 | 71.2 |
| Retained earnings ¹ | 535.4 | (14.0) |
| Total equity | 2,654.6 | 2,085.8 |

¹Subsequent to the reporting date, certain operating companies of the Group declared dividends totalling \$600.0 million, payable to Leighton Holdings Limited on 31 January 2015. This would have the effect of increasing retained earnings to \$1,135.4 million.

Notes continued

for the year ended 31 December 2014

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 | | 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 | (C) | 100% | NSW |
| A.C.N. 126 130 738 Pty Ltd | | 100% | Vic |
| A.C.N. 151 868 601 Pty Ltd | (C) | 100% | Vic |
| A.C.N. 601 639 810 Pty Ltd | (B),(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 |
| Devine Bacchus Marsh Pty Ltd | | 51% | Qld |
| Devine Building Management Services Pty Ltd | (B) | 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 Projects (VIC) Pty Ltd | (B) | 51% | Qld |
| Devine Queensland No. 10 Pty Ltd | | 51% | Qld |
| Devine SA Land Pty Ltd | (B) | 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 |

Notes continued

for the year ended 31 December 2014

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

| Name of entity | | Interest held | Place of incorporation |
|--|-----|---------------|------------------------|
| Devine Woodforde Pty Ltd | (B) | 51% | Qld |
| DoubleOne 3 Building Management Services Pty Ltd | (B) | 51% | Qld |
| Doubleone 3 Pty Ltd | | 51% | Qld |
| Emrail-Leighton Joint Venture | (B) | 100% | Malaysia |
| Ewenissa Pty Limited | (C) | 100% | ACT |
| FleetCo Finance Pty Limited | (C) | 100% | VIC |
| FleetCo Holdings Pty Limited | (C) | 100% | VIC |
| FleetCo Management Pty Limited | (C) | 100% | VIC |
| FleetCo Rentals No.1 Pty Limited | (C) | 100% | VIC |
| FleetCo Rentals Pty Limited | (C) | 100% | VIC |
| FleetCo Services Pty Limited | (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 |
| 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 |
| Joetel Pty Limited | | 59% | ACT |
| 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 Infrastructure Nominees Pty Ltd | (C) | 100% | Vic |
| John Holland Infrastructure Pty Ltd | (C) | 100% | Vic |
| John Holland Infrastructure Trust | (C) | 100% | N/A |
| John Holland Investment Pty Ltd | (C) | 100% | Vic |

Notes continued

for the year ended 31 December 2014

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

| Name of entity | | Interest held | Place of incorporation |
|---|-----|---------------|------------------------|
| John Holland Services Pty Ltd | (C) | 100% | Vic |
| 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 |
| Lei Shun Employment Limited | | 100% | Macao |
| Leighton Admin Services Pty Limited ¹ | (C) | 100% | NSW |
| Leighton Africa Botswana (Proprietary) Limited | | 100% | Botswana |
| Leighton Africa (Mauritius) Limited | | 100% | Mauritius |
| Leighton Africa (South Africa) Proprietary Limited | | 100% | South Africa |
| Leighton Africa Mozambique Limited | (B) | 100% | Mozambique |
| 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 |
| Leighton Engineering & Construction (Singapore) Pte Ltd | | 100% | Singapore |
| Leighton Engineering Joint Venture | | 70% | Malaysia |
| Leighton Engineering Sdn Bhd | (B) | 100% | Malaysia |
| Leighton Equity Incentive Plan Trust | | 100% | NSW |

Notes continued

for the year ended 31 December 2014

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

| Name of entity | | Interest held | Place of incorporation |
|--|-----|---------------|------------------------|
| Leighton Fabrication and Modularization | | 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 Gbs Sdn. Bhd. | | 100% | Malaysia |
| Leighton Geotech Limited | (A) | 49% | Thailand |
| Leighton Group Property Services Pty Ltd | (C) | 100% | Vic |
| Leighton Group Property Services No.1 Pty Ltd | | 100% | Qld |
| 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 India Contractors Private Limited (formerly known as Leighton Welspun Contractors Private Limited) ⁴ | | 100% | India |
| 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 ⁴ | | 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 Joint Venture | (B) | 100% | Hong Kong |
| Leighton LLC | | 100% | Mongolia |
| Leighton M&E Limited | | 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 | | 100% | Singapore |
| Leighton Offshore Faulkner Pte Ltd | | 100% | Singapore |

Notes continued

for the year ended 31 December 2014

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

| Name of entity | | Interest held | Place of incorporation |
|---|---------|---------------|------------------------|
| Leighton Offshore Mynx Pte Ltd | | 100% | Singapore |
| Leighton Offshore Pte Ltd | | 100% | Singapore |
| Leighton Offshore Sdn Bhd | | 100% | Malaysia |
| Leighton Offshore Stealth Pte Ltd | | 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 | | 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 Property Funds Management Limited ² | (C) | 100% | ACT |
| Leighton Property Management Pty Limited ² | (C) | 100% | NSW |
| Leighton PPP Services NZ Limited | (B) | 100% | New Zealand |
| Leighton Residential Investments Pty Ltd | (C) | 100% | Vic |
| Leighton Staff Shares Pty Ltd | (C) | 100% | Vic |
| Leighton Superannuation Pty. Ltd. | | 100% | NSW |
| Leighton U.S.A. Inc. | | 100% | United States |
| 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 |
| LNWR Pty Limited | (B),(C) | 100% | Vic |
| Martox Pty Limited | | 59% | NSW |
| Mode Apartments Pty Ltd | | 51% | N/A |
| Mode Apartments Unit Trust | | 51% | N/A |
| Moonamang Joint Venture Pty Ltd | (A),(C) | 100% | WA |
| 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 |

Notes continued

for the year ended 31 December 2014

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

| Name of entity | | Interest held | Place of incorporation |
|--|---------|---------------|------------------------|
| Pacific Partnerships Holdings Pty Ltd | (B),(C) | 100% | Vic |
| Pacific Partnerships Investments Pty Ltd | (B),(C) | 100% | Vic |
| Pacific Partnerships Pty Ltd | (B),(C) | 100% | Vic |
| Pioneer Homes Australia Pty Ltd | | 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 |
| Queens Square Pty Ltd | | 100% | Vic |
| River Links Developments Pty Ltd | (C) | 100% | Qld |
| Riverstone Rise Gladstone Pty Ltd | | 51% | Qld |
| Riverstone Rise Gladstone Unit Trust | | 51% | N/A |
| Silverton Group Pty Ltd | (C) | 100% | WA |
| Sustaining Works Pty Limited | (B),(C) | 100% | Qld |
| 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 Canada Ltd | (B) | 100% | Canada |
| 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 Infracore 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 Minecs India Pvt Ltd ⁴ | | 90% | India |
| Thiess Mining Maintenance Pty Ltd | (C) | 100% | Qld |
| Thiess NC | | 100% | New Caledonia |
| Thiess NZ Limited | | 100% | New Zealand |
| Thiess Pty Ltd ¹ | (C) | 100% | Qld |

Notes continued

for the year ended 31 December 2014

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

| Name of entity | | Interest held | Place of incorporation |
|----------------------------------|-----|---------------|------------------------|
| Thiess Southland Pty Ltd | (C) | 100% | NSW |
| Think Consulting Group Pty Ltd | (C) | 100% | Vic |
| Trafalgar EB Pty Ltd | (B) | 51% | Qld |
| Tribune SB Pty Ltd | (B) | 51% | Qld |
| Townsville City Project Pty Ltd | | 75% | NSW |
| Townsville City Project Trust | | 75% | Qld |
| Victoria Point Docklands Pty Ltd | | 51% | Qld |
| Western Port Highway Trust | (C) | 100% | N/A |
| Woodforde JV Pty Ltd | (B) | 51% | Qld |
| Yoltax Pty Limited | | 59% | NSW |
| Zelmex Pty Limited | | 59% | ACT |

¹These companies (Leighton Holdings Limited (LHL) Class Order Companies) have the benefit of ASIC Class Order 98/1418 as at 31 December 2014.

²These 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 2014, as they are small proprietary companies.

³Entity has a 30 June reporting date.

⁴Entity has a 31 March reporting date.

⁵This company is a party to the Deed of Cross Guarantee as Holding Entity.

(A) Entities controlled under shareholder agreements.

(B) Incorporated / established in the 2014 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 2014

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

c) Acquisition and disposal of controlled entities

Refer to note 30: *Acquisitions, disposals and discontinued operations* for further details.

d) Liquidation of controlled entities

The following controlled entities have been liquidated during the period to 31 December 2014 as they are no longer required by the Group in the ordinary course of business:

- Inspire Schools Finance Pty Limited
- Leighton Offshore Arabia Co. Ltd
- Menette Pty Ltd
- Kingscliff Resort Trust

e) Parent entity commitments and contingent liabilities

Contingent liabilities under indemnities given on behalf of controlled entities in respect of the parent: bank guarantees: \$1,824.8 million (31 December 2013: \$2,385.6 million); insurance bonds: \$1,018.8 million (31 December 2013: \$1,254.2 million); letters of credit: \$326.0 million (31 December 2013: \$414.2 million). During the reporting period, the Parent was released from bank guarantees totalling \$424.9 million (31 December 2013: \$nil), insurance, performance and payments bonds totalling \$213.8 million (31 December 2013: \$nil) and letters of credit totalling \$22.4 million (31 December 2013: \$nil) related to the disposal of controlled entities and businesses.

Capital expenditure contracted for at the reporting date but not recognised as liabilities of the parent was \$nil (31 December 2013: \$nil).

f) Material subsidiaries including consolidated structured entities

Set out below are the Company's principal subsidiaries at 31 December 2014. 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.

| Name of entity | Principal activity | Country of incorporation | Ownership interest held by the Company | | Ownership interest held by non-controlling interests | |
|---|--------------------------------|--------------------------|--|--------------------|--|--------------------|
| | | | December 2014 % | December 2013 % | December 2014 % | December 2013 % |
| Leighton Contractors Pty Ltd ¹ | Contract Mining & Construction | Australia | 100 | 100 | - | - |
| Thiess Pty Ltd ¹ | Contract Mining & Construction | Australia | 100 | 100 | - | - |
| John Holland Pty Limited ² | Construction | Australia | - | 100 | - | - |
| Leighton Asia Limited | Contract Mining & Construction | Hong Kong | 100 | 100 | - | - |
| Leighton International Limited | Contract Mining & Construction | Cayman Islands | 100 | 100 | - | - |

¹These companies (Leighton Holdings Limited (LHL) Class Order Companies) have the benefit of ASIC Class Order 98/1418. For further information, refer to section (i).

²On 12 December 2014, the Group sold 100% of its shareholding in JHG. Refer to note 30: *Acquisitions, disposals and discontinued operations* for further detail.

Non-controlling interests

There were no material non-controlling interests relating to the Company's material subsidiaries disclosed above as at 31 December 2014 and as such no material transactions with non-controlling interests during the period to 31 December 2014.

Notes continued

for the year ended 31 December 2014

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

g) Unconsolidated structured entities

The Group is party to several lease agreements with unconsolidated structured entities during the reporting period. These transactions were undertaken to develop operational and financing synergies across the Group. The unconsolidated structured entities are financed by external parties and the Group does not hold any equity interests or assets such as loans or receivables with these entities. The relevant activities of the structured entities are directed by contractual agreements. The entities are controlled by external parties and therefore are not consolidated by the Group.

The Group is only exposed to the variability of returns in relation to return conditions at lease expiry, which are not known at this time. These items are also included at *Note 19: Interest bearing liabilities* and *Note 33: Commitments*.

The table below provides a summary of the Group's exposure to unconsolidated structured entities.

| Exposures to unconsolidated structured entities | December 2014 \$m | December 2013 \$m |
|--|----------------------|----------------------|
| Finance lease liabilities | 11.9 | 20.5 |
| <i>Total on balance sheet liabilities</i> | 11.9 | 20.5 |
| Operating lease commitments | 363.0 | 535.2 |
| <i>Total liabilities due to unconsolidated structured entities</i> | 374.9 | 555.7 |

h) Parent entity transactions with wholly-owned controlled entities

Transactions with wholly-owned controlled entities were as follows: aggregate amounts receivable: \$1,698.5 million (31 December 2013: \$867.4 million); aggregate amounts payable: \$798.6 million (31 December 2013: \$583.7 million); interest received / receivable: \$40.6 million (31 December 2013: \$34.6 million); interest paid / payable: \$19.1 million (31 December 2013: \$15.8 million); fees charged: \$nil (31 December 2013: \$nil); dividends received: \$837.7 million (31 December 2013: \$315.0 million); fees paid: \$180.0 million (31 December 2013: \$135.0 million). Subsequent to the reporting date, certain operating companies of the Group declared dividends totalling \$600.0 million, payable to Leighton Holdings Limited on 31 January 2015. This would have the effect of increasing retained earnings to \$1,135.4 million.

Notes continued

for the year ended 31 December 2014

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

i) 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.

There have been no entities added to or removed from the Deed of Cross Guarantee during the reporting period.

Entities party to Deed of Cross Guarantee

A consolidated statement of profit or loss and statement of financial position, comprising the Company and entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 December 2014 is set out below:

| Deed of Cross Guarantee | 12 months to December 2014 \$m | 12 months to December 2013 \$m |
|--|--------------------------------------|--------------------------------------|
| Statement of Profit or Loss | | |
| Profit / (loss) before tax | 1,897.7 | 841.3 |
| Income tax (expense) / benefit | (220.1) | (76.4) |
| Profit / (loss) for the period | 1,677.6 | 764.9 |
| Retained earnings brought forward | 576.3 | (202.7) |
| Retained earnings brought forward - adjustment for new entities party to the deed of Cross Guarantee | - | 421.8 |
| Retained earnings brought forward - adjustment for entities removed from the deed of Cross Guarantee | - | (53.6) |
| Dividends paid | (395.6) | (354.1) |
| Retained earnings at reporting date | 1,858.3 | 576.3 |

Notes continued

for the year ended 31 December 2014

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

| Deed of Cross Guarantee | December 2014 \$m | December 2013 \$m |
|---|----------------------|----------------------|
| Statement of Financial Position | | |
| Assets | | |
| Cash and cash equivalents | 1,402.7 | 737.8 |
| Trade and other receivables | 3,195.1 | 3,315.7 |
| Current tax assets | - | 82.6 |
| Inventories: consumables and development properties | 202.4 | 209.3 |
| <i>Total current assets</i> | 4,800.2 | 4,345.4 |
| Trade and other receivables | 3,797.3 | 2,773.2 |
| Inventories: development properties | 91.9 | 101.6 |
| Investments accounted for using the equity method | 725.2 | 592.1 |
| Other investments | 803.5 | 1,089.4 |
| Deferred tax assets | 76.2 | 95.8 |
| Property, plant and equipment | 633.2 | 696.8 |
| Intangibles | 207.7 | 206.1 |
| <i>Total non-current assets</i> | 6,335.0 | 5,555.0 |
| Total assets | 11,135.2 | 9,900.4 |
| Liabilities | | |
| Trade and other payables | 2,746.9 | 3,563.2 |
| Current tax liabilities | 215.8 | - |
| Provisions | 341.7 | 358.7 |
| Interest bearing liabilities | 664.9 | 851.6 |
| <i>Total current liabilities</i> | 3,969.3 | 4,773.5 |
| Trade and other payables | 3,009.2 | 2,776.1 |
| Provisions | 111.6 | 103.0 |
| Interest bearing liabilities | 703.8 | 203.2 |
| <i>Total non-current liabilities</i> | 3,824.6 | 3,082.3 |
| Total liabilities | 7,793.9 | 7,855.8 |
| Net assets | 3,341.3 | 2,044.6 |
| Equity | | |
| Share capital | 2,052.5 | 2,028.6 |
| Reserves | (569.5) | (560.3) |
| Retained earnings | 1,858.3 | 576.3 |
| Total equity | 3,341.3 | 2,044.6 |

Notes continued

for the year ended 31 December 2014

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

Entities party to the Deed of Cross Guarantee but not controlled

As required under the Corporations Act an additional consolidated statement of profit or loss and statement of financial position, comprising entities which are a party to the Deed but not controlled by the Company, after eliminating all transactions between these parties at 31 December 2014 is set out below. Refer to *note 30: Acquisitions, disposals and discontinued operations* for details of entities disposed which are included within the Deed of Cross Guarantee.

| Deed of Cross Guarantee | 12 months to December 2014 \$m |
|-------------------------------------|--------------------------------------|
| Statement of Profit or Loss | |
| Profit / (loss) before tax | 64.1 |
| Income tax (expense) / benefit | (26.8) |
| Profit / (loss) for the period | 37.3 |
| Retained earnings brought forward | 61.0 |
| Dividends paid | - |
| Retained earnings at reporting date | 98.3 |

Notes continued

for the year ended 31 December 2014

39. LEIGHTON HOLDINGS LIMITED AND CONTROLLED ENTITIES CONTINUED

| Deed of Cross Guarantee | December 2014 \$m |
|---|----------------------|
| Statement of Financial Position | |
| Assets | |
| Cash and cash equivalents | 70.9 |
| Trade and other receivables | 329.5 |
| Current tax assets | - |
| Inventories: consumables and development properties | 45.6 |
| <i>Total current assets</i> | <i>446.0</i> |
| Trade and other receivables | 62.9 |
| Inventories: development properties | - |
| Investments accounted for using the equity method | - |
| Other investments | 1.5 |
| Deferred tax assets | 16.6 |
| Property, plant and equipment | 34.5 |
| Intangibles | - |
| <i>Total non-current assets</i> | <i>115.5</i> |
| Total assets | 561.5 |
| Liabilities | |
| Trade and other payables | 273.3 |
| Current tax liabilities | 35.3 |
| Provisions | 42.5 |
| Interest bearing liabilities | 0.4 |
| <i>Total current liabilities</i> | <i>351.5</i> |
| Trade and other payables | 65.1 |
| Provisions | 21.4 |
| Interest bearing liabilities | - |
| <i>Total non-current liabilities</i> | <i>86.5</i> |
| Total liabilities | 438.0 |
| Net assets | 123.5 |
| Equity | |
| Share capital | 25.0 |
| Reserves | 0.3 |
| Retained earnings | 98.2 |
| Total equity | 123.5 |

Notes continued

for the year ended 31 December 2014

40. 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 2014, 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 2014) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139. The standard will become mandatory for reporting periods beginning on or after 1 January 2018. Retrospective application is required with some exceptions. The Group is still assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9.

- *AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts*, Interpretation 13 *Customer Loyalty Programmes*, Interpretation 15 *Agreements for the Construction of Real Estate*, Interpretation 18 *Transfers of Assets from Customers*, and Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*.

The core principle of AASB 15 is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

This standard will become mandatory for reporting periods beginning on or after 1 January 2017. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15 and due to the replacement of AASB 111 it is expected to have a significant impact on presentation and disclosure of construction contracts.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- *AASB 2014-1 Amendments to Australian Accounting Standards – Part E Financial Instruments*
- *AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for acquisitions of interests in joint operations*
- *AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of acceptable methods of depreciation and amortisation*
- *AASB 2014-9 Amendments to Australian Accounting Standards – Equity method in separate financial statements*
- *AASB 2014-10 Amendments to Australian Accounting Standards – Sale or contribution of assets between investor and its associate and joint venture*
- *AASB 2014-1 Amendments to Australian Accounting Standards – Part A Annual Improvements 2010-2012 and 2011-2013 cycles*
- *AASB 2015-1 Amendments to Australian Accounting Standards – Annual improvements to Australian Accounting Standards 2012-2014 cycle*

Notes continued

for the year ended 31 December 2014

41. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to reporting date:

- The Group declared a 100% franked dividend of 68.0 cents per share.

The Directors approved the financial report on 11 February 2015.

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 46 to 146, 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 2014 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 2014.
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 11th day of February 2015.

Signed for and on behalf of the Board in accordance with a resolution of the Directors:



Marcelino Fernández Verdes
Executive Chairman and Chief Executive Officer



Russell Chenu
Chairman Audit and Risk Committee

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 2014, 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 46 to 147.

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 2014 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 27 to 43 of the directors' report for the year ended 31 December 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



G Couttas
Partner
Chartered Accountants
Sydney, 11 February 2015



ADDITIONAL INFORMATION

Shareholdings

The information below is current as at 15 January 2015.

TWENTY LARGEST SHAREHOLDERS

The 20 largest shareholders on the Company's register of members hold 90.05% of the Company's issued capital.

| Name | No. of shares | % of issued capital |
|---|--------------------|---------------------|
| HOCHTIEF Australia Holdings Limited | 235,661,965 | 69.63 |
| J P Morgan Nominees Australia Limited | 29,313,294 | 8.66 |
| HSBC Custody Nominees (Australia) Limited | 18,643,140 | 5.51 |
| National Nominees Limited | 9,704,142 | 2.87 |
| Citicorp Nominees Pty Limited | 6,237,603 | 1.84 |
| BNP Paribas Noms Pty Ltd <Drp> | 1,138,279 | 0.34 |
| Milton Corporation Limited | 780,665 | 0.23 |
| Argo Investments Limited | 489,733 | 0.14 |
| Gwynvill Investments Pty Limited | 427,188 | 0.13 |
| National Nominees Limited <N A/C> | 360,769 | 0.11 |
| Citicorp Nominees Pty Limited <Colonial First State Inv A/C> | 325,901 | 0.10 |
| Gwynvill Trading Pty Limited | 284,791 | 0.08 |
| AMP Life Limited | 233,324 | 0.07 |
| Sandhurst Trustees Ltd <Harper Bernays Ltd A/C> | 228,840 | 0.07 |
| National Nominees Limited <DB A/C> | 212,235 | 0.06 |
| Navigator Australia Ltd <MLC Investment Sett A/C> | 174,705 | 0.05 |
| Share Direct Nominees Pty Ltd <10026 A/C> | 168,493 | 0.05 |
| QIC Limited | 154,228 | 0.05 |
| Mr Jonathan Leighton Stanley Ellis | 138,150 | 0.04 |
| Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C> | 137,245 | 0.04 |
| Total | 304,814,690 | 90.05 |
| Total shares on issue | 338,503,563 | 100 |

DISTRIBUTION SCHEDULE

The Company has 338,503,563 ordinary shares on issue. The distribution of shareholders is as follows:

| Size of shareholding | No. of holders | Ordinary shares held | % of issued capital |
|----------------------|----------------|----------------------|---------------------|
| 1 – 1,000 | 33,398 | 9,162,280 | 2.71 |
| 1,001 – 5,000 | 6,438 | 12,995,276 | 3.84 |
| 5,001 – 10,000 | 617 | 4,234,853 | 1.25 |
| 10,001 – 100,000 | 290 | 6,607,747 | 1.95 |
| 100,001 and over | 26 | 305,503,407 | 90.25 |
| Total | 40,769 | 338,503,563 | 100 |

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.

There were 1,218 shareholders with less than a marketable parcel (25 shares), based on the closing market price of \$20.78 on 15 January 2015.

SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders and the number of equity securities to which they have a relevant interest, as disclosed in substantial holding notices given to the Company under the Corporations Act are:

| Name | No. of shares | Voting power |
|--|---------------|--------------|
| HOCHTIEF Australia Holdings Limited and its associates as detailed in the notice dated 12 May 2014 | 235,664,817* | 69.62 |

* Number of shares as at 12 May 2014, the date of disclosure in substantial shareholding notices given to the Company.

SHARE RIGHTS

The Company has 1,530,241 share rights on issue. The distribution is as follows:

| Size of holding | No. of holders | Share rights |
|------------------|----------------|------------------|
| 1 – 1,000 | 4 | 2,530 |
| 1,001 – 5,000 | 35 | 88,228 |
| 5,001 – 10,000 | 18 | 125,894 |
| 10,001 – 100,000 | 35 | 834,611 |
| 100,001 and over | 3 | 478,978 |
| Total | 95 | 1,530,241 |

To satisfy entitlements employees and former employees have in respect of their 2014 remuneration, a maximum number of 704,802 further LTI rights may be issued.

The share rights do not carry any rights to voting.

Shareholder information

ENQUIRIES AND SHARE REGISTRY

If you have any questions about your shareholding, dividend payments, tax file number, change of address or any other enquiry, please contact Computershare Investor Services Pty Limited:

- Telephone: 1300 855 080 (local) or +61 3 9415 4000 (international)
- Fax: (03) 9473 2500 (local) or +61 3 9473 2500 (international)
- Email: www.investorcentre.com/contact
- Post: GPO Box 2975, Melbourne, VIC, 3001, Australia

REGISTERED OFFICE

Principal registered office in Australia

472 Pacific Highway, St Leonards, NSW, 2065, Australia

Telephone: +61 2 9925 6666

Fax: +61 2 9925 6000

Email: leighton@leighton.com.au

Website: www.leighton.com.au

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 shares are listed on the ASX and are traded under the stock code 'LEI'. The ASX home branch is Sydney, Australia. A Subsidiary, Leighton Finance (USA) Pty Limited, has notes on issue which are listed on the Singapore Exchange.

YEAR-ON-YEAR PERFORMANCE SNAPSHOT

The five-year performance of the Group is set out in a table within the 'Company Performance' section of the Remuneration Report.

CORPORATE GOVERNANCE STATEMENT

The Leighton Holdings corporate governance statement is available on our website, in the section titled Board and Governance (<http://www.leighton.com.au/our-approach/board-and-governance/corporate-governance-approach>).

ANNUAL GENERAL MEETING

The 54th Annual General Meeting of the members of Leighton Holdings will be held in the Wentworth Ballroom, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney, New South Wales on 21 April 2015. Shareholders will be notified of the meeting and any resolutions in accordance with the Corporations Act.

SHAREHOLDER COMMUNICATIONS

Shareholder communications, including this Annual Report, are available on the Leighton Holdings' website (www.leighton.com.au). Leighton Holdings encourages shareholders to receive notification of all communications by email. Printed copies of shareholder communications are available on request by contacting +61 2 9925 6666 or leighton@leighton.com.au.

Glossary

| Term | Description |
|------------------------------------|--|
| 1H13 or HY13 | Six month period ended 30 June 2013 |
| 1H14 or HY14 | Six month period ended 30 June 2014 |
| 1Q13, 2Q13, 3Q13 or 4Q13 | First, second, third or fourth quarter of the 2013 Financial Year |
| 1Q14, 2Q14, 3Q14 or 4Q14 | First, second, third or fourth quarter of the 2014 Financial Year |
| 2H13 or 2H14 | Second six month period of the relevant Financial Year |
| 2011 Transitional Financial Year | Six month financial period ended 31 December 2011 |
| 2012 Financial Year or FY12 | Financial year ended 31 December 2012 |
| 2013 Financial Year or FY13 | Financial year ended 31 December 2013 |
| 2014 Financial Year or FY14 | Financial year ended 31 December 2014 |
| 2015 Financial Year or FY15 | Financial year ended 31 December 2015 |
| AASB | Australian Accounting Standards Board |
| ACS or ACS Group | Actividades de Construcción y Servicios S.A. |
| AGM | Annual General Meeting of Leighton's Shareholders |
| ASIC | Australian Securities and Investments Commission |
| ASX | Australian Securities Exchange |
| ASX Principles and Recommendations | ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3 rd Edition) |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| Company or Leighton | Leighton Holdings Limited |
| Constitution | Constitution of Leighton Holdings Limited dated 5 November 1998 |
| Corporations Act | Corporations Act 2001 (Cth) |
| cps | Cents per share |
| Deloitte | Deloitte Touche Tohmatsu |
| DJSI | Dow Jones Sustainability Index |
| Domestic operations | Operations in Australia, New Zealand and the Pacific Islands |
| EBIT | Earnings before interest and taxes |
| EBITDA | Earnings before interest, taxes, depreciation and amortisation |
| EGM | Executive General Manager |
| EIFR | Environmental incident frequency rate |
| EEO Program | Energy Efficiency Opportunities Program operated under the EEO Act 2006 (Cth) which was repealed during 2014 |
| EPS | Earnings per share |
| ESA | Executive service agreement |
| F/X | Foreign exchange |
| FBT | Fringe benefit tax |
| GDP | Gross domestic product |
| Group | Leighton Holdings Limited and certain entities it controls |
| GST | Goods and services tax |
| HLG | Habtoor Leighton Group |
| HOCHTIEF Australia | HOCHTIEF Australia Holdings Limited, a wholly owned subsidiary of HOCHTIEF AG |
| HOCHTIEF AG | HOCHTIEF Aktiengesellschaft |
| John Holland sale | In December 2014, the Group announced the successful divestment of John Holland to CCCC International Holding Limited for an enterprise value of approximately \$1.15 billion, subject to customary approvals including by the Foreign Investment Review Board |
| JV | Joint venture |
| KMP | Key Management Personnel as defined in AASB 124 |
| KPI | Key performance indicators |
| LAIO | Leighton Asia, India and Offshore |
| LNG | Liquefied natural gas |
| LSEOP | Leighton Senior Executive Option Plan |
| LTI | Long-term incentive |
| LWIN | Leighton Welspun. The LWIN transaction in FY13 related to the acquisition of the 39.9% share of the LWIN joint venture which was not previously owned by the Group |
| Moody's | Moody's Investors Service |
| MTI | Medium-term incentive |
| NGER Scheme | National Greenhouse and Energy Reporting Scheme which operates under the NGER Act |

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| | 2007 (Cth) |
| Notice of Meeting | Notice of the 2015 Annual General Meeting |
| NPAT | Net profit after tax |
| Offer | The proportional takeover bid by HOCHTIEF to acquire three out of every eight Leighton shares on the terms and conditions set out in HOCHTIEF's Bidder's Statement. |
| Operating Companies | Leighton Contractors, John Holland, Thiess, Leighton Properties, Leighton Asia, India and Offshore, Pacific Partnerships and Engineering |
| PAT | Profit after tax |
| PBT | Profit before tax |
| PPP | Public private partnership |
| ROFE | Return on funds employed |
| SAR | Share appreciation right |
| Services partnership or Services investment partnership | In December 2014 the Group announced a 50:50 partnership for Leighton Contractors' and Thiess' operations and maintenance services businesses with certain funds managed by affiliates of Apollo Global Management. The agreement values 100% of these businesses at \$1.075 billion. The partnership is subject to customary approvals including Foreign Investment Review Board and New Zealand Overseas Investment Office approval. |
| S&P | Standard & Poor's |
| STI | Short-term incentive |
| Subsidiary | Subsidiary of the Company as defined in the Corporations Act |
| Target's Statement | Leighton's target's statement dated 10 April 2014 under Part 6.5 of the Corporations Act in relation to the Offer. It includes the Independent Expert's Report |
| Telco sale | During 1H13, the Group sold 70.1% of its non-core telecommunications assets, consisting of Nextgen Networks, Metronode and certain Infoplex assets, to the Ontario Teachers' Pension Plan |
| The divestments | The John Holland sale and Services partnership |
| TRIFR | Total recordable injury frequency rate |
| TSR | Total shareholder return |
| UNPAT | Underlying net profit after tax |
| UPBT | Underlying profit before tax |
| VWAP | Volume weighted average price |
| WIH | Work in hand |

