

12 February 2015

Singapore Exchange (SGX)
2 Shenton Way
#19-00 SGX Centre 1
Singapore 068804

RE: Preliminary Final Report (Appendix 4E) and ASX Media Release

Please find attached a copy of a media release issued 11 February 2015 by
Leighton Holdings Limited, parent company of Leighton Finance (USA) Pty Ltd.

Yours faithfully
LEIGHTON HOLDINGS LIMITED

VANESSA REES
Group Company Secretary



Vanessa Rees
Group Company Secretary

Leighton Holdings Limited
ABN 57 004 482 982

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St Leonards NSW 2065 Australia

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11 February 2015

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

Please find attached copies of the following documents:

- a) Preliminary Final Report (Appendix 4E) and Management Commentary for the year ended 31 December 2014; and
- b) ASX/Media Release dated 11 February 2015.

Yours faithfully
LEIGHTON HOLDINGS LIMITED

VANESSA REES
Group Company Secretary

**PRELIMINARY FINAL REPORT
(APPENDIX 4E) &
MANAGEMENT COMMENTARY**

FOR THE YEAR ENDED 31 DECEMBER 2014
ISSUED 11 FEBRUARY 2015

LEIGHTON HOLDINGS LIMITED ABN 57 004 482 982

PRELIMINARY FINAL REPORT (APPENDIX 4E)

FOR THE YEAR ENDED 31 DECEMBER 2014
ISSUED 11 FEBRUARY 2015

LEIGHTON HOLDINGS LIMITED ABN 57 004 482 982



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ABN 57 004 482 982

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Results for Announcement to the Market

for the year ended 31 December 2014

Name of Entity

LEIGHTON HOLDINGS LIMITED

	12 months to December 2014 \$m	12 months to December 2013 \$m ^(restated)	% Change
Revenue - Group, joint ventures and associates from continuing operations	18,406.0	17,753.8	4%
Revenue - Joint ventures and associates from continuing operations	1,530.2	1,495.1	2%
Revenue from continuing operations	16,875.8	16,258.7	4%
Profit / (loss) attributable to members of the parent entity	676.5	508.7	33%

For a brief explanation of the figures reported above: refer to page 39 onwards.

Details of Reporting Period	
Current reporting period:	Twelve (12) months to 31 December 2014
Previous corresponding period:	Twelve (12) months to 31 December 2013

Dividends – 12 months to 31 December 2014	Amount per security	Franked amount per security	
Final dividend (including special dividend of 15.0¢ per security)	68.0¢	68.0¢	100%
Interim dividend	57.0¢	14.25¢	25%

Key Dividend Dates	Date
Ex dividend date:	16 March 2015
Record date for determining entitlements to the dividend:	18 March 2015
Date for payment of dividend:	10 April 2015

Dividends – 12 months to 31 December 2013	Amount per security	Franked amount per security	
Final dividend	60.0¢	30.0¢	50%
Interim dividend	45.0¢	22.5¢	50%

Annual General Meeting Details	
Date:	21 April 2015
Time:	10am
Place:	Wentworth Ballroom, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney, New South Wales
Approximate date the Annual Report will be available:	20 February 2015

^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 9: Acquisitions, disposals and discontinued operations.

Consolidated Statement of Profit or Loss

for the year ended 31 December 2014

		12 months to December 2014 \$m	12 months to December 2013 \$m ^(restated)
	Note		
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		(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	9	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	6	68.0¢	60.0¢
Dividends per share - Interim	6	57.0¢	45.0¢
Earnings per share for profit / (loss) from continuing and discontinued operations			
Basic earnings per share		200.0¢	150.9¢
Diluted earnings per share		198.8¢	150.1¢
Earnings per share for profit / (loss) from continuing operations			
Basic earnings per share		(33.9¢)	79.2¢
Diluted earnings per share		(33.7¢)	78.7¢

^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 9: Acquisitions, disposals and discontinued operations.

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

Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2014

	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)	234.9	180.4
- Effective portion of changes in fair value of cash flow hedges (net of tax)	(5.3)	12.5
- Change in fair value of available-for-sale assets (net of tax)	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)	(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 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 9: 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 preliminary final report.

Consolidated Statement of Financial Position

as at 31 December 2014

	Note	31 December 2014 \$m	31 December 2013 \$m ^(restated)
Assets			
Cash and cash equivalents		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		53.0	20.9
Inventories: consumables and development properties		361.6	556.0
Assets held for sale	10	254.4	229.4
Total current assets		7,715.2	7,521.2
Trade and other receivables	8	922.8	803.0
Inventories: development properties		356.7	364.4
Investments accounted for using the equity method	11	1,013.6	825.6
Other investments		112.3	92.7
Deferred tax assets		240.8	86.3
Property, plant and equipment		1,626.5	1,752.6
Intangibles		556.0	630.2
Total non-current assets		4,828.7	4,554.8
Total assets		12,543.9	12,076.0
Liabilities			
Trade and other payables		4,309.8	5,548.5
Current tax liabilities		622.9	51.3
Provisions		310.9	477.0
Interest bearing liabilities	14	1,163.3	589.5
Liabilities associated with assets held for sale	10	93.8	105.1
Total current liabilities		6,500.7	6,771.4
Trade and other payables		272.6	344.8
Provisions		157.0	178.1
Interest bearing liabilities	14	1,832.0	1,535.6
Total non-current liabilities		2,261.6	2,058.5
Total liabilities		8,762.3	8,829.9
Net assets		3,781.6	3,246.1
Equity			
Share capital		2,052.5	2,028.6
Reserves		219.0	(9.7)
Retained earnings		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 preliminary final report as at 31 December 2013 and have been restated to reflect the final purchase price allocation of 2013 acquisitions as detailed in note 9: Acquisitions, disposals and discontinued operations.

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated preliminary final report.

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 consolidated preliminary final report.

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	13	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		1,976.9	1,720.7

Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

1. BASIS OF PREPARATION

Preliminary final report

The consolidated preliminary final report is presented in Australian dollars and has been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale assets that have been measured at fair value at reporting date.

Leighton Holdings Limited is a company domiciled in Australia. The consolidated preliminary final report of the Company for the year ended 31 December 2014 comprises the Company and its controlled entities (the "Consolidated Entity" or "Group") and the Consolidated Entity's interest in associates and joint ventures. 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, all financial information presented in Australian dollars has been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

The consolidated preliminary final report is based on extracts from the Group's financial statements which have been audited and have been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The financial statements also comply with International Financial Reporting Standards adopted by the International Accounting Standards Board. The accounting policies adopted are consistent with those of the previous financial year except as noted below.

The Company has received an unqualified audit opinion which is attached as an appendix to this preliminary final report. The consolidated preliminary final report was authorised for issue by the Directors on 11 February 2015.

Significant accounting policies

The accounting policies and methods of computation applied by the Group in this consolidated preliminary final report are the same as those applied by the Group in the financial report for the year ended 31 December 2014.

Change in accounting standards

New and amended accounting standards that apply for the first time to the 31 December 2014 reporting include AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements, 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 (2013) Materiality, AASB 2013-9 (part B) Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments. While these standards introduced new disclosure requirements, they did not affect the Group's accounting policies or any of the amounts recognised in the financial statements.

Accounting estimates and judgements

The preparation of the consolidated preliminary final report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing the consolidated preliminary final report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the full financial report for the year ended 31 December 2014.

Notes continued

for the year ended 31 December 2014

2. REVENUE

		12 months to December 2014 \$m	12 months to December 2013 \$m ^(restated)
	Note		
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		24.2	22.0
- Other parties		25.8	23.4
Unwinding of discounts on non-current receivables			
- Related parties		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	5	16,875.8	16,258.7

¹31 December 2014: Total revenue from continuing operations excludes \$5,433.6 million of revenue relating to discontinued operations (31 December 2013: \$6,306.0 million). Refer to note 9: Acquisitions, disposals and discontinued operations.

^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 9: Acquisitions, disposals and discontinued operations.

Notes continued

for the year ended 31 December 2014

3. EXPENSES

		12 months to December 2014 \$m	12 months to December 2013 \$m ^(restated)
	Note		
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 relating to discontinued operations (31 December 2013: \$6,141.7 million). Refer to note 9: Acquisitions, disposals and discontinued operations.

^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 9: 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		(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		(0.4)	(21.6)
- Other		(1.6)	(0.6)
Total finance costs	5	(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		(543.2)	(840.7)
Amortisation			
- Intangibles		(34.7)	(24.0)
Net gain / (loss) on acquisition of controlled entities			
- Controlled entities	9	-	(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		-	(18.5)
- Investments accounted for using the equity method		-	(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 relating to 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 assets (31 December 2013: \$215.0 million).

Notes continued

for the year ended 31 December 2014

5. SEGMENT INFORMATION

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

5. 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 9: Acquisitions, disposals and discontinued operations.

Notes continued

for the year ended 31 December 2014

5. SEGMENT INFORMATION CONTINUED

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 12-13. 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 9: *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.

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for the year ended 31 December 2014

6. 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.

7. NET TANGIBLE ASSET BACKING

	December 2014	December 2013
Net tangible asset backing per ordinary share	\$9.53	\$7.76

Notes continued

for the year ended 31 December 2014

8. TRADE AND OTHER RECEIVABLES

	December 2014 \$m	December 2013 \$m
Contract debtors ¹	3,302.6	3,978.9
Contract debtors provision ⁶	(675.0)	-
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	1.2	10.9
Amounts receivable from related parties ²	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

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 9: 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; and
- 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;
- 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 9: Acquisitions, disposals and discontinued operations.

⁵Receivable in relation to businesses disposed during the reporting period (31 December 2013: \$nil). Refer to note 9: 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.

	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. ACQUISITIONS, DISPOSALS AND DISCONTINUED OPERATIONS OF CONTROLLED ENTITIES AND BUSINESSES

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”). As the Group no longer controls JHG the transaction has been recorded as a disposal of controlled entities. The disposal has been accounted for under the requirements of Accounting Standard AASB 10 *Consolidated Financial Statements* 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 is recorded within discontinued operations.

	\$m
Gain on disposal	
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 the 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 | ▪ John Holland Pty Ltd |
| ▪ JHG Mutual Limited | ▪ John Holland Queensland Pty Ltd |
| ▪ John Holland Melbourne Rail Franchise Pty Ltd | ▪ John Holland Rail Pty Ltd |
| ▪ John Holland (NZ) Ltd | ▪ John Holland Sydney NRT Pty Ltd |

Notes continued

for the year ended 31 December 2014

9. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES 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. As the Group no longer controls Services 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 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 is recorded within discontinued operations.

	\$m
Gain on disposal	
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

9. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES 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

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

9. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES CONTINUED

December 2013 acquisitions and disposals of controlled entities and businesses

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

12 months to December 2013	Provisional fair value on acquisition \$m	Fair value amendment \$m	Restated fair value on acquisition \$m
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”). 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.

Notes continued

for the year ended 31 December 2014

9. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES CONTINUED

Acquisitions – Leighton Welspun Contractors Private Limited continued

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 5: *Segment information*.

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

9. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES CONTINUED

Disposals - Telecommunication Assets ("TA") continued

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

- | | |
|---|--------------------------------------|
| ▪ Australia-Singapore Cable (Australia) Pty Limited | ▪ 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 5: *Segment Information*.

Acquisition - Silcar Pty Limited ("Silcar")

On 29 July 2013 Thiess Services Pty Limited ("Thiess Services"), a controlled entity of the Company, acquired the remaining 50% interest in Silcar from Siemens Pty Limited ("Siemens") for nil consideration, taking its ownership interest to 100%. Silcar's contribution to net profit after tax in the five month period to 31 December 2013 is included in discontinued operations.

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for the year ended 31 December 2014

10. 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 the 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
Intangibles	-	-
<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.

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for the year ended 31 December 2014

11. ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

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	36	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 9: Acquisitions and Disposals of controlled entities and businesses for further detail.

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for the year ended 31 December 2014

11. ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD CONTINUED

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

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).

Notes continued

for the year ended 31 December 2014

11. ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD CONTINUED

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
Erskineville Residential Project Pty Ltd	Construction	Australia	50	50
Fallingwater Trust ¹	Development	Australia	15	15

Notes continued

for the year ended 31 December 2014

11. ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD 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
Leighton Construction India (Private) Limited ²	Construction	India	50	50

Notes continued

for the year ended 31 December 2014

11. ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD CONTINUED

Name of entity	Principal activity	Country	Ownership interest	
			December 2014 %	December 2013 %
Leighton Contractors & Boulderstone 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

11. ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD 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 9: 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 9: 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.

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for the year ended 31 December 2014

12. 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 (Glenfield Junction Alliance) ^{1,3}	Construction	Australia	-	54

Notes continued

for the year ended 31 December 2014

12. JOINT OPERATIONS CONTINUED

Name of arrangement	Principal activity	Country	Ownership interest	
			December 2014 %	December 2013 %
John Holland Pty Ltd & Bouygues Travaux Publics (North Strathfield Rail Underpass Alliance) ^{1,3}	Construction	Australia	-	50
John Holland Pty Ltd & Lend Lease Project Management & Construction (Australia) Pty Limited ³	Construction	Australia	-	50
John Holland Pty Ltd & Pindan Contracting Pty Ltd 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. & Thies Pty Ltd (Best JV)	Construction	Australia	50	50

Notes continued

for the year ended 31 December 2014

12. 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 9: 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 9: 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

13. 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

¹ Includes both continuing and discontinued operations.

Notes continued

for the year ended 31 December 2014

14. INTEREST BEARING LIABILITIES

	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>	<i>1,163.3</i>	<i>589.5</i>
<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>	<i>1,832.0</i>	<i>1,535.6</i>
<i>Total interest bearing liabilities^{1,2}</i>	<i>2,995.3</i>	<i>2,125.1</i>

¹31 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 10: Held for sale.

²31 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 9: Acquisitions, disposals and discontinued operations.

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

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.

Notes continued

for the year ended 31 December 2014

14. INTEREST BEARING LIABILITIES CONTINUED

Guaranteed Senior Notes continued

Leighton Finance (USA) Pty Limited (2010)

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

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

Interest on the above notes is paid semi-annually on the 21st day of January and July in each year. Carrying amount at 31 December 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).

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.

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).

Notes continued

for the year ended 31 December 2014

15. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to reporting date:

- The Group declared a 100% franked dividend of 68.0 cents per share.

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 51 to 154.

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:

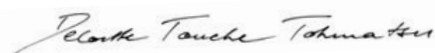
- (a) the financial report of Leighton Holdings Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
 - (ii) complying 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 33 to 49 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

MANAGEMENT COMMENTARY

FOR THE YEAR ENDED 31 DECEMBER 2014
ISSUED 11 FEBRUARY 2015

LEIGHTON HOLDINGS LIMITED ABN 57 004 482 982



Leighton Holdings Limited
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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)				
Group¹				
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	(675.0)	-	-	
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 ²	620.1	583.8	6%	
- Net gain/(loss) on non-underlying items	56.4	(75.1)	-	
UNPAT margin	2.6%	2.4%	8%	
Continuing operations³				
Revenue	18,406.0	17,753.8	4%	
EBIT before contract debtors provision	824.3	611.0	35%	
Contract debtors provision	(675.0)	-	-	
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) ⁴	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 ⁵	Below zero	30.0%	37.1%	29.2%
Current trade receivables	3,426.1	3,426.1	5,453.5	4,994.2
	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

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

³ 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.

⁴ Net cash/(debt) plus operating leases

⁵ Gearing is expressed as the ratio of net debt and operating leases to net debt, operating leases and shareholders' equity.

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 receivables since 31 December 2013.

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 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.

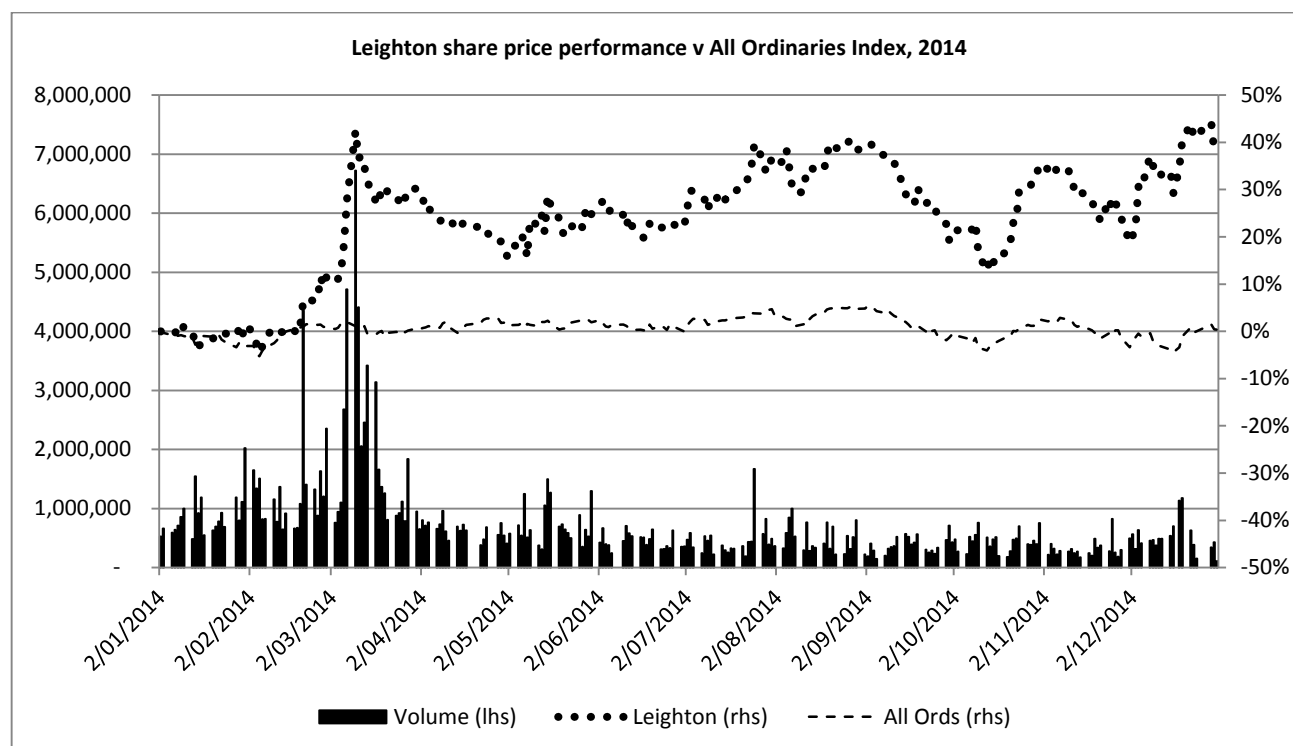
SHAREHOLDER RETURNS

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:
 - o the Strategic Review, announced in June 2014;
 - o its successful delivery, in particular the announcements on the divestments late in the year; and
 - o 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 PERFORMANCE⁶

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)	5,665.4	6,657.2	(15)%
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.

⁶ 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 Management Commentary, Group financial performance is discussed, as a more accurate reflection of the performance of the business over the last twelve months.

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.

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.

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; and a
- \$1.5 billion reduction in trade and other payables.

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 shown⁷.

\$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 ⁸	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
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 deleveraging balance sheet. Net cash⁹ 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 December 2014 were \$4.1 billion. An additional \$1.4 billion was undrawn of which \$916 million was committed and \$471 million was uncommitted.

⁷ In order to show a more accurate reflection of the situation before and after divestments, this Management Commentary 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'.

⁸ 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).

⁹ Net cash/(debt) plus operating leases

Credit ratings

Following HOCHTIEF Australia's offer to acquire three out of every eight 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 CAPITAL

Overall, working capital¹⁰ improved from \$2 million at 31 December 2013 to \$(522) million at 31 December 2014. This included a \$1.6 billion reduction in 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, a testament to the successful delivery of the on-going Strategic Review initiatives. 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 year¹¹, 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.

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.

¹⁰ Working capital is defined as current trade and other receivables and current inventories, less current trade and other payables.

¹¹ US dollar value as at the date of the announcement of the awards.

CASH FLOW

The cash inflow from operating activities¹² 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. Work in hand may be analysed as follows:

\$b	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 2014¹³

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.

HLG's contract awards in the year¹⁴, 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.

¹² Defined as the cash inflow from operating activities, before dividends, interest, finance costs and tax.

¹³ Australia dollar value as at date of announcement of the awards, unless otherwise noted.

¹⁴ US dollar value as at the date of the announcement of the awards and at 100% value to HLG (Leighton's share is 45%).

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
- Ukhua 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.

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 and we continue to target improvements in 2015.

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.

On 12 December, the Group announced the successful divestment of John Holland to CCCC International Holding Limited for an enterprise value of approximately \$1.15 billion.

On 17 December, 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.

Regarding Leighton Properties, dialogue with the market continues on a range of potential options with a successful outcome expected in FY15. Options are also under consideration in regard to the Group's offshore, shallow water oil and gas activities.

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 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 the 2015 Financial Year 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 million¹⁵ 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.

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

Leighton is currently investigating a range of strategic options including the introduction of industrial partners to invest in FleetCo. 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 profitability, 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 and more rigorous analysis of the countries in which the Group should operate.

¹⁵ The value of fleet transferred was \$500 million and has been amortised to \$422 million at 31 December 2014.

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 billion¹⁶ will commence by 2020.

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 Shrapnel¹⁷, 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.

¹⁶ While the underlying projects may change, the aggregate spend is likely to remain similar.

¹⁷ BIS Shrapnel: Mining in Australia 2014-2029.

FUTURE DEVELOPMENTS

GROUP PROSPECTS

The Group is well-placed as a long-term provider of construction, 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-longer 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 profitability, 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-longer 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.

GLOSSARY

Term	Description
1H14 or HY14	Six month period ended 30 June 2014
2H14	Six month period ended 31 December 2014
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
ACS or ACS Group	Actividades de Construcción y Servicios S.A.
ASX	Australian Securities Exchange
Company or Leighton	Leighton Holdings Limited
cps	Cents per share
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
F/X	Foreign exchange
GDP	Gross domestic product
Group	Leighton Holdings Limited and certain entities it controls
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
JV	Joint venture
LAIO	Leighton Asia, India and Offshore
LNG	Liquefied natural gas
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
NPAT	Net profit after tax
Offer	The proportional takeover bid by HOCHTIEF Australia to acquire three out of every eight Leighton Shares on the terms and conditions set out in its 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
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
Services 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 ('partnership for the Services businesses'). The agreement values 100% of these businesses at \$1.075 billion
S&P	Standard & Poor's
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
UNPAT	Underlying net profit after tax
WIH	Work in hand

11 February 2015

2014 NPAT up 33% and UNPAT up 6%

Gearing after divestments improved 29.7 percentage points on 2013 to slightly below zero

Total dividends of 125cps of which 53cps is final ordinary dividend and 15cps is special dividend

Leighton Holdings Limited¹ is successfully implementing its Strategic Review initiatives, with the divestment of John Holland and the Services investment partnership realising a 2014 pre-tax profit of \$973 million and set to generate a net cash inflow of \$1.2 billion. These divestments significantly deleverage and de-risk the Leighton Group's balance sheet, reducing net debt² to a positive net cash position of \$20 million and gearing³, which declined 29.7 percentage points, to slightly below zero following completion.

Leighton has continued to strengthen the balance sheet by reducing contract debtors and by creating a \$675 million pre-tax contract debtors portfolio provision which further de-risks the balance sheet. Overall, from these initiatives and the divestments, trade and other receivables have been reduced by \$1.6 billion since December 2013.

Other financial highlights of the 2014 result were:

- revenue of \$24 billion, broadly in line with 2013;
- earnings before interest and tax (EBIT) of \$1.4 billion, a 38% increase from 2013, driven by solid project performances and overhead efficiencies;
- EBIT from continuing operations⁴ (before the contract debtors provision) of \$824 million, a 35% increase from 2013; and
- \$1.4 billion of cash generated from operating activities⁵ in 2014, a 26% improvement on 2013.

Recognising the result, the Board resolved to pay a 100% franked, final dividend of 53 cents per share, based on a 60% UNPAT payout ratio, to be paid on 10 April 2015. In addition, shareholders will share in the value created by the divestments with the Board resolving to pay a special dividend of 15 cents per share, 100% franked, to be paid on 10 April 2015.

Executive Chairman and Chief Executive Officer, Mr Marcelino Fernández Verdes, said: "In 2014 we commenced the transformation of our Company. We have made significant progress on our restructuring initiatives, produced a sustainable reduction in overheads and, through divestments and operating cash inflows, deleveraged and de-risked the balance sheet. Our restructuring activities will be ongoing in 2015 with further improvements to our margin expansion initiatives to be delivered.

"Our underlying business remains solid as evidenced by a 4% increase in revenue from continuing operations versus 2013, underpinned by a strong performance in construction where revenue increased by 10%."

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 Plus operating leases.

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

⁴ Continuing operations excludes John Holland and Services which are shown in the Financial Statements as discontinued operations.

⁵ Before dividends, interest, finance costs and tax.

Work in hand from continuing operations was over \$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. The Group continues to see its strongest pipeline of tenders with individual values of over \$1 billion, reflecting the expected beneficial impact of the Federal Government's infrastructure initiatives.

Mr Fernández Verdes said: "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, and the Group has a substantial pipeline of tenders under preparation."

In 2015, Leighton expects to report NPAT in the range of \$450 million to \$520 million. 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.

ENDS

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LEIGHTON HOLDINGS LIMITED, founded in Australia in 1949, is the parent company of the Leighton Group, one of the world's leading international contractors. The Group is also the world's largest contract miner. Listed on the Australian Stock Exchange since 1962, Leighton Holdings has its head office in Sydney, Australia. The Group provides development, engineering, construction, contract mining, and operation and maintenance services to the infrastructure, resources and property markets. It operates in more than 20 countries throughout the Asia Pacific, the Middle East and Southern Africa. The Group directly employed approximately 45,000 people as at 31 December 2014 or 36,500 excluding Services and John Holland.