

LEIGHTON

Class Action

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Leighton class action

Shareholders of Leighton Holdings Limited (Leighton) are proposing to commence a class action to recover losses suffered as a result of alleged non-disclosure and misleading or deceptive conduct by Leighton during the period 16 August 2010 and 11 April 2011 (**Claim Period**).

LEIGHTON CLASS ACTION

On Monday 11 April 2011, Leighton announced a projected \$427 million full year loss for the 2011 financial year (FY11) driven by more than \$1.1 billion in write-downs relating to the Brisbane Airport Link project (BAL Project), the Victorian Desalination Plant project (VDP Project) and a Dubai based joint venture, the Al Habtoor Leighton Group (AHL Group). The 11 April 2011 announcement signalled the worst annual loss in the company's history. Only two months earlier, on 14 February 2011, Leighton had forecast a FY11 full year net profit after tax (NPAT) of \$480 million. Therefore, the result announced on 11 April 2011 was \$907 million less NPAT than what was forecast two months earlier. The share price of Leighton dropped dramatically from a close of \$ 28.94 on 8 April 2011 to a low of \$24.93 (a decline of \$4.01, or 13.9%) in the trading day following the 11 April 2011 announcement.

THE CLAIM

Construction firm Leighton Holdings Limited is a listed disclosing entity within the meaning of the Corporations Act. As such, it is required to comply with the "continuous disclosure" regime under ASX Listing Rule 3.1 and section 674 of the Corporations Act. Under these provisions, Leighton is required to inform shareholders and the market of all information of which it was, or ought to have been, aware which a reasonable person would expect to have

a material effect on the price or value of its shares. Information is likely to have a material effect on the share price if the information would be likely to influence persons who commonly invest in shares in deciding whether to buy, sell or retain shares.

ASIC INVESTIGATION

The Australian Securities and Investment Commission (ASIC) investigated the 11 April 2011 profit write-down and in March 2012 ASIC fined Leighton a record amount of \$300,000 in relation to alleged disclosure breaches during the period 18 March 2011 to 11 April 2011. Leighton was also required to provide an enforceable undertaking regarding steps the company would take to improve corporate governance policies and procedures.

CLAIM VALUE

Our preliminary investigations reveal that if you (or those you represent) purchased shares in Leighton between 16 August 2010 and 11 April 2011, you may be able to recover losses suffered as a result of the conduct of Leighton.

The value of each shareholder's claim is obviously different and will require legal and accounting analysis. Different loss methods may also apply. One common loss method, is to calculate the difference between the purchase price at which Leighton shares were acquired during the Relevant Period

and the true value of those shares if the alleged contraventions had not occurred (Inflation Method). The 'true value' of shares is often determined by expert evidence. The Inflation Method is one of the loss methods which will be claimed in the proposed class action.

The chart below tracks the price of Leighton's securities since November 2010.

THE PROBLEM PROJECTS

Three problematic projects were pinpointed as the source of Leighton's profit downgrade.

BAL PROJECT AND VDP PROJECT CLAIMS

The design and construction contracts for the \$4.1 billion BAL Project and the \$3.48 billion VDP Project were both fixed-price, fixed-term contracts for large infrastructure projects in which Leighton

entities bore substantial risks of cost blow-outs and project delay. These two projects are reportedly amongst the worst loss making or under-performing fixed-price construction contracts in Australian corporate history. By March 2012, Leighton's cumulative profit write-down on the BAL Project and VDP Project was about \$1.965 billion. In May 2012 Leighton's Chief Executive Officer, Hamish Tyrwhitt, said (in the context of the poor outcome on these projects) that Leighton had 'sacrificed discipline for growth'.

The proposed class action will allege that Leighton's poor tendering and corporate governance procedures resulted in Leighton vastly underestimating the complexity and cost for these two projects. It will be alleged that Leighton's knew about material issues in relation to the BAL Project from as early as April 2009.

LEIGHTON SHARE PRICE - AUGUST 2010 TO MAY 2011



AL HABTOOR LEIGHTON GROUP CLAIM

In 2007 Leighton acquired a 45% interest in the AHL Group, a construction contractor based in Dubai. By 16 August 2010 Leighton's interest in the AHL Group was valued at \$1.4 billion. After the global financial crisis, commercial property values and construction activity levels declined substantially in Dubai. By 16 January 2011 AHL Group was owed more than \$1 billion in respect of work that had been performed.

Throughout 2010 Leighton stated the AHL Group investment was not impaired. On 2 November 2010 Leighton stated the AHL Group was 'even producing a small profit'. Throughout 2010 it will be alleged that Leighton failed to disclose that it was providing substantial interest free loans to AHL Group. By 30 June 2010 Leighton had provided \$39 million in interest free loans to AHL Group which had increased to \$183 million by 14 February 2011.

On 14 February 2011 Leighton announced a \$100 million impairment to the carrying value of AHL Group and made an adjustment to the forecast FY11 NPAT of \$510 million down to \$480 million. However, it was not until 11 April 2011 that Leighton finally announced that AHL Group would have a negative pre-tax impact of \$320 million on Leighton's forecast profit, which together with the BAL Project and VDP Project write-downs were substantially responsible for the \$1.1 billion pre-tax profit write-down on 11 April 2011.

LITIGATION FUNDING

The claim is being funded by International Litigation Funding Partners Pte Ltd

OUR REPUTATION

Maurice Blackburn's class actions practice is the largest in Australia and has secured more than \$1 billion dollars in settlements over the past 14 years.

Maurice Blackburn has an unrivalled record in successful shareholder class actions in Australia. In 2012 Maurice Blackburn settled a major class action against Centro for a record \$200m, the largest class action settlement in Australian legal history. Maurice Blackburn is the only class action law firm to have achieved settlements over \$100m including against Aristocrat (\$144.5m), NAB (\$115m) GIO (\$112m) and Multiplex (\$110m).

Class actions for victims of faulty products and price fixing cartels are also being conducted by Maurice Blackburn. In March 2011 the firm settled a massive cartel claim against Amcor and Visy for \$120m - the largest cartel settlement in Australian corporate history. It is also conducting a class action for victims of the devastating 2009 Black Saturday bushfires in Victoria and a series of class actions against banks over bank fees.

HOW DO I FIND OUT MORE?

For further information about the Leighton class action call us on **1800 810 812** (or **+61 2 9261 1488** if calling internationally) or email your enquiries to **leightonclassaction@mauriceblackburn.com.au**

Alternatively, visit **www.mauriceblackburn.com.au/leighton**

You can also register your interest with us at **www.mauriceblackburn.com.au/leightonregister**

Registering your interest with us does not mean that you are signed up to the class action and it does not obligate you to pay any legal costs. If we receive a sufficient number of registrations from aggrieved shareholders we will invite you to retain us as your lawyers with respect to your individual claim.

OUR LEIGHTON CLASS ACTION TEAM

REBECCA GILSENAN
Principal



Rebecca's a specialist when it comes to class actions, with a proven track record in cases involving complex and novel litigation, including class actions in the areas of price fixing, failed investment schemes, product liability and securities. Along with successfully representing thousands of victims who've suffered as a result of unlawful conduct, she's also passionate about public education. She writes a legal blog for News Limited, answers readers' questions in The Daily Telegraph and has been a regular contributor on Network Ten's morning breakfast show as their expert on legal matters.

JENNY TALLIS
Special Counsel



With more than 20 year's experience, Jenny has extensive experience in a wide range of commercial disputes in medium to large law firms in Sydney, Adelaide and London.

Jenny has particular expertise in the complex liability and damages issues which arise in shareholder class actions. Her experience in class action litigation since joining Maurice Blackburn in 2007 includes the successful prosecution and conclusion of shareholder class actions against the AWB over the oil-for-food kickback scandal, against OZ Minerals for over 1,600 shareholders who lost millions when the company failed to disclose its obligation to refinance US\$560 million of US loans at the height of the Global Financial Crisis and a class action for over 600 shareholders and against Transpacific Industries Group Ltd over its alleged failure to disclose \$48 million of irregular items in its 2008 financial year results.

OSCAR MCLAREN
Lawyer



Oscar McLaren is a lawyer in Maurice Blackburn's major projects department in Sydney. He is currently working on the potential shareholder class action against Leighton Holdings and on a Federal Court of Australia challenge to the patenting of human genetic material.

Oscar has worked on several large class actions, including the cartel class action against Amcor and Visy which settled for \$120 million in March 2011, the shareholder class action against OZ Minerals which settled for \$39 million in May 2011 and the shareholder class action against Nufarm which settled for \$46.625 million in November 2012. He has also worked on administering the settlements of each case.

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