HERITAGE TO HORIZONS

FINANCIAL REPORT 2008-2009

This Financial Report covers both John Holland Pty Ltd as an individual entity consisting of John Holland Pty Ltd and its controlled entities.

John Holland Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

70 Trenerry Crescent
Abbotsford Victoria 3067

CONTENTS

DIRECTORS' REPORT

for the year ended 30 June 2009

The directors present their report on the consolidated entity consisting of John Holland Pty Ltd ("the Company") and the entities it controlled at the end of, or during the year ended 30 June 2009.

DIRECTORS

The following persons were directors of John Holland Pty Ltd during the whole of the financial year and up to the date of this report unless otherwise indicated:

G.M. Palin, BAppSc, GradDipBuild, GradDipAppFin&Invest (Chairman and Group Managing Director)

Mr Palin is Group Managing Director and has held various senior management roles in Queensland, Victoria and New South Wales since joining the Company in 1993, with both regional and national responsibility.

D.C. Brewer, BEng (Civil) Hons, FIEAust

Mr Brewer is Executive General Manager - Regional Businesses. He is a Fellow of the Institution of Engineers Australia and has over 35 years experience in the construction industry in Australia.

D.A. Ray, BCom, CA, CMA

Mr Ray is Chief Financial Officer of the group and has over 20 years experience, during which he has developed strong financial, administrative and commercial skills. Initially in the chartered accounting profession, he joined the Company in 1994.

S.M. Sasse, BA (Hons)

Mr Sasse is Group General Manager - Human Resources & Organisation Strategy and has been with the Company since 2001. He has worked in a range of organisations in senior human resource roles for almost 25 years.

R.J. Cuttler, Diploma of Engineering (appointed 19 June 2009)

Mr Cuttler is Executive General Manager - Specialist Businesses and has held various senior management roles both on major projects, as well as national and international responsibility for the performance of the tunnelling division since joining the Company in 1993. He is a member of the Institution of Engineers in Australia as well as a member of the International Tunnelling Association.

K.H. Mociak, Diploma of Civil Engineering (appointed 16 July 2009)

Mr Mociak is Executive General Manager - Rail and has been with the Company since 2007. He has 34 years experience in the railway, transport & civil infrastructure industry throughout Australia and overseas.

G. Cain, Certificate of Technology - Mechanical Design (appointed 16 July 2009)

Mr Cain is Corporate General Manager - Pre-Contracts and has over 27 years experience in the construction industry both in Australia and overseas. He has held a number of positions during his 20 years service with John Holland.

D.G. Stewart was a director from the beginning of the financial year until his resignation on 19 June 2009.

PRINCIPAL ACTIVITIES

During the year the principal continuing activity of the consolidated entity consisted of construction contracting for long term construction and engineering projects. The consolidated entity also participates in the mining market.

CONSOLIDATED RESULTS

The consolidated profit for the year attributable to members of John Holland Pty Ltd was:

	2009	2008
	$'000	$'000
Profit before income tax expense	**273,197**	211,474
Income tax expense	**(71,950)**	(51,889)
Profit attributable to members of John Holland Pty Ltd	**201,247**	159,585

DIRECTORS' REPORT CONTINUED

for the year ended 30 June 2009

REVIEW OF OPERATIONS

The Income Statement records a consolidated profit after tax of $201.2 million, an increase of 26% over the $159.6 million reported in 2008 whilst revenue increased to $2,513.2 million from $1,722.5 million.

The consolidated balance sheet remains a strength of the company with a strong operating cash flow underpinning a robust financial position at year-end. Debt levels were reduced during the year with capital expenditure financed through internal cash flows. As at 30 June 2009 the consolidated entity had cash assets of $451.2 million, net current assets of $285.3 million and net assets of $435.3 million.

Work in hand levels have remained strong despite global economic conditions and provide a solid platform for operations in the 2010 financial year. This has been enhanced by recent new projects won, including the consolidated entity's participation in the Metro Trains Melbourne rail franchise, which achieved financial close in August 2009.

A more detailed review of the operations of the consolidated entity is set out in the Annual Review, which is published as a separate report and available upon request.

DIVIDENDS

No dividends were paid, declared or determined by the Company to members since the end of the previous financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

EVENTS SUBSEQUENT TO BALANCE DATE

On 30 July 2009 it was announced that the Basswater joint venture, which John Holland was a partner in, was unsuccessful in its bid to build and operate the Victorian Desalination Plant. As a result $13 million of costs capitalised at 30 June 2009 in relation to this project will be written off in fiscal 2010. On 31 August 2009 Metro Trains Melbourne (MTM), a company in which John Holland is a significant shareholder, achieved financial close on an 8 year franchise to operate and maintain Melbourne's metropolitan rail network. John Holland's share of MTM revenue is approximately $162 million per year.

There were no other items, transactions or events of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the consolidated entity and the expected results of the operations have not been included in this report because the directors believe it would result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATION

The consolidated entity is subject to significant environmental regulation in respect of its principal activities. Most sites require certain licence(s) to be obtained in respect of these regulations. To the best of the directors' knowledge all activities have been undertaken in compliance with these regulations, the exceptions being the issuing of two Penalty Infringement Notices (one with a fine of $1,500) under the NSW Protection of the Environment Operations Act 1997 and one notification of a breach under the same Act.

Since 1995 the consolidated entity has implemented environmental practices on all its sites to Australian and International Standards AS/NZS ISO 14001 'Environmental Management System'. The activities of all business units of the consolidated entity are certified, with the exception of our Mining business unit which is in the process of preparing for certification by third party certifier Davis Langdon International Quality (DLIQ) to AS/NZS ISO 14001:2004. The scope of certification is reviewed at reporting date to ensure it remains current and comprehensive.

All project operations produce monthly reports on environmental performance covering issues such as environmental incidents, non-compliances, infringements and complaints. Reported issues remain on record until declaration that their situations are rectified and resolved. Each quarter, an Environmental Compliance Report is compiled, signed off by the Group Managing Director and submitted to the Board. To date no prosecution or conviction has been incurred by the consolidated entity.

Regular environmental audits are planned and conducted by personnel independent of the operations and third party auditors to evaluate the effectiveness of environmental practices. The audits examine the environmental issues and their potential impacts on operations, compliance with legislative requirements and the effectiveness of established environmental controls. Items identified for actions and improvements are reported to senior management and each issue addressed and closed out.

The consolidated entity will continue to monitor waste diverted from landfill as part of its waste minimisation plan since the discontinuation of the Wastewise Construction Program II sponsored by Environment Australia. With the introduction of legislation on Energy Efficiency Opportunities under the Energy Efficiency Opportunities Act 2006 and the National Greenhouse & Energy Reporting Act 2007, all business units are reporting on energy use, energy production and greenhouse gas emissions.

DIRECTORS' REPORT CONTINUED
for the year ended 30 June 2009

INSURANCE OF OFFICERS

During the financial year, the Company has insured directors and officers of the consolidated entity for any loss arising from claims against them, including legal and other expenses in defending the claims against them, arising by reason of any wrongful act committed by them in their capacity as directors and officers of the Company or controlled entities. The consolidated entity contributed $62,523 to the cost of the premium.

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The consolidated entity is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investment Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' and financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR INDEPENDENCE DECLARATION

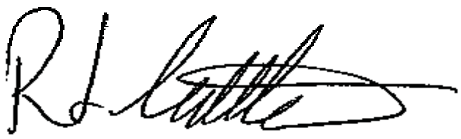
A copy of the auditor independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the directors.

G.M. Palin
Chairman



R.J. Cuttler
Director

Brisbane, 23 September 2009

AUDITOR'S INDEPENDENCE DECLARATION

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
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Auditor's Independence Declaration

As lead auditor for the audit of John Holland Pty Ltd for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of John Holland Pty Ltd and the entities it controlled during the period.

Stephen Cougle
Partner
PricewaterhouseCoopers

Melbourne
23 September 2009

INCOME STATEMENTS

for the year ended 30 June 2009

	Note	Consolidated		Parent Entity	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
Revenue	5	**2,513,210**	1,722,475	**2,509,481**	1,720,014
Expenses	7	**(2,330,370)**	(1,663,051)	**(2,327,206)**	(1,646,957)
Operating profit before finance costs, the share of profits of joint venture entities and income tax expense		**182,840**	59,424	**182,275**	73,057
Other income	6	**145**	66,619	**145**	66,619
Finance costs	7	**(10,770)**	(13,683)	**(10,770)**	(13,683)
Share of profits of joint venture entities accounted for using the equity method *	34	**100,982**	99,114	**100,982**	99,114
Profit before income tax		**273,197**	211,474	**272,632**	225,107
Income tax expense	8	**(71,950)**	(51,889)	**(71,782)**	(55,979)
Profit after income tax		**201,247**	159,585	**200,850**	169,128
Profit attributable to members of John Holland Pty Ltd		**201,247**	159,585	**200,850**	169,128

* Indirect overheads of the consolidated entity have not been allocated to share of joint venture entities profits.

The income statements are to be read in conjunction with the accompanying notes to the financial statements.

BALANCE SHEETS

as at 30 June 2009

		Consolidated		Parent Entity	
		2009	2008	**2009**	2008
	Note	**$'000**	$'000	**$'000**	$'000
Current assets					
Cash assets	9	**451,170**	317,079	**451,166**	317,079
Receivables	10	**696,635**	516,903	**682,127**	498,841
Inventories	11	**20,484**	14,734	**20,484**	14,734
Prepayments		**1,518**	1,267	**1,518**	1,267
Total current assets		**1,169,807**	849,983	**1,155,295**	831,921
Non-current assets					
Property, plant and equipment	13	**211,294**	187,861	**211,294**	187,861
Intangible assets	16	**15,491**	27,549	**15,491**	27,549
Total non-current assets		**226,785**	215,410	**226,785**	215,410
Total assets		**1,396,592**	1,065,393	**1,382,080**	1,047,331
Current liabilities					
Payables	17	**747,552**	568,286	**747,549**	561,512
Interest bearing liabilities	18	**36,576**	44,964	**36,576**	44,964
Tax related amounts payable to head of tax consolidated group		**86,032**	89,567	**85,864**	92,225
Provisions	19	**14,348**	10,835	**14,348**	10,835
Total current liabilities		**884,508**	713,652	**884,337**	709,536
Non-current liabilities					
Deferred tax liabilities	20	**10,083**	8,029	**10,086**	8,030
Interest bearing liabilities	21	**62,721**	105,907	**62,721**	105,907
Provisions	22	**3,960**	1,367	**3,960**	1,367
Total non-current liabilities		**76,764**	115,303	**76,767**	115,304
Total liabilities		**961,272**	828,955	**961,104**	824,840
Net assets		**435,320**	236,438	**420,976**	222,491
Equity					
Contributed equity	23	**62,610**	62,610	**62,610**	62,610
Reserves	24	**(2,365)**	-	**(2,365)**	-
Retained profits	25	**375,075**	173,828	**360,731**	159,881
Total equity		**435,320**	236,438	**420,976**	222,491

The balance sheets are to be read in conjunction with the accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2009

		Consolidated		Parent Entity	
		2009	2008	**2009**	2008
	Note	**$'000**	$'000	**$'000**	$'000
Total equity at the beginning of the financial year		**236,438**	196,415	**222,491**	172,925
Cash flow hedges - net of taxes	24	**-**	(29,753)	**-**	(29,753)
Share of joint venture entities' cash flow hedge reserves - net of taxes	24	**(2,365)**	191	**(2,365)**	191
Net income recognised directly in equity		**(2,365)**	(29,562)	**(2,365)**	(29,562)
Profit for the year		**201,247**	159,585	**200,850**	169,128
Total recognised income and expenses for the year		**198,882**	130,023	**198,485**	139,566
Transactions with equity holders in their capacity as equity holders:					
Dividends provided for or paid	26	**-**	(90,000)	**-**	(90,000)
Total equity at the end of the financial year		**435,320**	236,438	**420,976**	222,491

The statements of changes in equity are to be read in conjunction with the accompanying notes to the financial statements.

CASH FLOW STATEMENTS

for the year ended 30 June 2009

		Consolidated		Parent Entity	
		2009	2008	**2009**	2008
	Note	**$'000**	$'000	**$'000**	$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods & services tax)		**2,680,598**	1,928,170	**2,674,947**	1,876,689
Payments to suppliers and employees (inclusive of goods & services tax)		**(2,274,692)**	(1,600,287)	**(2,264,755)**	(1,578,310)
Interest received		**1,300**	1	**1,300**	1
Interest paid		**(10,770)**	(13,683)	**(10,770)**	(13,683)
Amounts paid under tax consolidation arrangements		**(72,418)**	-	**(75,076)**	-
Net cash provided by operating activities	35(b)	**324,018**	314,201	**325,646**	284,697
Cash flows from investing activities					
Payments for businesses	31	**-**	(2,409)	**-**	(2,409)
Payments for property, plant and equipment		**(89,895)**	(37,856)	**(89,895)**	(37,856)
Proceeds from sale of property, plant and equipment		**36,117**	57,252	**36,117**	57,252
Proceeds from sale of deferred equity commitment		**-**	42,504	**-**	42,504
Net cash provided by (used in) investing activities		**(53,778)**	59,491	**(53,778)**	59,491
Cash flows from financing activities					
Repayment of finance lease liabilities		**(43,643)**	(52,095)	**(43,643)**	(52,095)
Intercompany cash advances		**(92,506)**	(15,264)	**(94,138)**	14,272
Dividends paid		**-**	(90,000)	**-**	(90,000)
Net cash provided by (used in) financing activities		**(136,149)**	(157,359)	**(137,781)**	(127,823)
Net increase (decrease) in cash held		**134,091**	216,333	**134,087**	216,365
Cash at the beginning of the financial year		**317,079**	100,746	**317,079**	100,714
Cash at the end of the financial year	35(a)	**451,170**	317,079	**451,166**	317,079
Non-cash financing and investing activities	35(c)				

The cash flow statements are to be read in conjunction with the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for John Holland Pty Ltd as an individual entity and the consolidated entity consisting of John Holland Pty Ltd and its controlled entities.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations and the *Corporations Act 2001* .

The financial statements were approved by the board of directors on 23 September 2009.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of John Holland Pty Ltd comply with International Financial Reporting Standards (IFRS) as approved by the International Accounting Standards Board.

Historical cost convention

These financial statements have been prepared under the historical cost basis except for derivative financial instruments, which are measured at fair value.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(b) Principles of consolidation

(i) Controlled entities

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of John Holland Pty Ltd (“parent entity”) as at 30 June 2009, and the results of all controlled entities for the year ended. John Holland Pty Ltd and its controlled entities together are referred to in this financial report as the consolidated entity.

Controlled entities are all those entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

Controlled entities are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of controlled entities by the consolidated entity. Refer to note 1(h).

The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated income statement and balance sheet respectively.

Investments in controlled entities are carried in the parent entity’s financial statements at cost. The carrying value is assessed at balance date in accordance with note 1(l). Dividends and distributions are brought to account in the income statement when they are declared by the controlled entities.

(ii) Joint Ventures

Investments in joint ventures are accounted for as set out in note 1(o).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated and parent entity financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

On 27 June 2008 the consolidated entity joined the Leighton Holdings Ltd tax consolidated group, with Leighton Holdings Ltd as the head entity. Under this arrangement the head entity and the group members continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continued to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. In the books of John Holland Pty Ltd and its controlled entities, the current income tax liability (asset) is recognised as a payable to (receivable from) the head entity of the Leighton Holdings Ltd tax consolidated group.

Assets or liabilities arising under tax funding agreements with the head entity of the Leighton Holdings Ltd tax consolidated group are recognised as amounts receivable from or payable to the head entity of the Leighton Holdings tax consolidated group. Details about the tax funding agreement are disclosed in note 8.

Before joining the Leighton Holdings tax consolidated group, John Holland Pty Ltd and its wholly-owned Australian controlled entities had implemented the tax consolidation legislation through its own tax consolidated group with John Holland Group Pty Ltd as the head entity of the tax consolidated group.

(d) Foreign currency translation

(i) Functional currency and presentation currency

Items included in the financial statements of the consolidated entity's controlled entities, associates and joint ventures are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is John Holland Pty Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are initially translated into Australian dollars at the rate of exchange at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges.

(iii) Foreign operations

The results and financial position of all the consolidated entity's controlled entities and joint ventures (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities of foreign operations are translated at the closing rate at the date of that balance sheet;
- income and expenses of foreign operations are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Derivatives and hedging activities

The consolidated entity holds derivative financial instruments to hedge its foreign currency risk exposure. Derivatives are initially recognised at fair value on the date the derivative contract is entered into; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below. The consolidated entity only enters into hedges of the cash flows of recognised assets and liabilities, firm commitments and highly probable forecast transactions (cash flow hedges).

The consolidated entity documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in the cash flows of hedged items.

The fair values of derivative financial instruments used for hedging purposes are disclosed in note 24. Movements in the hedging reserve in shareholders' equity are shown in note 24.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expenses.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging foreign denominated expenses is recognised in the income statement with expenses. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, fixed assets) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement, or upon the initial recognition of a non-financial asset or liability. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(f) Investments and other financial assets

The consolidated entity classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) and non-current receivables (note 12) in the balance sheets.

Available-for-sale financial assets

Available-for-sale financial assets, comprising unlisted equity securities and debt instruments, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Impairment

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether it is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the parent entity's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon declaration by the directors.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(h) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(s)). If the cost of acquisition is less than the consolidated entity's share of the fair value of the identifiable net assets of the entity acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the consolidated entity's incremental borrowing rate being the rate that which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) Revenue recognition

Revenues are recognised at the fair value of the consideration received or receivable net of the amount of goods and services tax (GST).

(i) Construction work in progress

Refer note 1(j).

(ii) Mining Services

Provision of mining services are recognised in the accounting period in which the services are rendered.

(iii) Other Services

Provision of other services are recognised in the accounting period in which the services are rendered.

(iv) Interest income

Interest income is recognised as it accrues.

(v) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Construction work in progress

(i) Valuation

Construction work in progress is carried at cost plus profit recognised to date based on the value of work completed, less progress billings and less provision for foreseeable losses, allocated between amounts due from customers and amounts due to customers.

Cost includes variable and fixed costs directly related to specific contracts, those costs related to contract activity in general which can be allocated to specific contracts on a reasonable basis and other costs specifically chargeable under the contract. Costs expected to be incurred under penalty clauses and rectification provisions are also included. Costs incurred in securing contracts are included when they can be separately identified, measured reliably and it is probable that the contract will be obtained.

(ii) Recognition of profit

Contract revenue and expenses are recognised on an individual contract basis using the percentage of completion method when the stage of contract completion can be reliably determined, costs to date can be clearly identified, and total contract revenue and costs to complete can be reliably estimated.

Stage of completion is measured by reference to an assessment of total costs incurred to date as a percentage of estimated total costs for each contract.

Where the outcome of a contract cannot be reliably estimated contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred. An expected loss is recognised immediately as an expense.

(k) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(l) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events and circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

(m) Cash assets

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within cash on the balance sheet.

(n) Receivables

Receivables includes all net receivables, costs incurred in securing contracts and the progressive valuation of work completed on construction contracts represented by amounts billed to and receivable from clients less cash received. Costs incurred in securing contracts are included when they can be separately identified, measured reliably and it is probable that the contract will be obtained. The valuation of work completed is made after bringing to account a proportion of the estimated contract profits available and after recognising all known losses. Invoiced debtors are normally settled within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Joint ventures

The interests in joint venture entities are accounted for in the consolidated financial statements using the equity method and at cost in the parent entity. Under the equity method, the share of the profits or losses of the joint venture entities are recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet. Details relating to the joint venture entities are set out in note 34.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the consolidated entity's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale.

(p) Inventories

Inventories comprising consumable stores and finished goods are valued at the lower of cost and net realisable value.

(q) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial assets that are not traded in an active market (for example, unlisted securities) was determined using valuation techniques. If available, quoted market prices are used otherwise estimated discounted cash flows are used to determine the fair value of financial assets and instruments. The fair value of the deferred equity commitment hedge is determined using valuation techniques.

The carrying value less impairment provision of current receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

(r) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Costs may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

(ii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis to allocate the cost net of the residual value over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the consolidated entity will retain ownership by the end of the lease term. Land is not depreciated.

Buildings	Straight-line method, useful life of 40 years
Plant and equipment	Straight-line method, useful life of 3-10 years
Major mining plant and equipment	Cumulative number of hours worked, working life of 3-6 years

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(l)).

Gains and losses on disposals are determined in comparing proceeds with carrying amount. These are included in the income statement as other income or other expenses.

(iii) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over periods ranging from three to ten years.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Property, plant and equipment (continued)

(iv) Leased assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the consolidated entity's balance sheet.

Operating lease payments are charged to the income statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(s) Intangible assets

(i) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill. The cost of acquisition is discounted as described in note 1(h) where settlement of any part of cash consideration is deferred.

Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the consolidated entity's operational divisions.

(ii) Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of the projected cash flows of the contracts over their estimated useful lives.

(t) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(u) Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(v) Finance costs

Finance costs are recognised as expenses in the period in which they are incurred. Finance costs include:

- interest on bank overdrafts and short term and long term borrowings; and
- finance lease charges.

(w) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the consolidated entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations, is small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense in the income statement.

Workers Compensation

The parent entity self-insures for risks associated with workers' compensation. Outstanding claims are recognised for incidents that have occurred that may give rise to a claim and are measured at the cost that the entity expects to incur in settling the claims, discounted using a government bond rate with a maturity date approximating the terms of the obligation.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave are recognised in respect of employee's services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retention arrangements

Retention arrangements are in place ranging from three years to retirement for certain key employees which are payable upon completion of the retention period. The provisions are accrued on a pro-rata basis during the retention period and have been calculated based on current salary rates, including related on-costs. Amounts which are not expected to be settled within twelve months are discounted using the rates attached to national government securities at reporting date, which most closely match the terms of maturity of the related liabilities.

(iv) Annual bonus and deferred incentive arrangements

Annual bonuses and deferred incentives are provided for at reporting date and include related on-costs. The consolidated entity recognises a provision where there is a contractual or constructive obligation. Amounts which are not expected to be settled within 12 months are discounted using the rates attached to national government securities at reporting date, which most closely match the terms of maturity of the related liabilities.

(v) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(y) Rounding of amounts

The parent entity is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the “rounding off” of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(z) New accounting standards and interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the consolidated entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this finance report. The consolidated entity’s assessment of these new standards and interpretations is set out below:

- *Revised AASB 3 ‘Business Combinations’*

Key changes include the immediate expensing of all transactions costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets.

The revised standard becomes mandatory for the consolidated entity’s 30 June 2010 financial statements. As the revised standard will be applied prospectively there will be no impact on prior periods in the consolidated entity’s 30 June 2010 financial statements.

- *Revised AASB 101 ‘Presentation of Financial Statements’ (September 2007)*

This standard introduces the statement of comprehensive income and makes changes to the statement of changes in equity and will become mandatory for the consolidated entity’s 30 June 2010 financial statements. The consolidated entity plans to provide a separate statement of comprehensive income in the consolidated entity’s 30 June 2010 financial statements. This standard only affects disclosure in the financial report and as such will not impact the financial results of the consolidated entity.

- *Revised AASB 123 ‘Borrowing Costs’*

This standard removes the option to expense borrowing costs and require borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised will become mandatory for the consolidated entity’s 30 June 2010 financial statements. As the revised standard will be applied prospectively there will be no impact on prior periods in the consolidated entity’s 30 June 2010 financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) New accounting standards and interpretations (continued)

- *Revised AASB 127 'Consolidated and Separate Financial Statements'*

This standard requires accounting for changes in ownership interests of the consolidated entity in controlled entities to be recognised as an equity transaction. Where there is a loss of control, the ownership interest retained is measured at fair value with any resulting gain or loss recognised in profit or loss. This standard will become mandatory for the consolidated entity's 30 June 2010 financial statements and is not expected to have a significant impact on the financial results of the consolidated entity.

- *Revised AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'*

The standard changes the measurement of share-based payments that contain non-vesting conditions will become mandatory for the consolidated entity's 30 June 2010 financial statements. The potential effect of this standard on the consolidated entity's financial results is yet to be determined.

- *AASB 2008-5 'Amendments to Australian Accounting Standards arsing from the Annual Improvements Project and 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'*

The standards affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments will become mandatory for the consolidated entity's 30 June 2010 financial statements and are not expected to have a significant impact on the financial results of the consolidated entity.

- *AASB 2008-7 'Amendments to Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'*

This standard changes the recognition and measurement of dividend receipts as income. The amendments will become mandatory for the consolidated entity's 30 June 2010 financial statements. The potential effect of this standard on the consolidated entity's financial statements is yet to be determined.

- *AASB 2008-8 'Amendments to Accounting Standard - Eligible Hedged Items'*

This standard clarifies the effect of using options as hedging instruments and the circumstances in which inflation risk can be hedged. The amendments will become mandatory for the consolidated entity's 30 June 2010 financial statements. The potential effect of this standard on the consolidated entity's financial statements is yet to be determined.

- *AASB Interpretation 17 'Distribution of Non-Cash Assets to Owners'*

This interpretation applies where an entity pays dividends by distributing non-cash assets to its shareholders. The interpretation will become mandatory for the consolidated entity's 30 June 2010 financial statements and it is not expected to have any impact on the financial result of the consolidated entity.

- *AASB Interpretation 18 'Transfers of Assets from Customers'*

This interpretation provides guidance on accounting for contributions from customers in form of transfers of property, plant and equipment. The interpretation will become mandatory for the consolidated entity's 30 June 2010 financial statements. The potential effect of this standard on the consolidated entity's financial statements is yet to be determined.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2009

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(i) Accounting for construction contracts

The consolidated entity accounts for construction contracts in accordance with *AASB 111 Construction Contracts* . The detailed accounting policy can be found in note 1(j).

Accounting for construction contracts involves the continuous use of prudently assessed estimates based on a number of detailed assumptions consistent with the project scope and schedule, contract and risk management processes. These contracts may span several accounting periods requiring estimates and assumptions to be updated on a regular basis.

Details of the estimation procedures followed in accounting for the consolidated entity's construction contracts are detailed below:

Forecast costs at completion

The estimates of the forecast costs at completion of all construction contracts are regularly updated in accordance with the agreed work scope and schedule under the respective contracts. Forecast costs are based on rates expected to apply when the related activity is expected to be undertaken. Appropriate contingencies are included in the forecast costs to completion in order to cover risks inherent in these forecasts. Any additional contractual obligations, including liquidated damages, are also assessed to the extent these are due and payable under the contract recognising the contractual status from the consolidated entity's and client's viewpoints.

Revenues

Revenues reflect the contract price agreed in the contract and variations where it is probable that the client will approve those variations or are due under the contract. Claims are included in contract revenue only when negotiations have reached an advanced stage such that it is probable that the client will accept the claim and recovery of the amount involved is probable.

(ii) Contract claims and disputes

Certain claims arising out of construction contracts have been made by or against certain controlled entities in the ordinary course of business, some of which involve litigation or arbitration.

Estimates and assumptions regarding the likely outcome of these claims have been made and these have been recognised in the carrying value of assets and liabilities recorded in the financial report. In making these estimates and assumptions, legal opinion has been obtained as appropriate.

Although the directors do not consider the outcome of these claims will have a material adverse affect on the financial position of the consolidated entity, there remains uncertainty until the final outcome of the litigation or arbitration is determined.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

3. FINANCIAL RISK MANAGEMENT

The consolidated entity's activities expose it to a variety of financial risks; market risk, credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

Certain risks of the consolidated entity are managed by the treasury functions of its immediate parent entity, which uses derivative financial instruments such as foreign exchange forward contracts and the working capital facility with its immediate parent entity, Leighton Holdings Limited.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The consolidated entity sources materials internationally and is exposed to foreign exchange risk arising from exposure to various international currencies, primarily the US dollar and the Euro.

Forward contracts are used by the immediate parent entity to manage foreign exchange risk on behalf of the consolidated entity with the contracts designated upon inception as hedges of foreign exchange risk on highly probable forecast transactions on an individual transaction basis.

The consolidated and parent entity's exposure to foreign currency risk at 30 June 2009 is Hong Kong dollar receivables of $25,583,000 (2008: $15,251,000) and Hong Kong dollar payables of $25,143,000 (2008: $7,611,000).

Based on the financial instruments held at 30 June 2009, had the Australian dollar strengthened by 10% against the Hong Kong dollar with all other variables held constant, the consolidated and parent entity's post tax profit for the year would have been $28,000 lower (2008: $669,000 lower).

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As the consolidated and parenty entity's finance lease liabilites have fixed interest rates they are carried at amortised cost are not subject to cash flow interest rate risk.

The consolidated entity has $451,170,000 (2008: $317,079,000) in cash and deposits earning an average interest rate of nil% (2008: nil%). The consolidated entity has borrowings of $99,297,000 (2008: $150,871,000) relating to finance leases outstanding which are subject to interest rates of 7.25% - 9.75% (2008: 7.25% - 9.75%).

The consolidated entity and parent entity do not have any variable rate instruments that would be impacted by a change in interest rates at the reporting date.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents and credit exposure to customers, including outstanding receivables and committed transactions. All cash funds are held with high credit quality financial institutions and are denominated in Australian dollars. The customers of the consolidated and parent entity have their credit quality individually assessed at the time of project tender and the ageing of the receivables is constantly monitored by management. No significant agreements reducing the maximum exposure to credit risk had been entered into as of the reporting date.

One customer accounts for 10.7% of the current receivables balance as at 30 June 2009. This is not deemed a credit risk as the customer is a state government owned enterprise with a strong credit history.

The credit risk on financial assets of the consolidated and parent entity which has been recognised on the balance sheet is generally the carrying amount, net of any provisions for doubtful debts. The credit quality of financial assets neither past due or impaired is deemed good considering past history of collections.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that an entity may encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash, cash equivalents and the availability of funding through an adequate amount of committed credit lines. The consolidated and parent entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities utilising the treasury resources and facilities of its immediate parent entity, and its immediate parent entity's own parent entity, Leighton Holdings Limited.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying Amount $'000	Contractual Cash Flow $'000	5 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Consolidated entity - 30 June 2009							
Non-derivative financial liabilities							
Trade and other payables	747,552	747,552	747,552	-	-	-	-
Finance leases	99,297	110,691	23,470	19,757	25,550	41,914	-
Consolidated entity - 30 June 2008							
Non-derivative financial liabilities							
Trade and other payables	568,286	568,286	568,286	-	-	-	-
Finance leases	150,871	174,006	24,278	31,581	47,760	70,387	-
Parent entity - 30 June 2009							
Non-derivative financial liabilities							
Trade and other payables	747,549	747,549	747,549	-	-	-	-
Finance leases	99,297	110,691	23,470	19,757	25,550	41,914	-
Parent entity - 30 June 2008							
Non-derivative financial liabilities							
Trade and other payables	561,512	561,512	561,512	-	-	-	-
Finance leases	150,871	174,006	24,278	31,581	47,760	70,387	-

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying amounts of financial assets and liabilities in the consolidated and parent entity's balance sheet approximate fair values.

(e) Capital risk management

Capital planning forms part of the business and strategic plans of the consolidated entity. Decisions relating to obtaining and investing capital are made following consideration of the consolidated entity's key financial objectives including, return on revenue, and return on funds employed, earnings growth, liquidity and borrowing capacity. The consolidated entity has access to numerous sources of capital through the treasury resources of its parent entity's own parent entity, Leighton Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

4. AUDITOR'S REMUNERATION

		Consolidated		Parent Entity	
		2009	2008	**2009**	2008
	Note	**$'000**	$'000	**$'000**	$'000
Audit services:					
Auditors of the company					
PricewaterhouseCoopers - Australian firm					
- audit of financial reports		**428**	345	**428**	345
		428	345	**428**	345
Other services:					
Auditors of the company					
PricewaterhouseCoopers - Australian firm					
- taxation compliance		**156**	105	**156**	105
- taxation advisory		**287**	81	**287**	81
- other services		**20**	11	**20**	11
		463	197	**463**	197

5. REVENUE

		Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Construction contracting services		**2,346,367**	1,625,848	**2,342,638**	1,623,387
Mining contracting services		**143,057**	93,735	**143,057**	93,735
Other services revenue		**-**	2,891	**-**	2,891
		2,489,424	1,722,474	**2,485,695**	1,720,013
Other revenue					
Interest					
- Other entities		**1**	1	**1**	1
- Related entities		**1,299**	-	**1,299**	-
AirportLink development fee		**8,235**	-	**8,235**	-
AirportLink balance sheet fee		**12,789**	-	**12,789**	-
Other		**1,462**	-	**1,462**	-
		23,786	1	**23,786**	1
Total revenue (excluding share of revenue of equity accounted joint venture entities)		**2,513,210**	1,722,475	**2,509,481**	1,720,014
Share of operating revenue from ongoing construction operations conducted through entities which the consolidated entity does not control, and which is not included above:					
- Joint venture entities	34	**1,165,604**	1,025,071	**1,165,604**	1,025,071

6. OTHER INCOME

		Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Net gain on disposal of property, plant and equipment		**-**	24,075	**-**	24,075
Net gain on disposal of deferred equity commitment		**-**	42,504	**-**	42,504
Rental income		**10**	40	**10**	40
Other		**135**	-	**135**	-
		145	66,619	**145**	66,619

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

7. EXPENSES

	Consolidated		Parent Entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Materials	**900,699**	652,509	**899,210**	640,218
Subcontractors	**584,759**	427,844	**584,759**	427,844
Plant costs	**75,066**	51,937	**75,066**	51,937
Depreciation and amortisation	**38,505**	31,210	**38,505**	31,210
Personnel costs	**635,049**	401,325	**633,374**	397,521
Goodwill impairment	**12,058**	-	**12,058**	-
Other expenses	**84,234**	98,226	**84,234**	98,227
Total expenses	**2,330,370**	1,663,051	**2,327,206**	1,646,957
Profit before income tax includes the following specific items				
Depreciation				
- Buildings	**117**	166	**117**	166
- Plant and equipment	**11,059**	935	**11,059**	935
Total depreciation	**11,176**	1,101	**11,176**	1,101
Amortisation				
- Capitalised leased plant and equipment	**26,648**	29,351	**26,648**	29,351
- Leasehold improvements	**681**	394	**681**	394
- Customer contracts	**-**	364	**-**	364
Total amortisation	**27,329**	30,109	**27,329**	30,109
Net loss on disposal of property, plant and equipment	**1,477**	-	**1,477**	-
Other charges against assets				
- Non-current receivables written off	**-**	735	**-**	735
- Provision for impairment of non-current receivables	**-**	(735)	**-**	(735)
	-	-	**-**	-
Net foreign exchange loss	**(643)**	534	**(643)**	534
Finance costs				
- Interest and finance charges paid/payable				
- Other entities	**151**	129	**151**	129
- Related entities	**-**	21	**-**	21
- Finance charges relating to finance leases - related entity	**10,619**	13,533	**10,619**	13,533
Finance costs expensed	**10,770**	13,683	**10,770**	13,683
Operating lease rental expense				
- Minimum lease payments	**18,372**	10,860	**18,372**	10,860

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

8. INCOME TAX

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
(a) Income tax expense					
Current tax		**80,048**	49,447	**79,878**	54,159
Deferred tax		**3,068**	17,376	**3,070**	16,754
Under (over) provision in prior years		**(11,166)**	(14,934)	**(11,166)**	(14,934)
		71,950	51,889	**71,782**	55,979
Deferred income tax expense included in income tax expense (revenue) comprises:					
Decrease (increase) in deferred tax assets recognised in profit and loss	14	**(3,639)**	2,208	**(3,637)**	1,586
(Decrease) increase in deferred tax liabilities recognised in profit and loss	20	**6,707**	15,168	**6,707**	15,168
		3,068	17,376	**3,070**	16,754
(b) Numerical reconciliation of income tax expense to prima facie tax payable					
Profit before income tax expense		**273,197**	211,474	**272,632**	225,107
Prima facie income tax expense at 30% (2008 - 30%)		**81,959**	63,442	**81,790**	67,532
Tax effect of amounts which are not deductible (taxable) in calculating taxable income					
Non-deductible depreciation and amortisation		**-**	146	**-**	146
Non-deductible goodwill impairment		**3,617**	-	**3,617**	-
Entertainment and other non-allowable items		**219**	247	**219**	247
Non-assessable foreign income		**(2,707)**	(3,126)	**(2,707)**	(3,126)
Other		**28**	(2)	**29**	(2)
		83,116	60,707	**82,948**	64,797
Adjustments for current tax of prior periods		**(11,166)**	(14,934)	**(11,166)**	(14,934)
Impact of tax consolidation		**-**	6,116	**-**	6,116
Income tax expense		**71,950**	51,889	**71,782**	55,979

(c) Tax consolidation

On 27 June 2008 the consolidated entity joined the Leighton Holdings Ltd tax consolidated group. John Holland Pty Ltd and its wholly-owned controlled entities are parties to a tax sharing and funding agreement along with other members of the Leighton Holdings Ltd tax consolidated group. Under the terms of this agreement, the wholly-owned entities reimburse the head entity of the tax consolidated group for any current income tax payable (receivable) arising in respect of their activities. The reimbursements are payable (receivable) at the same time as the associated income tax liability (refund) falls due and have therefore been recognised as a current tax related amounts payable (receivable) to the head entity of the tax consolidated group. In the opinion of the directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entities in the case of a default by Leighton Holdings Ltd.

Before joining the Leighton Holdings tax consolidated group, John Holland Pty and its wholly-owned Australian controlled entities had implemented the tax consolidation legislation by joining the John Holland Group Pty Ltd tax consolidated group. Entities within the John Holland Group Pty Ltd tax consolidated group had entered into a tax sharing and funding agreement. The terms of this agreement was substantially the same terms as the prevailing agreements of the Leighton Holdings tax consolidated group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

9. CURRENT ASSETS - CASH ASSETS

		Consolidated		Parent Entity	
		2009	2008	**2009**	2008
	Note	**$'000**	$'000	**$'000**	$'000
Cash at bank and on hand		**451,170**	317,079	**451,166**	317,079

10. CURRENT ASSETS - RECEIVABLES

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Contract & trade debtors receivable		**306,887**	240,734	**306,881**	239,050
GST receivable from customers		**18,312**	20,710	**18,310**	20,464
		325,199	261,444	**325,191**	259,514
Sundry debtors - related entities	30	**42,309**	74,016	**42,309**	74,016
Sundry debtors - joint venture entities	30	**83,732**	36,369	**83,732**	36,369
Sundry debtors - other entities		**31,991**	24,176	**31,991**	24,176
Less: Provision for sundry debtors - other entities		**(283)**	(283)	**(283)**	(283)
Net sundry debtors		**157,749**	134,278	**157,749**	134,278
Advances to:					
- immediate parent entity	30	**210,962**	121,181	**185,110**	96,333
- controlled entities	30	**-**	-	**11,352**	8,716
- related entities		**2,725**	-	**2,725**	-
		213,687	121,181	**199,187**	105,049
Total receivables		**696,635**	516,903	**682,127**	498,841
Current contract information					
Progressive value of work completed at 30 June		**4,244,247**	3,587,935	**4,244,241**	3,586,251
Progressive receivables					
Net contract receivables		**251,207**	200,764	**251,201**	199,080
Retentions held by clients		**-**	-	**-**	-
Net contract debtors receivable from clients		**251,207**	200,764	**251,201**	199,080
Cash received to date		**3,993,040**	3,387,171	**3,993,040**	3,387,171
Total progressive value		**4,244,247**	3,587,935	**4,244,241**	3,586,251
Amounts due from customers - contract debtors receivable		**306,887**	240,734	**306,881**	239,050
Amounts due to customers - trade creditors	17	**(55,680)**	(39,970)	**(55,680)**	(39,970)
Net contract debtors receivable from clients		**251,207**	200,764	**251,201**	199,080

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2009

10. CURRENT ASSETS - RECEIVABLES (CONTINUED)

(a) Impaired receivables

As at 30 June 2009, current receivables of the consolidated and parent entity with a nominal value of $283,000 (2008: $283,000) were impaired and have been 100% provided for.
All impaired receivables are greater than 12 months overdue.

Movements in the provision for impairment of receivables are as follows:

	Consolidated		Parent Entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
At 1 July	**283**	283	**283**	283
Provision for impairment recognised during the year	**-**	-	**-**	-
Receivables written off during the year as uncollectible	**-**	-	**-**	-
Unused amounts reversed	**-**	-	**-**	-
	283	283	**283**	283

(b) Past due but not impaired

As at 30 June 2009, current receivables of the consolidated entity of $20,376,000 (2008: $53,650,000) were past due but not impaired. As at 30 June 2009, current receivables of the parent entity of $20,353,000 (2008: $51,700,000) were past due but not impaired. The ageing analysis of these receivables is as follows:

	Consolidated		Parent Entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
31 - 60 days	**7,497**	37,038	**7,497**	35,134
61 - 90 days	**6,104**	5,331	**6,104**	5,299
91 days to 1 year	**6,150**	9,331	**6,127**	9,331
More than 1 year	**625**	1,950	**625**	1,936
	20,376	53,650	**20,353**	51,700

11. CURRENT ASSETS - INVENTORIES

Consumables at cost	**20,484**	14,734	**20,484**	14,734

12. NON-CURRENT ASSETS - RECEIVABLES

(a) Impaired receivables

As at 30 June 2009, non-current receivables of the consolidated and parent entity with a nominal value of $nil (2008: $nil) were impaired.

Movements in the provision for impairment of receivables are as follows:

	Consolidated		Parent Entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
At 1 July	**-**	735	**-**	735
Provision for impairment recognised during the year	**-**	-	**-**	-
Receivables written off during the year as uncollectible	**-**	(735)	**-**	(735)
Unused amounts reversed	**-**	-	**-**	-
	-	-	**-**	-

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

13. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Parent Entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Land				
At cost	**3,995**	3,995	**3,995**	3,995
Buildings				
At cost	**3,270**	3,270	**3,270**	3,270
Less: Accumulated depreciation	**(537)**	(420)	**(537)**	(420)
	2,733	2,850	**2,733**	2,850
Leasehold improvements				
At cost	**7,929**	4,925	**7,929**	4,925
Less: Accumulated amortisation	**(2,519)**	(1,911)	**(2,519)**	(1,911)
	5,410	3,014	**5,410**	3,014
Plant and equipment				
At cost	**93,462**	27,219	**93,462**	27,219
Less: Accumulated depreciation	**(22,823)**	(18,682)	**(22,823)**	(18,682)
	70,639	8,537	**70,639**	8,537
Plant and equipment under finance lease	**188,717**	211,118	**188,717**	211,118
Less: Accumulated amortisation	**(60,200)**	(41,653)	**(60,200)**	(41,653)
	128,517	169,465	**128,517**	169,465
	211,294	187,861	**211,294**	187,861

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Consolidated					
	Land	Buildings	Leasehold improvements	Plant & equipment	Leased plant and equipment	Total property, plant and equipment
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2008	3,995	2,850	3,014	8,537	169,465	187,861
Additions	-	-	3,189	86,707	-	89,896
Transfer	-	-	-	3,167	(3,167)	-
Disposals	-	-	(112)	(16,713)	(11,133)	(27,958)
Depreciation/amortisation expense	-	(117)	(681)	(11,059)	(26,648)	(38,505)
Carrying amount at 30 June 2009	3,995	2,733	5,410	70,639	128,517	211,294

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

14. NON-CURRENT ASSESTS - DEFERRED TAX ASSETS

		Consolidated		Parent Entity	
		2009	2008	**2009**	2008
	Note	**$'000**	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:					
Construction accounting		**7,345**	8,690	**7,345**	8,690
Employee benefits		**7,014**	2,660	**7,014**	2,660
Non-deductible accrued expenses		**1,438**	3,668	**1,438**	3,668
Doubtful debts and loans		**85**	85	**85**	85
Derivative financial instruments held by joint ventures		**1,014**	-	**1,014**	-
Other		**2,871**	11	**2,868**	10
		19,767	15,114	**19,764**	15,113
Set-off of deferred tax liabilities pursuant to set-off provisions	20	**(19,767)**	(15,114)	**(19,764)**	(15,113)
Net deferred tax assets		**-**	-	**-**	-
Movements					
Opening balance at 1 July		**15,114**	17,322	**15,113**	16,699
Credited (charged) to the income statement	8	**3,639**	(2,208)	**3,637**	(1,586)
Charged directly to equity		**1,014**	-	**1,014**	-
Closing balance at 30 June		**19,767**	15,114	**19,764**	15,113
Deferred tax assets to be recovered within 12 months		**18,579**	14,704	**18,576**	14,703
Deferred tax assets to be recovered after more than 12 months		**1,188**	410	**1,188**	410
		19,767	15,114	**19,764**	15,113

15. NON-CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS

(a) Investments in related entities

Refer to notes 32 and 34 for information on the carrying amount of investments in controlled entities and joint ventures.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

16. NON-CURRENT ASSETS - INTANGIBLE ASSETS

		Consolidated & Parent Entity		
			Customer	
		Goodwill	Contracts	Total
Consolidated entity	**Note**	**$'000**	**$'000**	**$'000**
At 1 July 2007				
Cost		31,421	485	**31,906**
Accumulated amortisation & impairment		(213)	(121)	**(334)**
Net book amount		31,208	364	**31,572**
Year ended 30 June 2008				
Opening Balance as at 1 July 2007		31,208	364	**31,572**
Additions - acquisition of businesses		2,204	-	**2,204**
Adjustment to deferred consideration		(5,863)	-	**(5,863)**
Amortisation charge*	7	-	(364)	**(364)**
Closing balance as at 30 June 2008		27,549	-	**27,549**
At 1 July 2008				
Cost		27,762	485	**28,247**
Accumulated amortisation & impairment		(213)	(485)	**(698)**
Net book amount		27,549	-	**27,549**
Year ended 30 June 2009				
Opening balance as at 1 July 2008		27,549	-	**27,549**
Impairment charge**	7	(12,058)	-	**(12,058)**
Closing balance as at 30 June 2009		15,491	-	**15,491**
At 30 June 2009				
Cost***		27,762	-	**27,762**
Accumulated amortisation & impairment***		(12,271)	-	**(12,271)**
Net book amount		15,491	-	**15,491**

*Amortisation charges are included in amortisation expense for the year applicable.

** The carrying amount of the mining services CGU has been reduced to its recoverable amount through the recognition of an impairment loss against goodwill. This loss has been disclosed seperately in note 7.

*** The contract which gave rise to the capitalised customer contract intangible has been terminated.

(a) Impairment tests for goodwill

Goodwill is allocated to the consolidated entity's cash-generating units (CGU's) identified according to operational division. The carrying amount of goodwill allocated to the mining services division is $12,000,000 (2008: $24,058,000) and to the specialist business division is $3,491,000 (2008: $3,491,000). The recoverable amount of a CGU is determined based on the higher of fair value less cost to sell and value-in-use. The value-in-use calculations use cash flow projections based on financial budgets approved by management covering a 3 year period. Cash flows beyond the 3 year period are extrapolated using estimated growth rates which do not exceed long term averages for the mining services division and cash flows of all other CGU's are not extrapolated due to the project nature of the cash flows. Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

(b) Impairment charge

The goodwill impairment charge of $12,058,000 is the result of the termination of a major contract of the mining services division at year end.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

17. CURRENT LIABILITIES - PAYABLES

		Consolidated		Parent Entity	
		2009	2008	**2009**	2008
	Note	**$'000**	$'000	**$'000**	$'000
Trade creditors		**284,785**	192,189	**284,783**	191,793
Other creditors		**247,804**	185,279	**247,802**	179,511
Amounts due to customers	10	**55,680**	39,970	**55,680**	39,970
Amounts payable to related entities	30	**159,283**	150,848	**159,284**	150,238
		747,552	568,286	**747,549**	561,512

18. CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

Lease liabilities - secured - related entity	27,30	**36,576**	44,964	**36,576**	44,964

Details of the security relating to the secured liabilities are set out in note 27.

19. CURRENT LIABILITIES - PROVISIONS

Employee benefits		**12,219**	8,865	**12,219**	8,865
Workers' compensation		**2,129**	1,970	**2,129**	1,970
		14,348	10,835	**14,348**	10,835

(a) Workers' compensation

John Holland Pty Ltd is a member of Comcare, the Commonwealth system of Workers' Compensation regulation under the *Safety, Rehabilitation and Compensation Act 1990* (the SRC Act). A provision is made to meet the future claim payments required under the SRC Act and associated expenses in respect of claims incurred.

(b) Movements in workers' compensation provision - total

Carrying amount at the start of year		**3,337**	1,336	**3,337**	1,336
Amounts provided during the year		**3,899**	2,336	**3,899**	2,336
Amounts paid during the year		**(1,147)**	(335)	**(1,147)**	(335)
Carrying amount at the end of the year		**6,089**	3,337	**6,089**	3,337
Total balance presented as:					
Current		**2,129**	1,970	**2,129**	1,970
Non-current	22	**3,960**	1,367	**3,960**	1,367
		6,089	3,337	**6,089**	3,337

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

20. NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	Note	Consolidated		Parent Entity	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:					
Construction accounting		**12,606**	11,634	**12,606**	11,634
Property, plant and equipment		**3,664**	5,931	**3,664**	5,931
Unrealised foreign exchange gains and losses		**2,966**	-	**2,966**	-
Revaluation of investments		**1,819**	-	**1,819**	-
Finance leases		**8,795**	5,578	**8,795**	5,578
		29,850	23,143	**29,850**	23,143
Set-off of deferred tax liabilities pursuant to set-off provisions	14	**(19,767)**	(15,114)	**(19,764)**	(15,113)
Net deferred tax liabilities		**10,083**	8,029	**10,086**	8,030
Movements					
Opening balance at 1 July		**23,143**	20,726	**23,143**	20,726
Charged (credited) to the income statement	8	**6,707**	15,168	**6,707**	15,168
Charged directly to equity		**-**	(12,751)	**-**	(12,751)
Closing balance at 30 June		**29,850**	23,143	**29,850**	23,143
Deferred tax liabilities to be recovered within 12 months		**19,223**	14,311	**19,223**	14,311
Deferred tax liabilities to be recovered after more than 12 months		**10,627**	8,832	**10,627**	8,832
		29,850	23,143	**29,850**	23,143

21. NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

Lease liabilities - secured - related entity	27,30	**62,721**	105,907	**62,721**	105,907

Security for borrowings

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

22. NON-CURRENT LIABILITIES - PROVISIONS

Workers' compensation	19	**3,960**	1,367	**3,960**	1,367

(a) Movements in workers' compensation provision

Refer to note 19.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

23. CONTRIBUTED EQUITY

		Consolidated		Parent Entity	
		2009 Shares ’000	2008 Shares ’000	**2009 Shares ’000**	2008 Shares ’000
Share capital					
3,805,000 (2008: 3,805,000) ordinary shares, fully paid	(a)	**3,805**	3,805	**7,610**	7,610
55,000,000 (2008: 55,000,000) non-cumulative, non-participating and non-convertible redeemable preference shares, fully paid	(b)	**55,000**	55,000	**55,000**	55,000
		58,805	58,805	**62,610**	62,610

(a) Ordinary shares

Movements during the year				
Balance 1 July	**3,805**	3,805	**7,610**	7,610
Movement for year	**-**	-	**-**	-
Balance 30 June	**3,805**	3,805	**7,610**	7,610

Terms and conditions

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of and amounts paid on the shares held. Holders are entitled to one vote per share at shareholders’ meetings.

(b) Non-cumulative, non-participating and non-convertible redeemable preference shares

Movements during the year				
Balance 1 July	**55,000**	55,000	**55,000**	55,000
Movement for year	**-**	-	**-**	-
Balance 30 June	**55,000**	55,000	**55,000**	55,000

Terms and conditions

The preference shares were issued to John Holland Group Pty Ltd in May 2000. They are non-cumulative, non-participating redeemable preference shares.

24. RESERVES

Hedging reserve - cash flow hedges	**(2,365)**	-	**(2,365)**	-
Movements				
Hedging reserve - cash flow hedges				
Balance 1 July	**-**	29,562	**-**	29,562
Transfer to net profit - gross	**-**	(42,504)	**-**	(42,504)
Deferred tax	**-**	12,751	**-**	12,751
Share of joint venture entities' cash flow hedge reserve - gross	**(3,378)**	273	**(3,378)**	273
Deferred tax	**1,013**	(82)	**1,013**	(82)
Balance 30 June	**(2,365)**	-	**(2,365)**	-

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(e). Amounts are recognised in the balance sheet or income statement in line with the underlying hedged transaction.

25. RETAINED PROFITS

Balance 1 July	**173,828**	104,243	**159,881**	80,753
Net profit	**201,247**	159,585	**200,850**	169,128
Dividends provided for or paid	**-**	(90,000)	**-**	(90,000)
Balance 30 June	**375,075**	173,828	**360,731**	159,881

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

26. DIVIDENDS

	Parent Entity			
	$ per share	**$'000**	**Franked/ Unfranked**	**Date of payment**
2009				
There were no dividends declared or paid during the year.				
2008				
Final 2008 ordinary dividend	23.65	90,000	Franked	30/06/2008

(a) Franking rate

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

27. COMMITMENTS

		Consolidated		Parent Entity	
		2009	2008	**2009**	2008
	Note	**$'000**	$'000	**$'000**	$'000
(a) Capital expenditure					
Total capital expenditure contracted for at balance date but not provided for in the accounts, payable:					
- not later than one year		**17,106**	82,312	**17,106**	82,312
		17,106	82,312	**17,106**	82,312
(b) Leases					
(i) Operating leases					
Total lease expenditure contracted for at balance date but not provided for in the accounts, payable:					
- not later than one year		**30,343**	13,953	**30,155**	13,436
- later than one year but not later than five years		**66,424**	37,678	**66,299**	37,678
- later than five years		**14,970**	17,101	**14,970**	17,101
Minimum lease payments in aggregate		**111,737**	68,732	**111,424**	68,215
(ii) Capitalised finance leases					
Commitments in relation to finance leases are payable as follows:					
- not later than one year		**43,227**	55,824	**43,227**	55,824
- later than one year but not later than five years		**67,464**	118,182	**67,464**	118,182
Minimum lease payments		**110,691**	174,006	**110,691**	174,006
Future finance charges		**(11,394)**	(23,135)	**(11,394)**	(23,135)
Provided for in accounts		**99,297**	150,871	**99,297**	150,871
Reconciled to:					
- current lease liabilities	18	**36,576**	44,964	**36,576**	44,964
- non-current lease liabilities	21	**62,721**	105,907	**62,721**	105,907
		99,297	150,871	**99,297**	150,871

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. The finance leases have interest rates of 7.25% - 9.75% (2008: 7.25% - 9.75%).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

28. CONTINGENT LIABILITIES

	Consolidated		Parent Entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Details and estimates of maximum amounts of contingent liabilities, classified in accordance with the party from whom the liability could arise and for which no provisions are included in the financial statements, are as follows:				
The consolidated entity has provided indemnities to banks and insurance companies in respect of contract performance guarantees and bonds issued on behalf of group companies and joint ventures.	**873,135**	694,617	**873,135**	694,617

John Holland Pty Ltd and its wholly-owned controlled entity are parties to a deed of cross guarantee under which each entity guarantees the debts of others. No financial guarantee liability has been raised in relation to the deed as the fair value of the guarantee is immaterial.

The parent entity has entered into Deeds of Acknowledgement and Guarantee and Indemnity with the finance facility providers to the Leighton Holdings Ltd group, effectively jointly guaranteeing those facilities with other entities within the Leighton Holdings Ltd group.

The consolidated entity has various outstanding contractual claims on construction and engineering contracts in the ordinary course of business. The directors have reviewed these matters in detail, having regard to all known factors at this time, in determining operating profit for the year ended 30 June 2009.

No material losses are anticipated in respect of any of the above contingent liabilities.

29. KEY MANAGEMENT PERSONNEL

	Consolidated		Parent Entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
The compensation of the key management personnel of the consolidated entity and parent entity is set out below:				
Short-term employee benefits	**5,305,874**	6,301,483	**5,305,874**	6,301,483
Post-employment benefits	**263,838**	249,960	**263,838**	249,960
Long-term benefits	**570,022**	1,533,631	**570,022**	1,533,631
Share-based payments	**491,229**	461,138	**491,229**	461,138
	6,630,963	8,546,212	**6,630,963**	8,546,212

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

30. RELATED PARTIES

(a) Directors

The names of persons who were directors of the parent entity at any time during the financial year are as follows: G.M. Palin, D.C. Brewer, D.A. Ray, S.M. Sasse and R.J. Cuttler (appointed 19 June 2009). K.H. Mociak and G. Cain were appointed 16 July 2009. D.G. Stewart was a director from the beginning of the financial year until his resignation on 19 June 2009.

No director has entered into a contract with the parent entity or the consolidated entity since the end of the previous financial year and there were no contracts involving directors' interests subsisting at year end.

There were no transactions between directors and John Holland Pty Ltd entities during the current year except for those in connection with the directors as directors.

(b) Wholly-owned group

Details of interests in wholly-owned controlled entities are set out at note 32. Details of dealings with these entities are set out below.

(c) Immediate and ultimate parent entity

The immediate parent entity of John Holland Pty Ltd is John Holland Group Pty Ltd, a company incorporated in Victoria. The ultimate parent entity of John Holland Pty Ltd is Hochtief AG, a company incorporated in Germany.

		Consolidated		Parent Entity	
		2009	2008	**2009**	2008
	Note	**$**	$	**$**	$
(d) Transactions with related parties					
The following transactions occurred with related parties:					
Revenue					
Revenue from construction contracting services		**617,227**	523,182	**617,227**	523,182
Interest revenue	5	**1,298,886**	-	**1,298,886**	-
Expenses					
Purchases		**(2,974,819)**	(413,000)	**(2,974,819)**	(413,000)
Personnel costs		**(436,332,301)**	(325,265,203)	**(436,332,301)**	(325,265,203)
Bonds and guarantee fees		**(11,274,703)**	(4,621,072)	**(11,274,703)**	(4,621,072)
Software licensing fees		**(6,085,830)**	(1,264,940)	**(6,085,830)**	(1,264,940)
Tender cost reimbursement		**5,921,732**	-	**5,921,732**	-
Interest cost	7	**-**	(21,401)	**-**	(21,401)
Other overhead expenditure		**(798,608)**	(3,496,471)	**(798,608)**	(3,496,471)
Other transactions					
Dividends paid to immediate parent entity		**-**	90,000,000	**-**	90,000,000
Finance lease payments		**52,605,367**	63,818,901	**52,605,367**	63,818,901

The immediate parent entity employs all salaried personnel on behalf of the consolidated entity, the cost of which is charged to the consolidated entity by the immediate parent entity.

All transactions above were undertaken in the ordinary course of business and were subject to normal terms and conditions. This includes transactions such as reimbursements of expenses incurred on behalf of the consolidated entity.

During the prior year the parent entity sold plant and equipment with a written down value of $36,959,646 to Plant and Equipment Leasing Pty Ltd for consideration of $36,959,646. Plant and Equipment Leasing Pty Ltd is a wholly-owned controlled entity of the ultimate Australian parent entity. The transaction was provided in the ordinary course of business and was subject to normal terms and conditions. There were no such transactions during the current year.

During the prior year $59,512,577 of plant and equipment was purchased under finance leases provided by Plant and Equipment Leasing Pty Ltd, including the assets mentioned above. There were no such transactions during the current year.

During the current year an entity within the consolidated group repurchased assets from Plant & Equipment Leasing Pty Ltd that were at the end of their lease. The total payment made was $1,533,792 (2008: $nil).

The immediate parent entity has provided indemnities to banks and insurance companies in respect of contract performance guarantees and bonds issued on behalf of the consolidated entity. It has also provided unsecured guarantees and indemnities in respect of finance leases and operating leases entered into by the parent entity. No charge has been raised in respect of the provision of these guarantees and indemnities. Refer to note 28 for further details.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

30. RELATED PARTIES (CONTINUED)

(e) Outstanding balances other related entities

The aggregate amount of debts, other than trade debts, due and receivable from and payable to other related entities by the parent entity and the consolidated entity at balance date:

		Consolidated		Parent Entity	
		2009	2008	**2009**	2008
	Note	**$**	$	**$**	$
Receivables - current					
Immediate parent entity - advance	10	**210,962,216**	121,181,133	**185,110,179**	96,332,520
Controlled entities - advance	10	**-**	-	**11,351,649**	8,716,311
Related entities - advance	10	**2,725,610**	-	**2,725,610**	-
Related entities - sundry debtors	10	**42,308,627**	74,015,841	**42,308,627**	74,015,841
Joint venture entities - sundry debtors	10	**83,731,978**	36,368,995	**83,731,978**	36,368,995
		339,728,431	231,565,969	**325,228,043**	215,433,668
Payables - current					
Related entities	17	**(29,644,588)**	(23,707,671)	**(29,646,186)**	(23,097,900)
Lease liability - related entity	18	**(36,575,676)**	(44,964,017)	**(36,575,676)**	(44,964,017)
Joint venture entities	17	**(129,638,096)**	(127,139,864)	**(129,638,096)**	(127,139,864)
Tax related amounts payable to head of tax consolidated group		**(86,032,389)**	(89,567,223)	**(85,863,768)**	(92,225,241)
		(281,890,749)	(285,378,775)	**(281,723,726)**	(287,427,021)
Payables - non-current					
Lease liability - related entity	21	**(62,721,189)**	(105,906,514)	**(62,721,189)**	(105,906,514)

The immediate parent entity acts as the group banker in relation to working capital requirements. It has access to a facility from its parent entity, Leighton Holdings Ltd, from whom $163,627,496 was receivable (2008: $594,725) at balance date. The parent entity accesses this facility as required, through the immediate parent entity, which arrangement gives rise to balances with the immediate parent entity. No interest is charged to or payable by the immediate parent entity or from the immediate parent entity. Commercial interest rates are applied to balances between the immediate parent entity and Leighton Holdings Limited.

During the current year no provision for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

There are no fixed repayment terms for the loans between the parent and its wholly-owned entities.

Refer to note 8 for details of the tax sharing and funding agreement.

The immediate parent entity acts as a group banker in relation to working capital requirements. For further details refer to note 3.

31. BUSINESS COMBINATIONS

(a) Summary of acquisition

There were no acquisitions during the current financial year. During the prior year the consolidated entity acquired selected assets and liabilities of IMS Innsol. Refer to the 2008 Financial Statements for further details.

	Consolidated		Parent Entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
(b) Purchase consideration				
Outflow of cash to acquire the assets and liabilities, net of cash				
Cash consideration	**-**	2,409	**-**	2,409
Less: cash balances acquired:	**-**	-	**-**	-
Total cash consideration	**-**	2,409	**-**	2,409
Cash consideration paid as at 30 June	**-**	2,409	**-**	2,409
Cash consideration payable as at 30 June	**-**	-	**-**	-
	-	2,409	**-**	2,409

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

32. INVESTMENTS IN CONTROLLED ENTITIES

			Percentages		Carrying amount	
Name of entity	**Place of Incorporation**		**2009 %**	2008 %	**2009 $'000**	2008 $'000
Parent entity						
John Holland Pty Ltd	Victoria					
Controlled entities						
GridComm Pty Ltd	Victoria		**100%**	100%	-	-
John Holland Melbourne Rail Franchise Pty Ltd	Victoria		**100%**	-	-	-
MCA Joint Venture, Inc.	Philippines	(a) (b) (c)	**-**	66%	-	-

The balance date of all companies in the consolidated entity as at 30 June 2009 is 30 June, with the exception of MCA Joint Venture, Inc. Refer note (b) below.

Notes:

(a) Controlled entities incorporated outside Australia carry on business in those countries.

(b) Balance date of company is 31 December.

(c) Controlled entities which are not audited by the parent entity auditors or their affiliates.

33. DERIVATIVE FINANCIAL INSTRUMENTS

Share of foreign exchange contracts of joint venture entities

	Sell AUD		Average exchange rate	
	2009 $'000	2008 $'000	**2009**	2008
Buy Euro				
Maturity				
0-12 months	**13,661**	-	**0.568**	-
12-24 months	**1,524**	-	**0.558**	-
Buy US Dollar				
Maturity				
0-12 months	**4,239**	-	**0.812**	-
Buy Japanese Yen				
Maturity				
0-12 months	**8,800**	-	**77.220**	-

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the consolidated entity and parent entity adjusts the initial measurement of the component recognised in the balance sheet or profit and loss by the related amount in equity.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

34. INTERESTS IN JOINT VENTURE ENTITIES

Details of interests in joint venture entities are as follows:

			Ownership interest Consolidated		
Name of entity	**Principal activities**	**Country**	**2009 %**	2008 %	**Reporting date**
ADrail joint venture	Construction	Australia	**20**	20	30-Jun
BJB joint venture	Maintenance	Australia	**37.5**	37.5	31-Dec
Bulk Water Alliance joint venture	Construction	Australia	**50**	50	30-Jun
Coffs Infrastructure Alliance joint venture	Construction	Australia	**50**	50	30-Jun
Cotter Googong Bulk Transfer joint venture	Construction	Australia	**50**	50	30-Jun
Dam Improvement Services joint venture	Construction	Australia	**40**	40	30-Jun
Hazell Brothers John Holland joint venture	Construction	Australia	**50**	-	30-Jun
Holland York joint venture	Construction	Australia	**50**	50	30-Jun
John Holland Barclay Mowlem joint venture	Construction	Australia	**50**	50	31-Dec
John Holland BRW joint venture	Construction	Australia	**50**	50	30-Jun
John Holland Coleman Rail joint venture	Construction	Australia	**50**	-	30-Jun
John Holland Colin Joss joint venture	Construction	Australia	**50**	50	30-Jun
John Holland Downer EDI joint venture (ANSTO) #	Construction	Australia	**60**	60	30-Jun
John Holland Downer EDI joint venture (PWCS) #	Construction	Australia	**65**	65	30-Jun
John Holland Downes Graderway joint venture	Construction	Australia	**50**	50	30-Jun
John Holland Fairbrother joint venture	Construction	Australia	**50**	50	30-Jun
John Holland Fulton Hogan joint venture NZ	Construction	New Zealand	**50**	-	30-Jun
John Holland Lahey joint venture	Construction	Australia	**-**	50	30-Jun
John Holland Laing O'Rourke joint venture	Construction	Australia	**50**	-	30-Jun
John Holland Macmahon joint venture (Roe and Tonkin Highways)	Construction	Australia	**50**	50	30-Jun
John Holland Macmahon joint venture (Ross River Dam)	Construction	Australia	**50**	50	30-Jun
John Holland Macmahon joint venture (Bell Bay) #	Construction	Australia	**80**	80	30-Jun
John Holland McConnell Dowell joint venture	Construction	Australia	**50**	50	30-Jun
John Holland MVM Rail joint venture	Construction	Australia	**50**	50	30-Jun
John Holland Thames Water joint venture	Construction	Australia	**50**	50	30-Jun
John Holland Veolia Water Australia joint venture (Gold Coast Desalination Plant) #	Construction	Australia	**64**	65	30-Jun
John Holland Veolia Water Australia joint venture (Blue Water) #	Construction	Australia	**69**	63	30-Jun
JM joint venture	Construction	Australia	**50**	50	30-Jun
JM JV joint venture #	Construction	Australia	**80**	80	30-Jun
Leighton China State John Holland joint venture	Construction	Macau	**30**	30	30-Jun
Link 200 joint venture	Construction	Hong Kong	**<1**	<1	30-Jun
Link 200 Tunnel joint venture	Construction	Hong Kong	**<1**	<1	30-Jun
PARR Alliance joint venture	Maintenance	Australia	**47**	47	30-Jun
Rail Link joint venture #	Construction	Australia	**65**	65	30-Jun
Tenix Alliance John Holland joint venture (Mackay Water)	Construction	Australia	**50**	50	30-Jun
Thiess John Holland joint venture (Lane Cove Tunnel)	Construction	Australia	**50**	50	30-Jun
Thiess John Holland joint venture (EastLink)	Construction	Australia	**50**	50	30-Jun
Thiess John Holland joint venture (Airport Link)	Construction	Australia	**50**	-	30-Jun
Motorway Services joint venture	Services	Australia	**50**	-	30-Jun

The consolidated entity has a greater than 50% entitlement to profits in these entities but does not consolidate them because it does not control them.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

34. INTERESTS IN JOINT VENTURE ENTITIES (CONTINUED)

		Consolidated		Parent Entity	
		2009	2008	**2009**	2008
	Note	**$'000**	$'000	**$'000**	$'000
Results of joint venture entities					
The consolidated entity's share of the joint venture entities' results consist of:					
Revenue		**1,165,604**	1,025,071	**1,165,604**	1,025,071
Expenses		**(1,064,622)**	(925,957)	**(1,064,622)**	(925,957)
Profit before income tax		**100,982**	99,114	**100,982**	99,114
Income tax expense		**-**	-	**-**	-
Profit - accounted for using the equity method		**100,982**	99,114	**100,982**	99,114
Statement of financial position					
The consolidated entity's share of the joint venture entities' assets and liabilities consist of:					
Current assets		**385,871**	353,563	**385,871**	353,563
Non-current assets		**54,763**	6,812	**54,763**	6,812
Total assets		**440,634**	360,375	**440,634**	360,375
Current liabilities		**(356,902)**	(323,830)	**(356,902)**	(323,830)
Non-current liabilities		**-**	(176)	**-**	(176)
Total liabilities		**(356,902)**	(324,006)	**(356,902)**	(324,006)
Net assets - accounted for using the equity method		**83,732**	36,369	**83,732**	36,369
Refer to notes 27 and 28 for details of commitments and contingencies.					
Share of post-acquisition retained profits attributable to joint venture entities					
Share of joint venture entities' retained profits at beginning of year		**36,369**	38,613	**36,369**	38,613
Share of joint venture entities' profit		**100,982**	99,114	**100,982**	99,114
Distributions from joint venture entities		**(53,619)**	(101,358)	**(53,619)**	(101,358)
Share of joint venture entities' retained profits at end of year		**83,732**	36,369	**83,732**	36,369
Movements in carrying amount of joint venture entities					
Carrying amount at beginning of year		**-**	-	**-**	-
Share of joint venture entities' profit		**100,982**	99,114	**100,982**	99,114
Share of joint venture entities' cash flow hedge reserves, net of tax		**(2,365)**	191	**(2,365)**	191
Distributions from joint venture entities, net of opening sundry debtor		**(14,885)**	(62,936)	**(14,885)**	(62,936)
Investment balance accounted for using the equity method		**83,732**	36,369	**83,732**	36,369
Sundry debtors - joint venture entities		**83,732**	36,369	**83,732**	36,369
Carrying amount at end of year		**-**	-	**-**	-

Refer to note 33 for the consolidated entity's share of foreign exchange contracts of joint ventures.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

35. NOTES TO THE STATEMENTS OF CASH FLOWS

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
(a) Reconciliation of cash					
For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and bank overdrafts.					
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:					
Cash assets	9	**451,170**	317,079	**451,166**	317,079
(b) Reconciliation of profit after income tax to cash provided by operating activities					
Profit after income tax		**201,247**	159,585	**200,850**	169,128
Adjustment for non cash income and expense items:					
- Depreciation		**11,176**	1,101	**11,176**	1,101
- Amortisation		**27,329**	30,109	**27,329**	30,109
- Profit on sale of property, plant and equipment		**1,477**	(24,075)	**1,477**	(24,075)
- Impairment of goodwill		**12,058**	-	**12,058**	-
- Profit on sale of deferred equity commitment		**-**	(42,504)	**-**	(42,504)
- Doubtful debts and loans expensed		**-**	(735)	**-**	(735)
- Bad debts written off		**-**	735	**-**	735
Increase (decrease) in deferred tax balances		**2,608**	17,376	**2,608**	16,754
(Increase) decrease in amounts payable to head of tax consolidated group		**(3,076)**	34,513	**(5,902)**	39,223
(Increase) decrease in operating assets:					
- Receivables – current		**(108,306)**	(109,866)	**(110,228)**	(158,886)
- Inventories		**(5,750)**	(5,307)	**(5,750)**	(5,732)
- Prepayments		**(251)**	588	**(251)**	567
Increase (decrease) in operating liabilities					
- Payables – current		**179,400**	246,026	**186,173**	251,677
- Provisions		**6,106**	6,655	**6,106**	7,335
Net cash provided by operating activities		**324,018**	314,201	**325,646**	284,697

(c) Non-cash financing and investing activities

During the current year the consolidated entity acquired plant and equipment valued at $nil (2008: $59,513,000) under a finance lease arrangement with a related entity. In addition, leased plant and equipment with a written down value of $11,133,000 (2008: $18,858,000) was disposed during the year.

During the current year the consolidated entity entered into operating lease arrangements with an external party over plant and equipment valued at $44,348,000 (2008: $11,166,000).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

36. DEED OF CROSS GUARANTEE

John Holland Group Pty Ltd and its wholly-owned controlled entities (with the exception of John Holland Aviation Services Pty Ltd, JHG Mutual Ltd and John Holland Melbourne Rail Franchise Pty Ltd) are parties to a deed of cross guarantee under which each entity guarantees the debts of others. The following entities are parties to the deed:

Name of entity	Place of Incorporation	Note
Parent entity		
John Holland Group Pty Ltd	Victoria	4
Wholly-owned entities of John Holland Group Pty Ltd		
John Holland Pty Ltd	Victoria	1, 4
John Holland Development & Investment Pty Ltd	Victoria	4
John Holland Engineering Pty Ltd	Victoria	4
John Holland Investment Pty Ltd	Victoria	4
John Holland Services Pty Ltd	Victoria	4
John Holland Rail Pty Ltd	WA	1, 2, 4
Telecommunication Infrastructure Pty Ltd	Victoria	4
Tensacciai Pty Ltd	WA	4
John Holland Mining Pty Ltd	ACT	4
John Holland (NZ) Ltd	New Zealand	4
John Holland Queensland Pty Ltd	Victoria	5
Wholly-owned entities of John Holland Pty Ltd		
GridComm Pty Ltd	Victoria	4
Wholly-owned entities of John Holland Investment Pty Ltd		
Yandina Ethanol Pty Ltd	Victoria	4
Wholly-owned entities of John Holland Services Pty Ltd		
John Holland Services No.1 Pty Ltd	Victoria	4
Lucon Pty Ltd	Victoria	4
Entities not controlled by John Holland Group Pty Ltd:		
John Holland AD Holdings Pty Ltd	Victoria	3
John Holland AD Investments Pty Ltd	Victoria	3
John Holland AD Operations Pty Ltd	Victoria	3

Notes

1 Entity is eligible for relief from the requirement to prepare a financial report and directors' report under the Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

2 The entity has taken advantage of the relief outlined above.

3 These entities were sold by John Holland Development & Investment Pty Ltd on 29 June 2007. A deed of revocation has been prepared, however was not effective as at 30 June 2009. These companies do not form part of the ''Closed Group' nor the 'Extended Closed Group' as at 30 June 2009 as defined by the Class Order.
Receivers and Managers were appointed on 6 November 2008.

4 These companies form part of the 'Closed Group' as defined by the Class Order.

5 This company became a member of the deed of cross guarantee on 27 July 2009.

(a) Consolidated income statement and a summary of movements in consolidated retained profits

Members of the 'Closed Group' for the purposes of the Class Order are identified above. There are no other parties that John Holland Group Pty Ltd controls therefore these entities also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2009 of the Closed Group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

36. DEED OF CROSS GUARANTEE (CONTINUED)

	2009 $'000	2008 $'000
Income statement		
Revenue from continuing operations	**2,526,425**	1,736,739
Other income	**8,539**	66,407
Expenses	**(2,331,131)**	(1,672,805)
Finance costs	**(11,982)**	(13,684)
Share of profits of associates and joint venture entities	**101,151**	112,983
Profit before income tax	**293,002**	229,640
Income tax expense	**(73,854)**	(57,676)
Net profit	**219,148**	171,964
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	**137,186**	56,710
Profit for the year	**219,148**	171,964
Dividends paid or provided for	**-**	(91,488)
Retained profits at the end of the financial year	**356,334**	137,186

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2009 of the Closed Group consisting of John Holland Group Pty Ltd and its wholly-owned entities.

	2009 $'000	2008 $'000
Assets		
Cash assets	**514,642**	376,771
Receivables	**700,846**	442,040
Inventories	**21,338**	15,655
Prepayments	**1,518**	1,268
Derivative financial instruments	**29**	1,353
Investments	**20,000**	20,000
Investments accounted for using the equity method	**-**	283
Other financial assets	**1,034**	1,034
Property, plant and equipment	**211,294**	187,866
Deferred tax assets	**21,636**	19,603
Intangible assets	**15,491**	27,549
Total assets	**1,507,828**	1,093,422
Liabilities		
Payables	**773,892**	602,553
Interest bearing liabilities	**99,297**	150,871
Tax related amounts payable to head entity of tax consolidated group	**80,189**	-
Derivative financial instruments	**4,165**	3,361
Current tax liabilities	**11,317**	28,254
Provisions	**87,895**	72,603
Total liabilities	**1,056,755**	857,642
Net assets	**451,073**	235,780
Equity		
Contributed equity	**100,000**	100,000
Reserves	**(5,261)**	(1,406)
Retained profits	**356,334**	137,186
Total equity	**451,073**	235,780

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

36. DEED OF CROSS GUARANTEE (CONTINUED)

(c) Entities not controlled by John Holland Group Pty Ltd

John Holland AD Holdings and its wholly-owned controlled entities form part of the Deed of Cross Guarantee as at 30 June 2009. These entities are not controlled by John Holland Group Pty Ltd and therefore do not form part of the 'Extended Closed Group'. Presented below are the consolidated income statement and balance sheet for the John Holland AD Holdings Group for the year ended 30 June 2009.

(i) Income statement

Net profit before tax for the consolidated group was $nil (2008: $nil) and tax expense was $nil (2008: $nil).

(ii) Balance sheet

All assets of the group were fully provided for as at 30 June 2009 and 2008. There were no liabilities and the retained earnings of the consolidated group amounted to $nil at 30 June 2009 (2008: $nil).

37. EVENTS SUBSEQUENT TO BALANCE DATE

On 30 July 2009 it was announced that the Basswater joint venture, which John Holland was a partner in, was unsuccessful in its bid to build and operate the Victorian Desalination Plant. As a result $13 million of costs capitalised at 30 June 2009 in relation to this project will be written off in fiscal 2010. On 31 August 2009 Metro Trains Melbourne (MTM), a company in which John Holland is a significant shareholder, achieved financial close on an 8 year franchise to operate and maintain Melbourne's metropolitan rail network. John Holland's share of MTM revenue is approximately $162 million per year.

38. COMPANY INFORMATION

John Holland Pty Ltd is a large proprietary company incorporated and domiciled in Victoria.

The registered office and principal place of business is located at:
70 Trenerry Crescent
Abbotsford, Vic 3067

DIRECTORS' DECLARATION

for the year ended 30 June 2009

In the directors' opinion:

(a) the financial statements and notes as set out on pages 7 to 44 are in accordance with the *Corporations Act 2001* , including:

(i) complying with Australian Standards, the *Corporations Regulation 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date: and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36.

This declaration is made in accordance with a resolution of the directors.

G.M. Palin
Chairman

R.J. Cuttler
Director

Brisbane, 23 September 2009

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

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GPO Box 133IL
MELBOURNE VIC 3001
DX 77 Melbourne
Australia
www.pwc.com/au
Telephone +61 3 8603 1000
Facsimile +61 3 8603 1999

Independent auditor's report to the members of John Holland Pty Ltd and its controlled entities

Report on the financial report

We have audited the accompanying financial report of John Holland Pty Ltd (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both John Holland Pty Ltd and the John Holland Pty Ltd group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Director's responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* . This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements* , that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report 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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of John Holland Pty Ltd and its controlled entities (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001* .

Auditor's opinion

(a) the financial report of John Holland Pty Ltd is in accordance with the *Corporations Act 2001* , including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* ; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

PricewaterhouseCoopers

Stephen Cougle
Partner

Melbourne
23 September 2009

Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. SGS-COC-2486

www.johnholland.com.au

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WWW.JOHNHOLLAND.COM.AU