John Holland Financial Report

for the six months ended 31 December 2011

John Holland

FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011
John Holland Pty Ltd ABN 11 004 282 268

This financial report contains the financial statements of the consolidated 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 six months ended 31 December 2011

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 six months ended 31 December 2011.

DIRECTORS

The following persons were Directors of John Holland Pty Ltd during the whole of the reporting period and up to the date of this report unless otherwise indicated:

G.M. Palin, BAppSc, GradDipBuild, GradDipAppFin&Invest, MAICD (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. He was appointed Group Managing Director in July 2009.

D.C. Brewer, BEng (Civil) Hons, FIE Aust
Mr Brewer is Executive General Manager – Strategic Operations. He is a Fellow of the Institution of Engineers Australia and has over 40 years experience in the construction industry in Australia and overseas.

G. Cain, Certificate of Technology – Mechanical Design
Mr Cain is Executive General Manager – Pre-Contracts and has over 30 years experience in the construction industry both in Australia and overseas. He has held a number of positions during his 23 years service with John Holland.

R.J. Cuttler, Diploma of Engineering
Mr Cuttler is Executive General Manager – Operational Services with over 30 years experience in the construction and engineering industry. He has held various senior management roles on major projects and operating business units, as well as national and international responsibility since joining the Company in 1992.

C.J. Evans, BE (Civil) Hons, FAIM
Mr Evans is Executive General Manager – Infrastructure. He is a Fellow of the Australian Institute of Management and has over 20 years experience in the Australian construction industry, having worked with the Company in both regional and national management roles across Western Australia, Queensland and New South Wales.

K.H. Mociak, Diploma of Civil Engineering
Mr Mociak is Executive General Manager – Transport Services and has been with the Company since 2007. He has over 35 years experience in the railway, transport and civil infrastructure industry throughout Australia and overseas.

B.C. Petersen, BEng (Civil) Hons, MBA, FIE Aust, GAICD
Mr Petersen is Executive General Manager – Energy & Resources. With more than 24 years experience with John Holland, Mr Petersen leads the development and operations of the Company in the Energy and Resources sector. He leads the Energy Business in the oil and gas, petrochemical and power generation and transmission sector; the Water & Enviro Business in water desalination, wastewater treatment, water distribution and environmental technologies; the Minerals & Industrial Business in mine and port infrastructure, minerals processing and heavy industry; and the Mining Services Business providing contract mining services to the coal mining sector.

D.A. Ray, BCom, CA, CMA, MAICD
Mr Ray is Chief Financial Officer and has over 17 years experience in the construction industry. Initially in the chartered accounting profession, he joined the Company in 1994. He has responsibility for finance and tax, payroll, risk management, infrastructure finance and investments, information and communication technology (ICT), legal and company secretarial matters.

PRINCIPAL ACTIVITIES

During the reporting period, the principal continuing activities of the consolidated entity included construction contracting for long-term construction and engineering projects, operation and maintenance of rail infrastructure (through investments in associates) and mining services to the resources sector.

Geographically, the consolidated entity operates primarily in the Australian and New Zealand markets, with expansion into South East Asia and the Middle East underway.

CONSOLIDATED RESULTS

The consolidated profit (loss) for the reporting period attributable to the owner of John Holland Pty Ltd was:

	6 months to December 2011 $'000	12 months to June 2011 $'000
Profit (loss) before income tax expense	**67,237**	(278,833)
Income tax benefit (expense)	**(18,510)**	96,806
Profit (loss) attributable to the owner of John Holland Pty Ltd	**48,727**	(182,027)

REVIEW OF OPERATIONS

The consolidated entity has reported a profit after tax of $48,727,000 for the six months to 31 December 2011 on revenue of $1,643,356,000. This represents a strong operating result and a significant improvement from the prior year which included the impact of the write-down of the $4.1 billion Airport Link project. Work in hand levels remain high and the volume of new project opportunities are at record levels.

The balance sheet continues to be a source of strength for the consolidated entity with the current period operating cash flows of $147,333,000 underpinning a solid capital expenditure program in our mining and rail businesses of $78,389,000 whilst still maintaining strong levels of net cash at $518,645,000, net current assets of $91,445,000 and net assets of $423,804,000.

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

There were no significant changes in the state of affairs of the consolidated entity that occurred during the reporting period under review.

EVENTS SUBSEQUENT TO BALANCE DATE

There are no 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 in all material respects. Proceedings initiated in FY10 regarding alleged contraventions of the *Queensland Environment Protection Act 1994* in relation to operations at Abbot Point and Dalrymple Bay were finalised during the period, resulting in the award of $195,000 in fines against John Holland Pty Ltd. In addition, a John Holland Pty Ltd Joint Venture incurred four Penalty Infringement Notices under the *Queensland Environment Protection Act 1994* ($4,000 attributable to John Holland Pty Ltd), and another John Holland Pty Ltd Joint Venture incurred one Infringement Notice under the *ACT Environment Protection Act 1997* ($2,500 attributable to John Holland Pty Ltd).

Since 1995, the consolidated entity has implemented environmental practices on all its sites to Australian and International Standards AS/NZS ISO14001:2004 'Environmental Management Systems'. The activities of all business units of the consolidated entity are certified by third party certifier Davis Langdon Certification Services (DLCS) as complying with the requirements of AS/NZS ISO14001:2004. The scope of certification is reviewed at each audit 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 they are rectified and/or resolved. Each quarter, an Environmental Compliance Report is compiled, signed off by the Group Managing Director and submitted to the Board. To date, no conviction for an environmental offence 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 is addressed and closed out.

The consolidated entity is subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007*, which requires it to report its annual greenhouse gas emissions and energy use. The consolidated entity has implemented systems and processes for the collection and calculation of the data required and submitted its 2010/11 report to the Greenhouse and Energy Data Officer prior to 30 October 2011.

DIRECTORS' REPORT CONTINUED
for the six months ended 31 December 2011

INSURANCE OF DIRECTORS AND OFFICERS

During the reporting period, John Holland Group Pty Ltd paid a premium of $124,409 to insure the Directors and Officers of the controlled entity for the 12 months to June 2012.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as Directors and Officers of entities in the consolidated entity, and any other payments arising from liabilities incurred by the Directors and Officers in connection with such proceedings.

This does not include such liabilities that arise from conduct involving a wilful breach of duty by the Directors and Officers or the improper use by the Directors and Officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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 and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report 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'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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	**D.A. Ray** Director

Melbourne, 28 February 2012

Auditor’s independence declaration

AUDITOR’S INDEPENDENCE DECLARATION

As lead auditor for the audit of John Holland Pty Ltd for the six months ended 31 December 2011, 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.

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne, 28 February 2012

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Blvd, Southbank VIC 3006, GPO Box 1331, Melbourne VIC 3001
DX 77 Melbourne, Australia
T +61 3 8603 1000, F +61 3 8603 1999, www.pwc.com.au

Consolidated income statement

for the six months ended 31 December 2011

	Notes	6 months to December 2011 $'000	12 months to June 2011 $'000
Revenue	3	**1,643,356**	2,609,191
Expenses	5	**(1,587,230)**	(2,594,001)
Operating profit before other income, finance costs, the share of profits of associates and joint venture entities and income tax expense		**56,126**	15,190
Other income	4	**176**	114
Finance costs	5	**(1,260)**	(5,357)
Share of net profits (losses) of associates and joint venture entities accounted for using the equity method*	30, 31	**12,195**	(288,780)
Profit (loss) before income tax expense		**67,237**	(278,833)
Income tax benefit (expense)	6	**(18,510)**	96,806
Profit (loss) for the period		**48,727**	(182,027)
Profit (loss) attributable to the owner of John Holland Pty Ltd		**48,727**	(182,027)

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

The consolidated income statement is to be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

for the six months ended 31 December 2011

	Note	**6 months to December 2011 $'000**	12 months to June 2011 $'000
Profit (loss) for the period		**48,727**	(182,027)
Other comprehensive income			
Share of joint venture entities' cash flow hedge reserve, net of tax	24	**77**	965
Other comprehensive income for the period, net of tax		**77**	965
Total comprehensive income (loss) for the period		**48,804**	(181,062)
Total comprehensive income (loss) for the period is attributable to:			
Owner of John Holland Pty Ltd		**48,804**	(181,062)

The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated balance sheet

as at 31 December 2011

	Notes	December 2011 $'000	June 2011 $'000
Current assets			
Cash assets	7	**518,645**	453,049
Receivables	8	**533,397**	550,024
Inventories	9	**24,369**	19,154
Prepayments		**3,993**	2,293
Property, plant and equipment – held for sale	10	**4,193**	4,193
Tax-related amounts receivable from the head of tax consolidated group		**8,844**	59,536
Total current assets		**1,093,441**	1,088,249
Non-current assets			
Receivables	11	**9,750**	9,750
Investments accounted for using the equity method	12	**12,376**	13,985
Property, plant and equipment	13	**313,756**	289,369
Deferred tax assets	14	**–**	28,500
Intangible assets	15	**15,491**	15,491
Total non-current assets		**351,373**	357,095
Total assets		**1,444,814**	1,445,344
Current liabilities			
Payables	16	**971,777**	1,030,387
Interest bearing liabilities	17	**11,665**	5,176
Provisions	18	**18,554**	17,225
Total current liabilities		**1,001,996**	1,052,788
Non-current liabilities			
Payables	22	**134**	134
Deferred tax liabilities	19	**9,354**	–
Interest bearing liabilities	20	**–**	9,750
Provisions	21	**9,526**	7,672
Total non-current liabilities		**19,014**	17,556
Total liabilities		**1,021,010**	1,070,344
Net assets		**423,804**	375,000
Equity			
Contributed equity	23	**300,000**	300,000
Reserves	24	**(6)**	(83)
Retained profits	25	**123,810**	75,083
Total equity		**423,804**	375,000

The consolidated balance sheet is to be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

for the six months ended 31 December 2011

	Notes	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2010		**62,610**	**(1,048)**	**357,110**	**418,672**
Total comprehensive income (loss)		–	965	(182,027)	(181,062)
Transactions with the owner in its capacity as owner					
Cancellation of ordinary shares		(7,610)	–	–	(7,610)
Redemption of preference shares		(55,000)	–	–	(55,000)
Dividends provided for or paid		–	–	(100,000)	(100,000)
Issue of new shares		300,000	–	–	300,000
Total transactions with the owner		**237,390**	**–**	**(100,000)**	**137,390**
Balance at 1 July 2011		**300,000**	**(83)**	**75,083**	**375,000**
Total comprehensive income (loss)		–	77	48,727	48,804
Transactions with the owner in its capacity as owner					
Dividends provided for or paid	26	–	–	–	–
Issue of new shares	23	–	–	–	–
Total transactions with the owner		**–**	**–**	**–**	**–**
Balance at 31 December 2011		**300,000**	**(6)**	**123,810**	**423,804**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the six months ended 31 December 2011

	Notes	6 months to December 2011 $'000	12 months to June 2011 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,806,636**	2,720,270
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,735,625)**	(2,716,397)
Dividends received from associates		**5,219**	5,405
Interest received		**2,360**	819
Interest paid		**(1,260)**	(5,357)
Amounts received (paid) under tax consolidation arrangements		**70,003**	(72,003)
Net cash inflow (outflow) from operating activities		**147,333**	(67,263)
Cash flows from investing activities			
Payments for property, plant and equipment		**(78,389)**	(133,181)
Proceeds from sale of property, plant and equipment		**735**	3,089
Net cash outflow from investing activities		**(77,654)**	(130,092)
Cash flows from financing activities			
Redemption of preference shares		**–**	(55,000)
Cancellation of ordinary shares		**–**	(7,610)
Proceeds from issuance of ordinary shares		**–**	300,000
Dividends paid		**–**	(100,000)
Intercompany cash advances		**11,798**	43,719
Repayment of finance lease liabilities		**(15,881)**	(29,544)
Net cash inflow from financing activities		**(4,083)**	151,565
Net increase (decrease) in cash and cash equivalents held		**65,596**	(45,790)
Cash and cash equivalents at the beginning of the period		**453,049**	498,839
Cash and cash equivalents at reporting date	7	**518,645**	453,049
Non-cash financing and investing activities	33		

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

for the six months ended 31 December 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

The consolidated financial statements were approved by the Board of Directors on 28 February 2012. The Directors have the power to amend and reissue the financial statements.

Change of financial year end

The Board of John Holland Pty Ltd resolved to change its financial year end from 30 June to 31 December to align John Holland's financial year with those of John Holland Group Pty Ltd, and its parent, Leighton Holdings Limited, which both have a 31 December financial year end. As a result, John Holland Pty Ltd will have a shorter, six-month transitional financial year from 1 July 2011 to 31 December 2011 before reverting to a 12-month financial year, the first of which will commence on 1 January 2012.

Compliance with Australian Accounting Standards – Reduced Disclosure Requirements

The consolidated financial statements of John Holland Pty Ltd comply with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

Early adoption of standards

The consolidated entity elected in the prior year to apply the following pronouncements to the annual reporting period beginning 1 July 2009:

– AASB 1053 *Application of Tiers of Australian Accounting Standards*
– AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*

The adoption of AASB 1053 and AASB 2010-2 allowed the consolidated entity to remove a number of disclosures. There was no other impact on the current or prior year financial statements.

Historical cost convention

These consolidated 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 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.

Financial statement presentation

The significant accounting policies adopted in the preparation of the financial report are set out below. These policies have been applied consistently to all periods presented in the financial report.

Certain comparative amounts have been reclassified to conform with the current year's presentation, with a view to providing more clarity to the users of this financial report.

(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 31 December 2011, and the results of all controlled entities for the reporting period. 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 one half 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 deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities by the consolidated entity.

The effects of all transactions between entities in the consolidated entity are eliminated in full.

(ii) Associates

Associates are all entities over which the consolidated entity exercises significant influence, but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates is recognised in the consolidated income statement and its share of post-acquisition movements is adjusted against the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains and losses from transactions between the consolidated entity and associates are eliminated to the extent of the consolidated entity's interest.

(iii) Joint ventures

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2011

(c) Income tax
The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income or loss 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Australia, where the consolidated entity's controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 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 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 is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation legislation
On 27 June 2008, the consolidated entity joined the Leighton Holdings Limited tax consolidated group, with Leighton Holdings Limited 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 liabilities (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 Limited tax consolidated group.

Assets or liabilities arising under tax funding agreements with the head entity of the Leighton Holdings Limited tax consolidated group are recognised as amounts receivable from or payable to the head entity of the Leighton Holdings Limited tax consolidated group. Details about the Leighton Holdings Limited tax funding agreement are disclosed in note 6.

Before joining the Leighton Holdings Limited tax consolidated group, John Holland Pty Ltd and its wholly-owned Australian controlled entities had implemented the tax consolidation legislation through their 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 dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, 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 (which do not have 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 for the balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for the income statement and the statement of comprehensive income 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 in other comprehensive income.

(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 at the end of each reporting period 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 hedging transactions 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.

(e) Derivatives and hedging activities continued
Movements in the hedge reserve in other comprehensive income are shown in note 24. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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 other comprehensive income and accumulated in reserves in equity. 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 reclassified in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast purchase that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging foreign denominated expenses or receipts is recognised in the income statement within expenses. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging income is recognised in the income statement within revenue. 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 reclassified from equity and included in the initial measurement of the cost or carrying amount of the asset or liability. The deferred amounts are ultimately recognised in the income statement as expenses in the case of inventory, or as depreciation or impairment in the case of fixed assets.

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 reclassified 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 the end of 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 from the end of the reporting period, which are classified as non-current assets. Loans and receivables are included in receivables (note 8) and non-current receivables (note 11) in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

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. If there is evidence of impairment for any of the consolidated entity's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

(g) Contributed equity
(i) 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.

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

(h) Revenue recognition
Revenue is 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 to note 1(i).

(ii) Mining services
The provision of mining services is recognised in the accounting period in which the services are rendered.

(iii) Interest income
Interest income is recognised as it accrues.

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

(i) 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, 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 and measured reliably, and where 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2011

(i) Construction work in progress continued
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.

(j) Goods and services tax
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case, it 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 inclusive of the amount of GST receivable or payable.

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.

(k) 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.

(l) Cash assets
For the purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

(m) 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 and 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 uncollectable 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 consolidated entity 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 uncollectable 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.

(n) Joint ventures
The interests in joint venture entities are accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profit or loss of the joint venture entities is recognised in the income statement, and the share of post-acquisition movements in reserves is recognised in other comprehensive income. Details relating to the joint venture entities are set out in note 30.

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.

(o) Inventories
Inventories comprising consumable stores and finished goods are valued at the lower of cost and net realisable value. The cost of inventory is assigned by using the weighted average cost formula.

(p) Non-current assets (or disposal groups) held for sale
Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(q) 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 life 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 values 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(k)).

Gains and losses on disposals are determined by comparing proceeds with the 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 10 years.

(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.

(r) Intangible assets

Goodwill

Goodwill on acquisitions of controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. 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. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Each of those cash-generating units represents the consolidated entity's operational divisions.

(s) Trade and other creditors

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

(t) 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. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the interest bearing liabilities using the effective interest method.

(u) 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.

(v) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2011

(v) Provisions continued
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 is a pre-tax rate that 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.

(w) 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 employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. All other short-term employee benefit obligations are presented as payables.

(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 and 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 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.

(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.

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

(y) Parent entity financial information
The financial information for the parent entity, John Holland Pty Ltd, disclosed in note 34, has been prepared on the same basis as the consolidated financial statements.

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 consolidated 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.

(a) 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(i).

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, and contract and risk management processes. These contracts may span several accounting periods, requiring estimates and assumptions to be updated on a regular basis.

(a) Accounting for construction contracts continued
Details of the estimation procedures followed in accounting for the consolidated entity's construction contracts are shown 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 that 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 they 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.

(b) 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 opinions have been obtained as appropriate.

In particular, the Northern Territory Government is claiming approximately $33 million in damages (plus interest and costs) from John Holland Pty Ltd in respect of alleged defects on the Alice Springs Hospital Redevelopment project on which John Holland Pty Ltd was the managing contractor. John Holland Pty Ltd is defending the allegations.

Although the Directors do not consider that the outcome of these claims will have a material adverse effect 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 CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2011

	6 months to December 2011 $'000	12 months to June 2011 $'000
3. REVENUE		
Construction contracting services	**1,425,752**	2,362,131
Mining contracting services	**164,689**	156,790
Other services revenue	**50,555**	89,451
	1,640,996	2,608,372
Other revenue		
Interest		
– Other entities	**84**	69
– Related entities	**2,276**	750
	2,360	819
Total revenue (excluding share of revenue of equity accounted associates and joint venture entities)	**1,643,356**	2,609,191
Share of operating revenue from ongoing construction operations conducted through entities which the consolidated entity does not control, and which is not included above:		
– Associates	**104,023**	208,915
– Joint venture entities	**595,327**	766,365
	699,350	975,280
4. OTHER INCOME		
Net gain on disposal of property, plant and equipment	**176**	114

	6 months to December 2011 $'000	12 months to June 2011 $'000
5. EXPENSES		
Materials	**569,139**	995,382
Subcontractors	**462,738**	587,877
Plant costs	**74,825**	76,190
Operating lease costs	**19,290**	35,252
Depreciation	**39,615**	52,515
Personnel costs	**356,026**	695,668
Defined contribution superannuation expense	**17,859**	28,824
Other expenses	**47,738**	122,293
Total expenses	**1,587,230**	2,594,001
Profit (loss) before income tax includes the following specific items:		
Depreciation		
– Buildings	**31**	62
– Plant and equipment	**36,044**	38,919
– Capitalised leased plant and equipment	**2,401**	11,855
– Leasehold improvements	**1,139**	1,679
Total depreciation	**39,615**	52,515
Other charges against assets		
– Reversal of provision for impairment of current receivables	**–**	(292)
– Provision for (reversal of) inventory obsolescence	**31**	(88)
– Impairment of property, plant and equipment – held for sale	**–**	1,500
Total other charges against assets	**31**	1,120
Net foreign exchange loss (gain)	**(62)**	1
Finance costs		
– Interest and finance charges paid/payable		
– Other entities	**–**	110
– Related entities	**890**	1,551
– Finance charges relating to finance leases – related entity	**370**	3,696
Finance costs expensed	**1,260**	5,357

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2011

	Notes	6 months to December 2011 $'000	12 months to June 2011 $'000
6. INCOME TAX EXPENSE (BENEFIT)			
(a) Income tax expense (benefit)			
Current tax		**(20,939)**	(58,995)
Deferred tax		**39,218**	(26,353)
Adjustments for current and deferred tax of prior periods		**231**	(11,458)
		18,510	(96,806)
Deferred income tax expense (benefit) included in income tax expense comprises:			
Decrease (increase) in deferred tax assets	14	**49,853**	(88,679)
(Decrease) increase in deferred tax liabilities	19	**(12,032)**	69,598
		37,821	(19,081)
(b) Numerical reconciliation of income tax expense (benefit) to prima facie tax payable (receivable)			
Profit (loss) before income tax expense (benefit)		**67,237**	(278,833)
Tax at the Australian tax rate of 30% (30 June 2011: 30%)		**20,171**	(83,650)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Entertainment and other non-allowable items		**162**	396
Equity accounted income not subject to tax		**(2,054)**	(3,040)
Dividends from associates		**2,237**	2,316
Imputation credits from dividends from associates		**(2,237)**	(2,316)
		18,279	(86,294)
Foreign tax credits		**–**	(511)
Difference in overseas tax rates		**–**	985
Revenue losses not recognised as a deferred tax asset		**–**	472
Adjustments for current and deferred tax of prior periods		**231**	(11,458)
Income tax expense (benefit)		**18,510**	(96,806)
(c) Tax losses			
Unused foreign tax losses for which no deferred tax asset has been recognised		**–**	1,655
Potential tax benefit at applicable foreign tax rate		**–**	472

(d) Tax consolidation

On 27 June 2008, the consolidated entity joined the Leighton Holdings Limited 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 Limited 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 amount 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 Limited.

Before joining the Leighton Holdings Limited tax consolidated group, John Holland Pty Ltd 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 were substantially the same as the prevailing agreements of the Leighton Holdings Limited tax consolidated group.

	Notes	December 2011 $'000	June 2011 $'000
7. CURRENT ASSETS – CASH ASSETS			
Cash at bank and on hand		**518,645**	453,049

Interest

The cash at bank is bearing floating interest rates between 0% and 4.25% (30 June 2011: 0% and 4.75%).

	Notes	December 2011 $'000	June 2011 $'000
8. CURRENT ASSETS – RECEIVABLES			
Contract debtors receivable		**367,483**	398,126
Other trade debtors receivable		**29,097**	25,363
Net GST receivable from customers		**22,320**	22,346
		418,900	445,835
Sundry debtors – related entities		**11,403**	19,265
Sundry debtors – joint venture entities	30	**53,119**	47,371
Sundry debtors – other entities		**27,089**	23,047
Less: Provision for sundry debtors – other entities		**–**	–
Net sundry debtors		**91,611**	89,683
Advances to:			
– related entities		**22,886**	14,506
		22,886	14,506
Total receivables		**533,397**	550,024
Current contract information			
Progressive value of work completed at 31 December		**3,169,216**	6,374,879
Progressive receivables			
Net contract receivables		**332,234**	354,687
Retentions held by clients		**–**	–
Net contract debtors receivable from clients		**332,234**	354,687
Cash received to date		**2,836,982**	6,020,192
Total progressive value		**3,169,216**	6,374,879
Amounts due from customers – contract debtors receivable		**367,483**	398,126
Amounts due to customers – trade creditors	16	**(35,249)**	(43,439)
Net contract debtors receivable from clients		**332,234**	354,687
Impaired receivables			
Movements in the provision for impairment of receivables are as follows:			
At 1 July		**–**	292
Provision for impairment recognised during the reporting period		**–**	–
Unused amounts reversed		**–**	(292)
		–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2011

	Notes	December 2011 $'000	June 2011 $'000
9. CURRENT ASSETS – INVENTORIES			
Consumables at cost		**24,402**	19,156
Less provision for obsolescence		**(33)**	(2)
		24,369	19,154
10. CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT – HELD FOR SALE			
At beginning of reporting period		**4,193**	3,200
Transfer from property, plant and equipment	13	**–**	2,493
Impairment loss		**–**	(1,500)
At reporting date		**4,193**	4,193

Assets held for sale consist of a rail maintenance vehicle and a tower crane. It is the consolidated entity's intention to sell these assets. The sale of these assets is expected to be completed before the end of December 2012.

	Notes	December 2011 $'000	June 2011 $'000
11. NON-CURRENT ASSETS – RECEIVABLES			
Loans to associates		**9,750**	9,750
12. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD			
Investment in associates	31	**12,376**	13,985

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

	Land $'000	Buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Leased plant and equipment $'000	Total property, plant and equipment $'000
At 30 June 2011						
At cost	4,926	2,434	24,421	362,068	36,841	430,690
Accumulated depreciation	–	(723)	(4,994)	(117,956)	(17,648)	(141,321)
Net book value	**4,926**	**1,711**	**19,427**	**244,112**	**19,193**	**289,369**
Net book value – 1 July 2011	4,926	1,711	19,427	244,112	19,193	289,369
Additions	–	–	762	63,799	–	64,561
Transfers	–	–	–	(101)	101	–
Disposals	–	–	(147)	(279)	(133)	(559)
Depreciation expense	–	(31)	(1,139)	(36,044)	(2,401)	(39,615)
Net book value – 31 December 2011	**4,926**	**1,680**	**18,903**	**271,487**	**16,760**	**313,756**
At 31 December 2011						
At cost	4,926	2,434	25,001	415,072	36,351	483,784
Accumulated depreciation	–	(754)	(6,098)	(143,585)	(19,591)	(170,028)
Net book value	**4,926**	**1,680**	**18,903**	**271,487**	**16,760**	**313,756**

	Notes	December 2011 $'000	June 2011 $'000
14. NON-CURRENT ASSETS – DEFERRED TAX ASSETS			
The balance comprises temporary differences attributable to:			
Construction accounting		**47,955**	93,356
Employee benefits		**7,052**	6,956
Non-deductible accrued expenses		**10,838**	11,409
Doubtful debts and loans		**5**	–
Derivative financial instruments held by joint ventures		**3**	36
Property, plant and equipment		**1**	1,919
Other		**731**	2,795
		66,585	116,471
Set-off of deferred tax liabilities pursuant to set-off provisions	19	**(66,585)**	(87,971)
Net deferred tax assets		**–**	28,500
Movements			
Opening balance at 1 July		**116,471**	28,228
Credited (charged) to income statement	6	**(49,853)**	88,679
Credited (charged) to equity		**(33)**	(436)
Closing balance at 31 December		**66,585**	116,471
15. NON-CURRENT ASSETS – INTANGIBLE ASSETS			
Goodwill			
Cost		**27,762**	27,762
Accumulated impairment		**(12,271)**	(12,271)
Net book amount		**15,491**	15,491
16. CURRENT LIABILITIES – PAYABLES			
Trade creditors		**252,906**	277,220
Other creditors and accruals		**299,788**	284,239
Amounts due to customers	8	**35,249**	43,439
Amounts payable to joint venture entities	30	**242,378**	270,627
Amounts payable to immediate parent entity		**98,674**	78,496
Amounts payable to related entities		**42,782**	76,366
		971,777	1,030,387
17. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES			
Lease liabilities – secured – related entity	27	**11,665**	5,176

Security for borrowings

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2011

	Notes	December 2011 $'000	June 2011 $'000
18. CURRENT LIABILITIES – PROVISIONS			
Employee benefits		**13,652**	13,013
Workers' compensation	(a)	**4,902**	4,212
		18,554	17,225

(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.

	Notes	December 2011 $'000	June 2011 $'000
(b) Movements in workers' compensation provision – total			
Carrying amount at beginning of reporting period		**11,884**	9,422
Amounts provided		**5,117**	6,649
Amounts paid		**(2,573)**	(4,187)
Carrying amount at reporting date		**14,428**	11,884
Total balance presented as:			
Current		**4,902**	4,212
Non-current	21	**9,526**	7,672
		14,428	11,884

	Notes	December 2011 $'000	June 2011 $'000
19. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES			
The balance comprises temporary differences attributable to:			
Construction accounting		**62,451**	71,593
Property, plant and equipment		**11,091**	1,986
Finance leases		**1,625**	13,343
Revaluation of investments		**431**	431
Other		**341**	618
		75,939	87,971
Set-off of deferred tax liabilities pursuant to set-off provisions	14	**(66,585)**	(87,971)
Net deferred tax liabilities		**9,354**	–
Movements			
Opening balance at 1 July		**87,971**	18,396
Charged (credited) to income statement	6	**(12,032)**	69,598
Charged (credited) directly to equity		**–**	(23)
Closing balance at 31 December		**75,939**	87,971

	Notes	December 2011 $'000	June 2011 $'000
20. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES			
Lease liabilities – secured – related entity	27	**–**	9,750

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

	Note	December 2011 $'000	June 2011 $'000
21. NON-CURRENT LIABILITIES – PROVISIONS			
Workers' compensation	18	**9,526**	7,672
22. NON-CURRENT LIABILITIES – PAYABLES			
Trade creditors – other parties		**134**	134

	Note	December 2011 Shares '000	June 2011 Shares '000	December 2011 Shares $'000	June 2011 Shares $'000
23. CONTRIBUTED EQUITY					
Share capital					
300,000,000 (30 June 2011: 300,000,000) ordinary shares, fully paid	(a)	**300,000**	300,000	**300,000**	300,000
		300,000	300,000	**300,000**	300,000
(a) Ordinary shares					
Movements during the period					
Balance 1 July		**300,000**	3,805	**300,000**	7,610
Cancellation of shares		**–**	(3,805)	**–**	(7,610)
Issue of new shares		**–**	300,000	**–**	300,000
Balance 31 December		**300,000**	300,000	**300,000**	300,000

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) Preference shares				
Movements during the year				
Balance 1 July	**–**	55,000	**–**	55,000
Redemption of shares	**–**	(55,000)	**–**	(55,000)
Balance 31 December	**–**	–	**–**	–

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2011

	December 2011 $'000	June 2011 $'000
24. RESERVES		
Cash flow hedges	**(6)**	(83)
Movements		
Cash flow hedges		
Balance 1 July	**(83)**	(1,048)
Included in statement of comprehensive income	**77**	965
Balance 31 December	**(6)**	(83)

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

	December 2011 $'000	June 2011 $'000
25. RETAINED PROFITS		
Balance 1 July	**75,083**	357,110
Net profit (loss)	**48,727**	(182,027)
Dividends provided for or paid	**–**	(100,000)
Balance 31 December	**123,810**	75,083
26. DIVIDENDS		
Interim 2011 ordinary dividend	**–**	100,000
27. COMMITMENTS		
(a) Capital expenditure		
Total capital expenditure contracted for at balance date but not provided for in the accounts, payable:		
– not later than one year	**55,693**	63,313
– later than one year but not later than five years	**98,797**	–
	154,490	63,313
(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	**31,778**	32,416
– later than one year but not later than five years	**64,891**	69,358
– later than five years	**24,622**	29,801
Minimum lease payments in aggregate	**121,291**	131,575

The consolidated entity leases plant and equipment used in contract mining and civil engineering activities and property for the purposes of office accommodation under operating leases. Operating leases generally provide the consolidated entity with a right of renewal. The consolidated entity's leasing arrangements impose no restrictions on any of its financial arrangements.

	Notes	December 2011 $'000	June 2011 $'000
27. COMMITMENTS CONTINUED			
(b) Leases continued			
(ii) Capitalised finance leases			
Commitments in relation to finance leases are payable as follows:			
– not later than one year		**11,805**	5,817
– later than one year but not later than five years		**–**	9,751
Minimum lease payments		**11,805**	15,568
Future finance charges		**(140)**	(642)
Provided for in accounts		**11,665**	14,926
Reconciled to:			
– current lease liabilities	17	**11,665**	5,176
– non-current lease liabilities	20	**–**	9,750
		11,665	14,926

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 8.8% to 9.8% (30 June 2011: 8.25% to 9.75%).

28. CONTINGENT LIABILITIES

		December 2011 $'000	June 2011 $'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:		**871,203**	778,297

The consolidated entity has provided indemnities to banks and insurance companies in respect of contract performance guarantees and bonds issued on behalf of controlled entities, joint ventures and associates.

John Holland Pty Ltd and its wholly-owned controlled entities 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.

John Holland Pty Ltd has entered into Deeds of Acknowledgement and Guarantee and Indemnity with the finance facility providers to the Leighton Holdings Limited group, effectively jointly guaranteeing those facilities with other entities within the Leighton Holdings Limited 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 six months ended 31 December 2011.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2011

29. RELATED PARTIES

(a) Directors
The Directors who held office as Directors of John Holland Pty Ltd during the six months ended 31 December 2011 were:

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

D.C. Brewer, BEng (Civil) Hons, FIE Aust

G. Cain, Certificate of Technology – Mechanical Design

R.J. Cuttler, Diploma of Engineering

C.J. Evans, BE (Civil) Hons, FAIM

K.H. Mociak, Diploma of Civil Engineering

B.C. Petersen, BEng (Civil) Hons, MBA, FIE Aust, GAICD

D.A. Ray, BCom, CA, CMA, MAICD

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 end of the period.

There were no transactions between Directors and John Holland Pty Ltd entities during the reporting period except for those with the Directors in their capacity as Directors.

(b) Key management personnel
The compensation of the key management personnel of the consolidated entity is set out below:

	6 months to December 2011 $	12 months to June 2011 $
Key management personnel compensation	**5,138,177**	6,311,742

(c) Transactions with other related parties
The consolidated entity transacts with various other related parties in the ordinary course of business under normal terms and conditions. These primarily relate to reimbursement of expenses incurred on behalf of the consolidated entity, or expenses incurred by the consolidated entity on behalf of the related entities.

These transactions give rise to various receivables (refer to notes 8 and 11), payables (refer to note 16) and borrowings (refer to notes 17 and 20). Interest payable to and receivable from related parties is detailed in notes 3 and 5.

During the reporting period, no provision for doubtful debts has 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.

Unless otherwise indicated, there are no fixed repayment terms for the loans between the parent and its wholly-owned entities.

Refer to note 6 for details of the tax sharing and funding agreement.

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 consolidated entity. No charge has been raised in respect of the provision of these guarantees and indemnities. Refer to note 28 for further details.

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 Limited. The consolidated entity accesses this facility as required through the immediate parent entity, which 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.

The following entities are considered to be other related parties:

(i) Actividades des Construcción y Servicios SA

Actividades des Construcción y Servicios SA holds a 50.16% (30 June 2011: 50.16%) interest in the shareholding of HOCHTIEF Aktiengesellschaft.

(ii) HOCHTIEF Australia Holdings Limited

HOCHTIEF Australia Holdings Limited holds a 54.10% (30 June 2011: 54.29%) interest in the shareholding of Leighton Holdings Limited.

(iii) Leighton Holdings Limited and its controlled entities

(iv) John Holland Group Pty Ltd and its controlled entities

29. RELATED PARTIES CONTINUED

(c) Transactions with other related parties continued

(v) Associates (with the consolidated entity's percentage financial interest shown)

Metro Trains Melbourne Pty Ltd	20
Advance International Rail Contracting LLC	24.95

These associates have been equity accounted (refer to note 31).

(vi) Active joint venture entities (with the consolidated entity's percentage financial interest shown)

BGC Contracting John Holland Macmahon Contractors (Roy Hill)	40
BJB	38
Coleman Rail John Holland (Activate)	60
Coleman Rail John Holland & York Civil (Tracksure Glengowrie)	10
Coleman Rail John Holland & York Civil (Tracksure Rail Upgrade)	38
Conneq Infrastructure Services (Australia) John Holland	50
GHD John Holland (Perth City Link)	81
Hazell Brothers John Holland (Brighton Bypass)	54
JM JV SIA	80
John Holland Abigroup Contractors (Bulk Water)	51
John Holland Abigroup Contractors (Coffs Infrastructure)	50
John Holland Coleman Rail	50
John Holland Colin Joss	50
John Holland Fairbrother	50
John Holland Fulton Hogan (Ohai Resleepering)	35
John Holland Laing O'Rourke	50
John Holland Leed Engineering and Construction (NIAW)	67
John Holland Leed Engineering and Construction Macmahon (Urban Superway)	40
John Holland Leighton (South East Asia)	50
John Holland Macmahon (Bell Bay)	80
John Holland Macmahon (Roe and Tonkin Highways)	50
John Holland Tenix Alliance (Mackay Water)	50
John Holland UGL Infrastructure (Murrumbidgee Irrigation)	51
John Holland UGL Infrastructure (PARR Alliance)	43
John Holland Veolia Water Australia (Blue Water)	72
John Holland Veolia Water Australia (Gold Coast Desalination Plant)	64
Leighton John Holland (Browse LNG)	50
Leighton John Holland (Hong Kong)	45
Leighton Offshore John Holland (Singapore LTA Project)	50
Thiess John Holland (Airport Link)	50
Thiess John Holland (EastLink)	50
Thiess John Holland (Lane Cove Tunnel)	50
Veolia Water Leighton John Holland (Hong Kong Treatment Facility)	16

The above list excludes project specific joint ventures in which construction or services provided are completed.
These joint ventures have been equity accounted (refer to note 30).

(d) 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 Actividades des Construcción y Servicios SA, a company incorporated in Spain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2011

	Notes	December 2011 $'000	June 2011 $'000
30. INTEREST IN JOINT VENTURES			
Movements in carrying amount of joint venture entities			
Carrying amount at beginning of reporting period		**–**	–
Share of joint venture entities' profit (loss)		**8,585**	(299,192)
Share of joint venture entities' cash flow hedge reserve, gross of tax		**111**	965
Contributions to (distributions from) joint venture entities, net of opening sundry debtor and payable		**(197,955)**	74,971
Investment balance accounted for using the equity method		**(189,259)**	(223,256)
Sundry debtors – joint venture entities	8	**53,119**	47,371
Amounts payable to joint venture entities	16	**(242,378)**	(270,627)
Carrying amount at reporting date		**–**	–

Refer to notes 27 and 28 for details of commitments and contingencies.

31. INVESTMENTS IN ASSOCIATES

Investments in associates are accounted for in the consolidated financial statements using the equity method (see note 1(b)).
Information relating to the associates is set out below:

Name of company	Principal activity	Balance date	Ownership interest Dec 11 %	Ownership interest Jun 11 %	Carrying amount December 2011 $'000	Carrying amount June 2011 $'000
Metro Trains Melbourne Pty Ltd	Operations and maintenance	30 Jun	**20**	20	**12,376**	13,985
Advance International Rail Contracting LLC	Construction	31 Dec	**24.95**	24.95	**–**	–
					12,376	13,985

	Note	December 2011 $'000	June 2011 $'000
Results of associates			
Share of associates' operating profit before tax		**5,157**	14,819
Share of associates' income tax expense		**(1,547)**	(4,407)
Share of associates' operating profit after tax		**3,610**	10,412
Share of retained profits attributable to associates			
Share of associates' retained profits at beginning of reporting period		**10,735**	5,728
Share of profit of associates		**3,610**	10,412
Dividends paid during the period		**(5,219)**	(5,405)
Share of associates' retained profits at reporting date		**9,126**	10,735
Movements in carrying amount of investments			
Carrying amount at beginning of reporting period		**13,985**	8,978
Share of associates' net profit		**3,610**	10,412
Dividends paid during the period		**(5,219)**	(5,405)
Carrying amount at reporting date	12	**12,376**	13,985

32. 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 Limited 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	Notes
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	1, 2, 4
John Holland Rail Pty Ltd	WA	1, 2, 4
Telecommunication Infrastructure Pty Ltd	Victoria	4
John Holland (NZ) Limited	New Zealand	4
Wholly-owned entities of John Holland Pty Ltd		
GridComm Pty Ltd	Victoria	4
John Holland Queensland Pty Ltd	Victoria	1, 2, 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. These entities are 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 31 December 2011. These entities do not form part of the 'Closed Group' nor the 'Extended Closed Group' as at 31 December 2011 as defined by the Class Order. Receivers and Managers were appointed on 6 November 2008.
4. These entities form part of the 'Closed Group' as defined by the Class Order.

(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'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2011

32. DEED OF CROSS GUARANTEE CONTINUED

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

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the six months ended 31 December 2011 of the Closed Group.

	6 months to December 2011 $'000	12 months to June 2011 $'000
Income statement		
Revenue	**1,668,840**	2,628,233
Other income	**176**	114
Expenses	**(1,605,984)**	(2,599,279)
Finance costs	**(1,361)**	(5,549)
Share of net profits (loss) of associates and joint venture entities accounted for using the equity method	**8,735**	(299,204)
Profit (loss) before income tax expense	**70,406**	(275,685)
Income tax benefit (expense)	**(20,642)**	92,338
Net profit (loss)	**49,764**	(183,347)
Summary of movements in consolidated retained profits		
Retained profits at the beginning of reporting period	**88,441**	371,788
Profit (loss) for the period	**49,764**	(183,347)
Dividends paid or provided for	**–**	(100,000)
Retained profits at reporting date	**138,205**	88,441

32. DEED OF CROSS GUARANTEE CONTINUED

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 31 December 2011 of the Closed Group.

	December 2011 $'000	June 2011 $'000
Assets		
Cash assets	**569,841**	503,402
Receivables	**605,950**	613,071
Inventories	**24,849**	19,154
Prepayments	**5,044**	4,527
Property, plant and equipment – held for sale	**4,193**	4,193
Derivative financial instruments	**126**	37
Other financial assets	**20,000**	20,000
Available-for-sale financial assets	**1,034**	1,034
Tax-related amounts receivable from the head entity of tax consolidated group	**13,168**	67,845
Property, plant and equipment	**324,491**	290,981
Deferred tax assets	**28,721**	60,833
Intangible assets	**15,491**	15,491
Total assets	**1,612,908**	1,600,568
Liabilities		
Payables	**925,550**	974,359
Interest bearing liabilities	**115,308**	114,926
Derivative financial instruments	**3,719**	3,431
Current tax liabilities	**10,041**	10,399
Provisions	**122,606**	111,471
Total liabilities	**1,177,224**	1,214,586
Net assets	**435,684**	385,982
Equity		
Contributed equity	**300,000**	300,000
Reserves	**(2,521)**	(2,459)
Retained profits	**138,205**	88,441
Total equity	**435,684**	385,982

(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 31 December 2011. 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 six months ended 31 December 2011.

(i) Income statement

Net profit before tax for the consolidated group was $nil (30 June 2011: $nil) and tax expense was $nil (30 June 2011: $nil).

(ii) Balance sheet

All assets of the group were fully provided for as at 31 December 2011 and 30 June 2011. There were no liabilities and the retained earnings of the consolidated group amounted to $nil at 31 December 2011 (30 June 2011: $nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2011

33. NOTES TO THE STATEMENT OF CASH FLOWS

Non-cash financing and investing activities

Leased plant and equipment with a written down value of $133,000 (30 June 2011: $2,810,000) was disposed of during the period.

34. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Parent entity	
	December 2011 $'000	June 2011 $'000
Balance sheet		
Current assets	**1,136,749**	1,080,532
Total assets	**1,494,221**	1,436,039
Current liabilities	**1,116,977**	1,091,860
Total liabilities	**1,135,908**	1,109,416
Shareholders' equity		
Issued capital	**300,000**	300,000
Reserves – cash flow hedges	**(6)**	(83)
Retained earnings	**58,319**	26,706
	358,313	326,623
Profit or loss for the period	**31,616**	(206,934)
Total comprehensive income (loss)	**31,693**	(205,969)
(b) Contingent liability of the parent entity		
Refer to note 28 for details in relation to contingent liabilities.	**871,203**	778,297
(c) Commitments		
Capital expenditure		
Total capital expenditure contracted for at balance date but not provided for in the accounts, payable:		
– not later than one year	**52,684**	63,313
– later than one year but not later than five years	**98,347**	–
	151,031	63,313

Directors' declaration

for the six months ended 31 December 2011

In the Directors' opinion:

(a) the financial statements and notes as set out on pages 6 to 34 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the six months ended on that date;

(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; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 32 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 32.

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

G.M. Palin	**D.A. Ray**
Chairman	Director

Melbourne, 28 February 2012

Independent auditor's report

for the six months ended 31 December 2011

pwc

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN HOLLAND PTY LTD

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 31 December 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the John Holland Pty Ltd group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at period end or from time to time during the financial period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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.

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

Independence

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

Auditor's opinion

In our opinion the financial report of John Holland Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the six months ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Andrew Cronin
Partner

Melbourne, 28 February 2012

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Blvd, Southbank VIC 3006, GPO Box 1331, Melbourne VIC 3001
DX 77 Melbourne, Australia
T +61 3 8603 1000, F +61 3 8603 1999, www.pwc.com.au

www.johnholland.com.au

THE FINANCIAL REPORT TEAM

Project direction and project management:
John Holland Corporate Affairs

For additional copies of the John Holland Financial Report for the six months ended 31 December 2011, email corporate.affairs@jhg.com.au or visit our web site.

www.johnholland.com.au