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Financial Report 2012

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FINANCIAL REPORT 31 DECEMBER 2012
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

Directors' report

for the year ended 31 December 2012

The Directors present their report on the consolidated entity consisting of John Holland Pty Ltd ('the Company') and the entities it controlled at the end of, or during, the year ended 31 December 2012.

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.A. Ray, BCom, CA, CMA, MAICD
Mr Ray is Chief Financial Officer and has over 18 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.

R.J. Cuttler, Diploma of Engineering
Mr Cuttler is Executive General Manager – Safety and 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.

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 24 years service with John Holland.

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 25 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.

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.

Refer to the 'Significant changes in the state of affairs' section for recent developments in respect of the consolidated entity's principal activities.

CONSOLIDATED RESULTS

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

	12 months to December 2012 $'000	6 months to December 2011 $'000
Continuing operations		
Profit before income tax expense	**25,156**	52,518
Income tax expense	**9,127**	(14,089)
Profit for the year from continuing operations	**34,283**	38,429
Discontinued operations		
Profit before income tax expense from discontinued operations	**33,670**	14,719
Income tax expense from discontinued operations	**(10,112)**	(4,421)
Profit for the year from discontinued operations	**23,558**	10,298
Profit attributable to the owner of John Holland Pty Ltd	**57,841**	48,727

REVIEW OF OPERATIONS

The consolidated entity has reported a profit after tax of $57,841,000 ($34,283,000 excluding discontinued operations) for the year ended to 31 December 2012 on revenue of $3,230,836,000 ($2,897,049,000 excluding discontinued operations). The current year financial result has been significantly impacted by a further write-down of the Airport Link project, which is being delivered in joint venture with Thiess Pty Ltd. The project achieved practical completion in July 2012. Notwithstanding this, the underlying business remains strong and profitable with high levels of work in hand and a strong pipeline of projects being tendered.

The balance sheet continues to be a source of strength for the consolidated entity with the current period operating cash flows of $80,832,000 ($18,520,000 excluding discontinued operations) despite the write-down of the Airport Link project, enabling investment in plant and equipment to support future growth in the rail and resources sectors. Current period operating cash flows have been significantly impacted by payments to joint venture entities of $241,267,000, reflecting contributions to the Airport Link project as a result of project write-downs in the current year and prior periods.

Net cash at balance date is $600,240,000, net current assets are $306,146,000 ($234,194,000 excluding the impact of the disposal group held for sale) and net assets are $481,651,000.

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

On 21 December 2012 Leighton Holdings Limited announced its intention to move the open cut coal mining contracts of John Holland Group Pty Ltd and its controlled entities to Leighton Contractors Pty Limited, after an in-principle agreement between the two operating companies and the clients. In early 2013, Leighton Contractors Pty Limited, through its Mining Division, will take over management of the Isaac Plains and Jellinbah contract mining and mine services arrangements for clients Isaac Plains Coal Management and Jellinbah Mining, respectively. This initiative is consistent with Leighton Holdings Limited's move to realign its portfolio and to deliver on its strategy of developing distinctive, core competencies within its operating companies – and to add value for clients. As a result, the Mining business of the consolidated entity has been disclosed as a discontinued operation in the financial statements for the year ended 31 December 2012 and all of the associated assets and liabilities of the business disclosed as being 'held for sale'.

On 24 December 2012, Leighton Holdings Limited announced that it had executed an Asset Purchase Agreement in relation to the acquisition of selected Macmahon Holdings Ltd construction projects. The Asset Purchase Agreement is subject to the approval of Macmahon shareholders, other than Leighton Holdings Limited and its associates. It is proposed that, with the consent of Macmahon clients through the novation of contracts, seven existing projects will transition to John Holland Group Pty Ltd and its controlled entities. The transaction brings volume (approximately $560,000,000 of work in hand) and scale while building on John Holland Group Pty Ltd's specialist expertise in road, rail, water, marine and resource projects, and expanding the presence of the consolidated entity in the Northern Territory.

There were no other 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.

DIRECTORS' REPORT CONTINUED
for the year ended 31 December 2012

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.

A John Holland Joint Venture incurred five Penalty Infringement Notices under the *Queensland Environment Protection Act 1994* ($5,000 attributable to John Holland Pty Ltd), a John Holland Joint Venture incurred an infringement notice under the *ACT Environment Protection Act 1997* ($5,000 attributable to John Holland Pty Ltd) and a John Holland Joint Venture incurred an infringement notice under the *Protection of the Environment Operations Act 1997* ($1,275 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 as complying with the requirements of AS/NZS ISO14001:2004 by third party certifier Davis Langdon Certification Services (DLCS). 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 John Holland Group Pty Ltd or its controlled entities.

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 2011/12 report to the Greenhouse and Energy Data Officer prior to 30 October 2012.

INSURANCE OF DIRECTORS AND OFFICERS

During the reporting period, John Holland Group Pty Ltd paid a premium of $206,810 to insure the Directors and Officers of the controlled entity for the 12 months to 30 June 2013.

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

Deloitte Touche Tohmatsu was appointed on 22 May 2012 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, 11 February 2013

Auditor's independence declaration

Deloitte.

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The Board of Directors
John Holland Pty Ltd
70 Trenerry Crescent
Abbotsford VIC 3067

11 February 2013

Dear Board Members

John Holland Pty Ltd

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of John Holland Pty Ltd.

As lead audit partner for the audit of the financial statements of John Holland Pty Ltd for the financial year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:
(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S Pelusi

S Pelusi
Partner
Chartered Accountants

Consolidated income statement

for the year ended 31 December 2012

	Notes	**12 months to December 2012 $'000**	6 months to December 2011 $'000
Continuing operations			
Revenue	3	**2,897,049**	1,478,667
Expenses	5	**(2,805,916)**	(1,437,230)
Operating profit before other income, finance costs, the share of profits of associates and joint venture entities and income tax expense		**91,133**	41,437
Other income	4	**1,059**	98
Finance costs	5	**(717)**	(1,212)
Share of net profits (losses) of associates and joint venture entities accounted for using the equity method*	28, 29	**(66,319)**	12,195
Profit before income tax expense		**25,156**	52,518
Income tax benefit (expense)	6	**9,127**	(14,089)
Profit for the year from continuing operations		**34,283**	38,429
Discontinued operations			
Profit before income tax from discontinued operations	3, 4, 5	**33,670**	14,719
Income tax expense from discontinued operations		**(10,112)**	(4,421)
Profit for the year from discontinued operations		**23,558**	10,298
Profit for the Year		**57,841**	48,727
Profit attributable to the owner of John Holland Pty Ltd		**57,841**	48,727

* 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 year ended 31 December 2012

	Note	12 months to December 2012 $'000	6 months to December 2011 $'000
Profit for the period		**57,841**	48,727
Other comprehensive income			
Share of joint venture entities' cash flow hedge reserve		**9**	110
Income tax relating to components of other comprehensive income		**(3)**	(33)
Other comprehensive income for the period, net of tax	23	**6**	77
Total comprehensive income for the period		**57,847**	48,804
Total comprehensive income for the period is attributable to:			
Owner of John Holland Pty Ltd		**57,847**	48,804

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

Consolidated balance sheet

as at 31 December 2012

	Notes	12 months to December 2012 $'000	6 months to December 2011 $'000
Current assets			
Cash assets	7	**600,240**	518,645
Receivables	8	**499,726**	533,397
Inventories	9	**6,760**	24,369
Prepayments		**2,062**	3,993
Tax-related amounts receivable from the head of tax consolidated group		**–**	8,844
Assets held for sale	10	**208,287**	4,193
Total current assets		**1,317,075**	1,093,441
Non-current assets			
Receivables	11	**9,750**	9,750
Investments accounted for using the equity method	12	**13,396**	12,376
Property, plant and equipment	13	**190,872**	313,756
Intangible assets	15	**3,491**	15,491
Total non-current assets		**217,509**	351,373
Total assets		**1,534,584**	1,444,814
Current liabilities			
Payables	16	**865,929**	971,777
Interest bearing liabilities	17	**–**	11,665
Provisions	18	**13,231**	18,554
Tax-related amounts payable to the head of tax consolidated group		**17,792**	–
Liabilities directly associated with assets held for sale	10	**113,977**	–
Total current liabilities		**1,010,929**	1,001,996
Non-current liabilities			
Payables	21	**–**	134
Deferred tax liabilities	19	**30,292**	9,354
Provisions	20	**11,712**	9,526
Total non-current liabilities		**42,004**	19,014
Total liabilities		**1,052,933**	1,021,010
Net assets		**481,651**	423,804
Equity			
Contributed equity	22	**300,000**	300,000
Reserves	23	**–**	(6)
Retained profits	24	**181,651**	123,810
Total equity		**481,651**	423,804

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

Consolidated statement of changes in equity

for the year ended 31 December 2012

	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2011	**300,000**	**(83)**	**75,083**	**375,000**
Total comprehensive income	–	77	48,727	48,804
Transactions with the owner in its capacity as owner				
Dividends provided for or paid	–	–	–	–
Total transactions with the owner	–	–	–	–
Balance at 1 January 2012	**300,000**	**(6)**	**123,810**	**423,804**
Total comprehensive income	–	6	57,841	57,847
Transactions with the owner in its capacity as owner				
Dividends provided for or paid	–	–	–	–
Total transactions with the owner	**–**	**–**	**–**	**–**
Balance at 31 December 2012	**300,000**	**–**	**181,651**	**481,651**

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

Consolidated statement of cash flows

for the year ended 31 December 2012

	Note	12 months to December 2012 $'000	6 months to December 2011 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**3,574,417**	1,831,938
Payments to suppliers and employees (inclusive of goods and services tax)		**(3,300,544)**	(1,735,625)
Payments to joint venture entities		**(241,267)**	(25,302)
Dividends received from associates		**8,822**	5,219
Interest received		**4,769**	2,360
Interest paid		**(4,747)**	(1,260)
Amounts received under tax consolidation arrangements		**39,382**	70,003
Net cash inflow from operating activities		**80,832**	147,333
Cash flows from investing activities			
Payments for property, plant and equipment		**(87,794)**	(78,389)
Proceeds from sale of property, plant and equipment		**4,816**	735
Net cash outflow from investing activities		**(82,978)**	(77,654)
Cash flows from financing activities			
Repayment of finance lease liabilities		**(19,629)**	(15,881)
Proceeds from sale and finance leaseback of property, plant and equipment		**87,284**	–
Intercompany cash advances		**16,086**	11,798
Net cash inflow (outflow) from financing activities		**83,741**	(4,083)
Net increase in cash and cash equivalents held		**81,595**	65,596
Cash and cash equivalents at the beginning of the period		**518,645**	453,049
Cash and cash equivalents at reporting date	7	**600,240**	518,645
Discontinued operations (net cash flows included above)			
Net cash inflow from operating activities from discontinued operations		**62,312**	15,061
Net cash outflow from investing activities from discontinued operations		**(52,435)**	(47,249)
Net cash inflow from financing activities from discontinued operations		**79,320**	–

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

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 5 February 2013. 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 had a shorter, six-month transitional financial year from 1 July 2011 to 31 December 2011 before reverting to a 12-month financial year 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 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 2012, 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 year ended 31 December 2012

(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.

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.

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.

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.

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) Other services

The provision of other services is recognised in the accounting period in which the services are rendered.

(iv) Interest income

Interest income is recognised as it accrues.

(v) Dividends

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

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2012

(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. Amounts owing from (to) joint venture entities at balance date are expected to be settled within 12 months and, as a result, are presented as current assets (liabilities) in the balance sheet. Details relating to the joint venture entities are set out in note 28.

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
Leased 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 ten 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2012

(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.

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 \$36 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.

	12 months to December 2012 $'000	6 months to December 2011 $'000
3. REVENUE		
From continuing operations		
Construction contracting services	**2,788,574**	1,425,752
Mining contracting services	**–**	–
Other services revenue	**103,706**	50,555
	2,892,280	1,476,307
Other revenue		
Interest		
– Other entities	**–**	84
– Related entities	**4,769**	2,276
	4,769	2,360
Total revenue (excluding share of revenue of equity accounted associates and joint venture entities)	**2,897,049**	1,478,667
From discontinued operation		
Mining contracting services	**333,787**	164,689
	333,787	164,689
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	**216,750**	104,023
– Joint venture entities	**851,788**	595,327
	1,068,538	699,350
4. OTHER INCOME		
From continuing operations		
Net gain on disposal of property, plant and equipment	**1,059**	98
From discontinued operation		
Net gain on disposal of property, plant and equipment	**828**	78

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2012

	12 months to December 2012 $'000	6 months to December 2011 $'000
5. EXPENSES		
From continuing operations		
Materials	**804,865**	525,046
Subcontractors	**1,114,580**	462,738
Plant costs	**63,941**	30,190
Operating lease costs	**29,034**	13,469
Depreciation	**35,787**	15,852
Personnel costs	**567,402**	327,267
Defined contribution superannuation expense	**61,836**	14,742
Other expenses	**128,471**	47,926
Total expenses	**2,805,916**	1,437,230
Profit before income tax from continuing operations includes the following specific items:		
Other charges against assets		
– Provision for inventory obsolescence	**68**	31
Total other charges against assets	**68**	31
Net foreign exchange loss (gain)	**231**	(62)
Finance costs		
Interest and finance charges paid/payable to:		
– Related entities	**585**	890
Finance charges relating to finance leases – related entity	**132**	322
Finance costs expensed	**717**	1,212
From discontinued operation:		
Materials	**79,802**	44,093
Plant costs	**87,112**	44,635
Operating lease costs	**9,108**	5,821
Depreciation	**50,516**	23,763
Personnel costs	**59,756**	28,759
Defined contribution superannuation expense	**6,434**	3,117
Other expenses	**4,187**	(188)
Total expenses	**296,915**	150,000
Profit before income tax from discontinued operations includes the following specific items:		
Other charges against assets		
– Provision for inventory obsolescence	**5**	–
Total other charges against assets	**5**	–
Finance costs		
– Finance charges relating to finance leases	**4,030**	48
Finance costs expensed	**4,030**	48

	Notes	12 months to December 2012 $'000	6 months to December 2011 $'000
6. INCOME TAX EXPENSE			
From continuing operations			
(a) Income tax expense (benefit)			
Current tax		**(14,615)**	(23,394)
Deferred tax		**17,674**	37,252
Adjustments for current and deferred tax of prior periods		**(12,186)**	231
		(9,127)	14,089
Deferred income tax expense included in income tax expense comprises:			
Decrease in deferred tax assets of continuing operations	14	**43,720**	49,853
Decrease in deferred tax liabilities of continuing operations	19	**(22,785)**	(12,032)
		20,935	37,821
(b) Numerical reconciliation of income tax expense (benefit) to prima facie tax payable (receivable)			
Profit before income tax expense (benefit) from continuing operations		**25,156**	52,518
Tax at the Australian tax rate of 30% (31 December 2011: 30%)		**7,547**	15,755
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Entertainment and other non-allowable items		**498**	157
Equity accounted income not subject to tax		**(4,573)**	(2,054)
Dividends from associates		**3,781**	2,237
Imputation credits from dividends from associates		**(3,781)**	(2,237)
		3,472	13,858
Difference in overseas tax rates		**(413)**	–
Adjustments for current and deferred tax of prior periods		**(12,186)**	231
Income tax expense (benefit) from continuing operations		**(9,127)**	14,089

(c) 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 TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2012

	Notes	December 2012 $'000	December 2011 $'000
7. CURRENT ASSETS – CASH ASSETS			
Cash at bank and on hand		**600,240**	518,645

Interest

The cash at bank is bearing floating interest rates between 0% and 2.9% (31 December 2011: 0% and 4.25%).

	Notes	December 2012 $'000	December 2011 $'000
8. CURRENT ASSETS – RECEIVABLES			
Contract debtors receivable		**336,257**	367,483
Other trade debtors receivable		**–**	29,097
Net GST receivable from customers		**20,319**	22,320
		356,576	418,900
Sundry debtors – related entities		**12,562**	11,403
Sundry debtors – joint venture entities	28	**37,121**	53,119
Sundry debtors – other entities		**29,900**	27,089
Less: Provision for sundry debtors – other entities		**–**	–
Net sundry debtors		**79,583**	91,611
Advances to:			
– related entities		**63,567**	22,886
		63,567	22,886
Total receivables		**499,726**	533,397
Current contract information			
Progressive value of work completed at 31 December		**4,688,450**	3,169,216
Progressive receivables			
Net contract receivables		**300,096**	332,234
Cash received to date		**4,388,354**	2,836,982
Total progressive value		**4,688,450**	3,169,216
Amounts due from customers – contract debtors receivable		**336,257**	367,483
Amounts due to customers – trade creditors	16	**(36,161)**	(35,249)
Net contract debtors receivable from clients		**300,096**	332,234
Impaired receivables			
Movements in the provision for impairment of receivables are as follows:			
Opening balance		**–**	–
Provision for impairment recognised during the year		**–**	–
		–	–

	Note	December 2012 $'000	December 2011 $'000
9. CURRENT ASSETS – INVENTORIES			
Consumables at cost		**6,861**	24,402
Less provision for obsolescence		**(101)**	(33)
		6,760	24,369
10. CURRENT ASSETS AND CURRENT LIABILITIES – ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE			
Assets held for sale			
Disposal group held for sale (discontinued operation – see (a) below)			
Property, plant and equipment	13	**121,446**	–
Receivables		**36,639**	–
Prepayments		**27**	–
Inventories		**26,775**	–
Deferred tax asset		**7,207**	–
Intangible assets		**12,000**	–
Total assets of disposal group held for sale		**204,094**	–
Property, plant and equipment held for sale (see (b) below)			
At beginning of period		**4,193**	4,193
At reporting date		**4,193**	4,193
Total assets held for sale		**208,287**	4,193
Liabilities directly associated with assets held for sale			
Disposal group held for sale (discontinued operation – see (a) below)			
Interest bearing liabilities		**79,320**	–
Payables		**31,021**	–
Provisions		**3,636**	–
		113,977	–

(a) Discontinued operation

On 21 December 2012 Leighton Holdings Limited announced its intention to transfer the open cut coal mining contracts of John Holland Group Pty Ltd and its controlled entities to Leighton Contractors Pty Limited, after an in-principle agreement between the two operating companies and the clients. In early 2013, Leighton Contractors Pty Limited, through its Mining Division, will take over management of the Isaac Plains and Jellinbah contract mining and mine services arrangements for clients Isaac Plains Coal Management and Jellinbah Mining, respectively. The legal disposal of the business and assets to Leighton Contractors Pty Limited is expected to occur in 2013 at book value with no gain or loss on sale expected.

(b) Property, plant & equipment

Property, plant & equipment 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 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2012

	Note	December 2012 $'000	December 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	29	**13,396**	12,376

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 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**
Net book value – 1 January 2012	4,926	1,680	18,903	271,487	16,760	313,756
Additions	–	–	1,451	85,159	88,468	175,078
Transfers	–	–	(1)	23,418	(23,417)	–
Disposals	(650)	(80)	(18)	(89,413)	(52)	(90,213)
Depreciation expense	–	(62)	(3,511)	(64,251)	(18,479)	(86,303)
Reclassified to assets held for sale	(1,071)	(160)	–	(57,200)	(63,015)	(121,446)
Net book value – 31 December 2012	**3,205**	**1,378**	**16,824**	**169,200**	**265**	**190,872**
At 31 December 2012						
At cost	3,205	2,102	26,171	291,774	945	324,197
Accumulated depreciation	–	(724)	(9,347)	(122,574)	(680)	(133,325)
Net book value	**3,205**	**1,378**	**16,824**	**169,200**	**265**	**190,872**

	Notes	December 2012 $'000	December 2011 $'000
14. NON-CURRENT ASSETS – DEFERRED TAX ASSETS			
The balance comprises temporary differences attributable to:			
Construction accounting		**749**	47,955
Employee benefits		**5,714**	7,052
Non-deductible accrued expenses		**15,469**	10,838
Doubtful debts and loans		**–**	5
Derivative financial instruments held by joint ventures		**–**	3
Property, plant and equipment		**–**	1
Other		**930**	731
		22,862	66,585
Set-off of deferred tax liabilities pursuant to set-off provisions	19	**(22,862)**	(66,585)
Net deferred tax assets		**–**	–
Movements			
Opening balance		**66,585**	116,471
Charged to income statement	6	**(43,720)**	(49,853)
Charged to equity		**(3)**	(33)
Closing balance at 31 December		**22,862**	66,585
15. NON-CURRENT ASSETS – INTANGIBLE ASSETS			
Goodwill			
Cost		**3,704**	27,762
Accumulated impairment		**(213)**	(12,271)
Net book amount		**3,491**	15,491
Movements			
Opening balance		**15,491**	15,491
Reclassified to assets held for sale	10	**(12,000)**	–
Closing balance at 31 December		**3,491**	15,491
16. CURRENT LIABILITIES – PAYABLES			
Trade creditors		**251,579**	252,906
Other creditors and accruals		**312,303**	299,788
Amounts due to customers	8	**36,161**	35,249
Amounts payable to joint venture entities	28	**61,274**	242,378
Amounts payable to immediate parent entity		**155,441**	98,674
Amounts payable to related entities		**49,171**	42,782
		865,929	971,777
17. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES			
Lease liabilities – secured – related entity		**–**	11,665

Security for borrowings
Details of the security relating to the secured liabilities are set out in note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2012

	Notes	December 2012 $'000	December 2011 $'000
18. CURRENT LIABILITIES – PROVISIONS			
Employee benefits		**9,227**	13,652
Workers' compensation	(a)	**4,004**	4,902
		13,231	18,554

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

(b) Movements in workers' compensation provision – total

	Notes	December 2012 $'000	December 2011 $'000
Carrying amount at beginning of reporting period		**14,428**	11,884
Amounts provided		**6,747**	5,117
Amounts paid		**(5,459)**	(2,573)
Carrying amount at reporting date		**15,716**	14,428
Total balance presented as:			
Current		**4,004**	4,902
Non-current	20	**11,712**	9,526
		15,716	14,428

	Notes	December 2012 $'000	December 2011 $'000
19. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES			
The balance comprises temporary differences attributable to:			
Construction accounting		**47,001**	62,451
Property, plant and equipment		**(701)**	11,091
Finance leases		**–**	1,625
Revaluation of investments		**431**	431
Other		**6,423**	341
		53,154	75,939
Set-off of deferred tax liabilities pursuant to set-off provisions	14	**(22,862)**	(66,585)
Net deferred tax liabilities		**30,292**	9,354
Movements			
Opening balance		**75,939**	87,971
Credited to income statement	6	**(22,785)**	(12,032)
Closing balance at 31 December		**53,154**	75,939
20. NON-CURRENT LIABILITIES – PROVISIONS			
Workers' compensation	18	**11,712**	9,526
21. NON-CURRENT LIABILITIES – PAYABLES			
Trade creditors – other parties		**–**	134

	Note	December 2012 Shares '000	December 2011 Shares '000	December 2012 Shares $'000	December 2011 Shares $'000
22. CONTRIBUTED EQUITY					
Share capital					
300,000,000 (31 December 2012: 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		**300,000**	300,000	**300,000**	300,000
Issue of new shares		**–**	–	**–**	–
Balance 31 December		**300,000**	300,000	**300,000**	300,000

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

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.

	December 2012 $'000	December 2011 $'000
23. RESERVES		
Cash flow hedges	**–**	(6)
Movements		
Cash flow hedges		
Opening balance	**(6)**	(83)
Included in statement of comprehensive income	**6**	77
Balance 31 December	**–**	(6)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2012

	Notes	December 2012 $'000	December 2011 $'000
24. RETAINED PROFITS			
Opening balance		**123,810**	75,083
Net profit		**57,841**	48,727
Balance 31 December		**181,651**	123,810

25. 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		**37,445**	55,693
– later than one year but not later than five years		**76,119**	98,797
		113,564	154,490

Total capital expenditure contracted for at balance date but not provided for in the accounts includes $105,507,000 relating to the open cut coal mining contracts which are held for sale at 31 December 2012.

(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		**37,332**	31,778
– later than one year but not later than five years		**67,468**	64,891
– later than five years		**15,095**	24,622
Minimum lease payments in aggregate		**119,895**	121,291

Total lease expenditure contracted for at balance date but not provided for in the accounts includes $20,309,000 relating to the open cut coal mining contracts which are held for sale at 31 December 2012.

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.

(ii) Capitalised finance leases

Commitments in relation to finance leases are payable as follows:			
– not later than one year		**15,893**	11,805
– later than one year but not later than five years		**80,707**	–
Minimum lease payments		**96,600**	11,805
Future finance charges		**(17,280)**	(140)
Provided for in accounts		**79,320**	11,665
Reconciled to:			
– current lease liabilities	17	**–**	11,665
– liabilities directly associated with assets held for sale	10	**79,320**	–
		79,320	11,665

Total commitments in relation to capitalised finance leases at balance date includes $79,320,000 relating to the open cut coal mining contracts which are held for sale at 31 December 2012.

Lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default. The finance leases have interest rates of 7% (8.8% to 9.8% at 31 December 2011).

	December 2012 $'000	December 2011 $'000
26. CONTINGENT LIABILITIES		
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:	886,006	871,203

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 year ended 31 December 2012.

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

27. RELATED PARTIES

(a) Directors

The Directors who held office as Directors of John Holland Pty Ltd during the period ended 31 December 2012 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:

	12 months to December 2012 $	6 months to December 2011 $
Key management personnel compensation	**5,849,066**	5,138,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2012

27. RELATED PARTIES CONTINUED

(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 note 17). 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 26 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.

On 21 December 2012 Leighton Holdings Limited announced its intention to transfer the open cut coal mining contracts of John Holland Group Pty Ltd and its controlled entities to Leighton Contractors Pty Limited, after an in-principle agreement between the two operating companies and the clients. In early 2013, Leighton Contractors Pty Limited, through its Mining Division, will take over management of the Isaac Plains and Jellinbah contract mining and mine services arrangements for clients Isaac Plains Coal Management and Jellinbah Mining, respectively. The legal disposal of the business and assets to Leighton Contractors Pty Limited is expected to occur in 2013 at book value with no gain or loss on sale expected.

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 54.28% (31 December 2011: 50.16%) interest in the shareholding of HOCHTIEF Aktiengesellschaft.

(ii) HOCHTIEF Australia Holdings Limited
HOCHTIEF Australia Holdings Limited holds a 53.40% (31 December 2011: 54.10%) 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

(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 29).

27. RELATED PARTIES CONTINUED

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

Abigroup Contractors Pty Ltd & Coleman Rail Pty Ltd & John Holland Pty Ltd (Integrate Rail)	40
BGC Contracting John Holland Macmahon Contractors (Roy Hill)	40
BJB	38
Coleman Rail John Holland & York Civil (Tracksure Glengowrie)	10
Coleman Rail John Holland & York Civil (Tracksure Rail Upgrade)	38
GHD John Holland (Perth City Link Rail Alliance)	85
Hazell Brothers John Holland (Brighton Bypass)	50
JM JV (Southern Improvement Alliance)	80
John Holland Abigroup Contractors (Bulk Water Alliance)	50
John Holland Abigroup Contractors (Coffs Infrastructure Alliance)	50
John Holland Coleman Rail (Activate)	50
John Holland Colin Joss (Wodonga)	50
John Holland Fairbrother (Uni Tas, Risdon, IMAS)	50
John Holland Fulton Hogan (Ohai Resleepering)	35
John Holland Fulton Hogan (Hunua)	48
John Holland Laing O'Rourke (RGP5 Rail – Track and Signals)	50
John Holland Laing O'Rourke & NRW (RGP5 South Works)	33
John Holland Leed Engineering and Construction (NIAW)	67
John Holland Leed Engineering and Construction Macmahon (Urban Superway)	40
John Holland Leighton Asia, India and Offshore (South East Asia)	50
John Holland Macmahon (Roe and Tonkin Highways)	50
John Holland Tenix Alliance (Mackay Water)	50
John Holland UGL Infrastructure (Murrumbidgee Irrigation Alliance)	50
John Holland Veolia Water Australia (Sydney Desalination Plant)	72
John Holland Veolia Water Australia (Gold Coast Desalination Plant)	64
Leighton Contractors John Holland (Browse LNG)	50
Leighton Asia, India and Offshore John Holland (Hong Kong South Island Line Project)	45
Leighton Asia, India and 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 Sludge 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 28).

(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 year ended 31 December 2012

	Notes	December 2012 $'000	December 2011 $'000
28. 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)		(76,161)	8,585
Share of joint venture entities' cash flow hedge reserve, gross of tax		9	111
Contributions to (distributions from) joint venture entities, net of opening sundry debtor and payable		51,999	(197,955)
Investment balance accounted for using the equity method		(24,153)	(189,259)
Sundry debtors – joint venture entities	8	37,121	53,119
Amounts payable to joint venture entities	16	(61,274)	(242,378)
Carrying amount at reporting date		–	–

Refer to notes 25 and 26 for details of commitments and contingencies.

29. 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:

			Ownership interest		Carrying amount	
Name of company	Principal activity	Balance date	December 2012 %	December 2011 %	December 2012 $'000	December 2011 $'000
Metro Trains Melbourne Pty Ltd	Operations and maintenance	30 June	20	20	13,396	12,376
Advance International Rail Contracting LLC	Construction	31 Dec	24.95	24.95	–	–
					13,396	12,376

	12 months to December 2012 $'000	6 months to December 2011 $'000
Results of associates		
Share of associates' operating profit before tax	14,060	5,157
Share of associates' income tax expense	(4,218)	(1,547)
Share of associates' operating profit after tax	9,842	3,610

	Note	December 2012 $'000	December 2011 $'000
Share of retained profits attributable to associates			
Share of associates' retained profits at beginning of reporting period		9,126	10,735
Share of profit of associates		9,842	3,610
Dividends paid during the period		(8,822)	(5,219)
Share of associates' retained profits at reporting date		10,146	9,126
Movements in carrying amount of investments			
Carrying amount at beginning of reporting period		12,376	13,985
Share of associates' net profit		9,842	3,610
Dividends paid during the period		(8,822)	(5,219)
Carrying amount at reporting date	12	13,396	12,376

30. 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 2012. These entities do not form part of the 'Closed Group' nor the 'Extended Closed Group' as at 31 December 2012 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2012

30. DEED OF CROSS GUARANTEE CONTINUED

(a) Consolidated income statement and a summary of movements in consolidated retained profits
Members of the 'Closed Group' for the purposes of the Class Order are identified above. There are no other parties that John Holland Group Pty Ltd controls; therefore, these entities also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 31 December 2012 of the Closed Group.

	12 months to December 2012 $'000	6 months to December 2011 $'000
Income statement		
Revenue	**3,057,657**	1,504,151
Other income	**1,085**	98
Expenses	**(2,925,656)**	(1,455,984)
Finance costs	**1,761**	(1,361)
Share of net profits (loss) of associates and joint venture entities accounted for using the equity method	**(71,709)**	8,735
Profit before income tax expense	**63,138**	55,639
Income tax (expense) benefit	**784**	(16,221)
Profit for the year from continuing operations	**63,922**	39,418
Discontinued operations		
Profit before income tax from discontinued operations	**33,670**	14,767
Income tax expense from discontinued operations	**(10,112)**	(4,421)
Profit for the year from discontinued operations	**23,558**	10,346
Profit for the year	**87,480**	49,764
Summary of movements in consolidated retained profits		
Retained profits at the beginning of reporting period	**138,205**	88,441
Profit for the period	**87,480**	49,764
Dividends paid or provided for	**(45,000)**	–
Retained profits at reporting date	**180,685**	138,205

30. DEED OF CROSS GUARANTEE (CONTINUED)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 31 December 2012 of the Closed Group.

	December 2012 $'000	December 2011 $'000
Assets		
Cash assets	**642,168**	569,841
Receivables	**445,142**	605,950
Inventories	**8,933**	24,849
Prepayments	**3,269**	5,044
Assets held for sale	**211,108**	4,193
Derivative financial instruments	**48**	126
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
Property, plant and equipment	**214,225**	324,491
Deferred tax assets	**5,685**	28,721
Intangible assets	**3,491**	15,491
Total assets	**1,555,103**	1,612,908
Liabilities		
Payables	**699,545**	925,550
Liabilities directly associated with assets held for sale	**122,991**	–
Interest bearing liabilities	**104,519**	115,308
Derivative financial instruments	**1,695**	3,719
Tax related amounts payable from the head entity of tax consolidated group	**11,131**	–
Current tax liabilities	**14,591**	10,041
Provisions	**125,652**	122,606
Total liabilities	**1,080,124**	1,177,224
Net assets	**474,979**	435,684
Equity		
Contributed equity	**300,000**	300,000
Reserves	**(1,153)**	(2,521)
Retained profits	**180,685**	138,205
Amounts recognised directly in equity relating to assets held for sale	**(4,553)**	–
Total equity	**474,979**	435,684

(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 2012. These entities are not controlled by John Holland Group Pty Ltd and therefore do not form part of the 'Extended Closed Group'. Presented below are the consolidated income statement and balance sheet for the John Holland AD Holdings Group for the year ended 31 December 2012.

(i) Income statement

Net profit before tax for the consolidated group was $nil (31 December 2011: $nil) and tax expense was $nil (31 December 2011: $nil).

(ii) Balance sheet

All assets of the group were fully provided for as at 31 December 2012 and 31 December 2011. There were no liabilities and the retained earnings of the consolidated group amounted to $nil at 31 December 2012 (31 December 2011: $nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2012

31. NOTES TO THE STATEMENT OF CASH FLOWS

Non-cash financing and investing activities
Leased plant and equipment with a written down value of $52,000 (31 December 2011: $133,000) was disposed of during the period.

32. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information
The individual financial statements for the parent entity show the following aggregate amounts:

	Parent entity	
	December 2012 $'000	December 2011 $'000
Balance sheet		
Current assets	**1,452,380**	1,136,749
Total assets	**1,666,749**	1,494,221
Current liabilities	**1,271,646**	1,116,977
Total liabilities	**1,290,041**	1,135,908
Shareholders' equity		
Issued capital	**300,000**	300,000
Reserves – cash flow hedges	**–**	(6)
Retained earnings	**76,708**	58,319
	376,708	358,313
Profit for the year from continuing operations	**11,019**	30,456
Profit for the year from discontinued operations	**7,370**	1,160
Profit for the year	**18,389**	31,616
Total comprehensive income	**18,395**	31,693
(b) Contingent liability of the parent entity		
Refer to note 26 for details in relation to contingent liabilities.	**886,006**	871,203
(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	**37,445**	52,684
– later than one year but not later than five years	**76,119**	98,347
	113,564	151,031

Total capital expenditure contracted for at balance date but not provided for in the accounts, includes $105,507,000 relating to the open cut coal mining contracts which are held for sale at 31 December 2012.

Directors' declaration

for the year ended 31 December 2012

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:

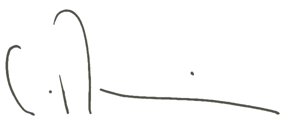
  (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date;

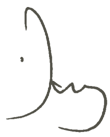
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 30 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 30.

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



G.M. Palin
Chairman



D.A. Ray
Director

Melbourne, 11 February 2013

Independent auditor's report

Deloitte.

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

We have audited the accompanying financial report of John Holland Pty Ltd, which comprises the balance sheet as at 31 December 2012, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 6 to 35.

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 gives a true and fair view and 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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

Auditor's independence declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of John Holland Pty Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

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 2012 and of its performance for the year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

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S Pelusi
Partner
Chartered Accountants

Melbourne, 11 February 2013

For additional copies of the John Holland Financial Report 2012, email corporate.affairs@jhg.com.au or visit our web site.

johnholland.com.au

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