



FINANCIAL REPORT
2014

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FINANCIAL REPORT 31 DECEMBER 2014

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:

LEVEL 5, 380 ST KILDA ROAD, MELBOURNE, VICTORIA 3004



View our Financial Report online.

A full version of our Financial Report is available online at:
johnholland.com.au/financialreport2014.pdf

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DIRECTORS' REPORT

for the year ended 31 December 2014

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 2014.

DIRECTORS

The following persons were Directors of John Holland Pty Ltd during the whole of the year 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. Mr Palin was President of the Australian Constructors Association from November 2012 to November 2014.

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

Mr Ray is Chief Financial Officer and Company Secretary and has over 20 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, 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 – Operational Support 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. He has responsibility for health, safety and environment, human resources, business improvement, innovation, strategic procurement, culture and engagement, organisational capability and design, employee communications, leadership development, talent management and succession planning and diversity.

G. Cain, Certificate of Technology – Mechanical Design

Mr Cain is Executive General Manager – Risk Management and has over 30 years experience in the construction industry both in Australia and overseas. He has held a number of positions during his 26 years service with John Holland. He has responsibility for pre-contracts risk, enterprise risk, business continuity and crisis management and project reviews.

PRINCIPAL ACTIVITIES

During the year, the principal continuing activities of the consolidated entity included construction contracting for long-term construction and engineering projects and operation and maintenance of rail infrastructure (through investments in associates).

Geographically, the consolidated entity operates primarily in the Australian, New Zealand and South East Asia markets.

CONSOLIDATED RESULTS

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

	Year ended December 2014 \$'000	Year ended December 2013 \$'000
Continuing operations		
(Loss) profit before income tax benefit (expense)	(249,504)	126,316
Income tax benefit (expense)	70,714	(14,245)
Loss (profit) attributable to the owner of John Holland Pty Ltd	(178,790)	112,071

REVIEW OF OPERATIONS

On 11 December 2014, Leighton Holdings Limited entered a binding Share Sale Agreement for the sale of John Holland Group Pty Ltd (which owns 100% of the shares in John Holland Pty Ltd) to CCCC International Holding Limited (CCCI), a wholly-owned subsidiary of China Communications Construction Company Ltd (CCCC) (the "Sale Agreement"). Completion of the transaction, and the transfer of ownership, is expected to occur on or around 20 April 2015 (refer to "Significant Changes in the State of Affairs" section below for further detail).

The consolidated entity has reported a loss after tax of \$178,790,000 for the year ended 31 December 2014 on revenue of \$2,858,308,000. The current year financial result has been impacted by an after-tax write down of \$76,944,000 on certain projects as a result of settlement being reached, post 31 December 2014, in respect of outstanding contract debtors on these projects existing at 31 December 2014 (refer "Events Subsequent to Balance Date" section below). The settlement in respect of each of these projects was negotiated by Leighton Holdings Limited management pursuant to relevant conditions of the Sale Agreement. The current year financial result has also been impacted by:

- the recognition of write-downs on a number of other projects during the year;
- an increase in the level of provisioning held against the year-end balance of contract debtors in respect of the consolidated entity's portfolio of projects (however, notwithstanding the recognition of additional provisions, the consolidated entity continues to strongly pursue its entitlements under the contracts to maximise the financial outcome of the projects);
- an impairment loss arising from a re-assessment of the carrying value and useful life of some specialised plant and equipment in light of prevailing market conditions at balance date; and
- the recognition of an onerous lease provision in respect of certain operating lease commitments in light of prevailing market conditions at balance date.

DIRECTORS' REPORT (CONTINUED)
for the year ended 31 December 2014

The underlying business remains strong with work in hand of \$4.4 billion, including the North West Rail Link OTS Package 3 PPP and Ravenhall Prison PPP projects awarded in September 2014, and a solid pipeline of projects being tendered. Further to the resolution of several project commercial matters and recognition of additional portfolio provisioning against the outstanding balance of contract debtors as at 31 December 2014, a return to profitability for the year ended 31 December 2015 is expected, subject to unforeseen circumstances.

Net cash at balance date is \$292,270,000 (31 December 2013: \$878,169,000), net assets are \$170,872,000 (31 December 2013: \$593,738,000) and net current assets reflect a deficiency of \$95,021,000 (31 December 2013: \$375,825,000). The significant decrease in the consolidated entity's cash balances during the current year largely reflects dividends and other payments made to John Holland Group Pty Ltd to facilitate payments to Leighton Holdings Limited of \$327,714,661 pursuant to relevant conditions of the Sale Agreement. In addition, payments were made to John Holland Group Pty Ltd to facilitate a dividend payment from John Holland Group Pty Ltd to Leighton Holdings Limited of \$140,000,000 in respect of the financial year ended 31 December 2013. The current period operating net cash outflows of \$106,924,000 reflects the current period financial result in addition to payment of prior year income tax of \$31,071,000. The increase in cash balances in the prior period was due in part to investing cash flows of \$82,428,000 reflecting proceeds from the disposal of the Mining and Communications divisions. The considerable decrease in the consolidated entity's net assets and net current assets as at 31 December 2014, compared to the balances reported as at 31 December 2013, was primarily due to the payment of dividends to John Holland Group Pty Ltd to facilitate payments to Leighton Holdings Limited, as noted above, in addition to the loss after tax recorded for the year.

On or around 20 April 2015, immediately following completion of the sale of John Holland Group Pty Ltd to CCCI, the consolidated entity is to be re-capitalised by John Holland Group Pty Ltd by way of a cash contribution of \$390,000,000. Further, the consolidated entity will also enter into an agreement with John Holland Holdings Pty Ltd (the CCCI entity which is to acquire the shares in John Holland Group Pty Ltd from Leighton Holdings Limited) relating to several projects which are subject to specific conditions in the Sale Agreement (the "Special Arrangement Projects"), resulting in a payment of approximately \$200,000,000 to the consolidated entity by John Holland Holdings Pty Ltd. This will result in the consolidated entity having, immediately following completion of the sale transaction, additional cash assets of approximately \$590,000,000 and additional net current assets of \$390,000,000 (refer "Significant Changes in the State of Affairs" section below for the presentation of a 'pro-forma' Statement of Financial Position of the consolidated entity as at 31 December 2014 which highlights the impact of the post completion transactions referred to above). In the opinion of the Directors, the consolidated entity's Statement of Financial Position, immediately following completion of the sale transaction, will be very well positioned to enable investment in the business, including acquiring plant and equipment, to support future growth.

DIVIDENDS

Dividends paid, declared or determined by the Company to the owner were:

	\$ per share	Total amount
Dividends paid in respect of the financial year ended 31 December 2013		
– Amount paid on 28 February 2014	0.27	80,000,000
Dividends paid in respect of the financial year ended 31 December 2014		
– Amount paid on 31 December 2014	0.55	165,000,000
	0.82	245,000,000

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS
Sale of John Holland Group Pty Ltd to CCCI

As noted above, on 11 December 2014, Leighton Holdings Limited entered a binding Share Sale Agreement for the sale of John Holland Group Pty Ltd to CCCI, a wholly-owned subsidiary of CCCC. Completion of the transaction, and the transfer of ownership, is expected to occur on or around 20 April 2015. The Directors consider John Holland Group Pty Ltd and CCCC to be an excellent fit, through a shared dedication to technical engineering and innovation and pride in corporate history and values. CCCC values John Holland Group Pty Ltd as one of Australia's leading construction and engineering companies and this acquisition fits with CCCC's corporate strategy to be a global transportation infrastructure company. The intention of CCCI is to invest in and grow John Holland Group Pty Ltd's business and explore significant opportunities for expertise and capability sharing between the two companies. Importantly, CCCI will provide John Holland Group Pty Ltd with access to capital when tendering for the range of major projects emerging in Australia and Internationally across the rail, building and infrastructure sectors. A brief background of both CCCC and CCCI is detailed below.

China Communications Construction Company Ltd

CCCC is listed on the Hong Kong and Shanghai Stock Exchanges and was the first major Chinese state-owned infrastructure enterprise to achieve an overseas listing, which occurred in 2006. With a market capitalisation of approximately \$33.6 billion, CCCC is one of the largest global companies specialising in transport, infrastructure, engineering and construction.

CCCC has a portfolio of diversified core businesses revolving around transportation infrastructure – roads, bridges, ports, waterways, railways and municipal rail transit. It operates an integrated business model within each business segment including design, construction, investment, operation and equipment manufacturing. CCCC enjoys a reputation for deploying advanced technologies and is well recognised for its technical expertise and execution capability. This can be seen through the company's involvement in 5 of the world's longest cable-stayed bridges, 4 of the world's longest suspension bridges, and 5 of the world's 10 largest container terminals.

CCCC has a very strong financial capacity with total assets as at December 2014 of \$123.9 billion (including cash and cash equivalents of \$14.1 billion), and generated revenue of \$65.8 billion and EBITDA of \$6.2 billion for the year ended 31 December 2014. Over the last 5 years, revenue and assets have grown at 7.6% and 19.3% per annum respectively.

DIRECTORS' REPORT (CONTINUED)
for the year ended 31 December 2014

CCCC has been operating internationally since 1980, and is now active in 135 countries. Overseas business revenue accounted for 17% of total revenue in 2014.

CCCC International Holding Limited

CCCI is based in Hong Kong and specialises in financing and investment in infrastructure, real estate and offshore engineering industries. CCCI has a strong market presence in the United States, Europe and now Australia via strategic investments which form part of CCCC's globalisation strategy.

As the overseas investment arm of CCCC, CCCI is well-positioned to invest abroad on behalf of CCCC and finance CCCC's projects through diversified funding channels, with four core business segments as follows:

- direct investment in overseas businesses;
- relevant project financing;
- cross-border Merger and Acquisitions; and
- overseas asset management and operations.

Strengthening of John Holland Pty Ltd's Statement of Financial Position

As noted above, on or around 20 April 2015, immediately following completion of the sale of John Holland Group Pty Ltd to CCCI, the consolidated entity is to be re-capitalised by John Holland Group Pty Ltd by way of a cash contribution of \$390,000,000. Further, the consolidated entity will also enter into an agreement with John Holland Holdings Pty Ltd relating to the Special Arrangement Projects resulting in a payment of approximately \$200,000,000 to the consolidated entity by John Holland Holdings Pty Ltd. This will result in the consolidated entity having, immediately following completion of the sale transaction, additional cash assets of approximately \$590,000,000 and additional net current assets of \$390,000,000.

A 'pro-forma' Statement of Financial Position is presented below, reflecting the consolidated entity's Statement of Financial Position as at 31 December 2014 adjusted for the impacts of the following 'pro-forma' adjustments:

- re-capitalisation by John Holland Group Pty Ltd (as noted above); and
- Special Arrangement Projects transaction with John Holland Holdings Pty Ltd (as noted above).

	December 2014 (pro-forma) \$'000	December 2014 (as per Financial Report) \$'000
Cash assets	882,270	292,270
Total current assets	1,466,895	1,081,841
Total non-current assets	300,250	300,250
Total assets	1,767,145	1,382,091
Total current liabilities	1,171,916	1,176,862
Total non-current liabilities	34,357	34,357
Total liabilities	1,206,273	1,211,219
Net assets	560,872	170,872
Contributed equity	690,000	300,000
Total equity	560,872	170,872

There were no other significant changes in the state of affairs of the consolidated entity that occurred during the year under review or subsequent to year-end.

DIRECTORS' REPORT (CONTINUED)
for the year ended 31 December 2014

EVENTS SUBSEQUENT TO BALANCE DATE

As noted above, an after-tax write down of \$76,944,000 was recognised in relation to certain projects as a result of settlement being reached, post 31 December 2014, in respect of outstanding contract debtors on these projects existing at 31 December 2014. The settlement in respect of each of these projects was negotiated by Leighton Holdings Limited management pursuant to relevant conditions of the Sale Agreement. The financial impact arising from these settlements has been reflected in the financial statements of the consolidated entity for the year ended 31 December 2014 as the settlements clarify the recoverability of these amounts as at 31 December 2014.

On 1 April 2015, and with an effective date of 1 March 2015, John Holland Group Pty Ltd novated several projects to Leighton Contractors Pty Ltd, a member of the Leighton Holdings Limited group of companies, pursuant to relevant conditions of the Sale Agreement.

On 10 April 2015, in accordance with the dispute resolution process under a project contract, an independent determination was made in respect of an outstanding contract debtor existing as at 31 December 2014. The determination has resulted in an after-tax write down of \$9,450,000 in respect of this contract debtor and, as the decision clarifies the recoverability of this amount, the financial impact has been reflected in the financial statements of the consolidated entity for the year ended 31 December 2014.

There has not been any other transactions or events subsequent to balance date of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL REGULATION

The consolidated entity is subject to significant environmental regulation in respect of its principal activities. Most sites require certain licence(s) to be obtained in respect of these regulations. To the best of the Directors' knowledge, all activities have been undertaken in compliance with these regulations in all material respects.

During the financial year, two John Holland Pty Ltd projects incurred an infringement under the *NSW Environmental Planning & Assessment Act 1979* and one John Holland Pty Ltd project incurred a warning letter under the *Environment Protection (Waste Management) Regulation 2000*.

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 2013/14 report to the Clean Energy Regulator prior to 30 October 2014.

INSURANCE OF DIRECTORS AND OFFICERS

During the year, John Holland Group Pty Ltd paid a premium to insure the Directors and Officers of the controlled entity for the 12 months to 31 December 2014.

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.

DIRECTORS' REPORT (CONTINUED)
for the year ended 31 December 2014

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

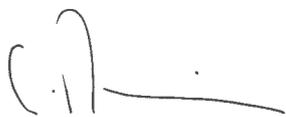
The consolidated entity is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor of the consolidated entity is Deloitte Touche Tohmatsu.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

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



G.M. Palin
Chairman



D.A. Ray
Director

Melbourne, 17 April 2015

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9761 7001
www.deloitte.com.au

The Board of Directors
John Holland Pty Ltd
Level 5, 380 St Kilda Road
Melbourne VIC 3004

17 April 2015

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 year ended 31 December 2014, 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
- (ii) Any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



S Pelusi
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2014

	Notes	Year ended December 2014 \$'000	Year ended December 2013 \$'000
Continuing operations			
Revenue	3	2,858,308	4,282,737
Expenses	5	(3,120,029)	(4,174,314)
Operating profit before other income, finance costs, the share of profits of associates and joint venture entities and income tax expense		(261,721)	108,423
Other income	4	1,358	4,931
Finance costs	5	(3,973)	(274)
Share of net profits of associates and joint venture entities accounted for using the equity method*	29, 30	14,832	13,236
(Loss) profit before income tax expense		(249,504)	126,316
Income tax benefit (expense)	6	70,714	(14,245)
(Loss) profit for the year		(178,790)	112,071
(Loss) profit attributable to the owner of John Holland Pty Ltd		(178,790)	112,071

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2014

	Year ended December 2014 \$'000	Year ended December 2013 \$'000
(Loss) profit for the year	(178,790)	112,071
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of foreign operations	1,320	23
Income tax expense relating to components of other comprehensive income	(396)	(7)
Other comprehensive income for the year, net of tax	924	16
Total comprehensive (loss) income for the year	(177,866)	112,087
Total comprehensive (loss) income for the year is attributable to:		
Owner of John Holland Pty Ltd	(177,866)	112,087

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

	Notes	December 2014 \$'000	December 2013 \$'000
Current assets			
Cash assets	7	292,270	878,169
Receivables	8	774,208	899,755
Inventories	9	5,702	5,676
Prepayments		7,432	2,555
Assets held for sale	10	2,200	3,851
Current tax assets		29	–
Total current assets		1,081,841	1,790,006
Non-current assets			
Receivables	11	9,750	29,750
Investments accounted for using the equity method	12	13,134	11,555
Property, plant and equipment	13	172,104	182,326
Deferred tax assets	14	79,089	–
Goodwill	15	9,200	9,200
Intangible assets	16	16,973	19,486
Total non-current assets		300,250	252,317
Total assets		1,382,091	2,042,323
Current liabilities			
Payables	17	1,129,712	1,365,382
Provisions	18	15,373	15,030
Tax-related amounts payable to the head of the tax consolidated group		31,777	33,473
Current tax liabilities		–	296
Total current liabilities		1,176,862	1,414,181
Non-current liabilities			
Payables	20	488	667
Deferred tax liabilities	19	–	20,676
Provisions	21	33,869	13,061
Total non-current liabilities		34,357	34,404
Total liabilities		1,211,219	1,448,585
Net assets		170,872	593,738
Equity			
Contributed equity	22	300,000	300,000
Reserves		940	16
(Accumulated losses) retained profits		(130,068)	293,722
Total equity		170,872	593,738

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Contributed equity \$'000	Foreign currency translation reserve \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 January 2013	300,000	–	181,651	481,651
Profit for the year	–	–	112,071	112,071
Other comprehensive income for the year, net of income tax	–	16	–	16
Total comprehensive income for the year	–	16	112,071	112,087
Balance at 31 December 2013	300,000	16	293,722	593,738
Payment of dividends	–	–	(245,000)	(245,000)
Loss for the year	–	–	(178,790)	(178,790)
Other comprehensive income for the year, net of income tax	–	924	–	924
Total comprehensive income (loss) for the year	–	924	(178,790)	(177,866)
Balance at 31 December 2014	300,000	940	(130,068)	170,872

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2014

	Notes	Year ended December 2014 \$'000	Year ended December 2013 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		3,426,077	4,515,890
Payments to suppliers and employees (inclusive of goods and services tax)		(3,516,801)	(4,439,652)
Dividends received from associates		13,225	15,191
Interest received		5,619	2,519
Interest paid		(3,973)	(274)
Amounts paid under tax consolidation arrangements		(31,071)	(8,679)
Net cash (outflow) inflow from operating activities		(106,924)	84,995
Cash flows from investing activities			
Payments for property, plant and equipment		(20,697)	(21,919)
Payments for intangible assets		(242)	(7,499)
Proceeds from sale of property, plant and equipment		4,230	9,443
Payments for acquisition of business (net of cash acquired)	27	-	3,182
Proceeds from sale of businesses		-	99,221
Net cash (outflow) inflow from investing activities		(16,709)	82,428
Cash flows from financing activities			
Payment of dividends to immediate parent entity		(245,000)	-
Intercompany cash advances		(217,266)	99,348
Net cash (outflow) inflow from financing activities		(462,266)	99,348
Net (decrease) increase in cash and cash equivalents held		(585,899)	266,771
Cash and cash equivalents at the beginning of the period		878,169	611,398
Cash and cash equivalents at reporting date	7	292,270	878,169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

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. For the purposes of preparing the consolidated financial statements, the consolidated entity is a for-profit entity. All amounts are presented in Australian dollars, unless otherwise noted.

Sale of John Holland Group Pty Ltd

On 11 December 2014, Leighton Holdings Limited entered a binding Share Sale Agreement for the sale of John Holland Group Pty Ltd (which owns 100% of the shares in John Holland Pty Ltd) to CCCC International Holding Limited (CCCI), a wholly-owned subsidiary of China Communications Construction Company Ltd (CCCC) (the "Sale Agreement"). Completion of the transaction, and the transfer of ownership, is expected to occur on or around 20 April 2015. The CCCI entity which is to acquire the shares in John Holland Group Pty Ltd from Leighton Holdings Limited is John Holland Holdings Pty Ltd.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board, the *Corporations Act 2001* and comply with other requirements of law.

The consolidated financial statements were approved by the Board of Directors on 17 April 2015. The Directors have the power to amend and reissue the financial statements.

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).

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.

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.

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.

Adoption of new and revised accounting standards

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current financial year. New and revised Standards and amendments thereof and Interpretations effective for the current financial year include:

- AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements.
- AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.
- AASB CF 2013-1 Amendments to the Australian Concepted Framework and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.

The new and revised Standards has not resulted in any changes to the consolidated entity's accounting policies and has not affected the amounts reported for the current or prior periods.

Going Concern

At 31 December 2014, the consolidated entity had net cash of \$292,270,000, net assets of \$170,872,000 and net current assets reflect a deficiency of \$95,021,000. On or around 20 April 2015, immediately following completion of the sale of John Holland Group Pty Ltd from Leighton Holdings Limited to CCCI, the consolidated entity is to be re-capitalised by John Holland Group Pty Ltd by way of a cash contribution of \$390,000,000. Further, the consolidated entity will also enter into an agreement with John Holland Holdings Pty Ltd relating to several projects which are subject to specific conditions in the Sale Agreement, resulting in a payment of approximately \$200,000,000 to the consolidated entity by John Holland Holdings Pty Ltd. This will result in the consolidated entity having, immediately following completion of the sale transaction, additional cash assets of approximately \$590,000,000 and additional net current assets of \$390,000,000.

Accordingly, the financial report has been prepared on a going concern basis.

(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 2014, 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'.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

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 arrangements

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

(c) Income tax

The income tax expense or benefit for the year is the tax payable or receivable on the current year'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 balance sheet, 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

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 the consolidated statement of changes in equity. 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) Other services

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

(iii) Interest income

Interest income is recognised as it accrues.

(iv) Dividends

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

(i) Construction work in progress

(i) Valuation

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

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

(ii) Recognition of profit

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

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

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 2014

(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 arrangements

Under AASB 11 there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure and legal form of the arrangement, the contractual terms agreed by the parties to the arrangement, and, where relevant, other facts and circumstances.

(i) Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement.

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 29.

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.

(ii) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The interests in joint operations are accounted for such that each joint operator recognises in its financial statements its share of assets, liabilities, revenue and expenses of the joint operation in accordance with applicable Accounting Standards. Details relating to the joint operations are set out in note 28.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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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

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, of a finance lease, 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.

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment loss.

IT systems

Costs incurred in developing systems and costs incurred in acquiring software and licenses that will provide future period economic benefits are capitalised to other intangibles. Costs capitalised include external direct costs of materials and services and direct payroll and payroll related costs of employees' time spent on the projects. IT systems are amortised over their estimated useful lives of up to 10 years.

IT systems are carried at cost less accumulated amortisation and any impairment losses.

Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and any impairment losses. Where customer contracts' useful lives are assessed as indefinite, the customer contract is not amortised but is tested for impairment annually, or more frequently whenever there is an indication that it might be impaired. Where customer contracts' useful lives are assessed as finite, the customer contracts are amortised over their estimated useful lives.

Amortisation

Amortisation is charged to the profit or loss either on a straight line basis over the estimated useful lives of the intangible assets or over the life of the contract on a percentage of completion basis, unless such lives are indefinite.

Other intangible assets are amortised from the date that they are available for use or when acquired. The estimated useful lives in current and comparative periods are as follows:

Software	Straight-line method, useful life of 2-10 years
Customer contracts	Life of the contract on a percentage of completion basis

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

(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.

(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 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) Parent entity financial information

The financial information for the parent entity, John Holland Pty Ltd, disclosed in note 33, has been prepared on the same basis as the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

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.

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.

	Year ended December 2014 \$'000	Year ended December 2013 \$'000
3. REVENUE		
Construction contracting services	2,715,219	4,142,048
Other services	137,470	138,170
	2,852,689	4,280,218
Other revenue		
Interest		
– Other entities	932	522
– Related entities	4,687	1,997
	5,619	2,519
Total revenue (excluding share of revenue of equity accounted associates and joint venture entities)	2,858,308	4,282,737
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	230,511	232,689
– Joint venture entities	312	217
	230,823	232,906

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

	Year ended December 2014 Notes	Year ended December 2013 \$'000
4. OTHER INCOME		
Net gain on disposal of property, plant and equipment	1,358	4,931
5. EXPENSES		
Materials	1,041,891	1,677,404
Subcontractors	1,245,908	1,425,638
Plant costs	41,629	64,230
Operating lease costs	34,217	35,184
Depreciation	37,628	35,738
Amortisation	2,755	1,882
Personnel costs	499,836	713,784
Defined contribution superannuation expense	48,493	71,034
Onerous lease commitments	25,041	–
Other expenses	142,631	149,420
Total expenses	3,120,029	4,174,314
(Loss) profit before income tax includes the following specific items:		
Other charges against assets		
– Provision for inventory obsolescence	–	(101)
– Impairment of property, plant and equipment	13	8,833
– Impairment of property, plant and equipment – held for sale	10	293
Total other charges against assets	9,126	899
Net foreign exchange gain	(24)	(143)
Finance costs		
– Interest and finance charges paid/payable to:		
– Other entities	281	–
– Related entities	3,692	274
Finance costs expensed	3,973	274

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

	Notes	Year ended December 2014 \$'000	Year ended December 2013 \$'000
6. INCOME TAX EXPENSE			
(a) Income tax (benefit) expense			
Current tax		29,401	45,762
Deferred tax		(98,273)	(10,082)
Adjustments for current and deferred tax of prior years		(1,842)	(21,435)
		(70,714)	14,245
Deferred income tax benefit included in income tax (benefit) expense comprises:			
Increase in deferred tax assets	14	(61,760)	(2,486)
Decrease in deferred tax liabilities	19	(38,005)	(7,086)
		(99,765)	(9,572)
(b) Numerical reconciliation of income tax (benefit) expense to prima facie tax payable (receivable)			
(Loss) profit before income tax (benefit) expense		(249,504)	126,316
Tax at the Australian tax rate of 30% (31 December 2013: 30%)		(74,851)	37,895
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Entertainment and other non-allowable items		-	502
Non-assessable income		355	(148)
Foreign losses not recognised		10,065	1,519
Equity accounted income not subject to tax		(4,441)	(4,005)
Dividends from associates		3,967	4,557
Imputation credits from dividends from associates		(3,967)	(4,557)
		(68,872)	35,763
Difference in overseas tax rates		-	(83)
Adjustments for current and deferred tax of prior periods		(1,842)	(21,435)
Income tax (benefit) expense from continuing operations		(70,714)	14,245

(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 2014

	December 2014 Notes \$'000	December 2013 \$'000
7. CURRENT ASSETS – CASH ASSETS		
Cash at bank and on hand	292,270	880,644
Bank overdraft	–	(2,475)
	32(a) 292,270	878,169

Interest

The cash at bank is bearing floating interest rates between 0% and 2.4% (31 December 2013: 0% and 2.4%).

8. CURRENT ASSETS – RECEIVABLES

Contract debtors	432,026	654,345
Other trade debtors	113,548	44,766
Net GST receivable from customers	28,882	30,926
	574,456	730,037
Sundry debtors – related entities	21,968	34,686
Sundry debtors – other entities	22,546	27,956
	44,514	62,642
Advances to:		
– related entities	155,238	107,076
	155,238	107,076
Total receivables	774,208	899,755

Current contract information

Progressive value of work completed at 31 December	11,654,105	10,636,796
Progressive receivables		
Net contract receivables	101,951	456,712
Cash received to date	11,552,154	10,180,084
Total progressive value	11,654,105	10,636,796
Amounts due from customers – contract debtors receivable	432,026	654,345
Amounts due to customers – trade creditors	17 (330,075)	(197,633)
Net contract debtors receivable from clients	101,951	456,712

9. CURRENT ASSETS – INVENTORIES

Consumables at cost	5,702	5,676
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10. CURRENT ASSETS – ASSETS HELD FOR SALE

Property, plant and equipment held for sale		
At beginning of reporting period	3,851	4,193
Additions	–	658
Disposals	(700)	–
Impairment	(293)	(1,000)
Reclassified to property, plant and equipment	(658)	–
At reporting date	2,200	3,851

Property, plant and equipment held for sale consists of a rail maintenance vehicle. It is the consolidated entity's intention to sell this asset. The sale of this asset is expected to be completed before the end of December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

	December 2014 Notes \$'000	December 2013 \$'000
11. NON-CURRENT ASSETS – RECEIVABLES		
Loans to associates	9,750	9,750
Other non-current receivables	–	20,000
	9,750	29,750

12. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in associates	30	13,134	11,555
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13. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Total property, plant and equipment \$'000
At 31 December 2013					
At cost	2,426	1,612	31,404	315,586	351,028
Accumulated depreciation	–	(972)	(11,701)	(156,029)	(168,702)
Net book value	2,426	640	19,703	159,557	182,326
Net book value – 1 January 2014					
Additions	–	–	2,237	35,223	37,460
Transfers	–	(43)	–	43	–
Disposals	–	(365)	(89)	(1,425)	(1,879)
Depreciation expense	–	(15)	(3,471)	(34,142)	(37,628)
Impairment	–	–	(901)	(7,932)	(8,833)
Reclassified to assets held for sale	429	229	–	–	658
Net book value – 31 December 2014	2,855	446	17,479	151,324	172,104
At 31 December 2014					
At cost	2,855	1,559	31,416	320,975	356,805
Accumulated depreciation	–	(1,113)	(13,937)	(169,651)	(184,701)
Net book value	2,855	446	17,479	151,324	172,104

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

	December 2014 Notes \$'000	December 2013 \$'000
14. NON-CURRENT ASSETS – DEFERRED TAX ASSETS		
The balance comprises temporary differences attributable to:		
Construction accounting	17,335	–
Employee benefits	4,099	7,199
Non-deductible accrued expenses	53,878	11,760
Property, plant and equipment	12,498	7,122
Other	31	–
	87,841	26,081
Set-off deferred tax liabilities pursuant to set-off provisions	19 (8,752)	(26,081)
Net deferred tax assets	79,089	–
Movements		
Opening balance	26,081	23,595
Credited to income statement	6 61,760	2,486
Closing balance at 31 December	87,841	26,081

15. NON-CURRENT ASSETS – GOODWILL

Goodwill		
Cost	9,413	9,413
Accumulated impairment	(213)	(213)
Net book amount	9,200	9,200
Movements		
Opening balance	9,200	3,491
Acquisitions	–	5,709
Closing balance at 31 December	9,200	9,200

16. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Software \$'000	Customer contracts \$'000	Total intangible assets \$'000
As at 31 December 2013			
Cost	17,778	3,590	21,368
Accumulated amortisation	(1,100)	(782)	(1,882)
Net book value	16,678	2,808	19,486
Net book value – 1 January 2014			
Additions	242	–	242
Amortisation expense	(1,868)	(887)	(2,755)
Net book value – 31 December 2014	15,052	1,921	16,973
As at 31 December 2014			
Cost	18,020	3,590	21,610
Accumulated amortisation	(2,968)	(1,669)	(4,637)
Net book value	15,052	1,921	16,973

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

	Notes	December 2014 \$'000	December 2013 \$'000
17. CURRENT LIABILITIES – PAYABLES			
Trade creditors		265,387	358,862
Other creditors and accruals		384,381	467,067
Amounts due to customers	8	330,075	197,633
Amounts payable to joint venture entities	29	70	183
Amounts payable to immediate parent entity		127,700	296,804
Amounts payable to related entities		22,099	44,833
		1,129,712	1,365,382

18. CURRENT LIABILITIES – PROVISIONS

Employee benefits		8,571	12,106
Workers' compensation	(a)	2,571	2,924
Onerous lease commitments		4,231	–
		15,373	15,030

(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 provisions – total

Movements in each class of provision during the reporting period, other than employee benefits, are set out below:

	Note	Workers' compensation \$'000	Onerous leases \$'000	Total \$'000
Year ended December 2014				
Carrying amount at beginning of reporting period		15,985	–	15,985
Amounts provided		3,303	25,041	28,344
Amounts paid		(3,658)	–	(3,658)
Carrying amount at reporting date		15,630	25,041	40,671
Total balance presented as:				
Current		2,571	4,231	6,802
Non-current	21	13,059	20,810	33,869
		15,630	25,041	40,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

	Notes	December 2014 \$'000	December 2013 \$'000
19. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES			
The balance comprises temporary differences attributable to:			
Construction accounting		–	36,988
Partnership taxable profit recognition		8,749	9,457
Revaluation of investments		–	312
Other		3	–
		8,752	46,757
Set-off against deferred tax assets pursuant to set-off provisions	14	(8,752)	(26,081)
Net deferred tax liabilities		–	20,676

Movements

Opening balance		46,757	53,843
Credited to income statement	6	(38,005)	(7,086)
Closing balance at 31 December		8,752	46,757

20. NON-CURRENT LIABILITIES – PAYABLES

Trade creditors		488	667
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21. NON-CURRENT LIABILITIES – PROVISIONS

Workers' compensation	18	13,059	13,061
Onerous lease commitments		20,810	–
		33,869	13,061

22. CONTRIBUTED EQUITY

	Notes	December 2014 Shares '000	December 2013 Shares '000	December 2014 \$'000	December 2013 \$'000
Share capital					
300,000,000 (31 December 2013: 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					
Opening balance		300,000	300,000	300,000	300,000
Issue of new shares		–	–	–	–
Closing balance		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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

23. RESERVES**Foreign currency translation reserve**

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to the income statement on disposal of the foreign operation.

	Year ended December 2014		Year ended December 2013	
	\$ per share	\$'000	\$ per share	\$'000

24. DIVIDENDS**Recognised amounts****31 December 2013**

Dividend	0.27	80,000	–	–
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31 December 2014

Dividend	0.55	165,000	–	–
	0.82	245,000	–	–

Unrecognised amounts**31 December 2013**

Dividend	–	–	0.27	80,000
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31 December 2014

Dividend	–	–	–	–
	–	–	0.27	80,000

	Notes	December 2014 \$'000	December 2013 \$'000
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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	11,263	5,077
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(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	26,279	27,876
– later than one year but not later than five years	66,602	64,172
– later than five years	19,969	14,296
Minimum lease payments in aggregate	112,850	106,344

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

December 2014 December 2013
\$'000 \$'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:

967,314 966,602

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 2014.

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

27. BUSINESS COMBINATIONS**(a) Summary of acquisitions**

There were no acquisitions by the consolidated entity during the financial year ended 31 December 2014.

During the financial year ended 31 December 2013 the consolidated entity acquired selected construction contracts from Macmahon Holdings Ltd, effective 1 January 2013.

Detail of the purchase consideration, the net assets acquired and goodwill are as follows:

	Notes	\$'000
<hr/>		
Purchase consideration:		
Cash paid		14,166
<hr/>		
The assets and liabilities recognised as a result of the acquisition are as follows:		
Cash assets		17,348
Trade receivables		47,454
Other receivables		3,036
Plant and equipment		15,086
Intangible assets – customer contracts		3,590
Deferred tax assets		1,625
Trade payables		(72,765)
Provision for employee entitlements		(5,417)
Other provisions		(1,500)
Net identifiable assets acquired		8,457
<hr/>		
Goodwill	15	5,709
<hr/>		
Purchase consideration		14,166
<hr/>		

(i) Revenue and profit contribution

The acquired construction contracts contributed revenues of \$579,000,000 and net profit before tax of \$32,000,000 to the consolidated entity for the period 1 January 2013 to 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

27. BUSINESS COMBINATIONS (CONTINUED)**(b) Purchase consideration**

Outflow of cash to acquire construction contracts, net of cash acquired, during the financial year ended 31 December 2013 are as follows:

	\$'000
Cash consideration	14,166
Less: Balances acquired	
Cash	(17,348)
Net cash inflow – investing activities	(3,182)

(c) Acquisition related costs

Acquisition related costs of \$1,900,000 are included in professional fees in the Consolidated Statement of Profit or Loss and in operating cash flows in the Consolidated Statement of Cash Flows for the financial year ended 31 December 2013.

28. RELATED PARTIES**(a) Directors**

The persons who held office as Directors of John Holland Pty Ltd during the year ended 31 December 2014 were:

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

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

R.J. Cuttler, Diploma of Engineering

G. Cain, Certificate of Technology – Mechanical Design

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 the 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:

	Year ended December 2014 \$	Year ended December 2013 \$
Key management personnel	7,755,479	10,399,665

(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) and payables (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 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 25 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

28. RELATED PARTIES (CONTINUED)**(c) Transactions with other related parties (continued)**

The following entities are considered to be other related parties as at 31 December 2014:

(i) Actividades des Construcción y Servicios SA

Actividades des Construcción y Servicios SA holds a 61.44% (31 December 2013: 50.35%) interest in the shareholding of HOCHTIEF Aktiengesellschaft.

(ii) HOCHTIEF Australia Holdings Limited

HOCHTIEF Australia Holdings Limited (a controlled entity of HOCHTIEF Aktiengesellschaft) holds a 69.62% (31 December 2013: 58.77%) interest in the shareholding of Leighton Holdings Limited.

*(iii) Leighton Holdings Limited and its controlled entities**(iv) Wholly-owned controlled entities*

Refer to note 30 for details of wholly-owned controlled entities.

*(v) John Holland Group Pty Ltd and its controlled entities**(vi) 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 30).

(vii) Active joint operations (with the consolidated entity's percentage financial interest shown)

Abigroup Contractors Pty Ltd & Coleman Rail Pty Ltd & John Holland Pty Ltd (Integrate Rail)	40
BJB	38
Coleman Rail John Holland & York Civil (Tracksure Rail Upgrade)	38
GHD John Holland (Perth City Link Rail Alliance)	85
John Holland Bouygues Travaux Publics (Glenfield Junction Alliance)	54
John Holland Bouygues Travaux Publics (North Strathfield Rail Underpass)	50
John Holland Abigroup Contractors (Bulk Water Alliance)	50
John Holland Coleman Rail (Activate)	50
John Holland Fairbrother (Uni Tas, Risdon, IMAS)	50
John Holland Fulton Hogan (Hunua, Minor Rail Projects, Headrace)	50
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 Leighton Asia, India and Offshore (South East Asia)	50
John Holland Lend Lease (SW Program Management Works)	50
John Holland Pindan (Eastern Goldfields)	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 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
Dragados Australia Pty Ltd & John Holland Pty Ltd & Thiess Pty Ltd	25
Colin Joss & Co Pty Ltd & John Holland Pty Ltd (DLTP)	79
John Holland Pty Ltd and Kellogg Brown & Root Pty Ltd	50
John Holland Pty Ltd, UGL Engineering Pty Ltd and GHD Pty Ltd (Malabar Alliance)	43
NRT – Infrastructure Joint Venture	50

The consolidated entity recognises in its financial statements its proportionate share of the assets, liabilities, revenue and expenses, of each of these joint operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

28. RELATED PARTIES (CONTINUED)

(c) Transactions with other related parties (continued)

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

Hazell Brothers John Holland (Brighton Bypass)	50
JM JV (Southern Improvement Alliance)	80
Coleman Rail John Holland & York Civil (Tracksure Glengowrie)	10
John Holland Colin Joss Joint Venture (Kapooka & Wodonga)	50
Coleman Rail Pty Ltd & John Holland Pty Ltd	50
Rail Link Joint Venture	65

These joint ventures have been equity accounted (refer to note 29).

(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, and the ultimate parent entity of John Holland Pty Ltd is Actividades des Construcción y Servicios SA, a company incorporated in Spain.

	December 2014	December 2013
	Note	
	\$'000	\$'000

29. 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)	28	(114)
Contributions to joint venture entities, net of opening sundry debtor and payable	(98)	(69)
Investment balance accounted for using the equity method	(70)	(183)
Amounts payable to joint venture entities	17	(70)
Carrying amount at reporting date	-	-

Refer to notes 24 and 25 for details of commitments and contingencies.

30. INVESTMENTS IN ASSOCIATES

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

Name of company	Principal activity	Balance date	Ownership interest		Carrying amount	
			December 2014 %	December 2013 %	December 2014 \$'000	December 2013 \$'000
Metro Trains Melbourne Pty Ltd	Operations and maintenance	30 June	20	20	13,134	11,555
Advance International Rail Contracting LLC	Construction	31 Dec	24.95	24.95	-	-
					13,134	11,555

	Year ended	Year ended
	December 2014	December 2013
	\$'000	\$'000

Results of associates

Share of associates' operating profit before tax	21,149	19,071
Share of associates' income tax expense	(6,345)	(5,721)
Share of associates' operating profit after tax	14,804	13,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

30. INVESTMENTS IN ASSOCIATES (CONTINUED)

	December 2014 Notes \$'000	December 2013 \$'000
Share of retained profits attributable to associates		
Share of associates' retained profits at beginning of reporting period	8,305	10,146
Share of profit of associates	14,804	13,350
Dividends paid during the period	(13,225)	(15,191)
Share of associates' retained profits at reporting date	9,884	8,305
Movements in carrying amount of investments		
Carrying amount at beginning of reporting period	11,555	13,396
Share of associates' net profit	14,804	13,350
Dividends paid during the period	(13,225)	(15,191)
Carrying amount at reporting date	12 13,134	11,555

31. 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 as at 31 December 2014:

Name of entity	Place of incorporation	
Parent entity		
John Holland Group Pty Ltd	Victoria	8
Wholly-owned entities of John Holland Group Pty Ltd		
John Holland Pty Ltd	Victoria	1, 8
John Holland Development & Investment Pty Ltd	Victoria	3, 5, 8
John Holland Engineering Pty Ltd	Victoria	4, 5, 8
John Holland Investment Pty Ltd	Victoria	5, 6, 8
John Holland Services Pty Ltd	Victoria	1, 2, 5, 6, 8
John Holland Rail Pty Ltd	WA	1, 2, 8
John Holland (NZ) Limited	New Zealand	8
Wholly-owned entities of John Holland Pty Ltd		
GridComm Pty Ltd	Victoria	3, 5, 8
John Holland Queensland Pty Ltd	Victoria	1, 2, 8
Entities not controlled by John Holland Group Pty Ltd		
John Holland AD Holdings Pty Ltd	Victoria	5, 7
John Holland AD Investments Pty Ltd	Victoria	5, 7
John Holland AD Operations Pty Ltd	Victoria	5, 7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

31. DEED OF CROSS GUARANTEE (CONTINUED)**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. Applications for voluntary de-registration of these entities were lodged on 12 November 2014. The Australian Securities and Investments Commission confirmed de-registration of these entities on 14 January 2015.
4. Application for voluntary de-registration of this entity was lodged on 3 December 2014. The Australian Securities and Investments Commission confirmed de-registration of this entity on 5 February 2015.
5. A deed of revocation was lodged on 19 December 2014 to release these entities from the deed of cross guarantee, however it was not effective as at 31 December 2014.
6. These entities were sold by John Holland Group Pty Ltd to LH Holdings Co Pty Ltd on 20 March 2015.
7. These entities were sold by John Holland Development & Investment Pty Ltd (now de-registered) to Leighton Holdings Infrastructure Pty Ltd on 29 June 2007. These entities do not form part of the 'Closed Group' nor the 'Extended Closed Group' as at 31 December 2014 as defined by the Class Order. Receivers and Managers were appointed on 6 November 2008.
8. These entities form part of the 'Closed Group' as defined by the Class Order, as at 31 December 2014.

(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 statement of profit or loss and a summary of movements in consolidated retained profits for the year ended 31 December 2014 of the Closed Group.

	Year ended December 2014 \$'000	Year ended December 2013 \$'000
Statement of profit or loss		
Revenue	3,088,497	4,482,114
Expenses	(3,316,161)	(4,341,572)
Other income	1,358	68,187
Finance costs	(4,087)	(1,052)
Share of net profits (losses) of joint venture entities accounted for using the equity method	28	(114)
(Loss) profit before income tax expense	(230,365)	207,563
Income tax benefit (expense)	60,186	(40,307)
(Loss) profit for the year	(170,179)	167,256
Summary of movements in consolidated retained profits		
Retained profits at the beginning of reporting period	347,941	180,685
(Loss) profit for the period	(170,179)	167,256
Dividends paid or provided for	(317,715)	-
(Accumulated losses) retained profits at reporting date	(139,953)	347,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

31. DEED OF CROSS GUARANTEE (CONTINUED)

(b) Consolidated statement of financial position

Set out below is a consolidated statement financial position as at 31 December 2014 of the Closed Group.

	December 2014 \$'000	December 2013 \$'000
Assets		
Cash assets	331,165	905,157
Receivables	611,853	902,414
Inventories	7,334	7,703
Prepayments	8,270	3,772
Derivative financial instruments	126	495
Assets held for sale	2,200	3,851
Current tax assets	290	–
Other financial assets	20,000	20,000
Available-for-sale financial assets	6	8,976
Property, plant and equipment	214,068	229,059
Deferred tax assets	109,409	15,069
Goodwill	9,600	9,600
Other intangible assets	16,973	19,486
Total assets	1,331,294	2,125,582
Liabilities		
Payables	992,697	1,177,054
Interest bearing liabilities	–	104,512
Derivative financial instruments	184	349
Tax related amounts payable to the head entity of the tax consolidated group	34,985	58,482
Current tax liabilities	–	680
Provisions	142,482	136,447
Total liabilities	1,170,348	1,477,524
Net assets	160,946	648,058
Equity		
Contributed equity	300,000	300,000
Reserves	899	117
(Accumulated losses) retained profits	(139,953)	347,941
Total equity	160,946	648,058

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

Telecommunication Infrastructure Pty Ltd and John Holland AD Holdings and its wholly-owned controlled entities both form part of the deed of cross guarantee as at 31 December 2014. 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 consolidated statement of financial position for Telecommunications Infrastructure Pty Ltd and the John Holland AD Holdings Group for the period ended 31 December 2014.

(i) Statement of profit or loss

Net profit before tax for the consolidated group for the year ended 31 December 2014 was \$nil (31 December 2013: \$nil) and tax expense for the year ended 31 December 2014 was \$nil (31 December 2013: \$nil).

(ii) Statement of financial position

Assets of the group were \$8,970,000 as at 31 December 2014 (31 December 2013: \$nil). There were no liabilities and the retained earnings of the consolidated group amounted to \$8,970,000 at 31 December 2014 (31 December 2013: \$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

32. NOTES TO THE STATEMENT OF CASH FLOWS**(a) Reconciliation of cash**

For the purpose of the statement of cash flows, cash includes cash on hand and at banks, deposits at call and bank overdrafts.

Cash at reporting date as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	Notes	Year ended December 2014 \$'000	Year ended December 2013 \$'000
Cash assets	7	292,270	878,169

(b) Non-cash financing and investing activities

There were no non-cash financing and investing activities during the year ended 31 December 2014. Leased plant and equipment with a written down value of \$265,000 was disposed of during the financial year ended 31 December 2013.

33. PARENT ENTITY FINANCIAL INFORMATION**(a) Summary financial information**

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

	Parent entity December 2014 \$'000	December 2013 \$'000
Statement of financial position		
Current assets	1,481,302	1,892,116
Non-current assets	285,711	268,427
Total assets	1,767,013	2,160,543
Current liabilities	1,596,323	1,661,827
Non-current liabilities	11,776	30,326
Total liabilities	1,608,099	1,692,153
Net assets	158,914	468,390
Equity		
Contributed equity	300,000	300,000
(Accumulated losses) retained earnings	(141,086)	168,390
	158,914	468,390
(Loss) profit for the year	(64,950)	91,682
Total comprehensive (loss) income for the year	(64,026)	91,698
(b) Contingent liability of the parent entity		
Refer to note 26 for details in relation to contingent liabilities.	967,314	966,602
(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	11,263	5,077
	11,263	5,077

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

34. EVENTS SUBSEQUENT TO REPORTING DATE

An after-tax write down of \$76,944,000 was recognised in relation to certain projects as a result of settlement being reached, post 31 December 2014, in respect of outstanding contract debtors on these projects existing at 31 December 2014. The settlement in respect of each of these projects was negotiated by Leighton Holdings Limited management pursuant to relevant conditions of the Sale Agreement. The financial impact arising from these settlements has been reflected in the financial statements of the consolidated entity for the year ended 31 December 2014 as the settlements clarify the recoverability of these amounts as at 31 December 2014.

On 1 April 2015, and with an effective date of 1 March 2015, John Holland Group Pty Ltd novated several projects to Leighton Contractors Pty Ltd, a member of the Leighton Holdings Limited group of companies, pursuant to relevant conditions of the Sale Agreement.

On 10 April 2015, in accordance with the dispute resolution process under a project contract, an independent determination was made in respect of an outstanding contract debtor existing as at 31 December 2014. The determination has resulted in an after-tax write down of \$9,450,000 in respect of this contract debtor and, as the decision clarifies the recoverability of this amount, the financial impact has been reflected in the financial statements of the consolidated entity for the year ended 31 December 2014.

There has not been any other transactions or events subsequent to balance date 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.

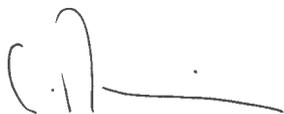
DIRECTORS' DECLARATION

for the year ended 31 December 2014

In the Directors' opinion:

- (a) the financial statements and notes as set out on pages 8 to 36 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 2014 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 31 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 31.

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



G.M. Palin
Chairman



D.A. Ray
Director

Melbourne, 17 April 2015

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9761 7001
www.deloitte.com.au

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 statement of financial position as at 31 December 2014, the statement of profit or loss, the statement of profit or loss and other 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 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 8 to 37.

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 2014 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



S Pelusi

Partner
Chartered Accountants

Melbourne, 17 April 2015

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