



NEW DIRECTIONS

FINANCIAL REPORT 2015

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FINANCIAL REPORT 31 DECEMBER 2015

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/financialreport2015.pdf

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DIRECTORS' REPORT

for the year ended 31 December 2015

The Directors present their report on the consolidated entity consisting of John Holland Pty Ltd ('the Company') and the entities it controlled (together, 'the Group') at the end of, or during, the year ended 31 December 2015.

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)

Mr Palin is the Chief Executive Officer 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 and, subsequently, Chief Executive Officer in June 2015. 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, treasury, information and communication technology, governance and compliance, legal and company secretarial matters.

R.J. Cuttler, Diploma of Engineering

Mr Cuttler is Executive General Manager – People & Policy 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, workers' compensation, human resources, remuneration and benefits and corporate communications.

G. Cain, Certificate of Technology – Mechanical Design

Mr Cain is Executive General Manager – Operational Risk and has over 30 years experience in the construction industry both in Australia and overseas. He has held a number of positions during his 27 years service with John Holland. He has responsibility for pre-contracts and risk, commercial, people performance, HSE systems and compliance and operational system and process improvement.

PRINCIPAL ACTIVITIES

During the year, the principal 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 for the year attributable to the owner of John Holland Pty Ltd was:

	Year ended December 2015 \$'000	Year ended December 2014 \$'000
Profit (loss) before income tax benefit	43,648	(249,504)
Income tax benefit	53,863	70,714
Profit (loss) attributable to the owner of John Holland Pty Ltd	97,511	(178,790)

REVIEW OF OPERATIONS

On 11 December 2014, CIMIC Group Limited ('CIMIC', formerly 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'). On 20 April 2015, the sale, and associated transfer of ownership, of John Holland Group Pty Ltd from CIMIC to CCCI was completed. Immediately following completion of the sale, the consolidated entity was re-capitalised by John Holland Group Pty Ltd by way of a cash contribution of \$390,000,000. Further, the consolidated entity also entered into an agreement with John Holland Holdings Pty Ltd (the CCCI entity which acquired the shares in John Holland Holdings Pty Ltd) relating to several projects which were subject to specific conditions in the Sale Agreement (the 'Special Arrangement Projects'), resulting in a payment of \$198,522,000 to the consolidated entity by John Holland Holdings Pty Ltd. This resulted in the consolidated entity having, immediately following completion of the sale transaction, additional cash assets of \$588,522,000 and additional net current assets of \$390,000,000.

Following completion of the sale, the Company has, with the support of its parent company, agreed on a new business strategy which has seen the development of a new business model to achieve its key objectives, being growth, vertical integration and the ability to generate project opportunities through development, investment and acquisition. The Directors consider 2015 to have been a transitional year, reflecting finalisation of the sale of the Company to CCCI, and expect 2016 to be an investment year with the launch of the new business model and associated investment therein, before the full revenue benefits of the new business model are realised in subsequent years.

DIRECTORS' REPORT (CONTINUED)
for the year ended 31 December 2015

The consolidated entity has reported a profit after tax of \$97,511,000 for the year ended 31 December 2015 on revenue of \$2,235,030,000. The current year financial result reflects:

- a project result that was impacted by the resolution of a number of legacy matters;
- investment in the business of approximately \$15,000,000, including costs in respect of the roll-out of a new business model and associated organisational re-structure (as noted above), and other costs in respect of the integration with CCCI;
- a one-off gain of \$20,213,912 relating to an agreement with John Holland Pty Ltd, effective shortly after completion of the sale, relating to several legacy projects; and
- a significant tax benefit, largely resulting from the agreements entered into with John Holland Holdings Pty Ltd relating to several projects, and the application of tax consolidation provisions (further to the sale of the Company to CCCI).

The prior year financial result was impacted by the sale process and recognition of write-downs on a number of projects, an increase in the level of provisioning held against the year-end balance of contract debtors and the recognition of an onerous lease provision in respect of certain operating lease commitments.

The underlying business remains strong with work in hand of \$4.1 billion, including the Royal Hobart Hospital Redevelopment and Tonkin Highway Grade Separation projects awarded early in January, and a solid pipeline of projects being tendered. In addition, the Canberra Metro Consortium, of which the Company is a party, has been advised that it is the preferred tenderer in respect of the Canberra Metro light rail project (with formal award of the project expected in late March 2016).

Net cash at balance date is \$566,204,000 (31 December 2014: \$292,270,000), net assets are \$657,588,000 (31 December 2014: \$170,872,000) and net current assets of \$468,832,000 (31 December 2014: deficiency of \$95,026,000). The significant increase in the consolidated entity's cash balance during the current year largely reflects the impacts of:

- re-capitalisation by John Holland Group Pty Ltd (as noted above);
- Special Arrangement Projects transaction with John Holland Holdings Pty Ltd (as noted above); partly offset by:
- payments made to John Holland Group Pty Ltd to facilitate: (1) additional dividends paid by John Holland Group Pty Ltd to CIMIC on 16 April 2015 pursuant to relevant conditions of the Sale Agreement; and (2) loans made by John Holland Group Pty Ltd to its immediate parent entity.

The current period operating net cash outflows of \$39,360,000 was impacted by the resolution during the year of a number of project legacy matters.

The significant decrease in the consolidated entity's cash balance during the prior year largely reflected dividends and other payments made to John Holland Group Pty Ltd to facilitate payments to CIMIC 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 CIMIC of \$140,000,000 in respect of the financial year ended 31 December 2013.

The considerable increase in the consolidated entity's net assets and net current assets as at 31 December 2015, compared to the balances reported as at 31 December 2014, was primarily due to the re-capitalisation by John Holland Group Pty Ltd and the profit after tax recorded for the year. In the opinion of the Directors, the consolidated entity's Statement of Financial Position is 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 2014		
– Amount paid on 31 December 2014	0.55	165,000,000

No dividends have been paid, declared or determined by the Company in respect of the year ended 31 December 2015.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Sale of John Holland Group Pty Ltd to CCCI

As noted above, on 11 December 2014, CIMIC 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 CCCI, a wholly-owned subsidiary of CCCC. On 20 April 2015, the sale, and associated transfer of ownership, of John Holland Group Pty Ltd from CIMIC to CCCI was completed. 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 the Company'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.

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 2015

EVENTS SUBSEQUENT TO BALANCE DATE

There are no 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, one John Holland Pty Ltd project incurred an infringement under the Singapore – Control of Vectors and Pesticides Act (Chapter 59).

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 Chief Executive Officer 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 2014/15 report to the Clean Energy Regulator prior to 30 October 2015.

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 2015.

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

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

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

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

AUDITOR'S INDEPENDENCE DECLARATION

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 5.

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



D.A. Ray
Director



G. Cain
Director

Melbourne, 21 March 2016

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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

21 March 2016

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 2015, 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

DELOITTE TOUCHE TOHMATSU



T Simkin
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2015

	Notes	Year ended December 2015 \$'000	Year ended December 2014 \$'000
Revenue	3	2,235,030	2,852,689
Expenses	5	(2,231,200)	(3,120,015)
Operating loss before other income, interest, foreign exchange gains (losses), share of profits of associates and income tax benefit		3,830	(267,326)
Other income	4	23,023	1,358
Interest income		4,869	5,619
Interest expense		(3,345)	(3,963)
Net foreign exchange losses		(4)	(24)
Share of net profits of associates accounted for using the equity method*	31	15,275	14,832
Profit (loss) before income tax benefit		43,648	(249,504)
Income tax benefit	6	53,863	70,714
Profit (loss) for the year		97,511	(178,790)
Profit (loss) attributable to the owner of John Holland Pty Ltd		97,511	(178,790)

* Indirect overheads of the consolidated entity have not been allocated to share of associates.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Year ended December 2015 \$'000	Year ended December 2014 \$'000
Profit (loss) for the year	97,511	(178,790)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of foreign operations	(795)	924
Other comprehensive (loss) income for the year, net of tax	(795)	924
Total comprehensive income (loss) for the year	96,716	(177,866)
Total comprehensive income (loss) for the year is attributable to:		
Owner of John Holland Pty Ltd	96,716	(177,866)

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 2015

	Notes	December 2015 \$'000	December 2014 \$'000
Current assets			
Cash and cash equivalents	7	566,204	292,270
Account receivables	8	54,974	96,468
Other receivables	9	380,699	273,971
Inventories	10	134,781	426,721
Prepayments		13,474	7,432
Assets held for sale	11	–	2,200
Total current assets		1,150,132	1,099,062
Non-current assets			
Long-term receivables	12	9,750	9,750
Investments accounted for using the equity method	13	12,508	13,134
Available-for-sale financial assets		6	6
Property, plant and equipment	14	119,383	168,005
Property, plant and equipment – construction in progress	15	1,936	4,099
Deferred tax assets	16	49,426	79,089
Goodwill	17	9,200	9,200
Intangible assets	18	14,217	16,973
Total non-current assets		216,426	300,256
Total assets		1,366,558	1,399,317
Current liabilities			
Account payables	19	471,670	729,565
Advances from customers		182,589	389,264
Payroll payables	20	10,767	13,678
Tax payables	21	7,061	54,780
Provisions	22	9,213	6,802
Total current liabilities		681,300	1,194,088
Non-current liabilities			
Long-term payables		–	488
Provisions	24	27,670	33,869
Total non-current liabilities		27,670	34,357
Total liabilities		708,970	1,228,446
Net assets		657,588	170,872
Equity			
Issued capital	25	690,000	300,000
Reserves		145	940
Accumulated losses		(32,557)	(130,068)
Total equity		657,588	170,872

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Issued capital \$'000	Foreign currency translation reserve \$'000	Retained profits (accumulated losses) \$'000	Total equity \$'000
Balance at 1 January 2014	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) income for the year	–	924	(178,790)	(177,866)
Balance at 31 December 2014	300,000	940	(130,068)	170,872
Balance at 1 January 2015	300,000	940	(130,068)	170,872
Profit for the year	–	–	97,511	97,511
Other comprehensive loss for the year, net of income tax	–	(795)	–	(795)
Total comprehensive (loss) income for the year	–	(795)	97,511	96,717
Issue of ordinary shares	390,000	–	–	390,000
Balance at 31 December 2015	690,000	145	(32,557)	657,588

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

	Year ended December 2015 Note	Year ended December 2014
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	2,406,188	3,426,077
Payments for goods and services (inclusive of goods and services tax)	(2,453,344)	(3,516,801)
Dividends received from associates	15,901	13,225
Interest received	4,869	5,619
Interest paid	(3,345)	(3,973)
Amounts paid under tax consolidation arrangements	(9,629)	(31,071)
Net cash outflow from operating activities	(39,360)	(106,924)
Cash flows from investing activities		
Payments for property, plant and equipment	(1,704)	(20,697)
Payments for intangible assets	-	(242)
Proceeds from sale of property, plant and equipment	11,249	4,230
Net cash inflow (outflow) from investing activities	9,544	(16,709)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	390,000	-
Payment of dividends to immediate parent entity	-	(245,000)
Intercompany cash advances	(86,249)	(217,266)
Net cash inflow (outflow) from financing activities	303,751	(462,266)
Net increase (decrease) in cash and cash equivalents held	273,935	(585,899)
Cash and cash equivalents at the beginning of the period	292,270	878,169
Cash and cash equivalents at reporting date	7	292,270

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

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, CIMIC Group Limited ('CIMIC', formally 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'). On 20 April 2015, the sale, and associated transfer of ownership, of John Holland Group Pty Ltd to CCCI was completed. The CCCI entity which acquired the shares in John Holland Group Pty Ltd from CIMIC 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 21 March 2016. 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.

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.

The consolidated entity has made a number of changes to the presentation of its financial statements for the current year, so as to more closely align them to the presentation adopted by its new parent entity further to the sale of John Holland Group Pty Ltd to CCCI. The most significant of these changes are in respect of the presentation of the statement of financial position and are detailed below:

- Receivables are now classified as (1) account receivables, which reflect debtor balances certified by clients as due and payable to the consolidated entity; and (2) other receivables.
- Inventories now include 'Contract work due from customers', reflecting construction work in progress whereby cost plus profit recognised to date based on the value of work completed, less certified progress billings and less provision for foreseeable losses constitutes a debit (ie. asset) balance.
- Property, plant & equipment – construction in progress, representing assets under construction and not yet completed, is now separately disclosed.
- Advances from customers, reflecting construction work in progress whereby cost plus profit recognised to date based on the value of work completed less certified progress billings and less provision for foreseeable losses constitutes a credit (ie. liability) balance, is now separately disclosed.
- Payroll payables, reflecting amounts payable in respect of employee benefits is now separately disclosed.
- Tax payables, as separately disclosed, now includes tax payable (receivable) in respect of income tax, goods and services tax, payroll tax, fringe benefits tax and group tax.

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 2014-1 (*Part A*) *Amendments to Australian Accounting Standards – Annual Improvements 2010-2012 and 2011-2013 Cycles*.
- AASB 2014-1 (*Part C*) *Amendments to Australian Accounting Standards – Materiality*.
- AASB 2015-4 *'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australia Groups with a Foreign Parent'*.

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.

The following standards, amendments to standards and interpretations are relevant to current operations. They are available for early adoption but have not been applied by the Group in this Financial Report. The Group has not yet determined the potential effect of these standards on the Group's future Financial Report.

- AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*.
- AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*.
- AASB 15 *Revenue from Contracts with Customers* AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*.
- AASB 9 *Financial Instruments (December 2014)*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

(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 2015, 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.

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The consolidated entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

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

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

Current and deferred tax for the year

Current and deferred tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation legislation

On 20 April 2015, the consolidated entity joined the CCCI Australia Pty Ltd income tax consolidated group, with CCCI Australia Pty Ltd as the head entity. Under this arrangement, the head entity and the group members continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the income 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 income tax consolidated group. In the books of John Holland Pty Ltd and its wholly-owned Australian controlled entities, the current income tax liability (asset) is recognised as a payable to (receivable from) the head entity of the CCCI Australia Pty Ltd income tax consolidated group.

Assets or liabilities arising under tax funding agreements with the head entity of the CCCI Australia Pty Ltd income tax consolidated group are recognised as amounts receivable from or payable to the head entity of the CCCI Australia Pty Ltd income tax consolidated group. Details about the CCCI Australia Pty Ltd tax funding agreement are disclosed in note 6.

Before joining the CCCI Australia Pty Ltd income tax consolidated group, John Holland Pty Ltd and its wholly-owned Australian controlled entities were part of the CIMIC Group Limited income tax consolidated group. John Holland Pty Ltd exited the CIMIC Group Limited income tax consolidated group just prior to joining the CCCI Australia Pty Ltd income tax consolidated group on 20 April 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

(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 consolidated statement of financial position presented are translated at the closing rate at the date of the consolidated statement of financial position; and
- income and expenses for the consolidated statement of profit or loss and the consolidated statement of profit or loss and other 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).

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 on which the derivative contract is entered. Attributable transaction costs are recognised in the consolidated statement of profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value at the end of each reporting period and changes therein are accounted for as described below. The consolidated entity only enters into hedges of the cash flows of recognised assets and liabilities, firm commitments and highly probable forecast transactions (cash flow hedges).

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

Movements in the hedge reserve in other comprehensive income are shown in 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 consolidated statement of profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified in the consolidated statement of profit or loss 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 consolidated statement of profit or loss within expenses. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging income is recognised in the consolidated statement of profit or loss 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 consolidated statement of profit or loss 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 consolidated statement of profit or loss, 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 consolidated statement of profit or loss.

(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 9) and non-current receivables (note 12) in the consolidated statement of financial position. 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 consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

(g) Issued capital*(i) Ordinary shares*

Ordinary shares are classified as issued capital. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from issued capital, 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 certified progress billings and less provision for foreseeable losses, allocated between contract work due from customers (in respect of contracts whereby the amount constitutes a debit (i.e. asset) balance) and advances from customers (in respect of contracts whereby the amount constitutes a credit (i.e. liability) balance).

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.

(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 consolidated statement of financial position.

Cash flows are included in the consolidated 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 and cash equivalents

For the purposes of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and term deposits held with financial institutions.

(m) Receivables

Account receivables reflect trade debtor balances certified by clients as due and payable to the consolidated entity.

Collectability of other 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 doubtful debts) 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 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 consolidated statement of profit or loss within other expenses. When a 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 consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

(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 consolidated statement of profit or loss, 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 consolidated statement of financial position.

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 30.

(o) Inventories

Inventories comprise contract work due from customers and consumables at cost.

Contract work due from customers is detailed in note 1(i)(i).

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) 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 consolidated statement of profit or loss 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 in the consolidated entity's consolidated statement of financial position.

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

(q) Property, plant and equipment – construction in progress

Items of property, plant and equipment that are under construction and not yet completed, are classified as property, plant and equipment – construction in progress and measured at cost. When an item of property, plant and equipment – construction in progress is completed, its cost is transferred to property, plant and equipment and is subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

(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 consolidated statement of 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

(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 consolidated statement of profit or loss 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 date of the reporting period. 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 consolidated statement of profit or loss.

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) Onerous lease contracts

The onerous lease contract provision has been derived on the basis of the most recent assessment of the likely net unavoidable cost to the end of the term of the associated lease contracts. The future costs of such contracts can be determined with a high degree of accuracy, however the future economic benefits expected to be received are based on forecasts. Management and the Directors consider the liability to be the best estimate of the net unavoidable cost as at balance date.

(x) Employee benefits**(i) Wages and salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits, annual leave, accumulating sick leave and termination payments, in accordance with an award or other contractual arrangement, 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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date 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 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 payable 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.

The liability for each of the employee benefits as detailed above, with the exception of wages and salaries, is recognised in payroll payables, disclosed as current or non-current as appropriate, in the consolidated statement of financial position. The liability for wages and salaries payable at reporting date is included in payables.

(y) Parent entity financial information

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Accounting for construction contracts

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

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

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

Forecast costs at completion

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

Revenues

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

(b) Contract claims and disputes

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

	Year ended December 2015 Notes \$'000	Year ended December 2014 \$'000
3. REVENUE		
Main business revenue – construction contracting services	2,052,588	2,715,219
Main business revenue – other services	179,235	137,470
Other business revenue	3,207	–
Total revenue (excluding share of revenue of equity accounted associates)	2,235,030	2,852,689

Share of operating revenue from ongoing construction operations conducted through entities which the consolidated entity does not control, and which is not included above:

– Associates	253,172	230,823
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4. OTHER INCOME

Net gain on disposal of property, plant and equipment	2,809	1,358
Net gain – other	20,214	–
	23,023	1,358

Net gain – other reflects a one-off gain of \$20,213,912 further to John Holland Pty Ltd entering into an agreement with John Holland Holdings Pty Ltd relating to several projects

5. EXPENSES

Materials	552,067	829,873
Subcontractors	896,428	1,245,908
Operating lease costs	28,697	34,217
Depreciation	42,550	37,628
Amortisation	2,756	2,755
Personnel costs	601,345	840,490
Defined contribution superannuation expense	37,405	48,493
Onerous lease commitments	–	25,041
Other expenses	69,952	55,610
Total expenses	2,231,200	3,120,015

Profit before income tax includes the following specific items:

Other charges against assets			
– Provision for impairment of current receivables	9	2,877	–
– Impairment of property, plant and equipment	14	3,700	8,833
– Impairment of property, plant and equipment – held for sale	11	–	293
Total other charges against assets		6,577	9,126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

	Year ended December 2015 Notes	Year ended December 2014
	\$'000	\$'000
6. INCOME TAX EXPENSE		
(a) Income tax benefit		
Current tax	(34,289)	29,401
Deferred tax	(20,133)	(98,273)
Adjustments for current and deferred tax of prior periods	559	(1,842)
	(53,863)	(70,714)
Deferred income tax expense (benefit) included in income tax benefit comprises:		
Decrease (increase) in deferred tax assets	16	(61,760)
Increase (decrease) in deferred tax liabilities	23	(38,005)
	(22,958)	(99,765)
(b) Numerical reconciliation of income tax benefit to prima facie tax receivable		
Loss before income tax benefit	43,648	(249,504)
Tax at the Australian tax rate of 30% (31 December 2013: 30%)	13,094	(74,851)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment and other non-allowable items	985	–
Non-assessable income	(3,543)	355
De-recognition of deferred tax on construction contracts	(56,540)	–
Foreign losses not recognised	–	10,065
Equity accounted income not subject to tax	(4,583)	(4,441)
Dividends from associates	4,770	3,967
Imputation credits from dividends from associates	(4,770)	(3,967)
Other	(3,835)	–
	(54,422)	(68,872)
Adjustments for current and deferred tax of prior periods	559	(1,842)
Income tax benefit from continuing operations	(53,863)	(70,714)

The de-recognition of deferred tax on construction contracts in the above reconciliation has arisen as a result of the Company entering into agreements with John Holland Holdings Pty Ltd relating to several projects.

(c) Tax consolidation

On 20 April 2015, John Holland Group Pty Ltd and its wholly-owned Australian controlled entities joined the CCCI Australia Pty Ltd income tax consolidated group. John Holland Group Pty Ltd and its wholly-owned Australian controlled entities are parties to a tax sharing and funding agreement. 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 CCCI Australia Pty Ltd.

Before joining the CCCI Australia Pty Ltd income tax consolidated group, John Holland Group Pty Ltd and its wholly-owned Australian controlled entities were part of the CIMIC Group Limited (formally Leighton Holdings Limited) income tax consolidated group. John Holland Group Pty Ltd and its wholly-owned Australian controlled entities exited the CIMIC Group Limited income tax consolidated group just prior to joining the CCCI Australia Pty Ltd income tax consolidated group on 20 April 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

	December 2015 Notes \$'000	December 2014 \$'000
7. CURRENT ASSETS – CASH AND CASH EQUIVALENTS		
Cash at bank (including at-call investment accounts) and on hand	362,478	292,270
Term deposits	203,726	–
	33(a) 566,204	292,270

Interest

The cash at bank and at-call investment accounts are earning floating interest rates between 0% and 2.0% (31 December 2014: 0% and 2.4%) and the term deposits are earning fixed interest rates of between 2.2% and 2.78%.

8. CURRENT ASSETS – ACCOUNT RECEIVABLES

Trade debtors	54,974	96,468
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9. CURRENT ASSETS – OTHER RECEIVABLES

Tax related amounts receivable from the head entity of the tax consolidated group	61,065	–
Other receivables – related entities	223,635	177,206
Other receivables – other entities	97,913	96,736
Less: provision for doubtful debts	5 (2,877)	–
Income tax receivables	343	29
Interest receivables	620	–
	380,699	273,971

Impaired receivables

Movements in provision for impairment of receivables are as follows:

Opening balance	–	–
Provisions for impairment recognised during the year	2,877	–
Closing balance	2,877	–

10. CURRENT ASSETS – INVENTORIES

Contract work due from customers	128,327	421,019
Consumables at cost	6,454	5,702
	134,781	426,721

11. CURRENT ASSETS – ASSETS HELD FOR SALE

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

Property, plant and equipment held for sale as at 31 December 2014 consisted of a rail maintenance vehicle. The consolidated entity no longer intends to sell this asset and as such, it has been reclassified to property, plant and equipment during the year ended 31 December 2015.

12. NON-CURRENT ASSETS – LONG-TERM RECEIVABLES

Loans to associates	9,750	9,750
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

	December 2015	December 2014
	Note	\$'000
13. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		
Investment in associates	31	12,508
		13,134

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

	Notes	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Total property, plant and equipment \$'000
At 31 December 2014						
At cost		2,855	1,559	31,416	316,876	352,706
Accumulated depreciation		–	(1,113)	(13,937)	(169,651)	(184,701)
Net book value		2,855	446	17,479	147,225	168,005
Net book value – 1 January 2015						
At cost		2,855	446	17,479	147,225	168,005
Additions		–	–	42	134	176
Transfers		–	–	(1,524)	1,524	–
Disposals		–	–	(9)	(8,430)	(8,440)
Depreciation expense	5	–	(27)	(3,155)	(39,368)	(42,550)
Impairment	5	–	–	–	(3,700)	(3,700)
Transfer from assets held for sale	11	–	–	–	2,200	2,200
Transfer from construction in progress	15	–	–	–	3,692	3,692
Net book value – 31 December 2015		2,855	419	12,833	103,277	119,383
At 31 December 2015						
At cost		2,855	1,559	29,270	296,584	330,268
Accumulated depreciation		–	(1,140)	(16,437)	(193,308)	(210,885)
Net book value		2,855	419	12,833	103,277	119,383

	December 2015	December 2014
	Note	\$'000

15. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT – CONSTRUCTION IN PROGRESS

Plant and equipment

Opening balance		4,099	7,722
Additions		1,528	3,374
Transfer to property, plant and equipment	14	(3,692)	(6,997)
Closing balance		1,936	4,099

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

	Notes	December 2015 \$'000	December 2014 \$'000
16. NON-CURRENT ASSETS – DEFERRED TAX ASSETS			
The balance comprises temporary differences attributable to:			
Construction accounting		18,217	17,335
Employee benefits		3,230	4,099
Non-deductible accrued expenses		22,294	53,878
Doubtful debts		863	–
Property, plant and equipment		9,278	12,498
Other		8	31
		53,889	87,841
Set-off deferred tax liabilities pursuant to set-off provisions	23	(4,463)	(8,752)
Net deferred tax assets		49,426	79,089

Movements

Opening balance		87,841	26,081
(Charged) credited to income statement	6	18,668	61,760
Transfer of tax losses to other receivables		(52,620)	–
Closing balance at 31 December		53,889	87,841

17. NON-CURRENT ASSETS – GOODWILL**Goodwill**

Cost		9,413	9,413
Accumulated impairment		(213)	(213)
Net book amount		9,200	9,200

18. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Software \$'000	Customer contracts \$'000	Total intangible assets \$'000
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
Net book value – 1 January 2015			
Amortisation expense	(1,787)	(969)	(2,756)
Net book value – 31 December 2015	13,265	952	14,217
As at 31 December 2015			
Cost	18,020	3,590	21,610
Accumulated amortisation	(4,755)	(2,638)	(7,393)
Net book value	13,265	952	14,217

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

	December 2015 Notes	December 2015 \$'000	December 2014 \$'000
19. CURRENT LIABILITIES – ACCOUNT PAYABLES			
Trade creditors		139,506	220,046
Trade creditors – retentions		36,680	45,341
Interest payable		312	224
Other creditors and accruals		205,118	356,048
Amounts payable to immediate parent entity		81,284	85,738
Amounts payable to related entities		8,771	22,169
		471,670	729,565

20. CURRENT LIABILITIES – PAYROLL PAYABLES

Employee benefits		10,767	13,678
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21. CURRENT LIABILITIES – TAX PAYABLES

GST payable		6,411	19,731
Tax related amounts payable to the head entity of the tax consolidated group		–	31,776
Other tax payables		650	3,273
		7,061	54,780

22. CURRENT LIABILITIES – PROVISIONS

Workers' compensation	(a) (b)	3,724	2,571
Onerous lease commitments	(b)	5,489	4,231
		9,213	6,802

(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 are set out below:

	Note	Workers' compensation \$'000	Onerous leases \$'000	Total \$'000
Year ended December 2015				
Carrying amount at beginning of reporting period		15,630	25,041	40,671
Amounts provided		2,555	–	2,555
Amounts paid		(3,584)	(2,759)	(6,343)
Carrying amount at reporting date		14,601	22,282	36,883
Total balance presented as:				
Current		3,724	5,489	9,213
Non-current	24	10,877	16,793	27,670
		14,601	22,282	36,883

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

	Notes	December 2015 \$'000	December 2014 \$'000
23. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES			
The balance comprises temporary differences attributable to:			
Employee benefits		23	–
Partnership taxable profit recognition		4,155	8,749
Other		286	3
		4,463	8,752
Set-off against deferred tax assets pursuant to set-off provisions	16	(4,463)	(8,752)
Net deferred tax liabilities		–	–

Movements

Opening balance		8,752	46,757
Charged (credited) to income statement	6	(4,289)	(38,005)
Closing balance at 31 December		4,463	8,752

24. NON-CURRENT LIABILITIES – PROVISIONS

Workers' compensation	22	10,877	13,059
Onerous lease commitments	22	16,793	20,810
		27,670	33,869

	December 2015 Shares '000	December 2014 Shares '000	December 2015 \$'000	December 2014 \$'000
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25. ISSUED CAPITAL**Ordinary shares**

690,000,000 (31 December 2014: 300,000,000)

ordinary shares, fully paid	690,000	300,000	690,000	300,000
	690,000	300,000	690,000	300,000

Movements during the period

Opening balance	300,000	300,000	300,000	300,000
Issue of ordinary shares	390,000	–	390,000	–
Closing balance	690,000	300,000	690,000	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.

26. 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 consolidated statement of profit or loss on disposal of the foreign operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

	Year ended December 2015		Year ended December 2014	
	\$ per share	\$'000	\$ per share	\$'000
27. DIVIDENDS				
Recognised amounts				
31 December 2014				
Dividend	-	-	0.55	165,000
31 December 2015				
Dividend	-	-	-	-
	-	-	0.55	165,000

	December 2015	December 2014
	\$'000	\$'000

28. 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	5,713	11,263
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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	22,873	26,279
- later than one year but not later than five years	54,970	66,602
- later than five years	26,785	19,969
Minimum lease payments in aggregate	104,628	112,850

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.

29. 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:

	677,759	967,314
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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 operations 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.

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 2015.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

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

The persons who held office as Directors of John Holland Pty Ltd during the year ended 31 December 2015 were:

Glenn M. Palin, BAppSc, GradDipBuild, GradDipAppFin&Invest, MAICD (Chairman and Chief Executive Officer)

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

Russell J. Cuttler, Diploma of Engineering

Greg 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 2015	Year ended December 2014
	\$	\$
Key management personnel	7,575,771	7,755,479

(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 9 and 12) and payables (refer to note 19).

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.

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 29 for further details.

The immediate parent entity acts as the group banker in relation to working capital requirements.

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

The following entities are considered to be other related parties as at 31 December 2015:

(i) China Communications Construction Group

China Communications Construction Group holds a 63.83% interest in the shareholding of China Communications Construction Company Ltd.

(ii) CCCC International Holding Limited

CCCC International Holding Limited (a controlled entity of China Communications Construction Company Ltd) holds a 100% interest in the shareholding of CCCI Australia Pty Ltd.

(iii) John Holland Holdings Pty Ltd

John Holland Holdings Pty Ltd (a controlled entity of CCCI Australia Pty Ltd) holds a 100% interest in the shareholding of John Holland Group Pty Ltd.

(iv) Wholly-owned controlled entities

Refer to note 32 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 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

30. RELATED PARTIES (CONTINUED)**(c) Transactions with other related parties (continued)***(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)	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 (EastLink)	50
Dragados Australia Pty Ltd & John Holland Pty Ltd & Thiess Pty Ltd	25
John Holland Pty Ltd and Kellogg Brown & Root Pty Ltd (Melbourne Water Capital Works)	50
John Holland Pty Ltd, UGL Engineering Pty Ltd and GHD Pty Ltd (Malabar Alliance)	43
NRT Infrastructure JV (NWRL OTS (IJV))	50
John Holland Pty Ltd & Leighton Contractors Pty Ltd & MTR Corporation & (Sydney) NRT Pty Limited & UGL Rail Services Pty Limited (NWRL OTS NRT D&D)	25
Comdain Civil Constructions Pty Ltd & John Holland Pty Ltd (NSW Water Metering)	50
John Holland Pty Ltd & Leighton Contractors Pty Ltd & Samsung C&T Corporation (Westconnex Stage 1B)	33

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

(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 Melbourne, and the ultimate parent entity of John Holland Pty Ltd is China Communications Construction Group, a company incorporated in China.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

31. INVESTMENTS IN ASSOCIATES

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

Name of company	Principal activity	Balance date	Ownership interest		Carrying amount	
			December 2015 %	December 2014 %	December 2015 \$'000	December 2014 \$'000
Metro Trains Melbourne Pty Ltd	Operations and maintenance	30 June	20	20	12,508	13,134
Advance International Rail Contracting LLC	Construction	31 Dec	24.95	24.95	-	-
					12,508	13,134

	Year ended December 2015 \$'000	Year ended December 2014 \$'000

Results of associates

Share of associates' operating profit before tax	21,822	21,149
Share of associates' income tax expense	(6,547)	(6,345)
Share of associates' operating profit after tax	15,275	14,804

	December 2015 \$'000	December 2014 \$'000

Share of retained profits attributable to associates

Share of associates' retained profits at beginning of reporting period	9,884	8,305
Share of profit of associates	15,275	14,804
Dividends paid during the period	(15,901)	(13,225)
Share of associates' retained profits at reporting date	9,258	9,884

Movements in carrying amount of investments

Carrying amount at beginning of reporting period		13	13,134	11,555
Share of associates' net profit			15,275	14,804
Dividends paid during the period			(15,901)	(13,225)
Carrying amount at reporting date		13	12,508	13,134

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

32. DEED OF CROSS GUARANTEE

John Holland Group Pty Ltd and its wholly-owned controlled entities (with the exception of JHG Mutual Limited, John Holland Melbourne Rail Franchise Pty Ltd, John Holland Sydney NRT Pty Ltd and John Holland Rail & Civil Sdn. Bhd.) 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 2015:

Name of entity	Place of incorporation	Notes
Parent entity		
John Holland Group Pty Ltd	Victoria	3
Wholly-owned entities of John Holland Group Pty Ltd		
John Holland Pty Ltd	Victoria	1, 3
John Holland Rail Pty Ltd	WA	1, 2, 3
John Holland (NZ) Limited	New Zealand	3
Wholly-owned entities of John Holland Pty Ltd		
John Holland Queensland Pty Ltd	Victoria	1, 2, 3

Notes

1. These entities are eligible for relief from the requirement to prepare a financial report and Directors' report under the Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.
2. The entity has taken advantage of the relief outlined above.
3. These entities form part of the 'Closed Group' as defined by the Class Order, as at 31 December 2015.

(a) Consolidated statement of profit or loss 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 2015 of the Closed Group.

	Year ended December 2015 \$'000	Year ended December 2014 \$'000
Statement of profit or loss		
Revenue	2,465,426	3,088,497
Expenses	(2,483,582)	(3,316,133)
Other income	22,926	1,358
Interest income	7,142	–
Interest expense	(3,449)	(4,087)
Net foreign exchange gains (losses)	8,540	–
Profit (loss) before income tax expense	17,003	(230,365)
Income tax benefit (expense)	42,502	60,186
Profit (loss) for the year	59,505	(170,179)
Summary of movements in consolidated (accumulated losses) retained profits		
Accumulated losses (retained profits) at the beginning of reporting period	(139,953)	347,941
Profit (loss) for the period	59,505	(170,179)
Dividends paid or provided for	(47,224)	(317,715)
Accumulated losses at reporting date	(127,672)	(139,953)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

32. DEED OF CROSS GUARANTEE (CONTINUED)**(b) Consolidated statement of financial position**

Set out below is a consolidated statement financial position as at 31 December 2015 of the Closed Group.

	December 2015	December 2014
	\$'000	\$'000
Assets		
Cash and cash equivalents	578,058	331,165
Account receivables	54,699	96,468
Other receivables	250,379	89,597
Inventories	136,145	433,123
Prepayments	12,490	8,270
Derivative financial instruments	1,708	126
Assets held for sale	–	2,200
Other financial assets	–	20,000
Available-for-sale financial assets	6	6
Property, plant and equipment	161,661	209,969
Property, plant and equipment – construction in progress	1,935	4,099
Deferred tax assets	71,775	109,409
Goodwill	9,670	9,600
Other intangible assets	14,217	16,973
Total assets	1,292,742	1,331,004
Liabilities		
Account payables	402,512	575,193
Advances from customers	182,589	389,264
Payroll payables	84,235	98,602
Derivative financial instruments	2,583	184
Tax payables	8,441	62,935
Provisions	50,648	43,880
Total liabilities	731,007	1,170,058
Net assets	561,735	160,946
Equity		
Issued capital	690,000	300,000
Reserves	(593)	899
Accumulated losses	(127,672)	(139,953)
Total equity	561,735	160,946

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

33. NOTES TO THE STATEMENT OF CASH FLOWS**(a) Reconciliation of cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and term deposits held with financial institutions.

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

	Note	Year ended December 2015 \$'000	Year ended December 2014 \$'000
Cash and cash equivalents	7	566,204	292,270

(b) Non-cash financing and investing activities

There were no non-cash financing and investing activities during the year ended 31 December 2015.

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

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

	Parent entity December 2015 \$'000	December 2014 \$'000
Statement of financial position		
Current assets	1,359,837	1,481,302
Non-current assets	248,981	285,711
Total assets	1,608,817	1,767,013
Current liabilities	955,843	1,596,323
Non-current liabilities	5,786	11,776
Total liabilities	961,629	1,608,099
Net assets	647,188	158,914
Equity		
Issued capital	690,000	300,000
Accumulated losses	(42,812)	(141,086)
Total equity	647,188	158,914
Profit (loss) for the year	98,274	(64,950)
Total comprehensive loss for the year	98,274	(64,950)

(b) Contingent liabilities of the parent entity

Refer to note 29 for details in relation to contingent liabilities.

677,759 967,314

(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	5,713	11,263
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2015

35. EVENTS SUBSEQUENT TO REPORTING DATE

There are no 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 2015

In the Directors' opinion:

- (a) the financial statements and notes as set out on pages 6 to 32 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 2015 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 32 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 32.

This declaration is made in accordance with a resolution of the Directors pursuant to section 295(5) of the *Corporations Act 2001*.



D.A. Ray
Director



G. Cain
Director

Melbourne, 21 March 2016

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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

We have audited the accompanying financial report of John Holland Pty Ltd, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated 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 6 to 33.

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 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



T Simkin
Partner
Chartered Accountants
Melbourne, 21 March 2016

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