



# FINANCIAL REPORT 2016

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**FINANCIAL REPORT 31 December 2016**

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

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# > DIRECTORS' REPORT

for the year ended 31 December 2016

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 2016.

## 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:

### J.D. Barr, BBLdg, DipMgt (Chairman) (appointed 14 November 2016)

Mr Barr joined John Holland Group Pty Ltd in September 2016 and was subsequently appointed the new Chief Executive Officer (CEO) in November 2016. He has significant company leadership experience both in Australia and internationally from roles including CEO of Hansen Yuncken, Managing Director of Nakheel PJSC in the United Arab Emirates, and Managing Director Asia for Lend Lease Corporation. Mr Barr has responsibility for John Holland's domestic and international operations and has a key focus on strategy development and implementation, enhanced profitability, innovation and people development.

### 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, enterprise risk, legal and company secretarial matters.

### R.J. Cuttler, Diploma of Engineering

Mr Cuttler is the Executive General Manager – People & Policy with over 35 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 28 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.

### G.M. Palin, BAppSc, GradDipBuild, GradDipAppFin&Invest, MAICD

Mr Palin was appointed Group Managing Director of the Company in July 2009 and, subsequently, CEO in June 2015 until his resignation on 14 November 2016. Mr Palin had previously held various senior management roles since joining the Company in 1993, with both regional and national responsibility. Mr Palin was President of the Australian Constructors Association from November 2012 to November 2014. Mr Palin remains a Non-Executive Director.

## 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 profit for the year attributable to the owner of John Holland Pty Ltd was:

	<b>Year ended December 2016 \$'000</b>	Year ended December 2015 \$'000
Profit before income tax (expense) benefit	<b>65,474</b>	43,648
Income tax (expense) benefit	<b>(18,328)</b>	53,863
Profit attributable to the owner of John Holland Pty Ltd	<b>47,146</b>	97,511

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**DIRECTORS' REPORT (CONTINUED)**  
**for the year ended 31 December 2016**

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**REVIEW OF OPERATIONS**

Following completion of 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 on 20 April 2015, the Company, with the support of its immediate parent entity, agreed on a new business strategy and operating model. Whilst the Directors considered 2015 to have been a transitional year, reflecting finalisation of the sale of the Company to CCCI, they have seen 2016 to be an investment year with the launch of the new business model and associated investment therein, together with tender costs incurred on several projects to be tendered in 2017. Pursuant to the new model, the Group secured contracts during the year, in respect of the Canberra Metro PPP and Calvary Hospital projects, whilst also being named as the preferred proponent (in joint venture with Commercial and General) to re-develop the Old Royal Adelaide Hospital site. The Directors expect the full revenue benefits of the new business model to be realised in 2017 and, more predominantly, in subsequent years.

The consolidated entity has reported a profit before tax for the year ended 31 December 2016 of \$65,474,000 (2015: \$43,648,000) on revenue of \$2,109,528,000 (2015: \$2,235,030,000). Profit after tax for the year ended 31 December 2016 was \$47,146,000 (2015: \$97,511,000). The current year financial result reflects:

- the resolution of legacy project matters; and
- substantial investment in costs associated with major infrastructure projects that are currently being tendered and expected to be awarded during the second half of 2017 (whereby revenue benefits to the consolidated entity, if successful, would primarily be realised in 2018 and subsequent years).

The prior year financial result was impacted by:

- a one-off gain of \$20,213,912 relating to several legacy projects; and
- a significant tax benefit, resulting from agreements entered into with John Holland Holdings Pty Ltd, John Holland Group Pty Ltd's immediate parent entity, relating to these legacy projects and the application of tax consolidation provisions (further to the sale of the Company to CCCI).

The underlying business remains strong with levels of work in hand increasing during the year to \$4.6 billion as at 31 December 2016 (\$4.1 billion as at 31 December 2015), which does not include any amounts associated with the re-development of the Old Royal Adelaide Hospital site which is expected to generate significant levels of revenue to the consolidated entity in future years, and an extremely solid pipeline of projects being tendered including a number of major infrastructure projects in Victoria and New South Wales.

At 31 December 2016, net cash is \$428,020,000 (31 December 2015: \$566,204,000), net assets are \$704,347,000 (31 December 2015: \$657,588,000) and net current assets of \$542,208,000 (31 December 2015: \$468,832,000). The large decrease in the consolidated entity's cash balance during the current year reflects the impact of payments made to John Holland Group Pty Ltd to facilitate loans made by John Holland Group Pty Ltd to John Holland Holdings Pty Ltd of \$292,717,000, noting that the significant increase in the consolidated entity's cash balance during the prior year was primarily due to the impacts of the re-capitalisation of the Group and a Special Arrangement Projects transaction with John Holland Holdings Pty Ltd.

The increase in the consolidated entity's net assets and net current assets as at 31 December 2016, compared to the balances reported as at 31 December 2015, primarily reflects the profit after tax recorded for the year (as detailed above) and, in the opinion of the Directors, the consolidated entity's Statement of Financial Position is very well positioned to enable investment in the business to support future growth.

**DIVIDENDS**

No dividends have been paid, declared or determined by the Company in respect of the year ended 31 December 2016 or the year ended 31 December 2015.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

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

**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.

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**DIRECTORS' REPORT (CONTINUED)**  
**for the year ended 31 December 2016**

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**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.

The consolidated entity has implemented environmental practices on all of its sites to Australian and International Standards AS/NZS ISO14001 'Environmental Management Systems'. The activities of all business units of the consolidated entity are certified as complying with the requirements of AS/NZS ISO14001 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.

**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 2016.

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 ASIC Corporations Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with ASIC Corporations Instrument 2016/191 to the nearest thousand dollars or, in certain cases, to the nearest dollar.

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor of the consolidated entity is Ernst & Young.

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.



**J.D. Barr**  
Chairman



**D.A. Ray**  
Director

Melbourne, 14 March 2017

## > AUDITOR'S INDEPENDENCE DECLARATION



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### Auditor's Independence Declaration to the Directors of John Holland Pty Ltd

As lead auditor for the audit of John Holland Pty Ltd for the financial year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Michael Collins  
Partner  
14 March 2017

## > CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2016

	Notes	Year ended December 2016 \$'000	Year ended December 2015 \$'000
Revenue	3	<b>2,109,528</b>	2,235,030
Expenses	5	<b>(2,056,617)</b>	(2,231,200)
<b>Operating profit</b>		<b>52,912</b>	3,830
Other income	4	<b>3,524</b>	23,023
Interest income		<b>8,995</b>	4,869
Interest expense		<b>(4,681)</b>	(3,345)
Net foreign exchange (losses)		<b>(3,827)</b>	(4)
Share of net profits of investments accounted for using the equity method*	31	<b>8,552</b>	15,275
<b>Profit before income tax benefit</b>		<b>65,474</b>	43,648
Income tax (expense) benefit	6	<b>(18,328)</b>	53,863
<b>Profit for the year</b>		<b>47,146</b>	97,511
<b>Profit attributable to the owner of John Holland Pty Ltd</b>		<b>47,146</b>	97,511

\* Indirect overheads of the consolidated entity have not been allocated to share of net profits of investments accounted for using the equity method.

# > CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	<b>Year ended December 2016 \$'000</b>	Year ended December 2015 \$'000
<b>Profit for the year</b>	<b>47,146</b>	97,511
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange difference on translation of foreign operations	<b>(387)</b>	(795)
<b>Other comprehensive (loss) income for the year, net of tax</b>	<b>(387)</b>	(795)
<b>Total comprehensive income for the year</b>	<b>46,759</b>	96,716
<b>Total comprehensive income for the year is attributable to:</b>		
<b>Owner of John Holland Pty Ltd</b>	<b>46,759</b>	96,716

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 2016

	Notes	December 2016 \$'000	December 2015 \$'000
<b>Current assets</b>			
Cash and cash equivalents	7	428,020	566,204
Account receivables	8	54,180	54,974
Other receivables	9	676,008	380,699
Inventories	10	133,480	134,781
Prepayments		14,286	13,474
<b>Total current assets</b>		<b>1,305,974</b>	1,150,132
<b>Non-current assets</b>			
Long-term receivables	12	–	9,750
Investments accounted for using the equity method	13	10,264	12,508
Available-for-sale financial assets		6	6
Property, plant and equipment	14	117,611	119,383
Property, plant and equipment – construction in progress	15	2,390	1,936
Deferred tax assets	16	27,898	49,426
Goodwill	17	9,200	9,200
Intangible assets	18	12,152	14,217
<b>Total non-current assets</b>		<b>179,522</b>	216,426
<b>Total assets</b>		<b>1,485,496</b>	1,366,558
<b>Current liabilities</b>			
Short term borrowings	22	1,329	–
Account payables	19	448,216	471,670
Advances from customers		291,035	182,589
Payroll payables	20	5,590	10,767
Tax payables	21	9,371	7,061
Provisions	23	8,225	9,213
<b>Total current liabilities</b>		<b>763,766</b>	681,300
<b>Non-current liabilities</b>			
Provisions	25	17,383	27,670
<b>Total non-current liabilities</b>		<b>17,383</b>	27,670
<b>Total liabilities</b>		<b>781,149</b>	708,970
<b>Net assets</b>		<b>704,347</b>	657,588
<b>Equity</b>			
Issued capital	26	690,000	690,000
Reserves		(242)	145
Retained profits (accumulated losses)		14,589	(32,557)
<b>Total equity</b>		<b>704,347</b>	657,588

## > CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Note	Issued capital \$'000	Foreign currency translation reserve \$'000	(Accumulated losses) Retained profits \$'000	Total equity \$'000
<b>Balance at 1 January 2015</b>		<b>300,000</b>	<b>940</b>	<b>(130,068)</b>	<b>170,872</b>
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	96,716
Issue of ordinary shares	26	390,000	–	–	390,000
<b>Balance at 31 December 2015</b>		<b>690,000</b>	<b>145</b>	<b>(32,557)</b>	<b>657,588</b>
<b>Balance at 1 January 2016</b>		<b>690,000</b>	<b>145</b>	<b>(32,557)</b>	<b>657,588</b>
Profit for the year		–	–	47,146	47,146
Other comprehensive loss for the year, net of income tax		–	(387)	–	(387)
Total comprehensive (loss) income for the year		–	(387)	47,146	46,759
<b>Balance at 31 December 2016</b>		<b>690,000</b>	<b>(242)</b>	<b>14,589</b>	<b>704,347</b>

# > CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Year ended December 2016 Note	Year ended December 2015 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	2,477,148	2,406,188
Payments for goods and services (inclusive of goods and services tax)	(2,192,881)	(2,453,344)
Dividends received from associates	10,796	15,901
Interest received	4,062	4,869
Interest paid	(4,369)	(3,345)
Amounts paid under tax consolidation arrangements	–	(9,629)
<b>Net cash inflow (outflow) from operating activities</b>	<b>294,756</b>	<b>(39,360)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(36,932)	(1,705)
Proceeds from sale of property, plant and equipment	7,403	11,249
Loans to related parties	(11,496)	–
<b>Net cash (outflow) inflow from investing activities</b>	<b>(41,025)</b>	<b>9,544</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares	–	390,000
Repayment of borrowings	(5,481)	(4,182)
Cash received from borrowings	6,810	4,182
Intercompany cash advances	(389,417)	(86,249)
<b>Net cash (outflow) inflow from financing activities</b>	<b>(388,088)</b>	<b>303,751</b>
Effect of changes in foreign currency on cash and cash equivalents	(3,827)	–
Net (decrease) increase in cash and cash equivalents held	(134,357)	273,935
Cash and cash equivalents at the beginning of the period	566,204	292,269
<b>Cash and cash equivalents at reporting date</b>	<b>7 428,020</b>	<b>566,204</b>

# > NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016

## 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.

### (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 14 March 2017. 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 ASIC Corporations Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with ASIC Corporations Instrument 2016/191 to the nearest thousand dollars or, in certain cases, to the nearest dollar.

#### *Financial statement presentation*

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

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

#### *Adoption of new and revised accounting standards*

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

- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements 2012-2014 Cycle*.
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*.
- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*.
- AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent*.
- AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*.
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*.

The new and revised Standards have 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 15 *Revenue from Contracts with Customers* AASB 2014-5 *Amendments to Australian Accounting Standards* arising from AASB15.
- AASB 9 *Financial Instruments* (December 2014).
- AASB 16 *Leases*.
- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.
- AASB 2016-2 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* (AASB 112).
- Annual Improvements to IFRS Standards 2014-2016 Cycle.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 December 2016**


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**(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 2016, 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(m).

**(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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
 for the year ended 31 December 2016
 

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**(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) 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.

**(f) 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.

**(g) 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(h).

*(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.

**(h) 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 December 2016**


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**(i) 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.

**(j) 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.

**(k) 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.

**(l) 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.

**(m) Joint arrangements**

Joint arrangements reflect an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.

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 that are expected to be settled within 12 months are presented as current assets (liabilities) in the consolidated statement of financial position, otherwise they are presented as non-current assets (liabilities).

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.

Details relating to the joint ventures are set out in note 31.

**(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 31.

**(n) Inventories**

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 December 2016**


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**(o) 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(j)).

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.

**(p) 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.

**(q) Intangible assets***Goodwill*

Goodwill on acquisitions of controlled entities is recognised in the consolidated statement of financial position. 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 any impairment losses.

*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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 December 2016**


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**(q) Intangible assets (continued)****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

**(r) Trade and other creditors**

These amounts represent unsecured liabilities for goods and services provided to the consolidated entity prior to the end of the reporting period and which are unpaid.

**(s) 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.

**(t) 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.

**(u) 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.

**(v) 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.

**(w) 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.

**(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.

**(x) 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2016

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## **2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience, known events, 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 may not equal the related actual results. The estimates and assumptions that are considered significant 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(h).

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.

### **(c) Impairment of assets**

Determining whether an asset is impaired requires an estimation of recoverable amount. The recoverable amount of an asset is the greater of its value in use or fair value less cost to sell.

Value in use is determined as the present value of the estimated future cash flows expected to arise from continued use of the asset in its present form. Value in use is determined by applying assumptions specific to the consolidated entity's continued use and cannot take into account future development. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction, less allowance for costs to sell. Fair value is ordinarily based on a binding sale agreement, active market price or, where necessary, based on the best information available to reflect the amount the consolidated entity could obtain from the sale of the assets.

Management and the Directors are satisfied that the assets of the consolidated entity are recoverable at their current carrying values.

### **(d) Recoverability of deferred taxes**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

### **(e) Joint arrangements**

The Group undertakes construction projects and other activities jointly with third parties. The nature and contractual terms of these arrangements requires management to exercise significant judgement to determine which entities or arrangements are controlled, jointly controlled or where the Group has significant influence over the arrangement but not control. The Group's involvement in joint arrangements and associates is detailed in note 30.

### **(f) Current versus non-current classification**

The Group presents assets and liabilities in the statement of financial position based on a current or non-current classification. An asset is current when it is expected to be realised or intended to be sold or consumed in the normal operating cycle, held primarily for the purpose of trading, or expected to be realised within twelve months after the reporting period. Management applies judgement in estimating the timing of future events and cash flows associated with the Group's assets to determine the classification as current or non-current.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2016

	Year ended December 2016 Notes \$'000	Year ended December 2015 \$'000
<b>3. REVENUE</b>		
Main business revenue – construction contracting services	<b>1,936,371</b>	2,052,588
Main business revenue – other services	<b>173,157</b>	179,235
Other business revenue	–	3,207
<b>Total revenue (excluding share of revenue of equity accounted investments)</b>	<b>2,109,528</b>	2,235,030

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

– Equity accounted investments	<b>266,695</b>	253,172
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**4. OTHER INCOME**

Net gain on disposal of property, plant and equipment	<b>3,524</b>	2,809
Net gain – other	–	20,214
	<b>3,524</b>	23,023

Net gain – other for the year ended 31 December 2015 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	<b>515,018</b>	587,441
Subcontractors	<b>938,084</b>	896,429
Operating lease costs	<b>17,374</b>	28,697
Depreciation	<b>32,953</b>	42,550
Amortisation	<b>2,065</b>	2,756
Personnel costs	<b>446,334</b>	565,970
Defined contribution superannuation expense	<b>31,363</b>	37,405
Other expenses	<b>73,426</b>	69,952
<b>Total expenses</b>	<b>2,056,617</b>	2,231,200

**Profit before income tax includes the following specific items:**

Other charges against assets			
– Provision for impairment of current receivables	9	<b>52</b>	2,877
– Write-off of current receivables		<b>54</b>	–
– Reversal of provision for impairment of current receivables	9	<b>(1,990)</b>	–
– Impairment of property, plant and equipment		–	3,700
<b>Total other charges against assets</b>		<b>(1,884)</b>	6,577

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2016

	Notes	Year ended December 2016 \$'000	Year ended December 2015 \$'000
<b>6. INCOME TAX EXPENSE</b>			
<b>(a) Income tax expense (benefit)</b>			
Current tax		809	(34,289)
Deferred tax		18,044	(20,133)
Adjustments for current and deferred tax of prior periods		(525)	559
		<b>18,328</b>	<b>(53,863)</b>
Deferred income tax expense (benefit) included in income tax expense (benefit) comprises:			
Decrease (increase) in deferred tax assets	16	18,691	(18,669)
Decrease in deferred tax liabilities	24	(647)	(4,289)
		<b>18,044</b>	<b>(22,958)</b>
<b>(b) Numerical reconciliation of income tax expense (benefit) to prima facie tax payable (receivable)</b>			
Profit before income tax expense (benefit)		65,474	43,648
Tax at the Australian tax rate of 30% (31 December 2015: 30%)		19,642	13,094
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Entertainment and other non-allowable items		198	985
Non-assessable income		1,700	(3,543)
De-recognition of deferred tax on construction contracts		–	(56,540)
Equity accounted income not subject to tax		(2,566)	(4,583)
Dividends from associates		3,239	4,770
Imputation credits from dividends from associates		(3,239)	(4,770)
Other		(121)	(3,835)
		<b>18,853</b>	<b>(54,422)</b>
Adjustments for current and deferred tax of prior periods		(525)	559
<b>Income tax expense (benefit) from continuing operations</b>		<b>18,328</b>	<b>(53,863)</b>

The de-recognition of deferred tax on construction contracts for the year ended 31 December 2015 in the above reconciliation arose 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 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 2016

	December 2016 Notes \$'000	December 2015 \$'000
<b>7. CURRENT ASSETS – CASH AND CASH EQUIVALENTS</b>		
Cash at bank (including at-call investment accounts) and on hand	227,040	362,478
Term deposits	200,980	203,726
	33(a) <b>428,020</b>	566,204

**Interest**

The cash at bank and at-call investment accounts are earning floating interest rates between 0% and 1.5% (31 December 2015: 0% and 2.0%) and the term deposits are earning fixed interest rates of between 1.7% and 2.6% (31 December 2015: 2.2% and 2.8%).

**8. CURRENT ASSETS – ACCOUNT RECEIVABLES**

Trade debtors	54,180	54,974
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**9. CURRENT ASSETS – OTHER RECEIVABLES**

Tax related amounts receivable from the head entity of the tax consolidated group	63,543	61,065
Amounts receivable from immediate parent entity	212,381	–
Other receivables – related entities	348,767	223,635
Other receivables – other entities	50,447	97,913
Less: provision for doubtful debts	5 (52)	(2,877)
Income tax receivables	841	343
Interest receivables	80	620
	<b>676,008</b>	380,699

**Impaired receivables**

Movements in provision for impairment of receivables are as follows:

Opening balance	2,877	–
Provisions for impairment recognised during the year	5 52	2,877
Reversal of provision for impairment during the year	5 (1,990)	–
Release of provisions against amounts written off during the year	(887)	–
Closing balance	52	2,877

**10. CURRENT ASSETS – INVENTORIES**

Contract work due from customers	130,047	128,327
Consumables at cost	3,433	6,454
	<b>133,480</b>	134,781

**11. CURRENT ASSETS – ASSETS HELD FOR SALE**

Property, plant and equipment held for sale		
At beginning of reporting period	–	2,200
Transfer to property, plant and equipment	–	(2,200)
At reporting date	–	–

**12. NON-CURRENT ASSETS – LONG-TERM RECEIVABLES**

Loans to associates	–	9,750
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2016

	December 2016	December 2015
	Note	\$'000
<b>13. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>		
Investment in associates	31	10,599
Investment in joint ventures	31	(335)
		<b>10,264</b>

**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
<b>At 31 December 2015</b>						
At cost (net of impairment provision)		2,855	1,559	29,270	296,584	330,268
Accumulated depreciation		–	(1,140)	(16,437)	(193,308)	(210,885)
<b>Net book value</b>		<b>2,855</b>	<b>419</b>	<b>12,833</b>	<b>103,276</b>	<b>119,383</b>
<b>Net book value – 1 January 2016</b>						
Additions		–	–	706	35,798	36,504
Disposals		(429)	(195)	(261)	(6,825)	(7,710)
Depreciation expense	5	–	(26)	(3,077)	(29,850)	(32,953)
Transfer from construction in progress	15	–	–	–	2,387	2,387
<b>Net book value – 31 December 2016</b>		<b>2,426</b>	<b>198</b>	<b>10,201</b>	<b>104,786</b>	<b>117,611</b>
<b>At 31 December 2016</b>						
At cost (net of impairment provision)		2,426	1,138	29,325	298,016	330,905
Accumulated depreciation		–	(940)	(19,124)	(193,230)	(213,294)
<b>Net book value</b>		<b>2,426</b>	<b>198</b>	<b>10,201</b>	<b>104,786</b>	<b>117,611</b>

	December 2016	December 2015
	Note	\$'000

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

**Plant and equipment**

Opening balance		1,936	4,099
Additions		(1,933)	1,529
Transfer to property, plant and equipment	14	2,387	(3,692)
<b>Closing balance</b>		<b>2,390</b>	<b>1,936</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2016

	<b>December 2016</b>	December 2015
	<b>\$'000</b>	\$'000
<b>16. NON-CURRENT ASSETS – DEFERRED TAX ASSETS</b>		
<b>The balance comprises temporary differences attributable to:</b>		
Contract profit differential	<b>4,981</b>	18,217
Employee benefits	<b>1,676</b>	3,230
Non-deductible accrued expenses	<b>15,332</b>	22,294
Property, plant and equipment	<b>8,786</b>	9,278
Other	<b>939</b>	870
	<b>31,714</b>	53,889
Set-off deferred tax liabilities pursuant to set-off provisions	<b>(3,816)</b>	(4,463)
Net deferred tax assets	<b>27,898</b>	49,426

**Movements**

Opening balance	<b>53,889</b>	87,841
(Charged) credited to income statement	<b>(18,691)</b>	18,669
Transfer to other receivables	<b>(3,484)</b>	(52,620)
Closing balance	<b>31,714</b>	53,889

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

Cost	<b>9,413</b>	9,413
Accumulated impairment	<b>(213)</b>	(213)
Net book amount	<b>9,200</b>	9,200

**18. NON-CURRENT ASSETS – INTANGIBLE ASSETS**

	<b>Software</b>	<b>Customer</b>	<b>Total</b>
	<b>\$'000</b>	<b>contracts</b>	<b>intangible</b>
		<b>\$'000</b>	<b>assets</b>
			<b>\$'000</b>
<b>As at 31 December 2015</b>			
Cost	18,020	3,590	21,610
Accumulated amortisation	(4,755)	(2,638)	(7,393)
<b>Net book value</b>	<b>13,265</b>	<b>952</b>	<b>14,217</b>
<b>Net book value – 1 January 2016</b>			
Amortisation expense	(1,802)	(263)	(2,065)
<b>Net book value – 31 December 2016</b>	<b>11,463</b>	<b>689</b>	<b>12,152</b>
<b>As at 31 December 2016</b>			
Cost	18,020	3,590	21,610
Accumulated amortisation	(6,557)	(2,901)	(9,458)
<b>Net book value</b>	<b>11,463</b>	<b>689</b>	<b>12,152</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2016

	Notes	December 2016 \$'000	December 2015 \$'000
<b>19. CURRENT LIABILITIES – ACCOUNT PAYABLES</b>			
Trade creditors		92,344	139,505
Trade creditors – retentions		34,990	36,680
Interest payable		624	312
Other creditors and accruals		312,171	205,118
Amounts payable to immediate parent entity		–	81,284
Amounts payable to related entities		8,087	8,771
		<b>448,216</b>	<b>471,670</b>
<b>20. CURRENT LIABILITIES – PAYROLL PAYABLES</b>			
Employee benefits		5,590	10,767
<b>21. CURRENT LIABILITIES – TAX PAYABLES</b>			
GST payable		8,586	6,411
Other tax payables		785	650
		<b>9,371</b>	<b>7,061</b>
<b>22. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES</b>			
Other loan – unsecured		1,329	–
The unsecured loan has a fixed interest rate of 2.7%.			
<b>23. CURRENT LIABILITIES – PROVISIONS</b>			
Workers' compensation	(a) (b)	3,049	3,724
Onerous lease commitments	(b)	5,176	5,489
		<b>8,225</b>	<b>9,213</b>

**(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
<b>Year ended December 2016</b>				
Carrying amount at beginning of reporting period		14,601	22,282	36,883
Amounts provided		(470)	–	(470)
Amounts paid		(2,779)	(8,026)	(10,805)
Carrying amount at reporting date		11,352	14,256	25,608
Total balance presented as:				
Current		3,049	5,176	8,225
Non-current	25	8,303	9,080	17,383
		<b>11,352</b>	<b>14,256</b>	<b>25,608</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
 for the year ended 31 December 2016
 

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	December 2016 Notes	December 2016 \$'000	December 2015 \$'000
<b>24. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES</b>			
<b>The balance comprises temporary differences attributable to:</b>			
Partnership taxable profit recognition		3,529	4,155
Other		287	308
		<b>3,816</b>	4,463
Set-off against deferred tax assets pursuant to set-off provisions	16	<b>(3,816)</b>	(4,463)
Net deferred tax liabilities		–	–

**Movements**

Opening balance		4,463	8,752
Credited to income statement	6	<b>(647)</b>	(4,289)
Closing balance		<b>3,816</b>	4,463

**25. NON-CURRENT LIABILITIES – PROVISIONS**

Workers' compensation	23	8,303	10,877
Onerous lease commitments	23	9,080	16,793
		<b>17,383</b>	27,670

	December 2016 Shares '000	December 2015 Shares '000	December 2016 \$'000	December 2015 \$'000
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**26. ISSUED CAPITAL****Ordinary shares**

690,000,000 (31 December 2015: 690,000,000)

	690,000	690,000	690,000	690,000
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**Movements during the period**

Opening balance	690,000	300,000	690,000	300,000
Issue of ordinary shares	–	390,000	–	390,000
Closing balance	<b>690,000</b>	690,000	<b>690,000</b>	690,000

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.

**27. 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 December 2016**


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**December 2016**    December 2015  
**\$'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
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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	<b>20,875</b>	22,873
– later than one year but not later than five years	<b>57,363</b>	54,970
– later than five years	<b>20,612</b>	26,785
Minimum lease payments in aggregate	<b>98,850</b>	104,628

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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.

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**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:

**688,783**                677,759

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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 (with the exception of John Holland Melbourne Rail Franchise Pty Ltd, John Holland Sydney NRT Pty Ltd, John Holland Rail & Civil Sdn. Bhd., John Holland CM Operations Pty Ltd, John Holland MTA Pty Ltd and John Holland (BCR) Pty Ltd) 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 2016.

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 December 2016**


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

The persons who held office as Directors of John Holland Pty Ltd during the year ended 31 December 2016 were:

Joseph D. Barr, BBldg, DipMgt (Chairman) (appointed 14 November 2016)

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

Russell J. Cuttler, Diploma of Engineering

Greg Cain, Certificate of Technology – Mechanical Design

Glenn M. Palin, BAppSc, GradDipBuild, GradDipAppFin&Invest, MAICD

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

	<b>Year ended December 2016</b>	<b>Year ended December 2015</b>
	<b>\$</b>	<b>\$</b>
Key management personnel	<b>10,306,178</b>	7,575,771

**(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 28 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 2016:

**(i) China Communications Construction Group**

China Communications Construction Group holds a 63.84% 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 Australia Pty Ltd (formerly Metro Trains Melbourne Pty Ltd)	20.00
Metro Trains Sydney Pty Ltd	20.00

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 December 2016**


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**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)	40.00
BJB	38.00
Coleman Rail John Holland & York Civil (Tracksure Rail Upgrade)	38.00
GHD John Holland (Perth City Link Rail Alliance)	85.00
John Holland Bouygues Travaux Publics (Glenfield Junction Alliance)	54.00
John Holland Bouygues Travaux Publics (North Strathfield Rail Underpass)	50.00
John Holland Bouygues Travaux Publics (Arncliffe)	50.00
John Holland Abigroup Contractors (Bulk Water Alliance)	50.00
John Holland Coleman Rail (Activate)	50.00
John Holland Fairbrother (Uni Tas, Risdon, IMAS, Royal Hobart Hospital)	50.00
John Holland Fulton Hogan (Hunua, Minor Rail Projects)	50.00
John Holland Laing O'Rourke (RGP5 Rail – Track and Signals)	50.00
John Holland Laing O'Rourke & NRW (RGP5 South Works)	33.00
John Holland Leed Engineering and Construction (NIAW)	67.00
John Holland Leighton Asia, India and Offshore (South East Asia)	50.00
John Holland Lend Lease (SW Program Management Works)	50.00
John Holland Pindan (Eastern Goldfields)	50.00
John Holland Tenix Alliance (Mackay Water)	50.00
John Holland UGL Infrastructure (Murrumbidgee Irrigation Alliance)	50.00
John Holland Veolia Water Australia (Sydney Desalination Plant)	72.00
John Holland Veolia Water Australia (Gold Coast Desalination Plant)	64.00
Leighton Asia, India and Offshore John Holland (Hong Kong South Island Line Project)	45.00
Thiess John Holland (EastLink)	50.00
Dragados Australia Pty Ltd & John Holland Pty Ltd & Thiess Pty Ltd (NWRL TSC)	25.00
John Holland Pty Ltd and Kellogg Brown & Root Pty Ltd (Melbourne Water Capital Works)	50.00
John Holland Pty Ltd, UGL Engineering Pty Ltd and GHD Pty Ltd (Malabar Alliance)	43.30
NRT Infrastructure JV (NWRL OTS (IJV))	50.00
John Holland Pty Ltd & Leighton Contractors Pty Ltd & MTR Corporation & (Sydney) NRT Pty Limited & UGL Rail Services Pty Limited (NWRL OTS NRT D&D)	25.00
Comdain Civil Constructions Pty Ltd & John Holland Pty Ltd (NSW Water Metering)	50.00
John Holland Pty Ltd & Leighton Contractors Pty Ltd & Samsung C&T Corporation (Westconnex Stage 1B)	33.00
John Holland Pty Ltd & CPB Pty Ltd JV (Canberra Light Rail (D&C))	50.00
John Holland Zhen Hua Joint Venture (T309 Siglap Station)	60.00
John Holland Pty Ltd & Strukton Rail Australia Pty Ltd (Acuit Systems)	50.00

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

*(vii) Active joint ventures (with consolidated entity's percentage financial interest shown)*

Canberra Metro Operations Pty Ltd (an incorporated JV between John Holland CM Operations Pty Ltd & Pacific Partnerships Services Pty Ltd)	30.00
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**(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 2016

**31. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

**(a) Investment 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 2016 %	December 2015 %	December 2016 \$'000	December 2015 \$'000
Metro Trains Australia Pty Ltd (formerly Metro Trains Melbourne Pty Ltd)	Operations and maintenance	30 June	20.00	20.00	10,533	12,508
Metro Trains Sydney Pty Ltd	Operations and maintenance	30 June	20.00	20.00	66	–
					<b>10,599</b>	12,508
					<b>Year ended December 2016 \$'000</b>	<b>Year ended December 2015 \$'000</b>

**Results of associates**

Share of associates' profit before tax	12,696	21,822
Share of associates' income tax expense	(3,809)	(6,547)
Share of associates' profit after tax	<b>8,887</b>	15,275

	<b>December 2016 Note \$'000</b>	<b>December 2015 \$'000</b>
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**Share of retained profits attributable to associates**

Share of associates' retained profits at beginning of reporting period	9,258	9,884
Share of associates' profit after tax	8,887	15,275
Dividends paid during the period	(10,796)	(15,901)
Share of associates' retained profits at reporting date	<b>7,349</b>	9,258

**Movements in carrying amount of investments**

Carrying amount at beginning of reporting period	12,508	13,134
Share of associates' profit after tax	8,887	15,275
Dividends paid during the period	(10,796)	(15,901)
Carrying amount at reporting date	13	<b>10,599</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2016

**31. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)**

**(b) Investment in joint ventures**

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

Name of company	Principal activity	Balance date	Ownership interest		Carrying amount	
			December 2016 %	December 2015 %	December 2016 \$'000	December 2015 \$'000
Canberra Metro Operations	Operations and maintenance	30 June	50.00	–	(335)	

	Year ended December 2016 \$'000	Year ended December 2015 \$'000
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**Results of joint ventures**

Share of joint ventures' profit before tax	(479)	–
Share of joint ventures' income tax expense	144	–
Share of joint ventures' profit after tax	(335)	–

	December 2016 \$'000	December 2015 \$'000
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**Share of accumulated losses attributable to joint ventures**

Share of joint ventures' accumulated losses at beginning of reporting period	–	–
Share of joint ventures' loss after tax	(335)	–
Share of joint ventures' accumulated losses at reporting date	(335)	–

**Movements in carrying amount of investments**

Carrying amount at beginning of reporting period	–	–
Share of joint ventures' loss after tax	(335)	–
Carrying amount at reporting date	13	(335)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2016

**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, John Holland Rail & Civil Sdn. Bhd., John Holland CM Operations Pty Ltd, John Holland (CAH) Pty Ltd, John Holland CM Investments Pty Ltd, John Holland MTA Pty Ltd and John Holland (BCR) Pty Ltd) are parties to a deed of cross guarantee under which each entity guarantees the debts of others. The following entities are parties to the deed as at 31 December 2016:

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

**Notes**

- 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.
- The entity has taken advantage of the relief outlined above.
- These entities form part of the 'Closed Group' as defined by the Class Order, as at 31 December 2016.

**(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 2016 of the Closed Group.

	Year ended December 2016 \$'000	Year ended December 2015 \$'000
<b>Statement of profit or loss</b>		
Revenue	2,324,169	2,465,426
Expenses	(2,255,300)	(2,483,582)
Other income	3,899	22,926
Interest income	10,927	7,142
Interest expense	(5,489)	(3,449)
Net foreign exchange (losses) gains	(4,208)	8,540
<b>Profit before income tax (expense) benefit</b>	<b>73,998</b>	<b>17,003</b>
Income tax (expense) benefit	(23,216)	42,502
<b>Profit for the year</b>	<b>50,782</b>	<b>59,505</b>
<b>Summary of movements in consolidated accumulated losses</b>		
Accumulated losses at the beginning of reporting period	(127,672)	(139,953)
Profit for the period	50,782	59,505
Dividends paid or provided for	-	(47,224)
<b>Accumulated losses at reporting date</b>	<b>(76,890)</b>	<b>(127,672)</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 December 2016**


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**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 2016 of the Closed Group.

	<b>December 2016</b>	December 2015
	<b>\$'000</b>	\$'000
<b>Assets</b>		
Cash and cash equivalents	433,253	578,058
Account receivables	53,556	54,699
Other receivables	709,269	250,379
Inventories	135,170	136,145
Prepayments	21,085	12,490
Derivative financial instruments	1,540	1,708
Available-for-sale financial assets	6	6
Property, plant and equipment	164,316	161,661
Property, plant and equipment – construction in progress	2,389	1,935
Deferred tax assets	50,469	71,774
Goodwill	9,200	9,670
Other intangible assets	12,152	14,217
<b>Total assets</b>	<b>1,592,404</b>	1,292,742
<b>Liabilities</b>		
Interest bearing liabilities	1,329	–
Account payables	557,558	402,511
Advances from customers	291,034	182,589
Payroll payables	78,587	84,235
Derivative financial instruments	1,753	2,583
Tax payables	10,848	8,441
Provisions	38,547	50,648
<b>Total liabilities</b>	<b>979,656</b>	731,007
<b>Net assets</b>	<b>612,748</b>	561,735
<b>Equity</b>		
Issued capital	690,000	690,000
Reserves	(362)	(592)
Accumulated losses	(76,890)	(127,673)
<b>Total equity</b>	<b>612,748</b>	561,735

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
 for the year ended 31 December 2016
 

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**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 2016 \$'000	Year ended December 2015 \$'000
Cash and cash equivalents	7	428,020	566,204

**(b) Non-cash financing and investing activities**

There were no non-cash financing and investing activities during the year ended 31 December 2016.

**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 2016 \$'000	December 2015 \$'000
<b>Statement of financial position</b>		
Current assets	1,395,563	1,359,836
Non-current assets	152,082	248,981
Total assets	1,547,645	1,608,817
Current liabilities	844,610	955,843
Non-current liabilities	18,607	5,786
Total liabilities	863,217	961,629
Net assets	684,428	647,188
Equity		
Issued capital	690,000	690,000
Accumulated losses	(5,572)	(42,812)
Total equity	684,428	647,188
<b>Profit for the year</b>	<b>37,240</b>	<b>98,273</b>
<b>Total comprehensive profit for the year</b>	<b>37,240</b>	<b>98,273</b>

**(b) Contingent liabilities of the parent entity**

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

688,783 677,759

**(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

**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 2016

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 2016 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*.



**J.D. Barr**  
Chairman



**D.A. Ray**  
Director

Melbourne, 14 March 2017

## > INDEPENDENT AUDITOR'S REPORT



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### Independent auditor's report to the members of John Holland Pty Ltd

#### Opinion

We have audited the financial report of John Holland Pty Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance for the year ended on that date; and
- b. complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## Responsibilities of the Directors 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.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Michael Collins' in a cursive style.

Michael Collins  
Engagement Partner  
Melbourne  
14 March 2017





[johnholland.com.au](http://johnholland.com.au)