

**JOHN  
HOLLAND**

# Financial Report 2019



**Financial Report**  
**31 December 2019**

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 2019

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 2019.

### 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)**

Mr Barr joined the Company in September 2016 and was subsequently appointed the 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 the Company's domestic and international operations and has a key focus on strategy development and implementation, enhanced profitability, innovation and people development.

**R.L. Heale,  
BE(Hons), MConstLaw,  
FIEAust, FAICD**

Mr Heale was appointed Chief Operating Officer of the Company in September 2017. Prior to this he held the dual role of Director and Executive General Manager VIC/SA/TAS at CPB Contractors Pty Ltd. Mr Heale brings over 30 years' civil engineering experience and has overseen the delivery of many large and complex engineering and building projects throughout Australia and Asia spanning rail, roads, bridges, airports, wharves, power stations and water projects. Mr Heale is a Registered Building Practitioner in both Victoria, South Australia and Western Australia.

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

Mr Ray is the Company's Chief Financial Officer and Company Secretary. After more than seven years with a major chartered accounting firm, he joined the Company in 1994 and has held the senior finance role in the Company since the early 2000's. He was appointed Company Secretary in October 2003, became Chief Financial Officer in January 2006, and was appointed as a Director of the Company in November 2012.

Russell Cuttler was a Director of John Holland Pty Ltd during the year until his resignation from the Board on 30 September 2019.

### PRINCIPAL ACTIVITIES

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

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

### CONSOLIDATED RESULTS

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

	Year ended December 2019 \$'000	Year ended December 2018 \$'000
(Loss) profit before income tax expense	<b>(107,366)</b>	87,889
Income tax benefit (expense)	<b>23,989</b>	(21,922)
(Loss) profit attributable to the owner of John Holland Pty Ltd	<b>(83,377)</b>	65,967

## Directors' Report (continued) for the year ended 31 December 2019

### REVIEW OF OPERATIONS \*

The Directors consider the underlying business to be in a strong position due to its sound overall financial position, robust operating cashflow, solid pipeline of infrastructure projects being tendered and the more than \$5.4 billion of new work won in 2019, which included the Chisholm Road Prison (\$895 million), Sydney Football Stadium (\$726 million), Victorian Heart Hospital (\$448 million) and North West Program Alliance – Bell to Moreland (\$383 million) projects.

In 2019, and in addition to securing and delivering construction projects, the Company:

- completed the successful integration of the RCR O'Donnell Griffin rail and transport business acquired in February 2019; and
- was awarded a \$299 million contract to deliver the new Waterloo metro station (noting that the Company's parent entity, John Holland Group Pty Ltd, was also awarded an integrated development above it, together with joint venture partner Mirvac).

On the back of these achievements, and securing over \$5.4 billion of new work during the year (as noted above), levels of work in hand have increased to \$13.3 billion at December 2019 as compared to \$12.2 billion at the end of 2018.

However, the Company is not immune to the challenges experienced by the infrastructure and construction industry in Australia. The Company has been required to write-down margins on key projects in the current year which has had a considerable impact on the consolidated entity's 2019 results. The successful management of the challenges presented by major infrastructure projects, together with continuing to pursue other strategic opportunities, will be a focus of the Company for 2020.

The consolidated entity has reported a loss before tax for the year ended 31 December 2019 of \$(107,366,000) (2018: profit of \$87,889,000) on revenue of \$3,962,814,000 (2018: \$4,228,366,000). Loss after tax for the year ended 31 December 2019 was \$(83,377,000) (2018: profit of \$65,967,000). The current year financial result reflects the impact of margin write-downs on a small number of projects.

At 31 December 2019, net cash is \$743,040,000 (31 December 2018: \$642,967,000), net assets are \$735,334,000 (31 December 2018: \$825,987,000) and net current assets are \$306,853,000 (31 December 2018: \$564,503,000).

The increase in the consolidated entity's cash balance from the previous year end reflects a relatively strong operating cashflow of \$63,204,000, especially considering the Company's loss result in 2019, which represents a continued focus on working capital management. The movement in the Company's cash balance during the year also reflects repayment of loans of \$255,611,000 by related parties and net cash outflows on property, plant and equipment (primarily in respect of major projects) of \$158,443,000.

The reduction in the consolidated entity's net assets, and net current assets, as at 31 December 2019, as compared to the previous year-end, reflects the loss result incurred for the year. The decrease in net current assets also reflects a significant increase in net deferred tax assets, due to the difference between the timing of project profit recognition for tax and accounting purposes, the considerable outlay on property, plant and equipment in the current year and the impact of the adoption, in 2019, of the new accounting standard in respect of leases.

In the opinion of the Directors, the consolidated entity, with the full support of its ultimate parent entity China Communications Construction Company Ltd, remains very well positioned to capitalise on a strong underlying business and solid pipeline of prospects to achieve profitability and growth in the years to come.

\* Amounts referenced above in respect of specific projects represent the Company's share of their respective contract values.

### DIVIDENDS

No dividends have been paid, declared or determined by the Company in respect of the year ended 31 December 2019 or the year ended 31 December 2018.

### 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

In respect of the West Gate Tunnel project, the Company, in conjunction with its joint venture partner CPB Contractors Pty Limited (together, the D&C Sub Contractor), issued Transurban WGT Co Pty Ltd (Transurban) on 28 January 2020 a termination notice of the D&C Subcontract on the basis of a Force Majeure Termination Event (the Event). The Event relates to issues in respect of the presence, clarification and disposal of per and polyfluorinated alkyl substances (PFAS) within the project site. Transurban advised the Australian Securities Exchange on 29 January 2020 that it does not consider the D&C Subcontract has been validly terminated and, as such, they consider the contract remains valid. At the date of this report, the D&C Sub Contractor is, under protest, continuing works on site and commercial negotiations between the parties in respect of this matter are ongoing. The accounting position adopted in respect of this project as at 31 December 2019 incorporates all known facts and circumstances.

There have been no other transactions or events subsequent to balance date of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

**Directors' Report (continued)  
for the year ended 31 December 2019**

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

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

**ENVIRONMENTAL REGULATION**

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

During the financial year, one John Holland Pty Ltd (Territoria Civil) project incurred two penalty infringements under the Waste Management and Pollution Control Act 1998 (NT) on a single occasion.

Since 1995, the consolidated entity has implemented environmental practices on all its sites that meet the requirements of 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 ISO14001:2016 by third party certifier Davis Langdon Certification Services. The scope of certification is reviewed at each environmental audit to ensure it remains current and comprehensive.

All project operations produce monthly reports on environmental performance covering issues such as environmental incidents, non-compliances, infringements and complaints. Reported issues remain on record until declaration that they are rectified and/or resolved. Each quarter, an Environmental Compliance Report is compiled, signed off by the Chief Executive Officer and submitted to the Board. To date, no conviction for an environmental offence has been incurred by John Holland Group Pty Ltd or its controlled entities.

Regular environmental audits are planned and conducted by personnel independent of the operations and third party auditors to evaluate the effectiveness of environmental practices. The audits examine the environmental issues and their potential impacts on operations, compliance with legislative requirements and the effectiveness of established environmental controls. Items identified for actions and improvements are reported to senior management, and each issue is addressed and closed out.

The consolidated entity is subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007, which requires it to report its annual greenhouse gas emissions and energy use. The consolidated entity has implemented systems and processes for the collection and calculation of the data required and submitted its 2018/19 report to the Clean Energy Regulator prior to 30 October 2019.

**DIRECTORS' DEED OF INDEMNITY**

The Company has entered into deeds of indemnity, insurance and access with its current and former Directors. Under each director's deed, the Company indemnifies the Director to the extent permitted by law against any liability (including liability for legal defence costs) incurred by the Director as an Officer or former Officer of the Company or any Operating Company, or while acting at the request of the Company or any Operating Company as an Officer of a non-controlled entity.

**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 2019.

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, 16 March 2020

## > 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 the financial report of John Holland Pty Ltd for the financial year ended 31 December 2019, 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

Ernst & Young

A handwritten signature in black ink that reads 'CL Reid'.

Christopher Reid  
Partner  
16 March 2020

## > Consolidated Statement of Profit or Loss

for the year ended 31 December 2019

	Notes	Year ended December 2019 \$'000	Year ended December 2018 \$'000
Revenue	3	3,962,814	4,228,366
Expenses	5	(4,129,507)	(4,198,426)
<b>Operating (loss) profit</b>		<b>(166,693)</b>	29,940
Other income	4	7,658	419
Interest income		52,772	52,260
Interest expense		(13,398)	(11,191)
Net foreign exchange gains		171	9
Share of net profits of investments accounted for using the equity method *	32	12,124	16,452
<b>(Loss) profit before income tax expense</b>		<b>(107,366)</b>	87,889
Income tax benefit (expense)	6	23,989	(21,922)
<b>(Loss) profit for the year</b>		<b>(83,377)</b>	65,967
<b>(Loss) profit attributable to the owner of John Holland Pty Ltd</b>		<b>(83,377)</b>	65,967

\* 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 Other Comprehensive Income

for the year ended 31 December 2019

	Year ended December 2019 \$'000	Year ended December 2018 \$'000
<b>(Loss) profit for the year</b>	<b>(83,377)</b>	65,967
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange difference on translation of foreign operations	61	1,680
<b>Other comprehensive income for the year, net of tax</b>	<b>61</b>	1,680
<b>Total comprehensive (loss) income for the year</b>	<b>(83,316)</b>	67,647
<b>Total comprehensive (loss) income for the year is attributable to:</b>		
<b>Owner of John Holland Pty Ltd</b>	<b>(83,316)</b>	67,647

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

## > Consolidated Statement of Financial Position

as at 31 December 2019

	Notes	December 2019 \$'000	December 2018 \$'000
<b>Current assets</b>			
Cash and cash equivalents	7	743,040	642,967
Account receivables	8	127,711	50,250
Other receivables	9	899,099	1,182,412
Contract assets		207,248	218,899
Inventories	10	17,097	2,447
Prepayments		37,585	17,331
<b>Total current assets</b>		<b>2,031,780</b>	<b>2,114,306</b>
<b>Non-current assets</b>			
Long-term receivables	11	11,921	11,921
Investments accounted for using the equity method	12	18,435	19,370
Available-for-sale financial assets		6	6
Property, plant and equipment	13	254,606	204,443
Property, plant and equipment - construction in progress	14	17,325	15,046
Right-of-use-assets	15	52,687	-
Deferred tax assets	16	111,112	8,205
Goodwill	17	34,878	9,200
Other intangible assets	18	11,189	8,044
<b>Total non-current assets</b>		<b>512,159</b>	<b>276,235</b>
<b>Total assets</b>		<b>2,543,939</b>	<b>2,390,541</b>
<b>Current liabilities</b>			
Interest bearing liabilities	22	1,800	12,000
Lease liabilities	15	22,425	-
Account payables	19	818,162	856,285
Contract liabilities		829,104	630,970
Payroll payables	20	23,293	9,724
Tax payables	21	23,273	36,094
Provisions	23	6,870	4,730
<b>Total current liabilities</b>		<b>1,724,927</b>	<b>1,549,803</b>
<b>Non-current liabilities</b>			
Lease liabilities	15	37,470	-
Account payables	25	31,047	-
Provisions	26	15,161	14,751
<b>Total non-current liabilities</b>		<b>83,678</b>	<b>14,751</b>
<b>Total liabilities</b>		<b>1,808,605</b>	<b>1,564,554</b>
<b>Net assets</b>		<b>735,334</b>	<b>825,987</b>
<b>Equity</b>			
Issued capital	27	690,000	690,000
Reserves		(1,172)	(1,233)
Retained profits		46,506	137,220
<b>Total equity</b>		<b>735,334</b>	<b>825,987</b>

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

## > Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Issued capital \$'000	Foreign currency translation reserve \$'000	Retained profits \$'000	Total equity \$'000
<b>Balance at 1 January 2018</b>	<b>690,000</b>	<b>(2,913)</b>	<b>71,253</b>	<b>758,340</b>
Profit for the year	-	-	65,967	65,967
Other comprehensive income for the year, net of income tax	-	1,680	-	1,680
Total comprehensive income for the year	-	1,680	65,967	67,647
<b>Balance at 31 December 2018</b>	<b>690,000</b>	<b>(1,233)</b>	<b>137,220</b>	<b>825,987</b>
Impact of the adoption of new accounting standard AASB 16	-	-	(7,337)	(7,337)
<b>Balance at 1 January 2019</b>	<b>690,000</b>	<b>(1,233)</b>	<b>129,883</b>	<b>818,650</b>
Loss for the year	-	-	(83,377)	(83,377)
Other comprehensive income for the year, net of income tax	-	61	-	61
Total comprehensive income (loss) for the year	-	61	(83,377)	(83,316)
<b>Balance at 31 December 2019</b>	<b>690,000</b>	<b>(1,172)</b>	<b>46,506</b>	<b>735,334</b>

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

## > Consolidated Statement of Cash Flows

for the year ended 31 December 2019

	Year ended December 2019 \$'000	Year ended December 2018 \$'000
	Note	
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	4,544,409	4,805,781
Payments for goods and services (inclusive of goods and services tax)	(4,479,128)	(4,464,694)
Dividends received from associates	13,059	7,872
Interest received	884	2,487
Interest paid	(16,019)	(11,478)
<b>Net cash inflow from operating activities</b>	<b>63,205</b>	<b>339,968</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(169,073)	(166,554)
Proceeds from sale of property, plant and equipment	10,630	5,320
Loans to related parties	(38,774)	(23,024)
Repayments by related parties	1,200	1,366
Payments for acquisition of business	(19,330)	-
<b>Net cash outflow from investing activities</b>	<b>(215,347)</b>	<b>(182,892)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	5,000
Repayment of borrowings	(10,200)	(2,429)
Intercompany cash advances (repayments)	294,385	(232,737)
Payment of lease liabilities	(31,799)	-
<b>Net cash inflow (outflow) from financing activities</b>	<b>252,386</b>	<b>(230,166)</b>
Effect of changes in foreign currency on cash and cash equivalents	(171)	12
Net increase (decrease) in cash and cash equivalents held	100,244	(73,090)
Cash and cash equivalents at the beginning of the period	642,967	716,045
<b>Cash and cash equivalents at reporting date</b>	<b>743,040</b>	<b>642,967</b>

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

# > Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

## 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 16 March 2020. 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).

### Going Concern basis of accounting

The financial report has been prepared on a going concern basis and, whilst not expected, the Company's parent entity has sufficient financial capacity to provide support if needed.

### Historical cost convention

These consolidated financial statements have been prepared under the historical cost basis except for available-for-sale financial assets and derivative financial instruments, both of which are measured at fair value.

### Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

### Rounding of amounts

The consolidated entity is of a kind referred to in 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, unless otherwise stated.

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 16 Leases.
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation.
- AASB 2017-7 Amendments to Australian Accounting Standards – Long term Interest in Associates and Joint Ventures.
- AASB 2018-1 Annual Improvements to IFRS Standards 2015–2017 Cycle.
- AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement.
- AASB Interpretation 23 Uncertainty over Income Tax Treatment.

### AASB 16: Leases

In the current year, the Group has applied AASB 16 Leases which has come into effect 1 January 2019. Details of the new requirements of AASB 16, as well as their impact on the Group's consolidated financial statements, are described below.

AASB 16 replaces AASB 117 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease* and SIC - 15 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It has the objective to provide users of the financial statements with a basis to assess the effect that leases have on the financial position, financial performance and cash flows of the entity.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. Lessor accounting under AASB 16 is substantially unchanged from previous accounting under AASB 117 and has no material impact to the Group.

For a lessee, a liability to make lease payments (lease liability) and an asset representing the right to use the underlying asset during the lease term (right-of-use asset) are recognised at the commencement date of a lease. Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees are also required to remeasure the lease liability upon the occurrence of certain events, such as a change in the lease term or lease payments. The amount of the re-measurement of the lease liability is recognised as an adjustment to the carrying amount of the right-of-use asset.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases at the date of initial application. The Group also elected to use the recognition exemptions for the lease contracts that, at the commencement date, have a lease term of 12 months or less (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The Group's accounting policies for leases are disclosed in detail in Note 1(m).

**Notes to the Consolidated Financial Statements (continued)  
for the year ended 31 December 2019**

*Impact on application*

The Group has applied AASB 16 on a modified retrospective basis using the transition practical expedient and recognition exemptions for short-term leases and leases of low value assets. The comparative figures are therefore not restated.

The opening retained earnings adjustments due to the application of AASB 16 are as follows:

	\$'000
<b>Assets</b>	
Right-of-use assets	63,337
Deferred tax assets	2,909
<b>Total assets</b>	<b>66,246</b>
<b>Liabilities</b>	
Lease liabilities	73,583
<b>Total liabilities</b>	<b>73,583</b>
<b>Net assets</b>	<b>(7,337)</b>
<b>Equity</b>	
Retained earnings	(7,337)
	<b>(7,337)</b>

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 2019-1 *Conceptual Framework for Financial Reporting Amendments to Australian Accounting Standards - Reference to the Conceptual Framework*.
- AASB 2018-6 *Amendments to Australian Accounting Standards - Definition of a Business*.
- AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Material*.
- AASB 2014-10 *Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

**(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 2019, 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 statement of profit or loss and its share of post-acquisition movements is adjusted against the carrying amount of the investment. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the consolidated entity's proportionate interest in the associate arising from changes in the associate's other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment, foreign exchange translation differences and movements in the hedge reserve. The consolidated entity's share of those changes is recognised in other comprehensive income.

## Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2019

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

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

### (iii) Joint arrangements

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

## (c) Revenue recognition

### (i) Construction revenue

The Group derives revenue from the long-term construction of major infrastructure projects. Contracts entered into may be for the construction of one or several separate inter-linked pieces of large infrastructure. The construction of each individual piece of infrastructure is generally taken to be one performance obligation. Where contracts are entered for the building of several projects the total transaction price is allocated across each project based on stand-alone selling prices. The transaction price is normally fixed at the start of the project. It is normal practice for contracts to include bonus and penalty elements based on timely construction or other performance criteria known as variable consideration, discussed below.

The performance obligation is fulfilled over time and as such revenue is recognised over time. As work is performed on the assets being constructed they are controlled by the customer and have no alternative use to the Group, with the Group having a right to payment for performance to date.

A stage of completion approach is used to measure progress towards completion of the performance obligation. 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 in respect of a contract is recognised immediately as an expense.

### (ii) Services revenue

The Group performs maintenance and other services for a variety of different industries. Contracts entered into can cover servicing of related assets which may involve various different processes. These processes and activities tend to be highly inter-related and the Group provides a significant service of integration for these assets under contract. Where this is the case, these are taken to be one performance obligation. The total transaction price is allocated across each service or performance obligation and, where linked, the construction of the relevant asset. The transaction price is allocated to each performance obligation based on contracted prices. The total transaction price may include variable consideration.

Performance obligations are fulfilled over time as the Group enhances assets which the customer controls, for which the Group does not have an alternative use and for which the Group has right to payment for performance to date. Revenue is recognised in the accounting period in which the services are rendered based on the amount of the expected transaction price allocated to each performance obligation. Customers are in general invoiced on a monthly basis for an amount that is calculated on either a schedule of rates or a cost plus basis that are aligned with the stand alone selling prices for each performance obligation. Payment is received following invoice on normal commercial terms.

## Variable consideration

It is common for contracts to include performance bonuses or penalties assessed against the timeliness or cost effectiveness of work completed or other performance related KPIs. Where consideration in respect of a contract is variable, the expected value of revenue is only recognised when the uncertainty associated with the variable consideration is subsequently resolved, known as "constraint" requirements. The Group assesses the constraint requirements on a periodic basis when estimating the variable consideration to be included in the transaction price. The estimate is based on all available information including historic performance. Where modifications in design or contract requirements are entered into, the transaction price is updated to reflect these. Where the price of the modification has not been confirmed, an estimate is made of the amount of revenue to recognise whilst also considering the constraint requirement.

The new standard provides new requirements for variable consideration such as incentives, as well as accounting for claims and variations as contract modifications which all impart a higher threshold of probability for recognition. Revenue was previously recognised when it is probable that work performed will result in revenue whereas under the new standard, revenue is recognised when it is highly probable that a significant reversal of revenue will not occur.

## Contract fulfilment costs

Costs incurred prior to the commencement of a contract may arise due to mobilisation/site setup costs, feasibility studies, environmental impact studies and preliminary design activities as these are costs incurred to fulfil a contract. Where these costs are expected to be recovered, they are capitalised and amortised over the course of the contract consistent with the transfer of service to the customer. Where the costs, or a portion of these costs, are reimbursed by the customer, the amount received is recognised as deferred revenue and allocated to the performance obligations within the contract and recognised as revenue over the course of the contract.

## Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2019

### Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer represents a financing component. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

### Warranties and defect periods

Generally construction and services contracts include defect and warranty periods following completion of the project. These obligations are not deemed to be separate performance obligations and are therefore estimated and included in the total costs of the contracts. Where required, amounts are recognised accordingly in line with AASB 137: Provisions, Contingent Liabilities and Contingent Assets.

### (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.

### (d) Finance costs

Finance costs are recognised as expenses in the period in which they are incurred except where they are included in the cost of qualifying assets. The capitalisation rate used to determine the amount of finance costs to be capitalised to qualifying assets is the weighted average interest rate applicable to the entity's borrowings during the period. Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings; and
- lease charges.

### (e) 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 as 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 financial report of John Holland Group 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.

#### (f) 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 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.

## Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2019

### (g) Non-derivative financial instruments

#### Non-derivative financial assets

##### (i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### (ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Measurement of cash and cash equivalents and account and other receivables remains at amortised cost consistent with the comparative period.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank and call deposits. For the purposes of the statement of cash flows, net cash includes cash on hand, cash at bank and short term deposits at call, net of bank overdrafts where there is an ability to offset and an intention to settle.

#### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments as follows:

- Amortised Cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collecting contractual cash flows and through sale on specified dates. A gain or loss on a debt instrument that is subsequently measured at FVOCI is recognised in other comprehensive income.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains (losses) in the period in which it arises.

#### Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other expenses in the statement of profit or loss as applicable.

##### (iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For account receivables, contract debtors and other receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

#### Non-derivative financial liabilities

##### Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

##### Account and other payables

Liabilities are recognised for amounts to be paid for goods or services received. Account payables are settled on terms aligned with the normal commercial terms in the Group's countries of operation.

##### (h) Derivative financial instruments

Derivative financial instruments are stated at fair value, with changes in fair value recognised in the statement of profit or loss. Where derivative financial instruments qualify for hedge accounting, recognition of changes in fair value depends on the nature of the item being hedged. Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires, is sold, terminated, exercised, or no longer qualifies for hedge accounting.

The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

## Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2019

### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other expenses.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve in equity. The change in the forward element of the contract that relates to the hedged item is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the option contract as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve in equity. The changes in the time value of the option contracts that relate to the hedged item ('aligned time value') are recognised within other comprehensive income in the costs of hedging reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of forward and option contracts are ultimately recognised in profit or loss as the hedged item affects profit or loss within expenses.
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance cost'.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss. Hedge ineffectiveness is recognised in profit or loss within other expenses.

### (i) Contract assets and liabilities

#### Valuation

AASB 15 uses the terms 'contract asset' and 'contract liability' to describe what is commonly known as 'accrued revenue' and 'deferred revenue'. Contract receivables represent receivables in respect of which the Group's right to consideration is unconditional subject only to the passage of time. Contract receivables are non-derivative financial assets accounted for in accordance with the Group's accounting policy for non-derivative financial assets set out in Note 1(g).

Contract assets represent the Group's right to consideration for services provided to customers for which the Group's right remains conditional on something other than the passage of time. Contract liabilities arise where payment is received prior to work being performed. Contract assets and contract liabilities are 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, whereby the amount constitutes a debit balance (i.e. contract asset) or credit balance (contract liability) respectively. Contract assets and contract liabilities are recognised and measured in accordance with this accounting policy.

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.

Refer to Note 2(a) for details of critical accounting estimates and judgements involved in accounting for the consolidated entity's construction contracts.

### (j) Inventories

Inventories comprise consumables at cost.

#### Consumables

Consumables at cost are valued at the lower of cost and net realisable value. The cost of inventory is assigned by using the weighted average cost formula.

### (k) 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 consolidated statement of profit or loss 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.

## Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2019

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(p)).

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.

### (l) 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.

### (m) Leases

#### Policies applied from 1 January 2019

##### (i) The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In such instances, the Group recognises, at commencement date of the lease, a right-of-use asset and a corresponding lease liability with respect to all lease agreements, except for short term leases, cancellable leases that if cancelled by the lessee the losses associated with the cancellation are borne by the lessor, and low value leased assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

### Right-of-use assets

The right-of-use assets recognised by the Group comprise the initial measurement of the related lease liability, any lease payments made at or before the commencement of the contract, less any lease incentives received and any direct costs. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

### Lease liabilities

The Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics.

The following are included in the measurement of the lease liability (where applicable):

- Fixed lease payments offset by any lease incentives;
- Variable lease payments, for lease liabilities which are tied to a floating index;
- The amounts expected to be payable to the lessor under residual value guarantees;
- The exercise price of purchase options (if it is reasonably certain that the option will be exercised); and
- Payments of penalties for terminating leases, if the lease term reflects the lease terminating early.

The Group is required to remeasure the lease liability and make an adjustment to the right of use asset in the following instances:

- The term of the lease has been modified or there has been a change in the Group assessment of the purchase option being exercised, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; and

- The lease payments are adjusted due to changes in the index or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate. However, if a change in lease payments is due to a change in a floating interest rate, a revised discount rate is used.

The lease liability is separately disclosed on the consolidated statement of financial position. The liabilities which will be repaid within twelve months are recognised as current and the liabilities which will be repaid in excess of twelve months are recognised as non-current.

The lease liability is subsequently measured by reducing the balance to reflect the principal lease repayments made and increasing the carrying amount by the interest on the lease liability.

### Short-term leases and leases of low-value assets

Lease payments on short term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

### (ii) The Group as a lessor

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all risks and benefits incidental to ownership of leased non-current assets, and operating leases, under which the lessor effectively retains substantially all 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.

A leased asset is not recognised in the consolidated entity's consolidated statement of financial position in respect of operating leases.

### Policies applied prior to 1 January 2019

Refer to the Group's 2018 Financial Report for the accounting policies applied to leases prior to the adoption of AASB 16.

## Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2019

### (n) 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 notes 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.

### (o) Intangible assets

#### Goodwill

Goodwill on acquisitions 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.

#### 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 from the date they are acquired. The estimated useful lives in current and comparative periods are as follows:

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

## Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2019

### (p) 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.

### (q) 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, 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.

### (r) 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 and two of its controlled entities self-insure 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.

### (s) 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.

### (t) 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.

## Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2019

### (u) Foreign currency translation

#### (i) Functional 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.

### (v) Parent entity financial information

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

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience, 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 15 Revenue from Contracts with Customers*. The detailed accounting policy can be found in notes 1(c) and 1(i).

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

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

### Forecast costs at completion

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

### Revenues

Revenues reflect the contract price agreed in the contract and variations when approved by the parties to the contract and the amount becomes highly probable. Claims are included in contract revenue only when it is deemed there exists an enforceable right between the parties and the amount becomes highly 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.

The Directors note that, in certain cases, there remains uncertainty until the final outcome of the litigation or arbitration is determined.

**Notes to the Consolidated Financial Statements (continued)  
for the year ended 31 December 2019**

**(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 31 and 32.

**(f) Leases**

*Determination of the existence of leases*

The Group defines a lease as a contract, or part of a contract, if it enables the Group to control the use of an identified asset by directing the use of the asset and obtaining substantial economic benefit for a period of time. The Group applies judgement on the following when determining the existence of leases:

- whether the asset is identifiable.
- whether the Group has the right to control the use of an identified asset

*Estimation of lease extension options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease contract where such options are present in a lease contract.

**(g) 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 12 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 2019**

	Notes	Year ended December 2019 \$'000	Year ended December 2018 \$'000
<b>3. REVENUE</b>			
Main business revenue – construction contracting services		<b>3,806,688</b>	4,135,640
Main business revenue – other services		<b>156,126</b>	92,726
<b>Total revenue (excluding share of revenue of equity accounted investments)</b>		<b>3,962,814</b>	4,228,366

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>388,437</b>	348,707
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**4. OTHER INCOME**

Net gain on disposal of property, plant and equipment		<b>5,743</b>	126
Other income		<b>1,915</b>	293
		<b>7,658</b>	419

**5. EXPENSES**

Materials		<b>1,268,996</b>	1,567,705
Subcontractors		<b>1,866,594</b>	1,866,186
Operating lease costs		-	27,696
Depreciation	13,15	<b>136,881</b>	35,693
Amortisation	18	<b>3,389</b>	2,043
Personnel costs		<b>705,176</b>	615,530
Defined contribution superannuation expense		<b>62,793</b>	48,166
Other expenses		<b>85,678</b>	35,407
<b>Total expenses</b>		<b>4,129,507</b>	4,198,426

**(Loss) profit before income tax includes the following specific items:**

Other charges against assets			
- Provision for (reversal of) impairment of account receivables		<b>486</b>	(31)
- Provision for impairment of other receivables		<b>2,549</b>	69
- Write off of other receivables		<b>180</b>	-
- (Reversal of) provision for impairment of contract work due from customers		<b>(77)</b>	250
<b>Total other charges against assets</b>		<b>3,138</b>	288

**Notes to the Consolidated Financial Statements (continued)  
for the year ended 31 December 2019**

	Notes	Year ended December 2019 \$'000	Year ended December 2018 \$'000
<b>6. INCOME TAX (BENEFIT) EXPENSE</b>			
<b>(a) Income tax (benefit) expense</b>			
Current tax expense		68,000	3,263
Deferred tax (benefit) expense		(99,910)	20,581
Adjustments for current and deferred tax of prior periods		7,920	(1,922)
		<b>(23,989)</b>	21,922
Deferred income tax (benefit) expense included in income tax (benefit) expense comprises:			
(Increase) decrease in deferred tax assets	16	(92,041)	17,738
(Decrease) increase in deferred tax liabilities	24	(7,869)	2,843
		<b>(99,910)</b>	20,581
<b>(b) Numerical reconciliation of income tax (benefit) expense to prima facie tax payable</b>			
(Loss) profit before income tax (benefit) expense		(107,366)	87,889
Tax at the Australian tax rate of 30% (31 December 2018: 30%)		(32,210)	26,367
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Entertainment and other non-allowable items		344	695
Losses from foreign operations		3,264	1,639
Equity accounted income not subject to tax		(3,638)	(4,936)
Dividends from associates		3,918	2,362
Imputation credits from dividends from associates		(3,918)	(2,362)
Other		331	79
		<b>(31,909)</b>	23,844
Adjustments for current and deferred tax of prior periods		7,920	(1,922)
<b>Income tax (benefit) expense from continuing operations</b>		<b>(23,989)</b>	21,922

**(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 to (receivable from) 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.

**Notes to the Consolidated Financial Statements (continued)  
for the year ended 31 December 2019**

	Notes	December 2019 \$'000	December 2018 \$'000
<b>7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS</b>			
Cash at bank (including at-call investment accounts) and on hand		<b>550,536</b>	372,551
Term deposits		<b>192,504</b>	270,416
		<b>743,040</b>	642,967
<b>Interest</b>			
The cash at bank and at-call investment accounts are earning floating interest rates between 0% and 1.75% (31 December 2018: 0% and 1.75%) and the term deposits are earning fixed interest rates of between 1.54% and 1.84% (31 December 2018: 2.13% and 2.85%).			
<b>8. CURRENT ASSETS - ACCOUNT RECEIVABLES</b>			
Trade debtors		<b>127,711</b>	50,250
<b>9. CURRENT ASSETS - OTHER RECEIVABLES</b>			
Tax related amounts receivable from the head entity of the tax consolidated group		-	24,369
Amounts receivable from immediate parent entity		<b>137,124</b>	491,306
Other receivables - related entities		<b>279,216</b>	501,559
Other receivables - other entities		<b>482,661</b>	161,328
Income tax receivables		-	3,825
Interest receivables		<b>98</b>	25
		<b>899,099</b>	1,182,412
<b>10. CURRENT ASSETS - INVENTORIES</b>			
Consumables at cost		<b>17,097</b>	2,447
		<b>17,097</b>	2,447
<b>11. NON-CURRENT ASSETS - LONG-TERM RECEIVABLES</b>			
Loans to associates		<b>11,921</b>	11,921
<b>12. NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>			
Investment in associates	32	<b>19,880</b>	18,714
Investment in joint ventures	32	<b>(1,445)</b>	656
		<b>18,435</b>	19,370

**Notes to the Consolidated Financial Statements (continued)  
for the year ended 31 December 2019**

**13. 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 2018</b>						
At cost (net of impairment provision)		2,426	1,138	27,418	406,516	437,498
Accumulated depreciation		-	(962)	(22,795)	(209,298)	(233,055)
<b>Net book value</b>		<b>2,426</b>	<b>176</b>	<b>4,623</b>	<b>197,218</b>	<b>204,443</b>
<b>Net book value - 1 January 2019</b>						
Additions		-	-	4	140,849	140,853
Disposals		-	-	(2)	(4,885)	(4,887)
Depreciation expense	5	-	(12)	(2,223)	(105,885)	(108,120)
Transfer from construction in progress	14	-	-	242	22,075	22,317
<b>Net book value - 31 December 2019</b>		<b>2,426</b>	<b>164</b>	<b>2,644</b>	<b>249,372</b>	<b>254,606</b>
<b>At 31 December 2019</b>						
At cost (net of impairment provision)		2,426	1,119	19,924	535,373	558,842
Accumulated depreciation		-	(955)	(17,280)	(286,001)	(304,236)
<b>Net book value</b>		<b>2,426</b>	<b>164</b>	<b>2,644</b>	<b>249,372</b>	<b>254,606</b>

	December 2019	December 2018
Notes	\$'000	\$'000

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

**Plant and equipment**

Opening balance		15,046	5,021
Additions		29,867	22,995
Transfer to property, plant and equipment	13	(22,317)	(12,970)
Transfer to other intangible assets	18	(5,271)	-
<b>Closing balance</b>		<b>17,325</b>	<b>15,046</b>

**Notes to the Consolidated Financial Statements (continued)  
for the year ended 31 December 2019**

**15. RIGHT OF USE ASSETS AND LEASE LIABILITIES**

**(a) Right of use assets**

	Note	Buildings \$'000	Plant and equipment \$'000	Total right of use assets \$'000
<b>At 31 December 2018</b>		-	-	-
Impact of the adoption of new accounting standard AASB 16		54,650	8,687	63,337
<b>At 1 January 2019</b>		<b>54,650</b>	<b>8,687</b>	<b>63,337</b>
Additions		15,482	2,629	18,111
Depreciation expense	5	(25,673)	(3,088)	(28,761)
<b>At 31 December 2019</b>		<b>44,459</b>	<b>8,228</b>	<b>52,687</b>

**(b) Lease liabilities**

		Lease liabilities \$'000
<b>At 31 December 2018</b>		-
Impact of the adoption of new accounting standard AASB 16		73,583
<b>At 1 January 2019</b>		<b>73,583</b>
Additions		18,111
Interest expense		2,920
Payments		(34,719)
<b>At 31 December 2019</b>		<b>59,895</b>
Total lease liabilities balance presented as:		
Current		22,425
Non-current		37,470
		<b>59,895</b>

**(c) Amounts recognised in the Consolidated Statement of Profit or Loss**

	Year ended December 2019 \$
Loss before income tax includes the following specific items:	
Depreciation expense	3,088
Interest expense	2,920
Expense relating to short-term leases	436
Expense relating to low-value assets	49
Variable lease payments	3,613
	<b>10,106</b>

**Notes to the Consolidated Financial Statements (continued)  
for the year ended 31 December 2019**

	December 2019 Notes	December 2019 \$'000	December 2018 \$'000
<b>16. NON-CURRENT ASSETS - DEFERRED TAX ASSETS</b>			
<b>The balance comprises temporary differences attributable to:</b>			
Employee benefits		6,674	2,676
Non-deductible accrued expenses		5,968	4,191
Partnership taxable profit recognition		93,821	5,454
Property, plant and equipment		5,238	6,030
Other		3,202	1,514
		<b>114,903</b>	19,865
Set-off deferred tax liabilities pursuant to set-off provisions	24	<b>(3,791)</b>	(11,660)
Net deferred tax assets		<b>111,112</b>	8,205
<b>Movements</b>			
Closing balance - at prior year reporting date		19,865	34,109
Impact of the adoption of new accounting standard AASB 16		2,909	-
Opening balance		22,774	34,109
Credited (charged) to income statement	6	92,041	(17,738)
Transfer from other receivables		88	3,494
Closing balance		<b>114,903</b>	19,865
<b>17. NON-CURRENT ASSETS - GOODWILL</b>			
<b>Goodwill</b>			
Cost		35,091	9,413
Accumulated impairment		(213)	(213)
Net book amount		<b>34,878</b>	9,200
<b>Movements</b>			
Opening balance		9,200	9,200
Additions		25,678	-
Closing balance at 31 December		<b>34,878</b>	9,200

On 19 February 2019, John Holland Pty Ltd acquired RCR O'Donnell Girffin's rail and transport business for a total consideration of \$19,330,220. Goodwill arising from this acquisition is \$25,678,000.

**Notes to the Consolidated Financial Statements (continued)  
for the year ended 31 December 2019**

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

	Notes	Software \$'000	Customer contracts \$'000	Total intangible assets \$'000
<b>As at 31 December 2018</b>				
Cost		19,160	12,122	31,282
Accumulated amortisation		(11,247)	(11,991)	(23,238)
<b>Net book value</b>		<b>7,913</b>	<b>131</b>	<b>8,044</b>
<b>Net book value - 1 January 2019</b>				
		7,913	131	8,044
Additions		-	1,263	1,263
Amortisation expense	5	(2,235)	(1,154)	(3,389)
Transfer from construction in progress	14	5,271	-	5,271
<b>Net book value - 31 December 2019</b>		<b>10,949</b>	<b>240</b>	<b>11,189</b>
<b>As at 31 December 2019</b>				
Cost		23,290	14,526	37,816
Accumulated amortisation		(12,341)	(14,286)	(26,627)
<b>Net book value</b>		<b>10,949</b>	<b>240</b>	<b>11,189</b>

December 2019  
\$'000

December 2018  
\$'000

**19. CURRENT LIABILITIES - ACCOUNT PAYABLES**

Trade creditors	<b>355,014</b>	234,002
Trade creditors - retentions	<b>39,043</b>	34,702
Interest payable	<b>780</b>	919
Other creditors and accruals	<b>364,124</b>	577,519
Amounts payable to related entities	<b>59,201</b>	9,143
	<b>818,162</b>	856,285

**20. CURRENT LIABILITIES - PAYROLL PAYABLES**

Employee benefits	<b>23,293</b>	9,724
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**21. CURRENT LIABILITIES - TAX PAYABLES**

GST payable	<b>20,227</b>	34,258
Other tax payables	<b>3,046</b>	1,836
	<b>23,273</b>	36,094

**22. CURRENT LIABILITIES - INTEREST BEARING LIABILITIES**

Other loans - unsecured	<b>1,800</b>	12,000
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The unsecured loans attract fixed interest rates of 2.5% (31 December 2018: 2.5%).

**Notes to the Consolidated Financial Statements (continued)  
for the year ended 31 December 2019**

	Notes	December 2019 \$'000	December 2018 \$'000
<b>23. CURRENT LIABILITIES - PROVISIONS</b>			
Workers' compensation	(a) (b)	<b>2,487</b>	1,821
Onerous lease commitments	(b)	<b>4,383</b>	2,909
		<b>6,870</b>	4,730

**(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 2019</b>				
Carrying amount at beginning of reporting period		7,812	11,669	<b>19,481</b>
Amounts provided		4,169	3,125	<b>7,294</b>
Amounts paid		(1,854)	(2,890)	<b>(4,744)</b>
Carrying amount at reporting date		10,127	11,904	<b>22,031</b>
Total balance presented as:				
Current		2,487	4,383	<b>6,870</b>
Non-current	26	7,640	7,521	<b>15,161</b>
		10,127	11,904	<b>22,031</b>

	Notes	December 2019 \$'000	December 2018 \$'000
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**24. NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES**

The balance comprises temporary differences attributable to:

Construction accounting		<b>3,791</b>	11,660
		<b>3,791</b>	11,660
Set-off against deferred tax assets pursuant to set-off provisions	16	<b>(3,791)</b>	(11,660)
Net deferred tax liabilities		-	-

**Movements**

Opening balance		<b>11,660</b>	8,817
(Credited) charged to income statement	6	<b>(7,869)</b>	2,843
Closing balance		<b>3,791</b>	11,660

**Notes to the Consolidated Financial Statements (continued)  
for the year ended 31 December 2019**

	Notes	December 2019 \$'000	December 2018 \$'000
<b>25. NON-CURRENT LIABILITIES - ACCOUNT PAYABLES</b>			
Trade creditors - retentions		<b>31,047</b>	-

**26. NON-CURRENT LIABILITIES - PROVISIONS**

Workers' compensation	23	<b>7,640</b>	5,991
Onerous lease commitments	23	<b>7,521</b>	8,760
		<b>15,161</b>	14,751

	December 2019 Shares '000	December 2018 Shares '000	December 2019 \$'000	December 2018 \$'000
<b>27. ISSUED CAPITAL</b>				
<b>Ordinary shares</b>				
690,000,000 (31 December 2018: 690,000,000)	<b>690,000</b>	690,000	<b>690,000</b>	690,000
<b>Movements during the period</b>				
Opening balance	<b>690,000</b>	690,000	<b>690,000</b>	690,000
Issue of ordinary shares	-	-	-	-
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.

**28. RESERVES**

**Foreign currency translation reserve**

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

**Notes to the Consolidated Financial Statements (continued)  
for the year ended 31 December 2019**

**December 2019** December 2018  
**\$'000** \$'000

**29. 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	<b>1,345</b>	-
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**(b) Leases**

*Operating leases*

Total lease expenditure contracted for at balance date but not provided for in the accounts, payable:

- not later than one year	-	23,472
- later than one year but not later than five years	-	49,565
- later than five years	-	7,691
Minimum lease payments in aggregate	-	80,728

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

		\$'000
Operating lease commitment as at 31 December 2018		80,728
Weighted average incremental borrowing rate as at 1 January 2019		8.17%
Discounted operating lease commitments at 1 January 2019		78,311
Less:		
Commitments relating to short term leases		(1,019)
Commitments relating to leases of low-value assets		(267)
Commitments relating to variable lease payments		(3,819)
Add:		
Payments in optional extension period not recognised as at 31 December 2018		377
Lease liabilities as at 1 January 2019		<b>73,583</b>

**30. 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:

**1,691,319** 1,677,151

The immediate parent 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 a number of its wholly-owned controlled entities are parties to a deed of cross guarantee under which each entity guarantees the debts of others. No financial guarantee liability has been raised in relation to the deed, as the fair value of the guarantee is immaterial.

The consolidated entity has various outstanding contractual claims on construction and engineering contracts in the ordinary course of business. The Directors have reviewed these matters in detail, having regard to all known factors at this time, in determining operating profit for the year ended 31 December 2019.

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

**Notes to the Consolidated Financial Statements (continued)  
for the year ended 31 December 2019**

**31. RELATED PARTIES**

**(a) Directors**

The persons who held office as Directors of John Holland Pty Ltd during the year ended 31 December 2019 were:

J.D. Barr (Chairman)  
R.L. Heale  
D.A. Ray  
R.J. Cuttler

Russell Cuttler was a Director of John Holland Pty Ltd during the year until his resignation from the Board on 30 September 2019.

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

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

**(b) Key management personnel**

The compensation of the key management personnel of the consolidated entity is set out below:

	Year ended December 2019 \$	Year ended December 2018 \$
Key management personnel	<b>5,412,784</b>	4,746,337

**(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 11) and payables (refer to note 19).

During the reporting period, no provision for doubtful debts or expected credit losses have 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 30 for further details.

The immediate parent entity acts as the group banker in relation to working capital requirements. Amounts due from the immediate parent entity attract an interest rate of 5.2% at 31 December 2019.

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 2019:

**(i) China Communications Construction Group**

China Communications Construction Group holds a 50.88% 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**

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

**Notes to the Consolidated Financial Statements (continued)**  
**for the year ended 31 December 2019**

**31. RELATED PARTIES (CONTINUED)**

**(c) Transactions with other related parties (continued)**

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

Metro Trains Australia Pty Ltd	20
Metro Trains Sydney Pty Ltd	20

These associates have been equity accounted (refer to note 32).

*(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
John Holland Bouygues Travaux Publics (North Strathfield Rail Underpass)	50
John Holland Bouygues Travaux Publics (Arncliffe)	50
John Holland Abigroup Contractors (Bulk Water Alliance)	50
John Holland Fairbrother (Uni Tas, Risdon, IMAS, Royal Hobart Hospital)	50
John Holland Leighton Asia, India and Offshore (South East Asia)	50
John Holland Lend Lease (SW Program Management Works)	50
John Holland Pindan (Eastern Goldfields)	50
John Holland Tenix Alliance (Mackay Water)	50
John Holland UGL Infrastructure (Murrumbidgee Irrigation Alliance)	50
John Holland Veolia Water Australia (Sydney Desalination Plant)	72
Leighton - John Holland (Hong Kong South Island Line Project)	45
Leighton John Holland (Singapore LTA Project)	50
Thiess John Holland (EastLink)	50
Dragados Australia Pty Ltd & John Holland Pty Ltd & Thiess Pty Ltd (NWRL TSC)	25
John Holland Pty Ltd and Kellogg Brown & Root Pty Ltd (Melbourne Water Capital Works)	50
John Holland Pty Ltd, UGL Engineering Pty Ltd and GHD Pty Ltd (Malabar Alliance)	43.30
NRT Infrastructure JV (NWRL OTS (IJV))	50
John Holland Pty Ltd & Leighton Contractors Pty Ltd & MTR Corporation & (Sydney) NRT Pty Limited & UGL Rail Services Pty Limited (NWRL OTS NRT D&D)	25
Comdain Civil Constructions Pty Ltd & John Holland Pty Ltd (NSW Water Metering)	50
John Holland Pty Ltd & Leighton Contractors Pty Ltd & Samsung C&T Corporation (Westconnex Stage 1B)	33
John Holland Pty Ltd & CPB Pty Ltd JV (Canberra Light Rail (D&C))	50
John Holland Zhen Hua Joint Venture (T309 Siglap Station)	60
John Holland Pty Ltd & CPB Contractors Pty Ltd (Westgate Tunnel)	50
CPB Contractors Pty Limited & Ghella Pty Ltd & John Holland Pty Ltd (Sydney Metro)	45
John Holland Pty Ltd & Laing O'Rourke Construction Australia Pty Ltd (Sydenham Station and Junction)	50
John Holland Pty Ltd & MPC Group Pty Ltd (Broken Hill Pipeline)	50
John Holland Pty Ltd & Trility Pty Ltd (Broken Hill O&M)	40
Bouygues Construction Australia Pty Ltd & John Holland Pty Ltd & Lendlease Engineering Pty Ltd (Melbourne Metro Tunnel)	33.33
John Holland Pty Ltd and Kellogg Brown & Root Pty Ltd (Melbourne Water Capital Works 2018)	65
John Holland Pty Ltd & CPB Contractors Pty Ltd (Metro Rail Infrastructure)	50
BECA Pty Ltd & John Holland Pty Ltd & Suez Water Pty Ltd (Boneo Water Recycling Plant Upgrade)	61.11
John Holland Pty Ltd & CPB Contractors Pty Ltd (Rozelle Interchange)	50
John Holland Queensland Pty Ltd & See Civil Pty Ltd	50
John Holland Pty Ltd & McConnell Dowell Constructors (Aust) Pty Ltd	50

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

*(viii) Active joint ventures (with the 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)	50
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**Notes to the Consolidated Financial Statements (continued)  
for the year ended 31 December 2019**

**31. RELATED PARTIES (CONTINUED)**

**(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.

**32. 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 2019 %	December 2018 %	December 2019 \$'000	December 2018 \$'000
Metro Trains Australia Pty Ltd	Operations and maintenance	30 June	20	20	19,864	18,711
Metro Trains Sydney Pty Ltd	Operations and maintenance	30 June	20	20	16	3
					<b>19,880</b>	18,714

	Year ended December 2019 \$'000	Year ended December 2018 \$'000
<b>Results of associates</b>		
Share of associates' profit before tax	20,322	21,633
Share of associates' income tax expense	(6,097)	(6,490)
Share of associates' profit after tax	<b>14,225</b>	15,143

**Share of retained profits attributable to associates**

Share of associates' retained profits at beginning of reporting period	10,714	3,443
Share of associates' profit after tax	14,225	15,143
Dividends paid during the period	(13,059)	(7,872)
Share of associates' retained profits at reporting date	<b>11,880</b>	10,714

	December 2019 \$'000	December 2018 \$'000
<b>Movements in carrying amount of investments</b>		
Carrying amount at beginning of reporting period	18,714	11,443
Share of associates' profit after tax	14,225	15,143
Dividends paid during the period	(13,059)	(7,872)
Carrying amount at reporting date	<b>19,880</b>	18,714

Note

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**Notes to the Consolidated Financial Statements (continued)  
for the year ended 31 December 2019**

**32. 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 2019 %	December 2018 %	December 2019 \$'000	December 2018 \$'000
Canberra Metro Operations	Operations and maintenance	30 June	50	50	(1,445)	656
					<b>Year ended</b>	<b>Year ended</b>
					<b>December 2019</b>	<b>December 2018</b>
					<b>\$'000</b>	<b>\$'000</b>
<b>Results of joint ventures</b>						
Share of joint ventures' (loss) profit before tax					<b>(3,001)</b>	1,870
Share of joint ventures' income tax benefit (expense)					<b>900</b>	(561)
Share of joint ventures' (loss) profit after tax					<b>(2,101)</b>	1,309
					<b>December 2019</b>	<b>December 2018</b>
					Note	<b>\$'000</b>
					<b>\$'000</b>	<b>\$'000</b>
<b>Share of (accumulated losses) retained earnings attributable to joint ventures</b>						
Share of joint ventures' retained profits (accumulated losses) at beginning of reporting period					<b>656</b>	(653)
Share of joint ventures' (loss) profit after tax					<b>(2,101)</b>	1,309
Share of joint ventures' (accumulated losses) retained profits at reporting date					<b>(1,445)</b>	656
<b>Movements in carrying amount of investments</b>						
Carrying amount at beginning of reporting period					<b>656</b>	(653)
Share of joint ventures' (loss) profit after tax					<b>(2,101)</b>	1,309
Carrying amount at reporting date					<b>(1,445)</b>	656
					12	

**Notes to the Consolidated Financial Statements (continued)  
for the year ended 31 December 2019**

**33. DEED OF CROSS GUARANTEE**

John Holland Group Pty Ltd and a number of its wholly-owned controlled entities 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 2019:

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**

1. These entities are eligible for relief from the requirement to prepare a financial report and Directors' report under the ASIC Corporations (Wholly-owned companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.
2. The entity has taken advantage of the relief outlined above.
3. These entities form part of the 'Closed Group' as defined by the Class Order, as at 31 December 2019.

**(a) Consolidated statement of profit or loss and a summary of movements in consolidated accumulated losses**

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 2019 of the Closed Group.

	Year ended December 2019 \$'000	Year ended December 2018 \$'000
<b>Statement of profit or loss</b>		
Revenue	4,163,398	4,391,192
Expenses	(4,285,125)	(4,326,769)
Other income	3,953	3,085
Interest income	12,424	11,434
Interest expense	(13,719)	(11,292)
Net foreign exchange gains	-	59
<b>(Loss) profit before income tax expense</b>	<b>(119,069)</b>	67,709
Income tax benefit (expense)	23,563	(18,885)
<b>(Loss) profit for the year</b>	<b>(95,506)</b>	48,824
<b>Summary of movements in consolidated accumulated losses</b>		
Accumulated losses at prior year reporting date	(137,164)	(134,605)
Impact of the adoption of new accounting standard AASB 9	-	(1,383)
Impact of the adoption of new accounting standard AASB 16	(7,443)	-
Accumulated losses at the beginning of reporting period	(144,607)	(135,988)
(Loss) profit for the period	(95,506)	48,824
Dividends paid	(35,000)	(50,000)
<b>Accumulated losses at reporting date</b>	<b>(275,113)</b>	(137,164)

**Notes to the Consolidated Financial Statements (continued)  
for the year ended 31 December 2019**

**33. DEED OF CROSS GUARANTEE (CONTINUED)**

**(b) Consolidated statement of financial position**

Set out below is a consolidated statement financial position as at 31 December 2019 of the Closed Group.

	December 2019 \$'000	December 2018 \$'000
<b>Assets</b>		
Cash and cash equivalents	744,320	654,356
Account receivables	127,782	50,479
Other receivables	907,099	1,094,296
Contract assets	207,248	218,899
Inventories	28,341	5,801
Prepayments	40,037	20,696
Derivative financial instruments	1,797	439
Investments	242	5,342
Other non-current financial assets	6	6
Property, plant and equipment	284,000	239,351
Property, plant and equipment – construction in progress	17,574	15,296
Right-of-use-assets	58,215	-
Deferred tax assets	139,660	33,077
Goodwill	34,878	9,200
Other intangible assets	11,189	8,044
<b>Total assets</b>	<b>2,602,388</b>	2,355,282
<b>Liabilities</b>		
Interest bearing liabilities	51,951	12,000
Lease liabilities	65,929	-
Account payables	1,062,363	992,733
Contract liabilities	829,104	630,970
Payroll payables	113,252	92,894
Derivative financial instruments	971	397
Tax payables	29,220	41,718
Provisions	34,790	32,602
<b>Total liabilities</b>	<b>2,187,580</b>	1,803,314
<b>Net assets</b>	<b>414,808</b>	551,968
<b>Equity</b>		
Issued capital	690,000	690,000
Reserves	(79)	(868)
Accumulated losses	(275,113)	(137,164)
<b>Total equity</b>	<b>414,808</b>	551,968

**Notes to the Consolidated Financial Statements (continued)  
for the year ended 31 December 2019**

**34. PARENT ENTITY FINANCIAL INFORMATION**

**(a) Summary financial information**

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

	<b>Parent entity</b>	
	<b>December 2019</b>	<b>December 2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Statement of financial position</b>		
<b>Assets</b>		
Current assets	<b>2,062,925</b>	2,076,461
Non-current assets	<b>325,757</b>	117,737
<b>Total assets</b>	<b>2,388,682</b>	2,194,198
<b>Liabilities</b>		
Current liabilities	<b>1,728,702</b>	1,459,494
Non-current liabilities	<b>83,678</b>	14,751
<b>Total liabilities</b>	<b>1,812,380</b>	1,474,245
<b>Net assets</b>	<b>576,302</b>	719,953
<b>Equity</b>		
Issued capital	<b>690,000</b>	690,000
Reserves	<b>(39)</b>	(185)
(Accumulated losses) retained profits	<b>(113,659)</b>	30,138
<b>Total equity</b>	<b>576,302</b>	719,953
<b>(Loss) profit for the year</b>	<b>(136,844)</b>	12,846
<b>Total comprehensive (loss) profit for the year</b>	<b>(136,844)</b>	12,846

**(b) Contingent liabilities**

John Holland Group Pty Ltd has provided performance based guarantees to its wholly-owned controlled entities. Refer to note 30 for further details.

**35. EVENTS SUBSEQUENT TO REPORTING DATE**

In respect of the West Gate Tunnel project, the Company, in conjunction with its joint venture partner CPB Contractors Pty Limited (together, the D&C Sub Contractor), issued Transurban WGT Co Pty Ltd (Transurban) on 28 January 2020 a termination notice of the D&C Subcontract on the basis of a Force Majeure Termination Event (the Event). The Event relates to issues in respect of the presence, clarification and disposal of per and polyfluorinated alkyl substances (PFAS) within the project site. Transurban advised the Australian Securities Exchange on 29 January 2020 that it does not consider the D&C Subcontract has been validly terminated and, as such, they consider the contract remains valid. At the date of this report, the D&C Sub Contractor is, under protest, continuing works on site and commercial negotiations between the parties in respect of this matter are ongoing. The accounting position adopted in respect of this project as at 31 December 2019 incorporates all known facts and circumstances.

There have been no other transactions or events subsequent to balance date of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

## > Directors' Declaration

for the year ended 31 December 2019

In the Directors' opinion:

- (a) the financial statements and notes as set out on pages 6 to 38 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 2019 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 33 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 33.

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, 16 March 2020

## > 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 2019, the consolidated statement of profit or loss, the consolidated statement of 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 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 2019 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.

**Independent Auditor's Report (continued)**



### **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 Company's and 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 Company or 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 the 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 Company's or 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 Company's or 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 Company or the Group to cease to continue as a going concern.

Independent Auditor's Report (continued)



- 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.

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.

ERNST & YOUNG  
Ernst & Young

A handwritten signature in black ink that reads 'C L Reid'.

Christopher Reid  
Partner  
Melbourne  
16 March 2020





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

