2016 Annual Report

CIMIC Group Limited
ABN 57 004 482 982

CIMIC

Executive Chairman's review

"I'm pleased to report that we achieved our objectives in 2016, delivering strong, sustainable returns for our shareholders."

Marcelino Fernández Verdes
Executive Chairman

2016 achievements

With a strong operational and management team in place, we achieved a great deal in 2016: reporting net profit after tax at the top end of our guidance, increasing shareholder returns, and delivering exemplary building, infrastructure and resources projects for our clients.

In 2016, our projects were delivered through dedicated businesses focused on our core areas:

- Construction (CPB Contractors incorporating Leighton Asia);
- Mining and mineral processing (Thiess and Sedgman);

building on
a solid foundation
to deliver

strong and sustainable shareholder returns

- Public Private Partnerships or PPPs (Pacific Partnerships); and
- Engineering (EIC Activities).

We are currently incorporating diversified services company UGL into our stable, following a successful takeover offer in late 2016. UGL's areas of expertise will continue to be the delivery of critical assets and essential services to our clients.

By focusing the skills, experience and expertise of our Operating Companies into activity driven businesses that work together we have gained a competitive edge.

Our team

Around the world, we have a first-rate team of 50,500 people who are focused on delivering our 434 active projects, to the benefit of our shareholders and clients.

I am immensely proud of all that our people have achieved in recent years, including the many changes involved in our transformation to an activity-focused operating model.

With these achievements in place, and a strong leadership team established, I was pleased to hand over my responsibilities as Chief Executive Officer and Managing Director to Adolfo Valderas in October 2016. Adolfo has played an integral part in CIMIC Group's achievements during the past three years, first as Chief Operating Officer and then as Deputy Chief Executive Officer. The Board and I have every confidence in Adolfo's ability to lead CIMIC Group.

I am honoured to continue as Executive Chairman and I look forward to continuing to guide CIMIC Group in this capacity.

In 2016, CIMIC launched the new CIMIC Group Graduate Program. The program develops our future leaders, providing graduates with on-the-job training, structured learning in their discipline and exposure to a global business. When joining our Operating Companies, graduates benefit from a global program that provides a structured learning plan over a two year period. They experience three eight-month rotations with placements in various roles, projects or Operating Companies within the Group. The success of the program led CIMIC Group to be recognised as one of the GradConnection Top100 Most Popular Graduate Employers for 2016 and to be rated by the Australian Association of Graduate Employers as a Top 75 Graduate Employer for 2017.

Shareholder returns and dividends

Our strong performance in 2016, as outlined by Adolfo on the following page, has enabled the Board to declare a 100% franked final dividend of 62 cents per share to be paid on 4 July 2017. On a full year basis, total 2016 dividends were 110 cents per share ($357 million in total), a 14.6% increase compared with 2015.

Basic earnings per share was 176.6 cents, up 14.9% (relative to an 11.5% increase in net profit after tax), boosted by the benefits of the share buy-back.

Our focus on shareholder returns continued in 2016 and there was a 43.8% increase in CIMIC's share price during the year. Combining the share price appreciation and dividends in respect of the 2016 Financial Year, CIMIC delivered a total shareholder return of 48%.

On 28 December 2016, we concluded an on-market share buy-back, improving shareholder returns and demonstrating our disciplined approach to capital management. On 12 December 2016, we announced the commencement of a further on-market share buy-back of up to 10% of our fully paid ordinary shares over 12 months commencing from 29 December 2016.

Sustainability

For CIMIC, sustainability is the integration of environmental, social and governance factors into our decision-making to maximise long term shareholder value, and contribute to safe and healthy employees, communities and ecosystems.

In 2016, our commitment to acting sustainably was reinforced through the launch of our Sustainability Policy. This Policy sets out minimum requirements for sustainability across the Group. Amongst other things, the Policy commits the Group to abiding by the principles of the UN Global Compact and we acknowledge our role in contributing to the UN Sustainable Development Goals. The Sustainability Policy is available on our website at www.cimic.com.au.

Looking forward

Public and private clients in CIMIC's markets are continuing to invest, providing exciting opportunities for CIMIC to contribute our civil, mining, mechanical and electrical capabilities, and our PPP, project and operational experience.

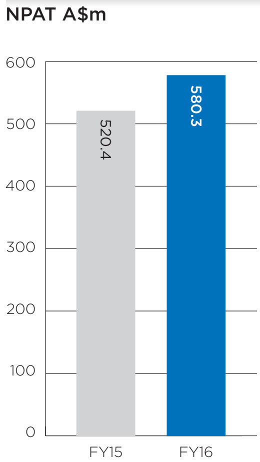
Our financial strength is also an advantage as we pursue new opportunities and look to expand.

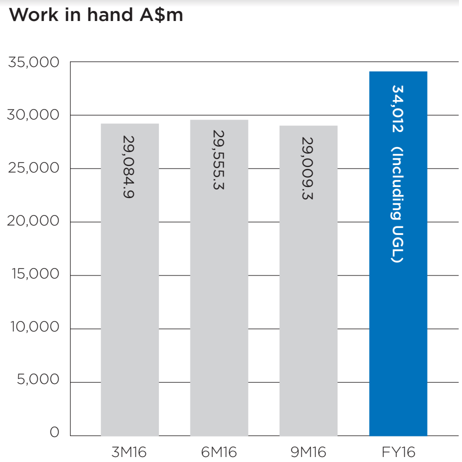
In closing, I would like to thank all of our shareholders for your continued support.

I look forward to updating you further on our Company's performance at the Annual General Meeting on 13 April 2017.

Sincerely,

Marcelino Fernández Verdes
Executive Chairman





Chief Executive Officer's review

> "2016 was an important year for CIMIC Group, one in which we built on the solid foundation established during the transformation of our businesses in 2014 and 2015."

Performance overview

Our 2016 result was solid, demonstrated by an 11.5% increase in net profit after tax to $580.3 million, which was at the top end of our guidance range of $520 million to $580 million.

Our margins further improved during the year as we efficiently managed costs and risks.

Our strong balance sheet position was also sustained. Cash flows from operating activities[9] were strong at $1.2 billion. We reported net cash excluding operating leases of $409.3 million as at 31 December 2016, after net investments of $1 billion, including the share buy-back program, the acquisition of shares in UGL, Sedgman and Devine, and the divestment of Nextgen.

Revenue[4] was $10.9 billion and showed a positive growth trend throughout 2016, increasing quarter on quarter since the second quarter of the year.

Further details on our Company's performance are contained in the Operating and Financial Review section within this Annual Report.

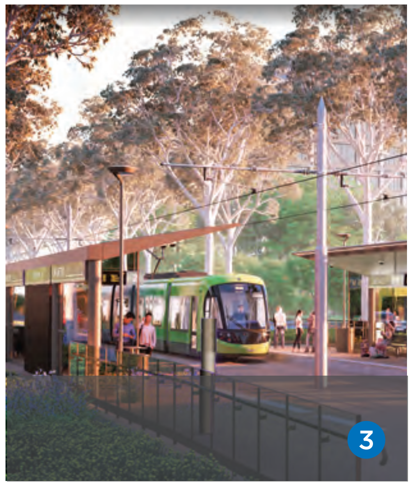
Work won and our outlook

CIMIC has a robust pipeline of $34 billion of work in hand[13] as at 31 December 2016, boosted by the acquisition of UGL, and a robust project pipeline.

We were successful in light and heavy rail, winning the Gold Coast Light Rail Stage Two in Queensland, the Canberra Light Rail Stage One in the Australian Capital Territory (a PPP project), and the removal of certain level crossings in Victoria. Our other civil contract wins included the design and construction of an extension of the Roe Highway in

Adolfo Valderas
Chief Executive Officer

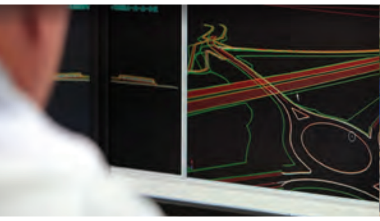
For footnotes refer to *Operating and Financial Review.*



1 Leighton Asia, Tseung Kwan O - Lam Tin Tunnel, Hong Kong

2 Thiess, Oyu Tolgoi copper and gold project, Mongolia

3 CPB Contractors and Pacific Partnerships, Canberra Light Rail Stage One, Australian Capital Territory, Australia



Western Australia and, in Hong Kong, the Tseung Kwan O – Lam Tin Tunnel, and a columbarium, to name just a few.

In mining and mineral processing, we diversified by geography and commodity, expanding into oil sands in Canada. We were also awarded new coal mining work in Indonesia, won multiple contracts in Queensland's Bowen Basin, and secured a contract extension at a diamond mine in Botswana.

Looking ahead, around $100 billion of tenders, relevant to CIMIC, have been identified for 2017 and there are in the order of $250 billion of projects coming to the market in 2018 and beyond.

This robust pipeline of infrastructure, mining and services projects is expected to deliver growth in the medium and long term, and our 2017 guidance is to achieve net profit after tax in the range of $640 million to $700 million, subject to market conditions.

Strategic acquisition of UGL

In October last year, we launched a successful takeover offer for UGL, a diversified services company. We now own 100% of UGL and it is currently being integrated as part of CIMIC Group.

Including UGL amongst our companies is a great opportunity – both for CIMIC and UGL. UGL's competencies, in the rail, transport and technology systems, power, resources, water and defence sectors are complementary to our existing operations or enhance our capabilities in new activities.

UGL has a strong brand and more than 6,800 employees across Australia, New Zealand and South East Asia. We are already working alongside UGL in consortia and through subcontracts, confirming our confidence in UGL.

We also recently announced an offer to acquire the shares in Macmahon that we do not already own through an off-market takeover offer at a price of $0.145 per share. We have been an investor in Macmahon since June 2007. We will keep the market informed of our progress with the offer.

Culture, people and safety

We have made significant changes to put in place strong foundations for our future, as demonstrated by our recent project wins.

We are now working to build on this by further solidifying a culture of innovation, collaboration and learning. By sharing and continuing to build on the knowledge that resides within our business, we are in a better position to successfuly deliver for our clients and provide fulfilling careers for our people.

We are doing this in a number of ways, small and large. CPB Contractors and Leighton Asia are working as one construction unit. Both Pacific Partnerships and UGL have successfully won work with CPB Contractors. EIC Activities is collaborating closely with all of our Group companies and has launched a Group-wide project knowledge database. The complementary skill sets of Thiess and Sedgman has enabled them to deliver projects as a team. Group-wide we have launched a graduate program, a leadership program, an internal communication platform, and brought increased focus to good physical and mental health in our workplaces.

These are just a handful of examples of the great work that is going on across CIMIC Group.




We also continue to focus on making CIMIC a safe place to work. In 2016, we continued to improve our Total Recordable Injury Frequency Rate (TRIFR) measured per million hours worked. To me, safety means providing a workplace where every single one of our employees is safe each and every day – with no exceptions.

Therefore, it is with great sadness that I report the death of three of our colleagues at CPB Contractors, Leighton Asia and Thiess project sites following incidents in 2016. On behalf of the Board and all of CIMIC's people, I express my sincere sorrow and personal sympathies to the families and friends of our colleagues who passed away. I am determined to focus on ensuring that these tragedies are not repeated.

Sustainability

I'm pleased to report that the Group was again recognised in 2016 by the industry leading Dow Jones Sustainability Indices (DJSI) which tracks the performance of the companies which lead their industries in terms of corporate sustainability. CIMIC was again included in DJSI's Australia Index, and CIMIC and UGL were the only two construction and engineering companies to be so recognised. CIMIC was recognised as a construction and engineering global leader in three categories: Building Materials; Environmental Policy and Management Systems; and Resource Conservation and Resource Efficiency.

RobecoSam included CIMIC in its 2017 Sustainability Yearbook and we were awarded a bronze class distinction for excellent sustainability performance based on the 2016 DJSI submission. CIMIC was one of only 10 companies in the global construction and engineering industry to be recognised.

Following a review in June 2016, CIMIC was also included in the FTSE4Good Index which measures the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices.

During 2016, the Australian Council of Superannuation Investors (ACSI), which benchmarks the public disclosures of S&P/ASX200 companies with reference to material ESG risks, rated CIMIC at the level of 'detailed' in its 2016 research report. This is the second highest rating of ACSI's five categories.

Conclusion

Lastly, I would like to convey the enthusiasm of the whole CIMIC team for the year ahead. The Company is well positioned to benefit from the strong pipeline of infrastructure, mining, services and operations and maintenance projects across all of the regions where we operate.

I look forward to updating you further at the Annual General Meeting on 13 April 2017.

Sincerely,

Adolfo Valderas
Chief Executive Officer and
Managing Director

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In this Annual Report a reference to 'CIMIC Group', 'we', 'us' or 'our' is a reference to CIMIC Group Limited ABN 57 004 482 982 and certain entities that it controls unless otherwise stated.

CIMIC Group's corporate governance statement is available on our website, in the section titled 'Corporate Governance' (www.cimic.com.au/our-approach/corporate-governance).

Directors' Report

CPB Contractors, Gold Coast Light Rail Stage 2, Queensland Australia

CPB Contractors has been selected by GoldlinQ Pty Ltd to design and construct Stage 2 of the Gold Coast light rail project. CPB Contractors will deliver a 7.3km northern extension of the Gold Coast light rail from Gold Coast University Hospital to Helensvale, to connect Stage 1 with the main Brisbane to Gold Coast rail line. Stage 2 is critical to meeting the increasing demand for public transport and to support the Gold Coast 2018 Commonwealth Games.

Directors' Report

The Directors present their report for the 2016 Financial Year in respect of the Company and certain entities it controlled. This Directors' Report has been prepared in accordance with the requirements of Division 1 of Part 2M.3 of the Corporations Act and is dated 8 February 2017.

DIRECTORS' RESUMÉS

The Directors as at the date of this Directors' Report are:

MARCELINO FERNÁNDEZ VERDES (61)

Executive Chairman
Civ Eng
Appointed Executive Chairman in June 2014 having been a Non-executive Director from October 2012 until March 2014.
Mr Fernández Verdes was CEO and Managing Director of the Company from March 2014 until October 2016.

Mr Fernández Verdes has been a member of the Executive Board of HOCHTIEF AG in Essen since April 2012. In November 2012, he was appointed Chairman of the Executive Board of HOCHTIEF AG and assumed responsibility for the HOCHTIEF Asia Pacific division.

Mr Fernández Verdes studied construction engineering at the University of Barcelona and has held a variety of positions in the construction industry since 1984. In 1997, he became General Manager of ACS Proyectos, Obras y Construcciones, and then took over as Chairman and CEO in 2000. Following the merger between Grupo ACS and Grupo Dragados in 2003, Mr Fernández Verdes took office as Chairman and CEO of Dragados S.A. He served as Chairman and CEO of Construction, Environment and Concessions at ACS Actividades de Construcción y Servicios S.A. from 2006. Mr Fernández Verdes was appointed to the Executive Committee of the ACS Group in 2000, and to the Board of Directors of ACS Servicios y Concesiones, S.L. (Chairman and CEO) in 2006.

ADOLFO VALDERAS (46)

Managing Director and Chief Executive Officer
Civ Eng, MBA
Appointed CEO and Managing Director in October 2016.

Mr Valderas was previously Deputy Chief Executive Officer and Chief Operating Officer of the Company. Mr Valderas is a civil engineer and has significant experience in managing complex, multinational operations and projects across Australia, Europe, the United States, Canada, South America and China. Mr Valderas has direct experience in delivering projects in high speed rail, road and bridges, water treatment and construction. Mr Valderas was formerly the Chairman and CEO of Iridium Concesiones de Infraestructuras (Iridium), a role he held from 2010 to 2013. Iridium is an ACS Group company responsible for developing and managing all types of government concessions involving transport and public works infrastructure. Between 2000 and 2010, Mr Valderas held roles with Dragados, most recently as Deputy International Manager. Prior to 2000, he held a variety of positions within the construction industry.

RUSSELL CHENU (67)

Independent Non-executive Director
BCom, MBA, CPA
Appointed Independent Non-executive Director in June 2014. Mr Chenu has a Bachelor of Commerce from the University of Melbourne and an MBA from the Macquarie Graduate School of Management. Mr Chenu is an experienced corporate and finance executive who has held senior finance and management positions with a number of ASX-listed companies. In a number of these senior roles, he was engaged in significant strategic business planning and business change, including several turnarounds, new market expansions and management leadership initiatives.

Mr Chenu was appointed as interim CFO of James Hardie Industries plc in October 2004 and was appointed as CFO in February 2005 before retiring in November 2013. As CFO, he was responsible for accounting, treasury, taxation, corporate finance, information technology and systems, and procurement.

Mr Chenu is a Director of the following additional ASX-listed entities: Metro Performance Glass Limited (since July 2014), James Hardie Industries plc (since August 2014) and Reliance Worldwide Corporation Limited (since April 2016).

JOSÉ-LUIS DEL VALLE PÉREZ (66)

Non-executive Director
LLB
Appointed Non-executive Director in March 2014. Mr del Valle Pérez completed a degree in Law from the University Complutense of Madrid in 1971 and, since 1974, has been Abogado del Estado de España (State Attorney of Spain). He has been a Member of the Bar Association of Madrid since 1976. As Spanish State Attorney he performed his duties in the Delegations of the Ministry of Finance and the Courts of Justice of Burgos and of Toledo, and in the Legal Departments of the Ministry of Health and of the Ministry of Labour and Social Security. Mr del Valle Pérez was previously a Director of the legal department of the political party UCD (from 1977 to 1981) and a Member of the Parliament (Congreso de los Diputados) of Spain (from 1979 to 1982). He was also Deputy Minister for Territorial Administration from 1981 to 1982. Since 1983 Mr del Valle Pérez has been a Director of and/or legal advisor to many Spanish companies,

including Banesto (merged with Banco Santander), Continental Industrias del Caucho (a subsidiary of Continental AG), Fococafé and Continental Hispánica (a subsidiary of Continental Grain Inc).

Mr del Valle Pérez was appointed as a Director of ACS in 1989 and is currently a Director and General Secretary of the ACS Group and is also the Secretary and/or Director of its main subsidiaries and affiliates.

TREVOR GERBER (61)
Independent Non-executive Director
BAcc, CA, SA
Appointed Independent Non-executive Director in June 2014. Mr Gerber was an executive at Westfield Holdings Limited until 1999. During his 14 year career at Westfield, Mr Gerber's roles included Group Treasurer and Director of Funds Management responsible for Westfield Trust and Westfield America Trust. Mr Gerber has been a professional director since 2000. His board experience has been varied and includes property, funds management, hotels/tourism, infrastructure, aquaculture and aged care.

Mr Gerber is a Director of the following additional ASX listed entities: Sydney Airport Limited (Chairman since May 2015 and a Director since April 2002), Tassal Group Limited (since April 2012), Vicinity Centres Limited (since April 2014) and Regis Healthcare Limited (since October 2014).

PEDRO LÓPEZ JIMÉNEZ (74)
Non-executive Director
Civ Eng, MBA
Appointed Non-executive Director in March 2014. Mr López Jiménez has a degree in civil engineering and an MBA from IESE Business School, Madrid. He has been awarded the Grand Cross of Isabel La Católica.

During his career Mr López Jiménez has held the following positions: General Director of Ports for the Ministry of Public Works (Spain), Secretary of State of Urban Affairs and Public Works (Spain), Board Member of Instituto Nacional de Industria (State owned holding company), Manager of the Thermal Plant Constructions in Hidroelectrica Española, CEO of Empresarios Agrupados (thermal and nuclear plants engineering and construction management), Chairman and CEO of Endesa S.A., Board Member of Unión Eléctrica S.A. and Empresa Nacional Hidroelectrica de la Ribagorçana, Chairman of Unión Fenosa S.A., Vice Chairman of Indra Sistemas S.A., Board Member of Compañía Española de Petróleos S.A.U., Board Member of ENCE S.A, Board Member of Keller Group plc, and Chairman of Gtceisu Construcción S.A. Additionally, he was the founder of CEOE (Confederation of Spanish Industries), Member of its first Executive Committee, founder and first Chairman of FEIE (Federation of Spanish Utility Companies), Board Member of Club Español de Energía (Spanish Energy Association) and Board Member of the Alcala University.

Mr López Jiménez currently serves as Board Member (and Member of the Executive Committee) of ACS (since 1989), Vice Chairman of ACS Servicios y Concesiones, Vice Chairman of ACS Servicios, Comunicaciones y Energía and Chairman In Office of Dragados S.A. He is a Board Member of Ghesa Ingeniería y Tecnología S.A. (since 1971) and Board Member of Gtceisu Construcción S.A. He was appointed as Chairman of the Supervisory Board of HOCHTIEF AG and Chairman of its Human Resources Committee and its Nomination Committee in October 2014.

Mr López Jiménez is currently a Board Member of the Malaga Picasso Museum, Vice Chairman of the Royal Board of the National Library of Spain, Vice-Chairman of the European Club Association (E.C.A) and Vice Chairman of the Real Madrid Football Club.

DAVID ROBINSON (60)
Non-executive Director
MCom, BEc, FCA, CTA
Appointed Non-executive Director in December 1990. Appointed Alternate Director for Mr López Jiménez in June 2014. Previously an Alternate Director for Mr Peter Sassenfeld (from November 2011 to June 2013). A graduate of the University of Sydney. Registered company auditor and tax agent. A chartered accountant and Partner of ESV Accounting and Business Advisors. Adviser to local and overseas companies with interests in Australia. Participant in construction industry affairs. A Trustee of Mary Aikenhead Ministries, the responsible entity for the health, aged care and education works of the Sisters of Charity in Australia. A Director of HOCHTIEF Australia. A former Director of Leighton Properties from May 2000 to August 2012.

Mr Robinson is the Chairman of the following additional ASX listed entity: Devine Limited (Chairman since January 2016 and a Director since May 2015).

PETER-WILHELM SASSENFELD (50)
Non-executive Director
MBA
Appointed Non-executive Director in November 2011. Mr Sassenfeld has an MBA from the University of Saarland.

Mr Sassenfeld was appointed as the CFO of HOCHTIEF AG in November 2011. Prior to this role he was the CFO of Ferrostaal AG. Mr Sassenfeld has previously worked as the CFO of Krauss Maffei AG and in senior finance roles at Bayer AG and the Mannesmann Group.

ALTERNATE DIRECTOR'S RESUMÉ

ROBERT SEIDLER AM (68)

Alternate Director
LLB
Appointed Alternate Director for Mr del Valle Pérez and Mr Sassenfeld in June 2014. Mr Seidler AM has served as an Alternate Director for a number of HOCHTIEF-nominated directors dating back to November 2003. He has a degree in Law from the University of Sydney and is a former partner of Blake Dawson (now Ashurst).

Mr Seidler AM has over 40 years' experience as a lawyer, non-executive director on listed and unlisted companies in industries as diverse as funds management, banking, investment banking, hotel management as well as serving on government committees in both Australia and Japan.

Mr Seidler AM is the Vice President of the Australia Japan Business Cooperation Committee, Chairman of Hunter Philip Japan Limited and New South Wales Governments Special Envoy to Japan. Mr Seidler AM has also been made a member of the Order of the Rising Sun by the Emperor of Japan.

Mr Seidler AM was appointed as a Director of HOCHTIEF Australia in November 2011 and is a Director of Investa Office Management since June 2016 and Investa Listed Funds Management Limited since April 2016. He was the Chairman of Leighton Asia (from November 2011 to September 2012) and a Director of Leighton Properties (from May 2010 to August 2012) and Leighton International (from November 2009 to November 2011).

Mr Seidler AM is a Director of the following additional ASX listed entity: Investa Office Fund (since July 2016).

COMPANY SECRETARIES' RESUMÉS

LOUISE GRIFFITHS (37)

Company Secretary
BSc, BA, AGIA
Appointed Company Secretary in January 2016. Ms Griffiths was formerly the Assistant Company Secretary of the Company, having held that role since May 2011. Ms Griffiths has a Bachelor of Science in Criminology and a Bachelor of Arts in Community Justice. Ms Griffiths is an Associate of the Governance Institute of Australia (GIA) and holds a Graduate Diploma in Applied Corporate Governance from the GIA. Ms Griffiths served as a member of the GIA's New South Wales Professional Development Committee between February 2013 and September 2014. Ms Griffiths is also the company secretary of a number of subsidiaries of CIMIC.

NIGEL LOWRY (43)

Company Secretary
BA, LLB, MCom
Appointed as an additional Company Secretary in October 2016. Mr Lowry has been practicing law for over 15 years, specialising in corporate, property and finance transactions. Mr Lowry has held previous positions at Macquarie Bank Limited and King & Wood Mallesons in Sydney and at Linklaters LLP and Slaughter & May in London. Mr Lowry has a Bachelor of Arts and a Bachelor of Laws (Honours) from the University of Sydney and a Master of Commerce from the University of New South Wales.

FORMER OFFICEHOLDERS

During the 2016 Financial Year the following people ceased to be officeholders of the Company:

Name	Position	Period
John Easy	Group General Counsel and Company Secretary	3 November 2014 to 22 January 2016
Kirstin Ferguson	Independent, Non-executive Director	10 July 2014 to 10 November 2016

BOARD MEETINGS

The number of Board and Board Committee meetings held, and the number of meetings attended by each Director, during the 2016 Financial Year are set out in the table below.

	Board		Audit and Risk Committee		Ethics, Compliance & Sustainability Committee		Remuneration & Nomination Committee		Special Board Committee~	
	H	A	H	A	H	A	H	A	H	A
Current Directors										
M Fernández Verdes[1]	9	8#	-	4+	4	4	-	3+	1	1
A Valderas[2]	1	-#	-	-	-	-	-	-	-	-
R Chenu	9	7	4	4	4	4	6	6	2	2
J L del Valle Pérez	9	8	-	3+	4	4	6	5	-	-
T Gerber[3]	9	8	4	4	4	4	6	6	-	-
P Lopéz Jiménez[4]	9	8	-	4+	4	3	6	6	-	-
D Robinson[5]	9	9	4	4	-	-	-	5+	2	2
P Sassenfeld	9	8	4	4	-	-	-	4+	-	-
Alternate Director										
R Seidler AM	-	9*	-	4*	-	4*	-	5*	-	2*
Former Director										
K Ferguson[6]	8	6	4	3	4	3	4	3	1	1

H The number of meetings held during the period the Director/Alternate Director/Former Director was a member of the Board and/or Committee.
A The number of meetings attended by the Director during the period the Director/Alternate Director/Former Director was a member of the Board and/or Committee.
~ Meetings held to consider annual results and the Company's Constitution.
# Unable to attend a Board meeting due to a declared conflict of interest.
* The number of meetings attended by the Alternate Director in his capacity as an Alternate Director or as a standing invitee.
+ The number of meetings attended by the Director as a standing invitee of the Committee.
1 Mr Fernández Verdes ceased to be CEO on 18 October 2016 and a member of the Ethics, Compliance and Sustainability Committee on 11 November 2016.
2 Mr Valderas was appointed as CEO on 18 October 2016 and Managing Director on 27 October 2016.
3 Mr Gerber became a member of the Ethics, Compliance and Sustainability Committee on 9 February 2016.
4 Mr Lopéz Jiménez became a member of the Ethics, Compliance and Sustainability Committee on 9 February 2016.
5 Mr Robinson ceased to be a member of the Audit and Risk Committee and became Chair of the Ethics, Compliance and Sustainability Committee on 11 November 2016.
6 Dr Ferguson resigned as a Director on 10 November 2016.

In addition to these formal meetings, briefing sessions were held for Directors on various issues during the year. Where required, the Board and its Committees also considered matters out of session by way of circulating resolution.

DIRECTORS' INTERESTS

Details of the Directors' relevant interests in the issued capital of the Company and its related body corporates as at the date of this Directors' Report are listed in the table below.

Name	Relevant interests in CIMIC			Relevant interests in ACS and/or HOCHTIEF AG		
	Ordinary shares	Options over shares	Rights over shares	Ordinary shares	Options over shares	Rights over shares
M Fernández Verdes	2,745[1]	-	-	1,001,527 (ACS)* 12,931 (HOCHTIEF AG)	-	-
A Valderas	15,587	104,612	32,552	1,453 (ACS)	-	-
R Chenu	4,085	-	-	-	-	-
J L del Valle Pérez	1,000[1]	-	-	278,902 (ACS)	418,266 (ACS)	-
T Gerber	2,000	-	-	-	-	-
P López Jiménez	1,192[1]	-	-	524,145 (ACS) ~	-	-
D Robinson	1,489	-	-	-	-	-
P Sassenfeld	1,858[1]	-	-	7,054 (HOCHTIEF AG)	-	-

Mr Seidler AM (Alternate Director for Mr Sassenfeld and Mr del Valle Pérez) holds 2,341 ordinary shares, nil options and nil rights.
1 These shares are held by the relevant director on trust for HOCHTIEF Australia.
* 1,000,916 shares are held by Gesguiver, S.L. (a closely related party to Mr Fernández Verdes).
~ These shares are held by Fapin Mobi, S.L. (a closely related party to Mr López Jiménez).
No Director held a relevant interest in Devine.

DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

Details of the Company's remuneration policy and remuneration paid to the Group's KMP are detailed in the Remuneration Report within this Annual Report.

CEO AND CFO DECLARATION

The CEO and CFO have provided a declaration to the Board concerning the Group's financial records, financial statements and notes in respect of the 2016 Financial Year in accordance with section 295A of the Corporations Act.

ENVIRONMENTAL REGULATION

Under section 299(1)(f) of the Corporations Act, an entity is required to provide a summary of its environmental performance in terms of compliance with Australian environmental regulations.

Within Australia, the Company is required to report under the NGER Scheme. In addition, the Operating Companies are subject to project specific regulations across the various jurisdictions in which they operate. Failure to comply with these corporate and project specific requirements may result in penalties such as remediation of damage, court injunctions, and criminal and civil penalties.

To assist the Board in discharging its responsibilities the Company has adopted a governance framework which provides for:

- the delegation of accountability for achieving compliance with regulatory requirements (and other requirements) to the most appropriate person or group within the organisation; and
- an assurance and reporting process for the evaluation and oversight of compliance with these requirements to the Board.

In the 2016 Financial Year:

- the Company submitted its NGER Scheme report with EY (our NGER Scheme external auditor) providing limited assurance; and
- across the 122.4 million hours worked on projects there were no material breaches of legislation or conditions of approval (ie, those resulting in prosecution, significant financial penalties or contractual action against the Company, executive officers or individuals). However, there were 2 fines totalling $9,800 and 10 written warnings from environmental regulators.

For further information regarding the Company's environmental governance, management approach and performance (which expands beyond compliance), please refer to the Sustainability Report within this Annual Report.

UNISSUED SHARES

SHARE RIGHTS

As at the date of this Directors' Report, there are 343,767 rights over unissued shares in the Company. These are rights which were issued in accordance with our employee incentive schemes and are set out below:

	Classes of Rights				
	2012 Deferred Rights	**2013 Deferred Rights**	**2014 Deferred Rights**	**2013 Performance Rights**	**2014 Performance Rights**
Number of participants at date of grant	91	82	35	99	88
Date of grant	1 Jan 2012 – 1 Jan 2013	3 May 2013 – 1 Jan 2014	31 Oct 2014 – 1 Jan 2015	1 Jan 2013	1 Jan 2014
Date of performance period end	5 Sep 2012 – 31 Dec 2017	31 Dec 2014 – 1 Jan 2017	31 Dec 2014 – 1 Jul 2017	31 Dec 2015	31 Dec 2016
Number of rights					
Original grant	1,004,925	321,987	119,990	705,426	704,802
On issue 10 Feb 2016[1]	82,651	242,942	89,378	281,529	400,642
Vested since 10 Feb 2016	(70,831)	(238,604)	(83,099)	(271,192)	-
Lapsed since 10 Feb 2016	(9,317)	(4,338)	-	(10,337)	(65,657)
On issue 8 Feb 2017[2]	**2,503**	**-**	**6,279**	**-**	**334,985**

1 Date of the Directors' Report contained in the 2015 CIMIC Annual Report.
2 Date of this Directors' Report.

OPTIONS

As at the date of this Directors' Report, there are 552,231 options over unissued shares in the Company. These options were granted under the LTI plan and were made to eligible Senior Executives in February 2016 as their 2015 LTI, the details of which are set out below:

	2015 Options
Number of participants at date of grant	36
Date of grant	29 October 2015
Exercise price	$27.53
Expiry date	29 October 2020

Number of options	
Original grant	735,636
On issue 10 Feb 2016[1]	735,636
Exercised since 10 Feb 2016	-
Vested since 10 Feb 2016	-
Lapsed since 10 Feb 2016	183,405
On issue 8 Feb 2017[2]	**552,231**

1 Date of the Directors' Report contained in the 2015 CIMIC Annual Report.
2 Date of this Directors' Report.

There was no LTI grant in the 2016 Financial Year.

On vesting, these rights and options may be satisfied through the issue of ordinary shares in the Company or the allocation of ordinary shares in the Company acquired on-market. During the 2016 Financial Year 337,683 ordinary shares were acquired on-market at an average price of $30.60 per share. Holders of these rights and options receive no voting rights and are not entitled to participate in any share or rights issue made by the Company.

Refer to the Remuneration Report for summaries of our STI, LTI and option plans and 'Note 36: Employee benefits' to the Financial Report within this Annual Report for further details. Refer to the Shareholdings section of this Annual Report for details regarding the distribution of holdings of STI rights, LTI rights and options.

AUDIT

The declaration by the Group's external auditor, Deloitte, to the Directors in relation to the auditor's compliance with the independence requirements of the Corporations Act, and any applicable code of professional conduct for external auditors, is set out in the section of this Directors' Report titled 'Lead Auditor's independence declaration under section 307C of the Corporations Act'.

No person who was an officer of the Company during the 2016 Financial Year was a director or partner of the Group's external auditor at a time the Group's external auditor conducted the audit.

INDEMNITY FOR GROUP OFFICERS AND AUDITORS

CONSTITUTION

The Constitution includes indemnities in favour of people who are, or have been, an 'Officer' or auditor of the Company. 'Officer' is defined in the Constitution as any Director, Secretary or executive officer of the Company.

The Constitution states that, to the extent permitted by law, the Company indemnifies every person who is or has been:

- an Officer, against any liability to any person (other than the Company or a related entity) incurred while acting in that capacity and in good faith; and
- an Officer or auditor of the Company, against costs and expenses incurred by that person in that capacity in successfully defending legal proceedings and ancillary matters.

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.

DEEDS OF INDEMNITY FOR CERTAIN OFFICERS AND EMPLOYEES

The Company has entered into deeds of indemnity with particular Officers, employees or former Officers and employees of the Company and Operating Companies. These deeds of indemnity give similar indemnities in favour of those Officers, employees or former Officers and employees in respect of liabilities incurred by them while acting in their applicable capacities in the Company or any Operating Company, or while acting at the request of the Company or any Operating Company as an Officer or employee of a non-controlled entity.

The Officers and employees who have the benefit of a deed of indemnity are, or were at the time, a Secretary of the Company, Directors of an Operating Company, or a General Manager or Senior Manager within the Group, as defined by that deed.

In February 2013 the Board resolved to extend similar deeds of indemnity to any person that is or becomes:

- a Director, Secretary, General Counsel or an executive (in a role that has been approved by the CEO, CFO or Company Secretary) of the Company, an Operating Company or a subsidiary of an Operating Company; or
- a Director, Company Secretary or an executive (in a role that has been approved by the CEO, CFO or Company Secretary) of a non-controlled entity at the request of the Company or an Operating Company.

INSURANCE FOR GROUP OFFICERS

During and since the end of the 2016 Financial Year, the Company has paid or agreed to pay premiums in respect of contracts insuring persons who are or have been a Group Officer against certain liabilities (including legal costs) incurred in that capacity. Group Officer for this purpose means any Director or Company Secretary of CIMIC or any Subsidiary and includes any other person who is concerned with, or takes part in, the management of CIMIC or a Subsidiary.

Under the directors' deeds and the deeds of indemnity described above, the Company has undertaken to the relevant Officer, employee or former Officer or employee that it will insure the Officer or employee against certain liabilities incurred in their applicable capacity in the Company or any Subsidiary or as an Officer or employee of a non-controlled entity where the position is, or was, held at the request of the Company or any Subsidiary.

The insurance contracts entered into by the Company prohibit disclosure of the specific nature of the liabilities covered by the insurance contracts and the amount of the premiums.

NON-AUDIT SERVICES

Details of the amounts paid or payable to our external auditor, Deloitte, for non-audit services provided during the 2016 Financial Year to entities within the Group are set out in the table below.

The Board has considered the position and, in accordance with the advice received from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the 2016 Financial Year is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The Board is satisfied that the provision of non-audit services by Deloitte, as set out in the following table, did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

- all non-audit services were reviewed by the Audit and Risk Committee and the Committee believes that they do not impact the impartiality and objectivity of Deloitte because of the nature of the services provided during the 2016 Financial Year and the quantum of the fees which relate to non-audit services compared with the overall fees;
- the Directors believe that none of the services undermine the general principles relating to auditor independence, including reviewing or auditing Deloitte's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards; and
- these assignments were carried out in accordance with the External Auditor Independence Charter.

The non-audit services supplied to entities within the Group by Deloitte and the amount paid or payable by type of non-audit service during the 2016 Financial Year were as follows:

Non-audit services	**Amount paid/payable $'000**
Other assurance services	-
Taxation and other services	135
Total	**135**

ROUNDING OF AMOUNTS

As the Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016, the Directors have chosen to round amounts in this Directors' Report and the accompanying Financial Report to the nearest hundred thousand dollars, unless otherwise indicated.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of CIMIC Group Limited.

As lead audit partner for the audit of the financial report of CIMIC Group Limited for the year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

J Leotta
Partner
Chartered Accountants

Sydney, 8 February 2017

Operating and Financial Review

PRINCIPAL ACTIVITIES, OPERATIONS AND STRUCTURE

CIMIC Group (ASX: CIM) is one of the world's leading international contractors and the world's largest contract miner. CIMIC Group has operations that have been in existence since 1934, was listed on the Australian Securities Exchange in 1962 and has its head office in Sydney, Australia. CIMIC provides construction, mining, mineral processing, engineering, concessions, and operation and maintenance

CIMIC

CIMIC GROUP provides leadership, strategy, corporate governance and financial strength to its Operating Companies: CPB Contractors, Leighton Asia, Thiess, Sedgman, UGL, Pacific Partnerships and EIC Activities.

CONSTRUCTION

CPB CONTRACTORS

LEIGHTON

CPB CONTRACTORS is a leading international construction contractor, with operations spanning Australia, New Zealand, Asia, India and Papua New Guinea.

CPB Contractors delivers projects spanning all key sectors of the construction industry, including roads, rail, tunnelling, defence, building and resources infrastructure.

The company works with clients across a range of delivery models, including design and construct, construct only, construction management, in Alliances and Joint Ventures, and Public Private Partnerships in conjunction with CIMIC Group's Pacific Partnerships.

The company combines the construction expertise and track record formerly delivered by Leighton Contractors and Thiess, two of Australasia's most successful contractors.

CPB Contractors also includes the people and projects of **LEIGHTON ASIA,** the contractor behind some of Asia's most prestigious projects.

MINING

THIESS

THIESS is the world's largest mining services provider. The team offers the widest range of in-house surface and underground mining capabilities across Australia, Botswana, Canada, Chile, Indonesia and Mongolia. Thiess' expertise spans most of the world's commodities including metallurgical and thermal coal, copper, diamonds, gold, iron ore, lignite, nickel and oil sands.

From fully-resourced, end-to-end solutions, to targeted services, to supporting clients' in-house teams, the focus is on flexibility. The team understands the lifecycle of a mine and how to manage market changes and evolving requirements, tailoring Thiess' services to optimise the mining value chain unique to each mine.

MINERAL PROCESSING

SEDGMAN

SEDGMAN is a market leader in the design, construction and operation of mineral processing plants and associated minesite infrastructure. With a track record in successful project and operation delivery, Sedgman is focused on realising value for clients.

From pre-feasibility and commissioning through to operations, Sedgman has completed more than 170 processing and handling projects globally. Sedgman has a balanced commodity portfolio across base and precious metals, industrial minerals, coal and iron ore as well as associated minesite infrastructure.

services to the infrastructure, resources and property markets. It operates in more than 20 countries throughout the Asia Pacific, the Middle East, North and South America and Sub-Saharan Africa and, as at 31 December 2016, employed approximately 50,500 people directly and through its investments.

CIMIC Group also owns investments in companies including Devine, Ventia, HLG Contracting and Macmahon.

SERVICES

UGL is a diversified services company delivering critical assets and essential services that sustain and enhance the environment in which we live.

UGL is a leading provider of end-to-end engineering, construction and maintenance services and is active across rail and transport, communications and technology systems, oil and gas, power and resources, water and defence markets. UGL partners with some of the world's largest blue-chip companies and government agencies, private enterprise and public institutions.

UGL's skilled workforce, expertise in project management and end-to-end engineering, is backed by a continuous focus on safety, innovation and improvement.

PUBLIC PRIVATE PARTNERSHIPS

PACIFIC PARTNERSHIPS is CIMIC Group's project finance arm. It is a leading developer of Public Private Partnerships and Build Own Operate Transfer projects.

Leveraging the financial strength and diverse capabilities of CIMIC Group, it offers clients seamless value for money solutions for the finance, design, construction, operations and maintenance of key infrastructure.

CIMIC has been responsible for the delivery of more than 20 PPPs with a market value of around $32 billion.

ENGINEERING

EIC ACTIVITIES is CIMIC Group's engineering and technical services business.

Its engineering and risk mitigation expertise provides a competitive advantage for winning and delivering profitable projects that also generate value for clients.

EIC Activities leads innovation. Partnering with tender and project teams across the transport, industrial and resources infrastructure and building sectors, it increases self performance and delivers competitive solutions that achieve significant safety, cost, time and productivity gains.

OTHER INVESTMENTS

LEIGHTON PROPERTIES

Devine GROUP

59.11%

ventia

46.96%

HLG

45.0%

MACMAHON

20.54%

Percentage ownership as at 31 December 2016

FINANCIAL HIGHLIGHTS

NPAT PERFORMANCE AND MARGINS

- NPAT of $580.3 million up 11.5% on FY15, at the top end of the guidance range of $520 million to $580 million.
- NPAT margin 5.3%, up 140 basis points on FY15.
- $9.0 million net negative impact of one-offs on NPAT[1].
- EBIT and PBT margins of 7.0% and 6.8% respectively, increases of 70 and 130 basis points on FY15.
- EPS (basic) was 176.6 cents, up 14.9% on FY15 (compared to an 11.5% increase in NPAT), as well as being boosted by the benefits of the share buy-back.

CASH FLOWS

- Strong cash flows from operating activities of $1.2 billion in FY16, an EBITDA conversion rate of 110%.
- Net cash from operating activities up 4.3% in 4Q16 year on year to $556.6 million.
- Free operating cash flow generation of $846.8 million in FY16.

FINANCIAL POSITION

- Net cash of $409.3 million after net investments of $1.0 billion, including the share buy-back program, the acquisition of shares in UGL, Sedgman and Devine, and the divestment of Nextgen. Net cash would have been approximately $1.4 billion, if adjusted for these items.
- Net finance costs reduced by $85.9 million in FY16 to $18.0 million.
- Net contract debtors of $1.4 billion, down 7.6% on FY15. The $675.0 million contract debtors portfolio provision remains unchanged.

REVENUE

- Revenue of $10.9 billion in FY16.
- A positive revenue trend, up 17.8% (10.3% excluding UGL) in 4Q16 versus 3Q16.

WORK IN HAND

- Solid work in hand of $34.0 billion, boosted by the acquisition of UGL (UGL contributed $4.9 billion to work in hand, of which over 75% is recurring).
- Robust project pipeline, around $100 billion of tenders, relevant to CIMIC, have been identified for 2017 (of which 69% is in Australia and New Zealand), $55 billion is in construction, $25 billion is in mining and $20 billion is in services.
- In the order of $250 billion of projects, relevant to CIMIC, have been identified as coming to the market in 2018 and beyond (of which 60% Australia and New Zealand), $165 billion is in construction, $45 billion is in mining and $40 billion is in services.

STRATEGIC ACQUISITIONS

- Strengthened balance sheet supports investments in strategic growth opportunities such as UGL and Sedgman.
- The strategic acquisition of leading diversified services company UGL, expanding CIMIC's capabilities and providing an additional platform for growth.

SHAREHOLDER RETURNS

- Share price of $34.94, up 43.8% in FY16, compared to an increase in the ASX 200 index of 7.0%.
- The Board has determined a 100% franked final dividend of 62 cents per share, to be paid on 4 July 2017. The total dividend payable of $201.0 million is an estimate only, based on the number of shares on issue as at the date of the Financial Report. Due to the further share buy-back announced by CIMIC on 12 December 2016, which commenced on 29 December 2016, there may be fewer shares on issue on the record date for the dividend than the number of shares on issue as at the date of the Financial Report.
- Combining the share price appreciation and dividends in respect of the 2016 Financial Year, CIMIC delivered a total shareholder return of 48%.

GUIDANCE

- 2017 NPAT in the range of $640 million to $700 million, subject to market conditions, an increase of 10% to 21% on FY16.

[1] $9.0m net negative impact of one-offs post tax, includes Nextgen of $52.5 million; Sedgman gain $32.6 million; onerous leases (incl. 177 Pacific Highway) $(46.8) million; Devine and other $(47.3) million.

FINANCIAL HIGHLIGHTS (CONTINUED)

Financial performance[2] $m	**2016**	**2015**	**chg. $**	**chg. %**
Group revenue[3]	13,534.5	16,128.8	(2,594.3)	(16.1)%
Revenue – joint ventures and associates	(2,680.9)	(2,848.0)	167.1	(5.9)%
Revenue[4]	**10,853.6**	**13,280.8**	**(2,427.2)**	**(18.3)%**
EBIT	**758.4**	**838.9**	**(80.5)**	**(9.6)%**
EBIT margin[5]	7.0%	6.3%	70bp	
Profit before tax	**740.4**	**735.0**	**5.4**	**0.7%**
PBT margin[5]	6.8%	5.5%	130bp	
NPAT	**580.3**	**520.4**	**59.9**	**11.5%**
NPAT margin[5]	5.3%	3.9%	140bp	
EPS (basic)	176.6c	153.7c	22.9c	14.9%

Financial position[6] $m	**December 2016**	**December 2015**	**chg. $**	**chg. %**
Net cash/(debt)	409.3	1,111.5	(702.2)	(63.2)%
Operating leases	(466.9)	(583.4)	116.5	(20.0)%
Net cash/(debt) (including operating leases)	**(57.6)**	**528.1**	**(585.7)**	**(110.9)%**
Equity	3,312.4	4,115.3	(802.9)	(19.5)%
Gearing[7]	1.7%	(14.7)%	-	-
Net contract debtors[8]	**1,384.6**	**1,499.2**	**(114.6)**	**(7.6)%**

Cash flows from operating activities $m	**2016**	**2015**	**chg. $**	**chg. %**
Cash flows from operating activities[9]	**1,201.4**	**1,919.6**	**(718.2)**	**(37.4)%**
Interest, finance costs, taxes and dividends received	(74.4)	(469.4)	395.0	(84.1)%
Net cash from operating activities[10]	**1,127.0**	**1,450.2**	**(323.2)**	**(22.3)%**
Gross capital expenditure[11]	(280.2)	(266.3)	(13.9)	5.2%
Free operating cash flow[12]	**846.8**	**1,183.9**	**(337.1)**	**(28.5)%**

Work in hand[13] $m	**December 2016**	**December 2015**	**chg. $**	**chg. %**
Opening work in hand	29,004.4	31,001.8	(1,997.4)	(6.4)%
New work[14]	13,433.1	14,131.4	(698.3)	(4.9)%
Acquisition work in hand[15] (UGL)	5,109.0	-	5,109.0	-
Executed work	(13,534.5)	(16,128.8)	2,594.3	(16.1)%
Total work in hand	**34,012.0**	**29,004.4**	**5,007.6**	**17.3%**

[2] UGL contributed revenue and net profit after tax of $204.2 million and $5.3 million respectively, relating to the 24 November 2016 to 31 December 2016 period that CIMIC held a greater than 50% share of UGL.
[3] Group revenue includes revenue from joint ventures and associates of $2,680.9 million (FY15: $2,848.0 million) and excludes interest income of $73.5 million (FY15: $89.9 million) which has also been reclassified to net finance costs in the 2015 comparable period.
[4] Revenue excludes revenue from joint ventures and associates of $2,680.9 million (FY15: $2,848.0 million).
[5] Margin is calculated on revenue as defined.
[6] Includes UGL balance sheet position as at 31 December 2016.
[7] Gearing is expressed as the ratio of net debt and operating leases to net debt, operating leases and shareholders' equity.
[8] Net contract debtors represents the net of amounts due from customers and amounts due to customers. (Refer to Financial Report, 'Note 8: Trade and other receivables' – 'Additional information on contract debtors'.)
[9] Cash flows from operating activities is defined as the cash inflow from operating activities before interest, finance costs, taxes and dividends received.
[10] Net cash from operating activities is defined as the cash inflow from operating activities after interest, finance costs, taxes and dividends received.
[11] Gross capital expenditure is payments for property, plant and equipment.
[12] Free operating cash flow is net cash from operating activities including gross capital expenditure.
[13] Work in hand includes CIMIC's share of work in hand from joint ventures and associates.
[14] New work includes new contracts and contract extensions and variations including the impact of foreign exchange rate movements.
[15] Includes UGL's work in hand at acquisition date, 24 November 2016.

STRATEGY

OPERATING MODEL

Since 2014, CIMIC's operating model has been focused on the delivery of construction, mining and mineral processing, PPPs, and engineering projects through dedicated activity-focused businesses. In FY16 CIMIC consolidated its strategy, following the reorganisation of its businesses in the prior years around its core activities, and existing and strategic markets. This has assisted the Group to deliver an improved operating performance.

CIMIC further diversified its existing activities, during FY16, mining new materials markets (e.g. mineral sands) and new geographies (e.g. Canada), as well as through the strategic acquisitions of UGL and Sedgman. This was achieved by leveraging the Group's financial strength, focusing on cash generation and an improved risk profile.

The acquisition of UGL complements and expands CIMIC's services capabilities and provides a platform to develop and grow our presence in this strategic sector. Strong growth is expected from services opportunities particularly in road and rail infrastructure, oil and gas, defence, water and renewable energy. CIMIC is already working alongside UGL in delivering the Melbourne Water Nutrient Removal Plant, and the Sydney Metro Northwest Operations, Trains and Systems Public Private Partnership, which is a significant part of Australia's largest transport infrastructure project.

The Group's mission is to generate sustainable economic returns for shareholders by delivering projects for our clients while providing safe, rewarding and fulfilling careers for our people. CIMIC is in an exceptional position to capitalise on growth opportunities and pursue selective acquisitions to support long-term sustainable growth, both domestically and internationally. The strategic acquisitions during FY16, and the unconditional takeover offer for Macmahon in FY17, reflect this growth-oriented strategy.

The Group's objectives are to:

- continue to strengthen existing capabilities and win a fair share of work in construction, mining and mineral processing, services and PPPs, by building on the Group's strong competitive position;
- develop and expand the Group's services business by benefiting from complementary activities and securing opportunities in market growth areas in Australia and select new geographies;
- further expand in the PPP sector, building on the robust pipeline of opportunities in the Australia Pacific region;
- achieve growth by diversifying according to commodity and activity in select markets and geographies, e.g. by further exporting mining skills into North and South America;
- expand existing capabilities into adjacent markets and services;
- continue to pursue operational excellence and optimise operations to achieve sustainable profits and improve sustainability;
- further develop FleetCo, our mining equipment hire business, which is using CIMIC's existing business resources to gain new opportunities and provide a flexible service to clients; and
- continue to foster a disciplined approach to capital allocation, e.g. the acquisitions of UGL and Sedgman, the share buy-back and the divestment of Nextgen.

The Principles of Integrity, Accountability, Innovation and Delivery, underpinned by Safety, guide all of the Group's activities.

ACQUISITIONS, DIVESTMENTS AND GROWTH

On 23 February 2016, CIMIC increased its ownership interest in Sedgman, a resources engineering entity formerly listed on ASX, to 51% and thereby gained control of Sedgman. The acquisition was made through an unconditional off-market takeover offer. CIMIC subsequently increased its ownership interest in Sedgman to greater than 90% and exercised its right to compulsorily acquire the remaining shares and delist the Company, which was completed on 13 April 2016.

On 24 November 2016, CIMIC increased its ownership interest in diversified services company UGL, an entity formerly listed on ASX, to over 50% and thereby gained control of UGL. The acquisition was made through an unconditional off-market takeover offer. CIMIC subsequently increased its ownership interest in UGL to greater than 90% and exercised its right to compulsorily acquire the remaining shares and delist the Company, which was completed on 20 January 2017. CIMIC is currently incorporating UGL into the Group's stable.

On 5 December 2016, CIMIC completed the divestment of its interest in Nextgen, a network and data centre telecommunications company. CIMIC sold its 29% holding to Ontario Teachers' Pension Plan resulting in a profit before tax gain on sale of $70.1 million.

CIMIC's strong balance sheet enables the Group to continue to evaluate acquisition or investment options that match our capabilities as opportunities arise.

RISK MANAGEMENT

CIMIC defines risk management as the identification, assessment and treatment of risks that have the potential to impact materially the Group's operations, people, and reputation, the environment and communities in which the Group works, and the financial prospects of the Group.

CIMIC's risk management framework is tailored to its business, embedded mostly within existing processes and aligned to the Company's objectives, both short and longer term.

Given the diversity of the Group's operations and the breadth of its geographies and markets, a wide range of risk factors have the potential to affect the achievement of business objectives. Key risks, including those arising due to externalities such as the economic, natural and social operating environments, are set out in the following table, together with the Group's approach to managing those risks.

Risk description	**Risk management approach**
The Group's operations require planning, training and supervision to manage workplace health and safety hazards.	
A workplace health and safety incident or event may put our people and the community at risk.	The Group is committed to the health, safety and security of our people and the communities in which we work. Safety policies and standards apply across the Group. Compliance is regularly reviewed. The Group seeks continual improvement in safety performance. Governance of safety is overseen by the Board and the Ethics, Compliance and Sustainability Committee.
The Group often works within, or adjacent to, sensitive environments.	
An environmental incident or unplanned event may occur that adversely impacts the environment or the communities in which we work.	The Group is committed to the highest standard of environmental performance. Operating Companies' environmental policies and procedures are aligned with the Group Policy and Standards. Should an incident occur, emergency response plans will be enacted. The Ethics, Compliance and Sustainability Committee oversees environmental performance.
Work delivery is subject to various inherent uncertainties.	
Work delivery challenges may manifest in actual costs increasing from our earlier estimates.	Significant resources are devoted to the avoidance, management and resolution of work delivery challenges. Operating Companies provide project teams with guidance and support to achieve project and business objectives. EIC Activities also helps to identify and mitigate risk. Project oversight is maintained by regular performance reviews that involve Operating Company and CIMIC management, commensurate with the scale, complexity and status of the project.
External factors may affect the Group's markets and growth plans.	
Changes in economic, political or societal trends, or unforeseen external events and actions, may affect business development and project delivery.	The Group maintains a diverse portfolio of projects and investments across a range of markets and geographies. Regular and rigorous reviews of the Group's current and potential geographies, industries, activities and competitors are undertaken. Oversight of key risks is maintained by the Audit and Risk Committee, supported by a quarterly Risk Report that aggregates and highlights risks to the Group achieving its objectives.
Reduction in demand for global commodities and/or price may cause resource clients to curtail or cease capital investment programmes, or adjust operations, thereby impacting existing and future contracts.	The Group maintains a project, contract and investment portfolio that is diversified by geography, market, activity and client to mitigate the impact of emerging trends and market volatility. The Group continually seeks opportunities to improve its operations and thereby the value proposition it delivers to clients.
The Group's reputation is critical to securing future work and attracting and retaining quality personnel, subcontractors and suppliers.	
Issues impacting brand and reputation may affect the Group's ability to secure future work opportunities, investment, suppliers or joint venture partners.	The Group is committed to the highest standard of ethical conduct, and statutory and regulatory compliance. This is supported by a comprehensive range of Group level policies and standards, including our Code of Conduct. CIMIC promotes clear governance through the empowerment of individuals with delegated authority, appropriate segregation of duties, and clear accountability and oversight for risks.
The Group targets work that meets a defined risk appetite and appropriately balances risk and reward.	
Work procurement challenges may impact our ability to secure high-quality projects and contracts.	Application of the Group work procurement standards and approval process maximises the likelihood of securing quality work with commensurate returns for the risks taken. Pre-contracts assurance teams manage and assure the work procurement process. EIC Activities supports the Group with project design, risk identification and engineering solutions during the tender phase. The Tender Review Management Committee oversees and approves the risk profile for key tenders.

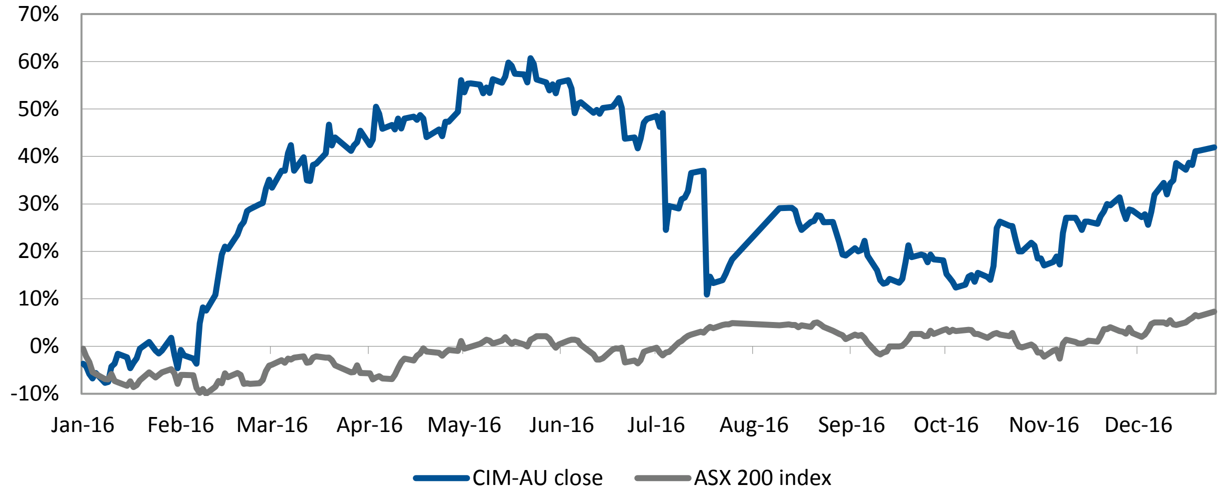
SHAREHOLDER RETURNS

Shareholder returns	2016	2015
Closing share price	$34.94	$24.30
Market capitalisation ($m)	$11,329.4	$8,225.6
Final dividend per share	62c	50c
Interim dividend per share	48c	46c
Total dividends per share	110c	96c
EPS (basic)	176.6c	153.7c
Payout ratio for ordinary dividends (2016 estimated at the time the dividend is paid)	61.5%	61.6%

PERFORMANCE OF CIMIC SHARES

CIMIC's share price performed strongly during the year and closed 2016 at $34.94 (representing a market capitalisation of $11.3 billion as at 31 December 2016), an increase of 43.8% or $10.64 per share. By comparison the ASX 200 index increased 7.0% to 5,665.8 points during the same period and the All Ordinaries index increased 7.0% to 5,719.1 points.

Indexed performance of CIMIC shares



TOTAL SHAREHOLDER RETURN

Combining the share price appreciation and dividends in respect of the 2016 Financial Year, CIMIC delivered a total shareholder return of 48% in 2016.

DIVIDENDS

The Group seeks to reward shareholders by paying dividends over time in line with profits. In the year under review, CIMIC delivered on this approach. Ordinary dividends for the year totalled 110 cents per share and comprised:

- an interim dividend of 48 cents per share, franked at 100%, paid on 5 October 2016; and
- a final dividend of 62 cents per share, franked at 100%, to be paid on 4 July 2017.

SHARE BUY-BACK PROGRAM

On 28 December 2016, CIMIC concluded its on-market share buy-back of up to 10% of its fully paid ordinary shares over 12 months. During the buy-back, CIMIC purchased and cancelled 14,249,466 shares (equivalent to 4.2% of the capital stock at the beginning of the share buy-back program) an average price of $29.89 per share.

On 12 December 2016, CIMIC announced a further on-market share buy-back of up to 10% of its fully paid ordinary shares for a period of 12 months commencing on 29 December 2016. The initiative continues to reflect CIMIC's strong balance sheet position, strong cash flow generation and a disciplined approach to capital management. The further buy-back is being funded by a combination of CIMIC's existing cash balances and working capital facilities. The timing and number of shares purchased will depend on CIMIC's share price and market conditions.

EPS (basic) was 176.6 cents, an increase of 14.9% on FY15 (compared to an 11.5% increase in NPAT), as well as being boosted by the benefits of the share buy-back.

SIGNIFICANT CHANGES

SIGNIFICANT CHANGES DURING FY16

- Since 2015, CPB Contractors together with its consortium partners, Saipem SA and Saipem Portugal Comércio Maritimo LDA, have been in negotiations with Chevron Australia Pty Ltd (Chevron) in relation to collection of contract debtors from the Gorgon LNG Jetty and Marine Structures Project (Gorgon Contract). On 9 February 2016 the Consortium formally, issued a Notice of Dispute to Chevron in connection with the Gorgon Contract. Following a period of prescribed negotiation, the parties have entered a private arbitration as prescribed by the Gorgon Contract. The 3 arbitrators have been appointed with the Chairman appointed during December 2016. The First Procedural Conference is currently envisaged for the first quarter of 2017, together with a potential Barrow Island site visit for the Arbitrators soon thereafter. The procedural timetable for the arbitration should be determined at the First Procedural Conference. Subject to the relevant timetables, arbitrators availability and completion of the relevant procedural steps, the hearings should commence in approximately early 2019 with an award thereafter. The above process is following normal arbitration procedure.

  On 20 August 2016, in order to pursue further its entitlement under the contract, CIMIC also commenced proceedings in the United States against Chevron Corporation Inc and separately against KBR Inc. The commencement of the proceedings has no effect on the arbitration process under the contract process or CIMIC's entitlement to the amounts under negotiation/arbitration. In the United States, each of the matters as against Chevron Corporation and KBR was referred to the Federal Court and is ongoing.
- On 13 April 2016, CIMIC completed its compulsory acquisition of Sedgman, following an off-market takeover offer announced on 13 January 2016.
- Subsidiary Leighton Contractors (Asia) Limited agreed a settlement with its client Wynn Resorts in relation to the Wynn Palace Macau project, which opened on 22 August 2016.
- On 20 January 2017, CIMIC completed its compulsory acquisition of UGL, following an off-market takeover offer announced on 10 October 2016.
- Changes to management and the CIMIC Board including the appointment of Mr Valderas as CEO on 18 October 2016 and Managing Director on 27 October 2016, with Mr Fernández Verdes continuing as Executive Chairman.
- On 1 December 2016, CIMIC annouced HLG Contracting's new shareholder structure. CIMIC's shareholding in HLG Contracting remained unchanged at 45%. CIMIC also has a call option to purchase the remaining 55% of shares in HLG Contracting.
- On 5 December 2016, CIMIC completed the divestment of its interest in Nextgen. CIMIC sold its 29% holding to Ontario Teachers' Pension Plan resulting in a profit before tax gain on sale of $70.1 million.
- On 12 December 2016, CIMIC announced a further on-market share buy-back of up to 10% of its fully paid ordinary shares over a 12 month period starting on 29 December 2016. The previous share buy-back ended on 28 December 2016.
- On 14 December 2016, Standard & Poor's confirmed its current investment grade rating for CIMIC of 'BBB-/A-3' with a stable outlook, and, on 10 October 2016, Moody's maintained an investment grade rating for CIMIC of 'Baa3' with a stable outlook.

SIGNIFICANT CHANGES SINCE BALANCE DATE

- On 24 January 2017, CIMIC announced an offer to acquire the remaining shares in Macmahon that it does not already own, at a price of $0.145 per share, made through an unconditional off-market takeover offer.
- On 25 January 2017, CIMIC, through the UGL-CH2M JV-GE Consortium, which includes UGL and its joint venture partner CH2M, terminated its contract with JKC Australia LNG Pty Ltd for the design, construction and commissioning of the Ichthys Combined Cycle Power Plant. The termination is adequately covered by provisions, and has not had any material impact on FY17 guidance.

SHAREHOLDERS

The largest shareholder in CIMIC is HOCHTIEF Australia Holdings Limited, a wholly owned subsidiary of HOCHTIEF AG, which owns 72.68% of CIMIC as at 23 January 2017. HOCHTIEF AG is listed on the Frankfurt Stock Exchange. The largest shareholder in HOCHTIEF AG is Spanish based company ACS, which held 71.72% of the shares in HOCHTIEF as at 31 December 2016.

FINANCIAL PERFORMANCE

CIMIC's financial performance continues to show the benefits of the transformation strategy. The Group's activity-focused operating model and attention to producing cash-backed, sustainable profits has delivered NPAT of $580.3 million, an increase of 11.5% on FY15.

Financial performance $m	**2016**	**2015**	**chg. $**	**chg. %**
Group revenue	13,534.5	16,128.8	(2,594.3)	(16.1)%
Revenue – joint ventures and associates	(2,680.9)	(2,848.0)	167.1	(5.9)%
Revenue	**10,853.6**	**13,280.8**	**(2,427.2)**	**(18.3)%**
Expenses	(10,051.2)	(12,427.4)	2,376.2	(19.1)%
Share of profit/(loss) of joint ventures and associates	(44.0)	(14.5)	(29.5)	203.4%
EBIT	**758.4**	**838.9**	**(80.5)**	**(9.6)%**
EBIT margin	7.0%	6.3%	70bp	
Net finance costs[16]	(18.0)	(103.9)	85.9	(82.7)%
Profit before tax	**740.4**	**735.0**	**5.4**	**0.7%**
PBT margin	6.8%	5.5%	130bp	
Income tax	(188.0)	(220.6)	32.6	(14.8)%
Profit for the year	**552.4**	**514.4**	**38.0**	**7.4%**
Non-controlling interests	27.9	6.0	21.9	365.0%
NPAT	**580.3**	**520.4**	**59.9**	**11.5%**
NPAT margin	5.3%	3.9%	140bp	
EPS (basic)	176.6c	153.7c	22.9c	14.9%

REVENUE

Revenue decreased by $2.4 billion, or 18.3%, to $10.9 billion in FY16. Revenue showed a positive growth trend throughout FY16, with revenue increasing quarter on quarter since 2Q16. Work in hand, a forward indicator of revenue, also increased reflecting this trend. Refer to section titled 'New work and work in hand' of this Operating and Financial Review.

Revenue by segment[17] $m	**2016**	**2015**	**chg. $**	**chg. %**
Construction	7,316.8	9,319.9	(2,003.1)	(21.5)%
Mining & mineral processing	2,786.2	2,882.8	(96.6)	(3.4)%
Services	204.2	-	204.2	-
Commercial & residential	439.8	987.5	(547.7)	(55.5)%
Corporate	106.6	90.6	16.0	17.7%
Revenue	**10,853.6**	**13,280.8**	**(2,427.2)**	**(18.3)%**
Revenue – joint ventures and associates	2,680.9	2,848.0	(167.1)	(5.9)%
Group revenue	13,534.5	16,128.8	(2,594.3)	(16.1)%

Group revenue from the various market segments was split 64:36 between domestic and international markets, compared with 63:37 in FY15.

CONSTRUCTION REVENUE

Construction revenue was $7.3 billion for FY16, a decrease of 21.5%, or $2.0 billion, compared to FY15, reflecting the completion of a number of large, primarily LNG-related infrastructure projects and the transition to the delivery of various large urban infrastructure projects that are in preliminary stages.

During the period, the major projects by revenue included:

- rail and road activities in Australia, including Sydney Metro Northwest, WestConnex M4 and M5 in New South Wales, Moreton Bay Rail Link in Queensland, the CityLink Tulla Widening and the Level Crossing Removal projects in Victoria;
- social infrastructure projects including the Northern Beaches hospital in New South Wales;
- LNG-related civil contracts in Western Australia, QGC Surat Basin project and APLNG gas gathering project in Queensland;
- infrastructure activities in Hong Kong including the Passenger Clearance Building for the Hong Kong Boundary Crossing Facilities, the West Kowloon Terminus Station, and the Hung Hom Station and Stabling Sidings; and
- Wynn Palace resort development in Macau.

[16] Net finance costs includes interest income of $73.5 million (FY15: $89.9 million), and finance costs of $91.5 million (FY15: $193.8 million).

[17] Sedgman 2015 comparable figures have been reallocated from the corporate segment to an expanded mining & mineral processing segment.

FINANCIAL PERFORMANCE (CONTINUED)

MINING & MINERAL PROCESSING REVENUE

Mining & mineral processing revenue was $2.8 billion for FY16, a decrease of 3.4%, or $96.6 million, compared to FY15. During the second half of the year, mining & mineral processing showed an improving trend in revenue. CIMIC maintains its strong position in the resources sector, and further diversified into new commodity and geographic markets during the period.

The major mining & mineral processing projects by revenue included:

- Lake Vermont, Mount Owen and Curragh North coal mines in Australia;
- Solomon iron ore mine in Australia;
- Prominent Hill copper and gold mine in Australia; and
- Kaltim Prima coal mine in Indonesia.

SERVICES REVENUE

Services revenue from UGL, consolidated from 24 November 2016 (the period that CIMIC held an interest greater than 50%), was $204.2 million.

COMMERCIAL & RESIDENTIAL REVENUE

Commercial & residential revenue was $439.8 million for FY16, a decrease of 55.5%, or $547.7 million, compared to FY15. The decline in revenue is a result of the significant sales in FY15. This reflects CIMIC's strategy to reduce the size and scope of its non-core business, while continuing to maximise the value of its property investments.

CORPORATE REVENUE

Corporate revenue was $106.6 million for FY16, an increase of 17.7%, or $16.0 million, compared to FY15.

REVENUE – JOINT VENTURES AND ASSOCIATES

Revenue from joint ventures and associates was $2.7 billion for FY16, a decrease of 5.9%, or $167.1 million, compared to FY15. Included in FY16 joint ventures and associates revenue is contributions from HLG Contracting and Ventia. Sedgman was an equity accounted associate until CIMIC gained control on 23 February 2016.

EXPENSES

Expenses were $10.1 billion for FY16, a decrease of 19.1%, or $2.4 billion, compared to FY15. The decrease was in excess of the reduction in revenue, and reflects the Group's disciplined approach to cost management.

Depreciation and amortisation

Depreciation and amortisation was $337.4 million for FY16, a decrease of 38.0%, or $206.4 million, compared to FY15. FY15 included a one-off impairment of $50.0 million due to the decline in the recoverable amount of the marine fleet that was idle, in the construction segment.

EBIT

EBIT was $758.4 million for FY16, a decrease of 9.6%, or $80.5 million, compared to FY15. The EBIT margin was 7.0%, a 70 basis point increase on FY15.

NET FINANCE COSTS

Net finance costs were $18.0 million for FY16, a decrease of 82.7%, or $85.9 million, compared to FY15. The decrease was due to the Group's improved financial structure, the buy-back of US$298.7 million of 10-Year Fixed-Rate Guaranteed Senior Notes in June 2015 that resulted in a one-off expense in FY15, and significantly reduced interest costs over the remaining term of the Notes.

Finance cost detail $m	**2016**	**2015**	**chg. $**	**chg. %**
Debt interest expenses	(67.1)	(152.7)	85.6	(56.1)%
Facility fees, bonding and other costs	(24.4)	(41.1)	16.7	(40.6)%
Total finance costs	**(91.5)**	**(193.8)**	**102.3**	**(52.8)%**
Interest income	73.5	89.9	(16.4)	(18.2)%
Net finance costs	**(18.0)**	**(103.9)**	**85.9**	**(82.7)%**

FINANCIAL PERFORMANCE (CONTINUED)

NET FINANCE COSTS (CONTINUED)

The average cost of debt was 5.5% during the period, impacted by the higher cost of fixed rate US bonds and finance leases.

Average cost of debt calculation $m	**2016**
Debt interest expenses (a)	(67.1)
Gross debt[18]	1,167.2
Gross debt average (b)	1,224.0
Average cost of debt (-a/b)	**5.5%**

PROFIT BEFORE TAX

PBT was $740.4 million for FY16, an increase of 0.7%, or $5.4 million, compared to FY15. PBT margin was 6.8%, a 130 basis point increase on FY15.

Profit before tax by segment $m	**2016**	**2015**	**chg. $**	**chg. %**
Construction	595.5	649.2	(53.7)	(8.3)%
Mining & mineral processing	275.6	232.3	43.3	18.6%
Services	8.6	-	8.6	-
HLG	29.4	17.9	11.5	64.2%
Commercial & residential	(74.7)	70.5	(145.2)	(206.0)%
Corporate	(94.0)	(234.9)	140.9	(60.0)%
Profit before tax	**740.4**	**735.0**	**5.4**	**0.7%**

Construction margins have again increased, through the continued transformation of our business culture, including an improved risk management and bidding approach, with stricter criteria for the on-boarding of projects. Construction PBT was $595.5 million for FY16, a decrease of 8.3% or $53.7 million, compared with the 21.5% reduction in revenue.

Mining & mineral processing increased its contribution with expanded margins as a result of CIMIC's strategy to diversify by commodity and geography, achieved in part through the acquisition of Sedgman and further expansion into North and South American markets. Mining & mineral processing PBT was $275.6 million for FY16, an increase of 18.6%, or $43.3 million.

HLG PBT was $29.4 million for FY16, an increase of 64.2%, or $11.5 million.

Commercial & residential PBT was a $74.7 million loss for FY16, a decrease of $145.2 million. The decrease was in part a result of Devine undertaking a strategic review of its business, as well as a much larger contribution from property development sales in FY15.

Corporate PBT was a $94.0 million loss for FY16, a decrease of 60.0%, or $140.9 million. Corporate PBT significantly improved due to reduced finance costs, and an increased contribution from associates and joint ventures. One-off gains from the acquisition of Sedgman and the divestment of Nextgen were partly offset by onerous leases (including the 177 Pacific Highway, North Sydney lease).

INCOME TAX

Income tax expense was $188.0 million for FY16, a decrease of 14.8%, or $32.6 million, compared to FY15.

The effective tax rate of 25.4% was largely impacted by refunds on overpayment of income taxes in prior years relating to the divestment of the John Holland and Ventia businesses; a conservative approach was taken to estimating taxes due on these divestments. Also impacting the effective tax rate are income tax differentials relating to profits and losses from the various jurisdictions in which the Group operates.

NET PROFIT AFTER TAX

NPAT was $580.3 million for FY16, an increase of 11.5%, or $59.9 million, compared to FY15. The NPAT margin was 5.3%, a 140 basis point increase on FY15.

Profit for the year (profit after tax and before minorities) was $552.4 million. Non-controlling interests were $27.9 million, attributable to the share of the minority owners in Devine's losses for the period.

EPS (basic) was 176.6 cents, an increase of 14.9% on FY15 (compared to an 11.5% increase on NPAT), as well as being boosted by the benefits of the share buy-back.

[18] Total interest bearing liabilities.

FINANCIAL POSITION

Throughout FY16, CIMIC continued its working capital and operating cash flow focus which resulted in a strong balance sheet at 31 December 2016. The financial position at 31 December 2016 includes the consolidation of UGL, (refer to the Financial Report, 'Note 29: Acquisitions, disposals of controlled entities and businesses').

Net cash/(debt) and gearing $m	December 2016	December 2015	chg. $	chg. %
Cash and cash equivalents	1,576.5	2,167.8	(591.3)	(27.3)%
Current interest bearing liabilities	(618.2)	(217.4)	(400.8)	184.4%
Non-current interest bearing liabilities	(549.0)	(838.9)	289.9	(34.6)%
Net cash/(debt)	**409.3**	**1,111.5**	**(702.2)**	**(63.2)%**
Operating leases	(466.9)	(583.4)	116.5	(20.0)%
Net cash /(debt) (including operating leases)	**(57.6)**	**528.1**	**(585.7)**	**(110.9)%**
Equity	3,312.4	4,115.3	(802.9)	(19.5)%
Gearing	1.7%	(14.7)%	-	-

Net contract debtors $m	December 2016	December 2015	chg. $	chg. %
Net contract debtors	**1,384.6**	**1,499.2**	**(114.6)**	**(7.6)%**

Assets $m	December 2016	December 2015	chg. $	chg. %
Current assets				
Cash and cash equivalents	1,576.5	2,167.8	(591.3)	(27.3)%
Trade and other receivables	3,209.6	2,659.6	550.0	20.7%
Current tax assets	28.0	26.6	1.4	5.3%
Inventories: consumables and development properties	213.0	264.0	(51.0)	(19.3)%
Assets held for sale	47.7	235.8	(188.1)	(79.8)%
Total current assets	**5,074.8**	**5,353.8**	**(279.0)**	**(5.2)%**
Non-current assets				
Trade and other receivables	1,235.8	889.2	346.6	39.0%
Inventories: development properties	166.9	275.3	(108.4)	(39.4)%
Investments accounted for using the equity method	616.5	1,073.1	(456.6)	(42.5)%
Other investments	135.4	125.7	9.7	7.7%
Deferred tax assets	310.1	119.5	190.6	159.5%
Property, plant and equipment	1,355.7	1,312.8	42.9	3.3%
Intangibles	1,125.9	527.4	598.5	113.5%
Total non-current assets	**4,946.3**	**4,323.0**	**623.3**	**14.4%**
Total assets	**10,021.1**	**9,676.8**	**344.3**	**3.6%**

Liabilities and equity $m	December 2016	December 2015	chg. $	chg. %
Current liabilities				
Trade and other payables	4,721.1	3,675.7	1,045.4	28.4%
Current tax liabilities	126.6	81.3	45.3	55.7%
Provisions	333.3	283.4	49.9	17.6%
Interest bearing liabilities	618.2	217.4	400.8	184.4%
Liabilities associated with assets held for sale	-	48.7	(48.7)	-
Total current liabilities	**5,799.2**	**4,306.5**	**1,492.7**	**34.7%**
Non-current liabilities				
Trade and other payables	287.0	331.6	(44.6)	(13.4)%
Provisions	73.5	84.5	(11.0)	(13.0)%
Interest bearing liabilities	549.0	838.9	(289.9)	(34.6)%
Total non-current liabilities	**909.5**	**1,255.0**	**(345.5)**	**(27.5)%**
Total liabilities	**6,708.7**	**5,561.5**	**1,147.2**	**20.6%**
Equity	**3,312.4**	**4,115.3**	**(802.9)**	**(19.5)%**

FINANCIAL POSITION (CONTINUED)

NET CASH / (DEBT) AND GEARING

Net cash was $409.3 million at 31 December 2016, a decrease of 63.2%, or $702.2 million, compared to 31 December 2015. Net cash at 31 December 2016 would have been approximately $1.4 billion if adjusted for the share buy-back, the net impact of the investments in UGL, Sedgman and Devine, and the Nextgen divestment.[19]

At 31 December 2016, the Group's gearing was 1.7% compared to below zero at 31 December 2015.

Interest bearing liabilities

Current and non-current interest bearing liabilities were $1,167.2 million at 31 December 2016, an increase of 10.5%, or $110.9 million, compared to 31 December 2015. The increase is a result of consolidating UGL's interest bearing liabilities, as well as foreign exchange impacts on interest bearing liabilities. This has been offset by the repayment of $276.9 million of finance leases during the course of the year.

Bonding

CIMIC had significant bonding and guarantee facilities available which are integral to the successful delivery of existing and future work in hand. Bonds and guarantees outstanding at 31 December 2016 were $3,967.6 million. An additional $1,544.8 million was undrawn of which $575.4 million was committed and $969.4 million was uncommitted.

Credit ratings

On 14 December 2016, Standard & Poor's confirmed its current investment grade rating for CIMIC of 'BBB-/A-3' with a stable outlook. On 10 October 2016, Moody's Investors Service maintained an investment grade rating for CIMIC of 'Baa3' with a stable outlook.

CURRENT ASSETS

Trade and other receivables

Trade and other receivables were $3,209.6 million at 31 December 2016, an increase of 20.7%, or $550.0 million, compared to 31 December 2015. The figure includes $2,607.9 million (31 December 2015: $2,145.0 million) of amounts due from customers (refer to net contract debtors below). The remaining balance relates to sundry debtors, joint venture working capital and other receivables.

The Group's net contract debtors was $1,384.6 million at 31 December 2016, a decrease of 7.6%, or $114.6 million, compared to 31 December 2015. CIMIC continued to deliver an improvement in the level of net contract debtors and to de-risk the balance sheet during the period. The Group has achieved a decline since 31 December 2015 due to its focus on debtor reduction and cash collection initiatives.

The Group's $675.0 million contract debtors portfolio provision remains unchanged at 31 December 2016.

Current tax assets

Current tax assets were $28.0 million at 31 December 2016, an increase of 5.3%, or $1.4 million, compared to 31 December 2015.

Inventories: consumables and development properties

Inventories: consumables and development properties were $213.0 million at 31 December 2016, a decrease of 19.3%, or $51.0 million, compared to 31 December 2015. The reduction is due to the sale of development property assets over the course of the year.

Assets held for sale

Assets held for sale were $47.7 million at 31 December 2016, a decrease of 79.8%, or $188.1 million, compared to 31 December 2015. Assets held for sale at 31 December 2016 of $37.2 million relate to the Group's marine fleet. The 31 December 2015 balance included Arutmin Indonesia mining assets, which have been sold in FY16.

NON-CURRENT ASSETS

Trade and other receivables

Trade and other receivables were $1,235.8 million at 31 December 2016, an increase of 39.0%, or $346.6 million, compared to 31 December 2015. This figure includes $1,043.2 million (31 December 2015: $842.7 million) of non-current loan receivables and interest receivable owed by HLG Contracting, (refer to the Financial Report, 'Note 8: Trade and other receivables').

Inventories: development properties

Inventories: development properties were $166.9 million at 31 December 2016, a decrease of 39.4%, or $108.4 million, compared to 31 December 2015.

[19] Share buy-back program ($425.9 million); the net impact of the purchase of UGL of $701.4 million; the net impact of the purchase of shares in Sedgman and Devine, less the cash acquired from the consolidation of Sedgman, of $76.9 million; and Nextgen proceeds of $180.8 million.

FINANCIAL POSITION (CONTINUED)

Investments accounted for using the equity method
Investments accounted for using the equity method were $616.5 million at 31 December 2016, a decrease of 42.5%, or $456.6 million, compared to 31 December 2015. This decrease is partly due to Sedgman no longer being recognised as an associate, as well as the divestment of Nextgen. The consolidated financial statements include the full consolidation of Sedgman since the Group gained control on 23 February 2016.

Equity accounted investments include project related associates and joint ventures, such as the Transmission Gully PPP in New Zealand, along with the Group's holdings in HLG Contracting, Ventia and Macmahon. For HLG Contracting refer to the Financial Report, 'Note 26: Joint venture entities'.

Other investments
Other investments were $135.4 million at 31 December 2016, an increase of 7.7%, or $9.7 million, compared to 31 December 2015.

Deferred tax assets
Deferred tax assets were $310.1 million at 31 December 2016, an increase of $190.6 million, compared to 31 December 2015. This includes deferred tax assets from the acquisition of UGL.

Property, plant and equipment
Property, plant and equipment was $1,355.7 million at 31 December 2016, an increase of 3.3%, or $42.9 million, compared to 31 December 2015. At 31 December 2016, an additional $466.9 million was financed by the Group under operating leases. Additions to property, plant and equipment during the period included the fit-out of 177 Pacific Highway, North Sydney and job-costed tunnelling machines for new projects. The balance includes property, plant and equipment acquired from the acquisition of UGL of $72.7 million, and the effect of foreign exchange fluctuations of $41.6 million.

Intangibles
Intangibles were $1,125.9 million at 31 December 2016, an increase of 113.5%, or $598.5 million, compared to 31 December 2015. Intangibles includes $914.0 million of goodwill. Additions to intangibles during FY16 included goodwill of $480.7 million and intangibles of $70.6 million in relation to the acquisition of UGL, and $61.5 million of goodwill in relation to the acquisition of Sedgman.

CURRENT LIABILITIES

Trade and other payables
Trade and other payables were $4,721.1 million at 31 December 2016, an increase of 28.4%, or $1,045.4 million, compared to 31 December 2015. This figure includes $1,223.3 million (31 December 2016: $645.8 million) of amounts due to customers. The remaining balance includes trade creditors, joint venture payables and other creditors.

Current tax liabilities
Current tax liabilities were $126.6 million at 31 December 2016, an increase of 55.7%, or $45.3 million, compared to 31 December 2015.

Provisions
Provisions were $333.3 million at 31 December 2016, an increase of 17.6%, or $49.9 million, compared to 31 December 2015. The provision for employee benefits relates to wages and salaries, annual leave, long service leave, retirement benefits and deferred bonuses. The increase is primarily due to recognising employee provisions in relation to the acquisition of UGL.

Liabilities associated with assets held for sale
Liabilities associated with assets held for sale were $nil at 31 December 2016. $48.7 million of finance leases that related to Arutmin were repaid during the year.

NON-CURRENT LIABILITIES

Trade and other payables
Trade and other payables were $287.0 million at 31 December 2016, a decrease of 13.4%, or $44.6 million, compared to 31 December 2015.

Provisions
Provisions were $73.5 million at 31 December 2016, a decrease of 13.0%, or $11.0 million, compared to 31 December 2015. This figure includes employee benefits relating to long service leave, retirement benefits and deferred bonuses.

EQUITY

Equity was $3,312.4 million as at 31 December 2016, a decrease of 19.5%, or $802.9 million, compared to 31 December 2015. The reduction in equity during the year is primarily due to the impact of the share buy-back, as well as the acquisitions of UGL and Sedgman. This is offset by the net impact of the profit for the year and dividends paid.

CASH FLOW

Cash flows from operating activities $m	2016	2015	chg. $	chg. %
Cash flows from operating activities	**1,201.4**	**1,919.6**	**(718.2)**	**(37.4)%**
Interest, finance costs, taxes and dividends received	(74.4)	(469.4)	395.0	(84.1)%
Net cash from operating activities	**1,127.0**	**1,450.2**	**(323.2)**	**(22.3)%**
Gross capital expenditure	(280.2)	(266.3)	(13.9)	5.2%
Free operating cash flow	**846.8**	**1,183.9**	**(337.1)**	**(28.5)%**

Cash flows from investing activities $m	2016	2015	chg. $	chg. %
Payments for intangibles	(14.7)	(15.2)	0.5	(3.3)%
Payments for property, plant and equipment	(280.2)	(266.3)	(13.9)	5.2%
Proceeds from sale of property, plant and equipment	97.8	156.2	(58.4)	(37.4)%
Proceeds from sale of investments in controlled entities and businesses	-	1,671.0	(1,671.0)	-
Proceeds from sale of equity accounted investments	180.8	-	180.8	-
Cash acquired from acquisition of investments in controlled entities and businesses	244.4	-	244.4	-
Income tax paid in relations to proceeds from sale of investments in controlled entities and businesses	(32.0)	(263.0)	231.0	(87.8)%
Payments for investments	(325.1)	(35.1)	(290.0)	826.2%
Loans to associates and joint ventures	(152.7)	-	(152.7)	-
Net cash from investing activities	**(281.7)**	**1,247.6**	**(1,529.3)**	**(122.6)%**

Cash flows from financing activities $m	2016	2015	chg. $	chg. %
Own shares purchased from shareholders of the Company	(425.9)	-	(425.9)	-
Cash payments in relation to employee share plans	(18.8)	(4.1)	(14.7)	358.5%
Proceeds from borrowings	380.4	871.2	(490.8)	(56.3)%
Repayment of borrowings	(380.1)	(2,915.4)	2,535.3	(87.0)%
Repayment of finance leases	(276.9)	(124.7)	(152.2)	122.1%
Dividends paid to non-controlling interests	(12.6)	-	(12.6)	-
Dividends paid to shareholders of the Company	(320.5)	(385.9)	65.4	(16.9)%
Payments to acquire non-controlling interests	(389.0)	-	(389.0)	-
Net cash from financing activities	**(1,443.4)**	**(2,558.9)**	**1,115.5**	**(43.6)%**

From operating activities
Cash flows from operating activites were $1.2 billion for FY16. FY16 showed a strong level of cash flow generation from operating activities, a result of CIMIC's continued focus on working capital management. EBITDA conversion was 110% in FY16. FY15 cashflows from operating activities were boosted by property sales and the initial benefits of CIMIC's working capital management strategy.

Free operating cash flow was $846.8 million for FY16. Income taxes paid have decreased by $294.0 million. The significant reduction in the amount of taxes paid is primarily due to the timing of payments of taxes and receipt of refunds outside of the financial year to which they relate. Finance costs have reduced due to the Group's improved financial structure and lower cost of debt. Gross capital expenditure was $280.2 million for FY16, an increase of 5.2%, or $13.9 million, compared to FY15. The increase was due in part to capital expenditure on job-costed tunnelling machines for new projects, as well as the fit-out of 177 Pacific Highway, North Sydney.

From investing activities
Net cash outflows from investing activities were $281.7 million for FY16. This compares to an inflow of $1.2 billion in FY15. The significant cash flows for FY16 included the net impact of the purchase of shares in UGL and Sedgman, $152.7 million loans to associates and joint ventures, offset in part by $180.8 million proceeds from the divestment of Nextgen. FY15 included $1.7 billion of proceeds from the sale of John Holland and 50% of Ventia, less $263.0 million of income tax paid in relation to proceeds received from the sale of these investments.

From financing activities
Net cash outflows from financing activities were $1.4 billion for FY16 compared to $2.6 billion in FY15. The FY16 financing cash flows include $425.9 million invested in the share buy-back, and payments for the acquisition of shares in UGL, Sedgman and Devine.

FY16 also included a $276.9 million repayment of finance leases. In FY15, the cash outflows from financing activities included the net repayment of $2.0 billion in relation to interest bearing liabilities. This included the repurchase of 10-Year Fixed-Rate Guaranteed Senior Notes, the repayment of other Guaranteed Senior Notes, and other bilateral, syndicated and other unsecured loans. (Refer to Financial Report, 'Note 19: Interest bearing liabilities').

NEW WORK AND WORK IN HAND

CIMIC maintains its position as a leading international contractor and the world's largest contract miner with a diversified portfolio of work in hand.

The Group's total work in hand was $34.0 billion at 31 December 2016, an increase of 17.3%, or $5.0 billion, compared to 31 December 2015. Work in hand includes the full consolidation of UGL at 31 December 2016.

Work in hand **$m**	**December 2016**	**December 2015**	**chg. $**	**chg. %**
Opening work in hand	29,004.4	31,001.8	(1,997.4)	(6.4)%
New work	13,433.1	14,131.4	(698.3)	(4.9)%
Acquisition work in hand (UGL)	5,109.0	-	5,109.0	-
Executed work	(13,534.5)	(16,128.8)	2,594.3	(16.1)%
Total work in hand	**34,012.0**	**29,004.4**	**5,007.6**	**17.3%**

Work in hand was split 68:32 between domestic and international markets, compared with 65:35 in FY15.

MAJOR CONTRACT AWARDS AND SCOPE INCREASES IN 2016[20]

During the period, $13.4 billion of new work was awarded. New work comprised $8.0 billion of new contracts and $5.4 billion of contract extensions and variations, including the impact of foreign exchange rate movements.

In Australia and New Zealand, CIMIC won several major contracts, including:

- $500 million contract to design and construct the Level Crossing Removal Project: Caulfield to Dandenong in Victoria;
- $300 million contract to design and construct the first stage of Capital Metro, Canberra's light rail project, and the project's $300 million 20-year maintenance concession contract in the Australian Capital Territory;
- $330 million design and construction contract for a 5km extension of the Roe Highway in Perth in Western Australia (CIMIC's share approximately $235 million);
- $200 million contract to design and construct the second stage of the Gold Coast light rail project in Queensland;
- $350 million contract for network integrity and facilities management for Telstra across Australia (CIMIC's share approximately $164 million);
- $160 million contract to construct the Bruce Highway – Cooroy to Curra, Section C in Queensland; and
- $250 million contract for delivery of Wideband services for Telstra across Australia (CIMIC's share approximately $117 million).

Overseas major awards include:

- $1.58 billion contract to construct the Tseung Kwan O – Lam Tin Tunnel in Hong Kong (CIMIC's share approximately $805 million);
- $710 million in contract expansions and extensions at the Melak coal mine in East Kalimantan, Indonesia;
- $840 million contract to provide mining services in Canada's Athabasca region (CIMIC's share approximately $428 million);
- $320 million contract to construct a Columbarium and Garden of Remembrance in Hong Kong;
- $223 million contract for phases two and three of the Maker Maxity development in India; and
- $370 million contract extension at Debswana Diamond Company's Jwaneng mine in Botswana (CIMIC's share approximately $222 million).

Work in hand by segment[21] **$m**	**December 2016**	**%**	**December 2015**	**%**	**chg. $**	**chg. %**
Construction	12,959.0	38%	12,448.1	43%	510.9	4.1%
Mining & mineral processing	10,025.4	30%	9,600.0	33%	425.4	4.4%
Services	4,926.3	14%	-	-	4,926.3	-
HLG	1,798.1	5%	2,403.6	8%	(605.5)	(25.2)%
Commercial & residential	724.2	2%	1,427.6	5%	(703.4)	(49.3)%
Corporate	3,579.0	11%	3,125.1	11%	453.9	14.5%
Total work in hand	**34,012.0**	**100%**	**29,004.4**	**100%**	**5,007.6**	**17.3%**

CONSTRUCTION WORK IN HAND

Construction work in hand was $13.0 billion at 31 December 2016, an increase of 4.1%, or $510.9 million. Construction work in hand is diversified across a range of markets and sectors in Australia and overseas. The major projects include the delivery of social, rail and road infrastructure, predominantly in Austalia and Hong Kong.

[20] Australian dollar values at date of announcement of the awards, unless otherwise noted.

[21] Mining & mineral processing work in hand has been restated to include Sedgman; FY15: $92.0 million being reclassified from corporate.

NEW WORK AND WORK IN HAND (CONTINUED)

MINING & MINERAL PROCESSING WORK IN HAND

Mining & mineral processing work in hand was $10.0 billion at 31 December 2016, an increase of 4.4%, or $425.4 million. CIMIC continued to diversify its mining & mineral processing work in hand by commodity and geography, and during the year new work included work won in North and South America.

SERVICES WORK IN HAND

Services work in hand was $4.9 billion at 31 December 2016. Services work in hand is diversified across a range of markets in Australia, New Zealand and South East Asia. Major contracts include metro rail network operations and maintenance, freight rail and naval ship maintenance, and asset management services across oil and gas, water and power.

The major projects secured in FY16 by UGL and included in work in hand are:

- $594 million contract for the supply and maintenance of locomotives to Pacific National, extending existing maintenance agreements to 30 June 2026;
- $570 million contract for maintenance and asset management services, including the initial maintenance facility installation works for New Intercity Fleet in New South Wales;
- $250 million contract for the continued provision of long term maintenance support for the Australian Navy's ANZAC Class ships;
- $127 million contract to design and construct a water treatment plant for Melbourne Water in Victoria, in a joint venture with CPB Contractors; and
- $100 million contract to engineer, procure and construct and operate and maintain the first phase of the Genex Solar project at Kidston in North Queensland.

HLG WORK IN HAND

The Group's share of HLG work in hand was $1.8 billion at 31 December 2016.

The major projects awarded to HLG Contracting in the period were:

- $177 million contract to build the Gate Avenue commercial development at the DIFC Project in Dubai (CIMIC's share approximately $80 million); and
- $215 million contract for the construction of the residential Al Mutahidah Towers in Qatar (CIMIC's share approximately $97 million).

COMMERCIAL & RESIDENTIAL WORK IN HAND

Commercial & residential work in hand was $724.2 million at 31 December 2016, a decrease of 49.3%, or $703.4 million. The decrease reflects the sale of development properties during the period.

OPPORTUNITIES

There is a robust pipeline of infrastructure, mining and mineral processing, and services opportunities relevant to CIMIC of around $100 billion of tenders, relevant to CIMIC, have been identified for 2017, (of which 69% is in Australia and New Zealand), $55 billion is in construction, $25 billion is in mining and $20 billion is in services. In the order of $250 billion of projects, relevant to CIMIC, have been identified as coming to the market in 2018 and beyond, (of which 60% Australia and New Zealand), $165 billion is in construction, $45 billion is in mining and $40 billion is in services.

CIMIC, through CPB Contractors and Pacific Partnerships, has been shortlisted for several large projects including the Melbourne Metro Rail Link in Victoria, the Sydney Metro – TSE (Tunnels and Station Excavation works) and selected projects under the Western Sydney Roads Upgrade Program in New South Wales.

In addition, CIMIC is pursuing numerous major domestic and international infrastructure projects such as:

- Parramatta Light Rail in New South Wales and Perth MAX Light Rail in Western Australia;
- Canberra Hospital Redevelopment in the Australian Capital Territory;
- Health infrastructure projects in New South Wales;
- Western package of the Outer Suburban Arterial Roads in Victoria (PPP);
- Metro Trains Melbourne operations and maintenance extension in Victoria;
- Sydney Metro City and Southwest Augmentation in New South Wales;
- Northern Island Prison in New Zealand (PPP);
- Central Kowloon Route – Kai Tak West, T2 Foundation and Substructure Airport in Hong Kong; and
- North-South Corridor – N105 in Singapore.

CIMIC expects to expand its mining and mineral processing activities into other markets, for example by exporting its contract mining skills further into North and South America providing CIMIC with additional diversification by commodity. This strategy is reflected in the recent mining services contract award in the Canadian oil sands.

The acquisition of UGL provides significant opportunities to extend its service capabilities across CIMIC's complementary operations, in existing and new markets. UGL remains well positioned to benefit from the strong growth expected in services opportunities across road and rail infrastructure, oil and gas, defence, water and renewable energy.

OPERATING ENVIRONMENT OUTLOOK

In the markets where CIMIC operates, public and private clients continue to invest (including through PPP models), providing a robust pipeline of projects and opportunities for CIMIC to contribute its financial strength, civil, mining, and mechanical, and electrical engineering capabilities, and project and operational experience.

CONSTRUCTION MARKET

Australia's 26-year run of GDP growth[22] is expected to be maintained with 2% and 3% real growth forecast in FY16/17 and FY17/18 respectively.[23] This outlook, combined with robust population growth of 1% to 2%[24] and the Australian Government's continued delivery on its 2013-2020 $50 billion road, rail and air transport infrastructure investment plan,[25,26] underpin continued infrastructure investment. Private sector financing of numerous major projects under PPP models complements such public infrastructure funding. Combined, these factors support a good level of construction, operations and maintenance, and PPP opportunities for the Group.

Transport infrastructure, a core capability of the Group, has a particularly strong growth outlook driven by a forecast increase in government expenditure and private sector funding.

The Australian Industry Group Construction Outlook Survey reported in November 2016 that: "The total value of turnover from all major construction work is expected to recover by 4.6% in 2016/17. Engineering construction is expected to rise by 3.6% through the year …. The value of infrastructure-related engineering work (a sub-set of engineering construction in this data) is expected to rise by 13.5%, driven by strong growth in road (+17.9%) and rail (+16.1%) projects. This is in line with a range of large-scale Government transport projects that are either underway or are in the pipeline." [27]

CIMIC's international operations also have a positive outlook, offering growth opportunities in construction and, in the longer term, operation and maintenance services.

PPP MARKET

Australia has one of the world's most well-developed PPP markets, having procured numerous transport and social infrastructure PPP projects over the past two decades in the road, rail, health, education, defence, justice, correctional, water, convention centre, social housing and student accommodation sectors.

The current PPP market includes several large rail projects. PPP opportunities are continuing to emerge to deliver varying combinations of design, construction, finance and operations and maintenance of track, stations, rolling stock, and rail systems.

There is also a stable pipeline of social infrastructure PPPs in terms of schools, prisons with scope to provide non-custodial services, and hospitals. In the coming years there is also expected to be a return of some major road projects as PPPs. The recent wave of government asset sales in New South Wales (i.e. the sale of the electricity assets) and in Victoria (i.e. the Port of Melbourne sale), mean these states are in terms of the number of PPP projects coming to the markets.

Expected PPP projects in procurement during 2017 include:

Transport infrastructure:

- Melbourne Metro Rail in Victoria;
- Melbourne Outer Suburban Arterial Roads Network in Victoria;
- Parramatta Light Rail Project in New South Wales; and
- Canberra Light Rail - Stage 2 in Australian Capital Territory.

Social infrastructure expected to be procured in 2017 include:

- Partnerships with Hospital Operators in New South Wales; and
- New Western Australia Prison in Western Australia.

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[22] The Hon Scott Morrison MP, *Budget Strategy and Outlook: Budget Paper No. 1*, 2-3.
[23] The Hon Scott Morrison MP, *Mid-Year Economic and Fiscal Outlook 2016-17*, December 2016, p. 7.
[24] Australian Bureau of Statistics, *Annual Population Change – Year Ending 30 June 2016, 3101.0 Australian Demographic Statistics, Jun 2016 – ABS.*
[25] Australian Government, *The Australian Government's Response to Infrastructure Australia's Australian Infrastructure Plan*, November 2016, p.3.
[26] Australian Government, 'Jobs and growth: investing in infrastructure', *Budget 2016-17*, http://budget.gov.au/201617/content/glossies/jobs-growth/html/jobs-growth-03.htm.
[27] Construction Outlook, AI Group/Australian Construction Association, November 2016.

OPERATING ENVIRONMENT OUTLOOK (CONTINUED)

MINING & MINERAL PROCESSING MARKET

The Australian Government's Resources and Energy Quarterly reported in September 2016 that: "The outlook for Australia's production of bulk commodities remains generally positive, despite challenging conditions facing most producers. Production of iron ore is forecast to grow over the next year … Metals production is largely expected to increase over the outlook period, led by growth in gold, copper and alumina … the outlook for Australia's energy commodities is mixed. LNG production is forecast to continue to increase in line with growth in export capacity ..."[28]. The oil and gas sector is transitioning from construction into operations and maintenance, creating further services opportunities.

Whilst there have been recent commodity price increases, uncertainty about price forecasts and price sustainability means the market for mining and minerals processing remains challenging. However, the Group remains in a strong position to capitalise on opportunities as they arise in the mining and minerals processing markets. Long-term client partnerships, the successful negotiation of contract extensions and the Group's competitive position provide confidence for the future. CIMIC plans to increase its market and commodity diversification and is analysing several growth opportunities.

Investment levels in the mining market appear to be stabilising. The Reserve Bank of Australia notes "… the largest subtraction of mining investment (net of imports) from GDP growth looks to have already occurred; the ABS ('Australian Bureau of Statistics') capital expenditure (capex) survey of investment intentions and Bank liaison point to a smaller subtraction in 2016/17"[29]. The ABS survey points to an expected capex spend of $39.9 billion for 2016-17, down from an actual spend of $53.4 billion in 2015-16[30].

SERVICES MARKET

The size of the market for infrastructure maintenance services in Australia is estimated at $20.5 billion having grown by 6.6% per annum during the past five years[31]. Continuing investment in infrastructure development and an increase in the proportion of the Australian market that is outsourced (currently around 50% which is low relative to other developed countries), is expected to result in infrastructure maintenance services growth of 3.5% per annum until FY22[31]. The highest growth is projected for service providers that can leverage systems, technologies and client relationships to implement best practice in service delivery.

The Australian Government's Defence White Paper released in February 2016, indicates an increase in funding for maintenance of the Defence Estate. Furthermore, substantial investment is expected to be made by the Australian Government in specialist defence equipment (e.g. tanks, ships, aircraft) and supporting infrastructure over the medium to long term, which is expected to result in increased demand for asset maintenance services.

Through its acquisition of UGL, CIMIC is well positioned to grow its services capabilities in existing and new markets by benefiting from the Group's complementary activities. As well, there is expected to be additional growth in services opportunities in the road and rail infrastructure, oil and gas, water, defence and renewable energy markets.

FUTURE DEVELOPMENTS

GROUP PROSPECTS

CIMIC is a leading provider of construction, mining and mineral processing, services, PPP and engineering in Australia and overseas. The opportunities in these sectors provide the main longer-term drivers for the Group, particularly as governments in Australia-Pacific and Asia roll out initiatives to address significant infrastructure deficits.

The Group remains focused on improving project delivery, with a clear focus on cash, profitability and sustainability, and on the development of its PPP business. Also, the Group continues to analyse local merger and acquisition opportunities to support its development and future growth.

The pipeline of infrastructure projects (many of which will be delivered through PPP models) remains high, underpinning demand for the Group's activities. In the short-term, the Group's competitive position and work in hand provide a solid base for future revenue and profitability.

While the opportunities in our existing markets will continue to be the primary drivers of demand for the Group, CIMIC continues to consider opportunities to expand into new regions and markets, where it can leverage its existing capabilities.

GUIDANCE

2017 NPAT is expected to be within the range of $640 million to $700 million, subject to market conditions, an increase of 10% to 21% on FY16.

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[28] Australian Government Department of Industry, Innovation and Science (Office of the Chief Economist) Resources and Energy Quarterly, September 2016.
[29] Domestic Economic Conditions, November 2016 p.30 – RBA.
[30] Private New Capital Expenditure and Expected Expenditure, Australia, Sep 2016 – ABS.
[31] IBISWorld Industry Report OD5330, *"Infrastructure Maintenance Services in Australia"*, November 2015.

Remuneration Report

SCOPE

The information provided in this Remuneration Report has been audited and is in accordance with the requirements of the Corporations Act.

For the purposes of this Remuneration Report, the Key Management Personnel (KMP) are referred to as either Senior Executives (which includes the Executive Chairman) or Non-executive Directors (including Alternate Directors). Details of the Senior Executives (as at 31 December 2016) are set out below. Details of the current and former Non-executive Directors as at 31 December 2016 are set out on page 37.

SENIOR EXECUTIVE REMUNERATION – POLICY AND APPROACH

REMUNERATION PRINCIPLES

The key remuneration principles that underpin CIMIC's approach to Senior Executive remuneration are to:

- align to Group principles and business needs;
- link performance to reward; and
- promote behaviours that deliver Group sustainability and align to shareholder interests.

REMUNERATION COMPONENTS

Senior Executive remuneration for the 2016 Financial Year was delivered as a mix of fixed and variable remuneration as set out in the following table:

Fixed	Fixed remuneration	Base salary, non-monetary benefits and superannuation (as applicable).
Variable	Short-Term Incentive (STI)	Annual cash incentive paid to eligible Senior Executives for performance against approved and measurable objectives.
	Long-Term Incentive (LTI)	An option plan vesting 2 years after award and available to exercise over 3 years. Awards are provided to select Senior Executives on a periodic basis and at the discretion of the Company.

APPROACH TO SETTING REMUNERATION

Individual remuneration is determined by reference to:

- Group policy regarding the mix of fixed and variable remuneration;
- performance and experience of the individual;
- comparable jobs within the Group; and
- remuneration for comparable jobs amongst peer companies.

The Remuneration and Nomination Committee considers and proposes the remuneration of the CEO (including any incentive awards) to the Board for approval, and receives and reviews the remuneration (including any incentive awards) approved by the CEO for any other Senior Executives.

SENIOR EXECUTIVE REMUNERATION – COMPONENTS IN DETAIL

The Senior Executives as at 31 December 2016 are identified in the table below.

Executive Directors		
Marcelino Fernández Verdes	Executive Chairman	Appointed as CEO on 13 March 2014. Elected Executive Chairman on 11 June 2014. Previously a Non-executive Director from 10 October 2012 to 13 March 2014. On 18 October 2016, Mr Fernández Verdes stepped down as CEO and Mr Valderas was appointed as CEO. Mr Fernández Verdes has continued in his capacity as Executive Chairman.
Adolfo Valderas	CEO and Managing Director	Appointed as Chief Operating Officer on 4 December 2013 and as Deputy CEO on 28 October 2015. On 18 October 2016, Mr Valderas was appointed as CEO and ceased to be Chief Operating Officer. Appointed as Managing Director on 27 October 2016.
Executive		
Angel Muriel Bernal	CFO, Chief Development Officer and Managing Director of Pacific Partnerships	Appointed as Chief Development Officer and Managing Director of Pacific Partnerships on 1 July 2014. Appointed as CFO and became a KMP on 23 July 2015.

The remuneration components described in this section apply to Mr Valderas and Mr Muriel Bernal. The remuneration arrangements applicable to Mr Fernández Verdes are described separately in the 'Remuneration – Executive Chairman' section on page 32.

FIXED REMUNERATION

Fixed remuneration received by Senior Executives comprises base salary, non-monetary benefits and superannuation (as applicable).

Non-monetary benefits included such items as fringe benefits, expatriate benefits and other salary-sacrificed benefits as agreed from time to time.

On 1 January 2016, an increase was made to the fixed remuneration for Mr Muriel Bernal from $700,000 to $1,000,000 in recognition of his promotion to the role of CFO on 23 July 2015.

On 1 November 2016, an increase was made to the fixed remuneration for Mr Valderas from $1,200,000 to $1,500,000 in recognition of his promotion to the role of CEO on 18 October 2016.

STI

Summary of 2016 STI

<table>
<tr><td>Senior Executive participation</td><td colspan="2">Mr Valderas and Mr Muriel Bernal participated in the 2016 STI. Mr Fernández Verdes did not participate in the STI.</td></tr>
<tr><td>How much could Senior Executives earn under the 2016 Financial Year STI?</td><td colspan="2">The STI opportunity provides a reward for threshold, target and stretch performance based on performance conditions referred to below. The table reflects the potential earnings as a percentage of fixed remuneration for the relevant executive.

The STI opportunities for 2016 for Mr Valderas and Mr Muriel Bernal were:

<table><tr><th colspan="3">Percentage of Total Fixed Remuneration (TFR)</th></tr><tr><th>Threshold</th><th>Target</th><th>Stretch</th></tr><tr><td>45% (ie, 60% of the target STI opportunity of 75% of TFR)</td><td>75% (ie, 100% of the target STI opportunity of 75% of TFR)</td><td>112.5% (ie, 150% of the target STI opportunity of 75% of TFR)</td></tr></table></td></tr>
<tr><td>Over what period was performance measured?</td><td colspan="2">The 2016 Financial Year.</td></tr>
<tr><td>What were the performance conditions?</td><td>Financial measures
80% of the amount that could be earned as STI was based on performance against financial measures and targets applicable to the relevant role.
For Senior Executives in 2016, this financial component was based on NPAT and operating cash flow.</td><td>Non-financial measures
20% of the amount that could be earned as STI was based on performance against safety targets and/or non-financial measures relevant to the role.</td></tr>
<tr><td>Why were those performance measures chosen?</td><td>The financial measures are designed to encourage Senior Executives to focus on the key financial objectives of the Group consistent with the business plan for the relevant year and the Group’s strategic objectives.</td><td>The non-financial measures are designed to encourage a direct relationship between the measures set and the individual Senior Executive’s role. They also ensure that contributions to critical initiatives are recognised and rewarded.</td></tr>
<tr><td>How is the STI paid?</td><td colspan="2">The STI is paid in cash following finalisation of the audited financial statements for the 2016 Financial Year.</td></tr>
<tr><td>How was performance against targets assessed?</td><td colspan="2">Performance against financial and non-financial key performance indicators (KPIs) was assessed following the end of the 2016 Financial Year to determine the actual STI payments. A scorecard-based calculation was made and, the resulting STI amount adjusted, if required, following a qualitative assessment.
Notwithstanding any STI amount determined, the Remuneration and Nomination Committee, on the recommendation of the Executive Chairman, retains an overriding ability to adjust the STI amount before payment taking into account all relevant circumstances.</td></tr>
</table>

STI outcomes for the 2016 Financial Year

STI payments for the 2016 Financial Year were determined based on Senior Executive performance against the applicable financial and non-financial KPIs, as described above. In general, during the 2016 Financial Year, the Group focused on growth opportunities and strategic acquisitions, most notably Sedgman and UGL.

The following table sets out the outcomes for the 2016 Financial Year for each Senior Executive who participated in the 2016 STI.

Percentage of available STI earned[1]

Senior Executives	STI earned (A$)	Percentage of target STI	Percentage of maximum STI
Current			
A Valderas	1,631,250[2]	145	96.7
A Muriel Bernal	1,125,000[3]	150	100

1. In consultation with the Remuneration and Nomination Committee, the threshold, target and stretch values for all of the financial KPIs are approved by the Executive Chairman.
2. For Mr Valderas, this STI award was approved by the Board, on the recommendation of the Remuneration and Nomination Committee, on 7 February 2017 and is payable in April 2017.
3. For Mr Muriel Bernal, this STI award was approved by the CEO, with the consideration of the Remuneration and Nomination Committee, on 30 January 2017 and is payable in April 2017.

LTI

There was no LTI grant in 2016. The table below provides a summary of the 2015 LTI currently on foot.

Summary of 2015 LTI grants

Senior Executive participation	Mr Valderas and Mr Muriel Bernal participated in the 2015 LTI. Mr Fernández Verdes did not participate in the LTI.
What are the vesting conditions and why were they chosen?	Options will vest over a 2 year performance period, subject to the Senior Executive's continued employment with the CIMIC Group. The options have an in-built performance hurdle, being the exercise price of the options, meaning that at the time of exercise, the market price of CIMIC shares must be above the exercise price of the options before the Senior Executive can derive any benefit from the award. Details of the exercise price calculation are set out in 'Note 36: Employee benefits' to the Financial Report within this Annual Report. This structure was selected to provide participants with a clear line of sight as to the targets that must be satisfied, and a stronger alignment between individual performance and vesting outcomes, ensuring a Group-wide focus on sustained growth and Group prosperity.
When are the options available to exercise?	The options vest 2 years after the grant date, and are available to exercise for a period of 3 years subject to the discretion of the Remuneration and Nomination Committee. The Senior Executive is permitted to exercise up to 40% of their vested options in each of the first 2 years after vesting and the remaining unexercised portion in year 3 of the exercise window. Any options that remain unexercised at the end of the exercise window (ie, 5 years after the grant date) will expire. The most recent options awarded, being the 2015 awards, are scheduled to vest on 29 October 2017, with any vested options that remain unexercised expiring on 29 October 2020.
Do the options attract dividends and voting rights?	The options do not carry any rights to dividends or voting. Shares allocated upon exercise of options rank equally with other ordinary shares on issue.
What happens if there is a change of control?	If a change of control occurs, the Board may determine whether, and the extent to which, any unvested options will vest, having regard to all relevant circumstances including performance to-date and the nature of the change of control.
What if a Senior Executive ceases employment?	If a Senior Executive resigns or is summarily terminated, any vested but unexercised and any unvested option grants will lapse. Generally, if a Senior Executive leaves due to any other circumstances (eg, retrenchment or genuine redundancy): - a *pro rata* portion of the Senior Executive's unvested options will remain on foot following his or her termination and vest subject to the original conditions of the award (with the balance lapsing); and - any vested but unexercised options held at the date of cessation of employment will remain on foot until the expiry date, subject to the same restrictions on exercise as if the Senior Executive had remained with the Group. In these circumstances, any entitlement on exercise will be paid in cash based on the share price at the date of exercise, less the exercise price and all applicable taxes and levies. The Remuneration and Nomination Committee retains authority to exercise discretion on leaver treatment for Senior Executives.
Can Senior Executives hedge their risk under the option plan?	No. The Group's Securities Trading Policy (consistent with the Corporations Act) prohibits Senior Executives from entering into hedging arrangements regarding both vested and unvested securities, which includes options.

REMUNERATION – Executive Chairman

POLICY AND APPROACH

The Board approves the Executive Chairman's remuneration arrangements following consideration by the Remuneration and Nomination Committee.

The Board considered Mr Fernández Verdes' role as both CEO and Executive Chairman[1] of CIMIC and CEO of HOCHTIEF AG and structured his remuneration arrangements differently from other Senior Executives, but consistent with the Group's remuneration framework and focused on achieving long-term financial returns.

COMPONENTS

The key components of Mr Fernández Verdes' remuneration are:

- an annual allowance as a contribution to his living expenses. In accordance with the terms of his Executive Service Agreement (ESA), effective 1 January 2017, the gross allowance payable increased from $522,132 to $528,920, representing an increase in line with the Consumer Price Index (CPI) of 1.3%;
- a one-off award of Share Appreciation Rights (SARs) in 2014; and
- the payment of a discretionary bonus at any time during the course of employment following the variation to his ESA by the Board on 3 December 2016.

Mr Fernández Verdes receives remuneration from HOCHTIEF AG in consideration for his employment as HOCHTIEF AG CEO. Details of this remuneration is available in the HOCHTIEF AG Annual Report at http://www.reports.hochtief.com.

Summary of one-off award to Mr Fernández Verdes

Mr Fernández Verdes was granted a one-off award of 1,200,000 SARs in 2014 in accordance with the terms of his ESA. As the SARs form part of his remuneration, they are granted at no cost to him. The SARs do not carry any rights to dividends or voting.

The SARs entitle Mr Fernández Verdes to receive a cash payment reflecting the increase in value of the share price of CIMIC from a base price of $17.71 (being the VWAP of fully paid ordinary shares in CIMIC traded on the ASX over the 30-day period before Mr Fernández Verdes' appointment as CEO[1] on 13 March 2014) to the price at close of trading on the last trading day before the SAR is exercised, with a maximum payment per SAR of $32.29.

The SARs vested in full on 13 March 2016 and are exercisable for 3 years from the date of vesting. No more than 40% of the SARs can be exercised each year for the first 2 years after vesting, and any remaining SARs can be exercised in the final year of the exercise period. No vested SARs have been exercised as at 31 December 2016.

The SARs will lapse on 13 March 2019 unless they have been exercised or forfeited before that date.

Mr Fernández Verdes would have forfeited any unvested or vested but unexercised SARs if he had ceased to be the CEO of CIMIC before 31 December 2014. Further, Mr Fernández Verdes will forfeit any unvested or vested but unexercised rights if he does not remain a member of either the Executive Board or the Supervisory Board of HOCHTIEF AG for the period from appointment to 13 March 2017 or if his employment is summarily terminated. If Mr Fernández Verdes had ceased employment with CIMIC prior to vesting but after 31 December 2014 in any other circumstance (ie, he was not summarily terminated) but remained a member of either the Executive Board or the Supervisory Board of HOCHTIEF AG, any unvested SARs would have remained on foot and vested and become exercisable in the ordinary course.

Details of the one-off award of SARs granted to Mr Fernández Verdes in the 2014 Financial Year are set out in the following table.

Grant date	Granted (number)	30-day VWAP at start of vesting period (A$)	Test date (vesting date)	Vested (%)	Forfeited (%)	Fair value per SAR[1] (A$)	Maximum potential value of grant as at 31 Dec 2016[2] (A$)	Total maximum potential value of grant[3] (A$)
10 June 2014	1,200,000	17.71	13 March 2016	100	-	16.76	8,270,400	38,748,000

1. The fair value of the SARs is determined at the date of grant (in accordance with *AASB 2 Share-based payment*) and was re-evaluated on 31 December 2016. The amount included as remuneration expense in accordance with *AASB 2* is not related to, or indicative of, the benefit (if any) that Senior Executives may ultimately realise should the equity instruments vest.
2. The maximum potential value of the grant as at 31 December 2016 is calculated by deducting the exercise price ($17.71) from the closing share price on 31 December 2016 ($34.94) and multiplying this by the proportion of SARs that were available to exercise at that date (40%).
3. The maximum potential value is calculated as the number of rights multiplied by the maximum payment per SAR ($32.29).

[1] On 18 October 2016, Mr Valderas was appointed as CEO in place of Mr Fernández Verdes. Mr Fernández Verdes continues in his capacity as Executive Chairman.

Summary of special bonus payment to Mr Fernández Verdes

Mr Fernández Verdes was awarded by the Board a special bonus payment of $3,000,000 on 15 December 2016. Refer to the Company Announcement on the ASX dated 15 December 2016 for more information on this payment.

The Board acknowledged that Mr Fernández Verdes' achievements as CEO and Executive Chairman have exceeded expectations through his successful leadership resulting in the exceptional performance of CIMIC Group throughout the transformation process which commenced in 2014. The Board recognised that these changes have placed CIMIC Group in a robust and competitive position.

COMPANY PERFORMANCE

As required by the Corporations Act, the 5 year financial performance of the Group has been set out in the following table.

Year-on-year performance snapshot

	Opening share price - January[1] (A$)	Closing share price - December[2] (A$)	Share price apprecia-tion (%)	Dividend per share paid (A$)	TSR[3] (%)	EPS (A$)	PBT (A$M)	NPAT (A$M)	Return on equity (%)	Cash flow from operations (A$M)	Gross debt to equity ratio (%)
FY 2016	23.93	34.94	46.0	0.98	148.0	1.77	740	580	16	1,201	35.2
FY 2015	22.51	24.30	8.0	1.14	58.2	1.54	735	520	13	1,920	25.7
FY 2014[4]	16.28	22.50	38.2	1.17	36.3	2.00	1,131	677	19	1,410	79.2
FY 2013	17.90	16.11	(10.0)	1.05	(38.8)	1.51	736	509	17	1,115	65.5
FY 2012	19.25	17.88	(7.1)	0.80	(45.8)	1.33	566	450	16	1,274	94.6

1. Opening share price is determined as the market open price traded on the first trading day of the relevant financial year.
2. Closing share price is determined as the market close price traded on the last trading day of the relevant financial year.
3. TSR is determined over a rolling 3 year period.
4. The December 2014 amounts shown above include both continuing and discontinued operations.

STATUTORY SENIOR EXECUTIVE REMUNERATION TABLE

	SHORT-TERM EMPLOYEE BENEFITS					POST-EMPLOYMENT		SUBTOTAL
	Cash salary (A$)	Cash bonuses (STI) (A$)[(a)]	Special bonuses (A$)	Non-monetary benefits (A$)[(d)]	Other (A$)[(e)]	Super-annuation benefits (A$)	Termination benefits (A$)	($A)
Senior Executives								
M Fernández Verdes[1]								
2016 Financial Year	-	-	3,000,000[(b)]	11,887	522,134	-	-	3,534,021
2015 Financial Year	-	-	-	35,363	509,559	-	-	544,922
A Valderas[2]								
2016 Financial Year	1,250,000	1,631,250	-	2,216	-	-	-	2,883,466
2015 Financial Year	994,511	1,350,000	-	2,123	-	-	-	2,346,634
A Muriel Bernal[3]								
2016 Financial Year	1,000,000	1,125,000	225,000[(c)]	5,701	-	-	-	2,355,701
2015 Financial Year	306,719	1,125,000	-	-	-	-	-	1,431,719

1. On 18 October 2016 Mr Valderas was appointed as CEO in place of Mr Fernández Verdes. Mr Fernández Verdes continues in his capacity as Executive Chairman.
2. Mr Valderas was appointed as CEO on 18 October 2016 and his remuneration was increased on 1 November 2016. All other material terms of Mr Valderas' employment agreement are unchanged and consistent with disclosures made in CIMIC's 2015 Remuneration Report.
3. Mr Muriel Bernal was appointed as CFO on 23 July 2015. This table sets out the payments to Mr Muriel Bernal from the date he was appointed as CFO and became a member of the KMP.

LONG-TERM EMPLOYEE BENEFITS			TOTAL PAYMENTS AND ACCRUALS (A$)	PERCENTAGE OF BONUSES (%)[g]	PERCENTAGE OF SHARE-BASED INCENTIVE (%)[h]
SARs fair value (A$)[f]	Share rights fair value (LTI and STI deferral) (A$)[f]	Options fair value (A$)[f]			
13,712,646	-	-	17,246,667	17.4	-
3,272,618	-	-	3,817,540	-	-
-	182,236	181,952	3,247,654	50.2	11.2
-	344,736	31,320	2,722,690	49.6	13.8
-	167,849	132,674	2,656,224	50.8	11.3
-	167,849	22,837	1,622,405	69.3	11.8

(a) Amounts for the 2016 Financial Year represent cash STI payments to the Senior Executives for the 2016 Financial Year to be paid in April 2017.

(b) For Mr Fernández Verdes, this amount pertains to the special bonus payment approved by the Board on 3 December 2016. Neither Mr Valderas nor Mr Fernández Verdes participated in this Board meeting.

(c) This payment was awarded for his significant contribution and exceptional performance as CFO of CIMIC, and Chief Development Officer and Managing Director of Pacific Partnerships to be paid in April 2017.

(d) Non-monetary benefits included such items as fringe benefits and other salary-sacrificed benefits as agreed from time to time. For Mr Fernández Verdes, this amount pertains to transport benefits considered necessary by the Company in the execution of his duties.

(e) For Mr Fernández Verdes, the 2016 and 2015 Financial Year amounts pertain to the fixed allowance amount approved for 2016 and 2015 (respectively).

(f) In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the 2016 Financial Year. The fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that Senior Executives may ultimately realise should the equity instruments vest. The fair value of equities at the date of their grant has been determined in accordance with AASB 2.

(g) The percentage calculation is based on the sum of any cash bonus (STI and/or special bonus) amounts in the 2016 Financial Year as a percentage of total payments and accruals.

(h) The percentage of each Senior Executive's remuneration for the 2016 Financial Year that consisted of equity as a percentage of total payments and accruals.

SUMMARY OF EXECUTIVE SERVICE AGREEMENTS

Mr Fernández Verdes

The key terms of Mr Fernández Verdes' ESA are:

- fixed allowance amounts as per the table below. The ESA was renegotiated for 2017 and subsequent years with the same terms and conditions and reflects the change in dual roles of CEO and Executive Chairman to Executive Chairman. For 2017, and any subsequent years, the allowance amount will increase in line with the CPI.

Year	Fixed allowance amount (A$)	Reason
2014	370,000	For 10 months service
2015	495,000	Effective 1 January 2015
	514,416	Effective 1 April 2015 to accommodate increase in Fringe Benefits Tax
2016	522,132	Effective 1 January 2016 to accommodate 1.5% CPI increase
2017	528,920	Effective 1 January 2017 to accommodate 1.3% CPI increase

- a one-off award of SARs in 2014 as described in the 'Remuneration – Executive Chairman' section of this Remuneration Report. Mr Fernández Verdes is not eligible to participate in the formal STI or LTI;
- provision for the payment of a discretionary bonus at any time during the course of employment, as per the variation to the ESA approved by the Board on 3 December 2016;
- either party may terminate the ESA, the period of notice being the minimum period required by applicable legislation;
- there is no specified term; and
- there are no specified payments to be made on termination (apart from any payments in lieu of notice and any payable statutory entitlement).

Other Senior Executives

Remuneration and other terms of employment for all other Senior Executives are formalised in ESAs.

The key standard terms of the ESAs for Senior Executives are:

- remuneration is reviewed annually;
- either party is able to terminate the ESA on 6 months' notice;
- there is no specified term;
- there are no specified payments to be made to the Senior Executive on termination (apart from any payments in lieu of notice and any payable statutory entitlements); and
- a 6 month paid restraint period applies following termination.

The ESAs also specify the remuneration mix that applies to a Senior Executive's remuneration package.

The entitlement of Senior Executives to unvested deferred STI and LTI awards on termination of their employment is dealt with under the plan rules and the specific terms of grant.

ENGAGEMENT OF REMUNERATION CONSULTANTS

No remuneration recommendations (as defined by the Corporations Act) were provided by any advisor.

NON-EXECUTIVE DIRECTOR REMUNERATION

The Non-executive Directors who held office during 2016 are set out in the following table.

Non-executive Directors during 2016

Name	Title (at 31 December 2016)
Current Non-executive Directors	
Russell Chenu	Independent Non-executive Director
José-Luis del Valle Pérez	Non-executive Director
Trevor Gerber	Independent Non-executive Director
Pedro López Jiménez	Non-executive Director
David Robinson	Non-executive Director
Peter-Wilhelm Sassenfeld	Non-executive Director
Current Alternate Directors	
David Robinson	Alternate Director for Mr López Jiménez
Robert Seidler AM	Alternate Director for Mr del Valle Pérez and Mr Sassenfeld
Former Non-executive Director	
Kirstin Ferguson[1]	Independent Non-executive Director

1. Dr Ferguson resigned as Non-executive Director effective 10 November 2016.

SETTING NON-EXECUTIVE DIRECTOR REMUNERATION

Remuneration for Non-executive Directors is designed to ensure that the Group can attract and retain suitably qualified and experienced Directors. Fees are based on a comparison to the market for director fees in companies of a similar size and complexity.

In recognition of the additional responsibilities and time commitment of Committee Chairs and members, additional fees are paid to Directors for Committee membership.

Non-executive Directors do not receive shares, options or any performance-related incentives.

Superannuation is payable to Australian-based Directors in addition to Board and Committee fees.

FEE LEVELS AND FEE POOL

Board and Committee fees for 2016

Name	Chair[1] (A$)	Member (A$)
Board	nil	185,000
Audit and Risk Committee	55,000	30,000
Ethics, Compliance and Sustainability Committee	40,000	20,000
Remuneration and Nomination Committee	40,000	20,000
Special Committees[2]	3,850	3,850

1. Mr Fernández Verdes receives no additional remuneration from the fee pool for his duties as Executive Chairman (or membership of any Committee). Details of his remuneration for his role as CEO and Executive Chairman are set out in the 'Remuneration – Executive Chairman' section of this Remuneration Report.
2. This fee is payable to all Non-executive Directors for each day of service on a Special Committee.

The aggregate annual fees payable to the Non-executive Directors for their services as Directors are limited to the maximum annual amount approved by shareholders in general meeting. The maximum annual amount is currently $4.5 million (including superannuation contributions), as approved by shareholders at the 2013 AGM.

ALTERNATE DIRECTORS

CIMIC does not pay fees for Board membership to Alternate Directors. Financial arrangements for Alternate Directors are a private matter between the Non-executive Director and the relevant Alternate Director.

NON-EXECUTIVE DIRECTOR TOTAL REMUNERATION

Details of Non-executive Directors' remuneration for the 2016 Financial Year and 2015 Financial Year are set out in the following table.

Non-executive Director Remuneration

	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	TOTAL REMUNERATION FOR SERVICES AS A NON-EXECUTIVE DIRECTOR (A$)
	Board and Committee fees (A$)	Other (A$)	Extra service fees[1] (A$)	Superannuation contributions (A$)	
Current Non-executive Directors					
R Chenu					
2016 Financial Year	280,000	-	-	19,462	299,462
2015 Financial Year	280,000	-	1,925	19,046	300,971
T Gerber					
2016 Financial Year	272,857	-	-	19,462	292,319
2015 Financial Year	255,000	-	-	19,046	274,046
P López Jiménez					
2016 Financial Year	222,857	-	-	-	222,857
2015 Financial Year	205,000	-	-	-	205,000
J del Valle Pérez					
2016 Financial Year	225,000	-	-	-	225,000
2015 Financial Year	225,000	-	-	-	225,000
D Robinson[2]					
2016 Financial Year	216,389	95,890[3]	-	28,572[4]	340,851
2015 Financial Year	215,000	57,042[5]	1,925	24,465[5]	298,432[5]
P Sassenfeld[6]					
2016 Financial Year	215,000	-	-	-	215,000
2015 Financial Year	215,000	-	-	1,565	216,565
Former Non-executive Director					
K Ferguson[7]					
2016 Financial Year	236,458	-	-	16,683	253,141
2015 Financial Year	275,000	-	1,925	19,046	295,971

1. These amounts represent additional service fees payable to Non-executive Directors for service on a Special Committee.
2. Mr Robinson will receive a maximum benefit on retirement limited to his entitlement under the Non-executive Director Retirement Plan as if he had retired on 1 July 2008. This entitlement totals $363,495.
3. Mr Robinson received Director fees from a related party, Devine, in respect of his services as Non-executive Director.
4. This amount is inclusive of $9,110 from Devine in respect of his services as Non-Executive Director.
5. These amounts have been restated to include Director fees comprising $57,042 in fees and $5,419 in superannuation contributions received from a related party, Devine, as a result of his appointment on 27 May 2015.
6. Mr Sassenfeld received no Director fees directly from CIMIC in respect of his services as Non-executive Director. The amounts in the table represent the payment by CIMIC to HOCHTIEF AG in respect of Mr Sassenfeld's services.
7. Dr Ferguson resigned as a Non-executive Director effective 10 November 2016.

ADDITIONAL EQUITY DISCLOSURES

This section provides additional information regarding KMP equity holdings as required by the Corporations Act and applicable Australian Accounting Standards.

MOVEMENT IN KMP SHAREHOLDINGS (DIRECTORS AND SENIOR EXECUTIVES)

The following table sets out the movement in KMP shareholdings (either direct or indirect) during the 2016 Financial Year.

Name	Balance at 31 Dec 2015	Purchases	Received on exercise of options/rights	Sales	Closing Balance[1]
Directors					
A Valderas	-	-	15,587[4]	-	15,587
R Chenu	3,285	800[3]	-	-	4,085
J del Valle Pérez	1,000[2]	-	-	-	1,000[2]
M Fernández Verdes	2,745[2]	-	-	-	2,745[2]
T Gerber	2,000	-	-	-	2,000
P López Jiménez	1,192[2]	-	-	-	1,192[2]
D Robinson	1,489	-	-	-	1,489
P Sassenfeld	1,858[2]	-	-	-	1,858[2]
Former Director					
K Ferguson	1,500	-	-	-	1,500
Alternate Director					
R Seidler	2,341	-	-	-	2,341
Senior Executive					
A Muriel Bernal	-	-	-	-	-

1. The closing balance is at 31 December 2016 or as at the date of departure.
2. These shares are held by the relevant director on trust for HOCHTIEF Australia.
3. These shares represent an on-market purchase.
4. These shares were received on the vesting and exercise of share rights.

MOVEMENTS IN RIGHTS UNDER THE PREVIOUS LTI

Grants of share rights under the previous LTI were made to eligible Senior Executives in 2014 in accordance with the terms of their individual ESA. The awards were made subject to Earnings Per Share (EPS) and Total Shareholder Return (TSR) performance conditions measured over a 3 year period, and remain on foot until the original vesting date. Full details of these awards can be found on pages 29 to 31 of the 2014 Annual Report.

The following table sets out the movement of share rights granted in previous financial years under the previous LTI.

Name	Award year	Balance at 31 Dec 2015 (number)	Granted (number)	Granted (fair value) (A$)	Vested and exercised[1] (number)	Vested and exercised (value) (A$)	Lapsed (number)	Balance at 31 Dec 2016 (number)
Senior Executives								
A Valderas	2014	32,552	-	-	-	-	-	32,552
A Muriel Bernal	2014	29,982	-	-	-	-	-	29,982

1. Performance hurdles for the 2014 LTI are due to be tested in February 2017.

MOVEMENTS IN OPTIONS UNDER LTI

Grants of options under the LTI were approved to be made to eligible Senior Executives in February 2016 as their 2015 LTI. On 28 October 2015, the Board approved the replacement of the previous performance rights based plan with an options based plan. The 2015 award represents the first grant under the new plan. Full details of the award can be found on page 31 of this Remuneration Report.

No options under the LTI were awarded for the 2016 year.

The following table sets out the movement of options granted in previous financial years under the current LTI.

Name	Award year	Balance at 31 Dec 2015 (number)	Granted (number)	Granted (fair value) (A$)	Vested[1] (number)	Vested (value) (A$)	Vested and unexercised (number)	Exercised (number)	Exercised (value) (A$)	Balance at 31 Dec 2016[2] (number)
Senior Executives										
A Valderas	2015	104,612	-	-	-	-	-	-	-	104,612
A Muriel Bernal	2015	76,280	-	-	-	-	-	-	-	76,280

1. Options awarded on 29 October 2015 will vest 2 years following grant on 29 October 2017.
2. Of this number, all options are unvested and not yet exercisable.

DEFERRED SHARE RIGHTS UNDER STI

Share rights were previously awarded to Senior Executives based on the value of the deferred component of the STI awards. These deferred share rights vest after a 1 year deferral period. Full details of the deferred share rights can be found on pages 28 to 30 of the 2014 Annual Report. This practice of deferral was discontinued for the 2015 Financial Year.

Name	Award year	Grant date	Vesting date[1]	Award value at grant (A$)	Granted (number)	Fair value per share right (A$)	Vested[1] (%)	Forfeited (%)
Senior Executives								
A Valderas	2014	1 January 2015	31 December 2015	325,000	15,587	20.85	100	-

1. On 10 February 2016, the Company approved the final vesting of this award.

SHARES PURCHASED ON MARKET

The following shares were purchased on market in 2016 for the purpose of satisfying vested awards under the EIP:

	Shares purchased (number)	Average price paid per share (A$)
Ordinary shares	337,683	29.3137

The CIMIC Group Limited Directors' Report for the 2016 Financial Year is signed at Sydney on 8 February 2017 in accordance with a resolution of the Directors.

Marcelino Fernández Verdes
Executive Chairman

CPB Contractors and Pacific Partnerships, Transmission Gully, New Zealand

The 27km, four lane Transmission Gully motorway is one leg of the 110km Wellington Northern Corridor Road of National Significance. It is expected to open for traffic by 2020 following a five-year construction period. Transmission Gully is New Zealand's first road project to be procured through a PPP. Environmental management is a key priority in the sensitive and steep terrain.

Sustainability Report

This sustainability section of the Annual Report is structured around our five sustainability commitments which are to:

- provide safe communities and safe, supportive and positive workplaces for our people;
- act with integrity - honestly and respectfully – in all relationships with the Group's stakeholders;
- develop a united and collaborative culture where engaged employees are aligned to achieve superior performance and integrate governance, economic, environmental and social considerations into their roles;
- seek competitive advantage by innovating to deliver construction, mining and services projects that satisfy the governance, economic, environmental and social needs of clients; and
- use resources efficiently, minimise waste and promote the delivery of energy efficient, environmentally and socially responsible projects.

Our commitments are derived from, and based on, our principles – Integrity, Accountability, Innovation and Delivery – underpinned by Safety. They provide a common unifying bond for our people and set the framework for the behaviours of our people. The Principles and our commitments uphold our mission which is to maximise long-term value for shareholders by sustainably delivering projects for our clients while providing safe, rewarding and fulfilling careers.

STRUCTURE OF THE SUSTAINABILITY REPORT

REPORTING APPROACH

CIMIC Group is committed to operating sustainably and reporting on our ESG performance and progress. This unaudited Sustainability Report, integrated into our Annual Report, demonstrates both that commitment and how deeply embedded sustainability is in our business.

For the financial year ended 31 December 2016, we have adopted a Global Reporting Initiative (GRI) Sustainability Reporting Standards framework for the preparation of this Sustainability Report. By doing so we aim to generate reliable, relevant and standardised information with which our stakeholders can assess our opportunities and risks, and enable more informed decision-making – both within the business and externally. The GRI index can be found on pages 81-84.

REPORT BOUNDARY AND SCOPE

This report is for the 12 month period to 31 December 2016, unless otherwise noted. The scope of this report covers CIMIC Group Limited and its 100% controlled operations which include, amongst others:

- CPB Contractors (formerly Leighton Contractors, with the name change effective from 4 January 2016);
- Leighton Asia, including Leighton India and Leighton Offshore;
- Thiess;
- Sedgman (a wholly owned subsidiary of the Company since 13 April 2016. Data has been included where available, and for the ease and comparability of sustainability reporting, for the half year from 1 July 2016 to 31 December 2016);
- Pacific Partnerships;
- EIC Activities; and
- Leighton Properties.

The scope of this report does not include the operations of CIMIC Group's investments where CIMIC Group does not have 100% ownership, namely (as at 31 December 2016):

- Devine: CIMIC owns a 59.11% stake in the listed property development company;
- Ventia: CIMIC holds 46.96% of an investment partnership for the merged services business of CPB Contractors and Thiess;
- HLG Contracting: CIMIC holds a 45.0% share in the Middle East-based construction company; and
- Macmahon: CIMIC owns a 20.54% stake (as at 31 December 2016) in the listed mining contracting company.

This report also does not cover the operations of UGL which was subject to a takeover by CIMIC during late 2016. UGL's sustainability performance will be covered in future CIMIC Sustainability Reports now that CIMIC has integrated UGL.

AVAILABILITY OF INFORMATION

In 2014, the Group commenced a significant operational transformation, establishing dedicated, streamlined and efficient businesses focused on construction (CPB Contractors and Leighton Asia), contract mining services (Thiess), public private partnerships (Pacific Partnerships), and engineering (EIC Activities). Given this transformation, a number of comparable operational safety and environmental performance measures are not available prior to the 2015 year. Where comparable data is available, it has been provided. In future reports, the Group expects to be able to provide more detailed operational performance measures by Operating Company.

EXTERNAL ASSURANCE

This report, prepared using the GRI Sustainability Reporting Standards, has not been externally assured. It is our intention over the next few years to continually improve our disclosure and engagement so as to achieve fully compliant GRI reporting.

MEASURING OUR PERFORMANCE

CREATING SHAREHOLDER VALUE		2016	2015	2014	2013	2012
Human Capital Return on Investment[1]	#	1.33	1.28	1.01	1.12	1.13
Revenue per person	$k	369.8	475.0	459.6	401.9	369.8
Labour (revenue) productivity	$m/MhW	88.6	101.3	66.5	91.0	89.6
PROVIDING SAFE COMMUNITIES AND WORKPLACES		**2016**	**2015**	**2014**	**2013**	**2012**
Total fatalities	#	3	1	3	5	3
Of which: Australia	#	1	1	3	1	1
International	#	2	0	0	4	2
Total Class 1 Injuries	#	0	2	5	9	10
Of which: Australia	#	0	1	1	2	4
International	#	0	1	4	7	6
Lost Time Injury Frequency Rate	LTI/MhW	1.00	0.92	1.08	1.27	1.18
TRIFR [2]	TRIs/MhW	2.7	3.2	3.8	5.7	6.6
Potential Class 1 incidents	#	97	192	333	469	600
Million hours worked	MhW	122.4	131.0	252.5[3]	247.4	232.4
ACTING WITH INTEGRITY		**2016**	**2015**	**2014**	**2013**	**2012**
Income tax rate	%	25	30	34	36	22
Total strategic community investment	$m	0.34	0.8	4.3	6.9	6.4
DEVELOPING A PERFORMANCE CULTURE		**2016**	**2015**	**2014**	**2013**	**2012**
Total direct employees	#	35,394[4]	28,078	36,512[5]	55,990	56,323
Total employees[6]		50,874	-	-	-	-
Personnel costs	$m	2,432	3,059	4,363	5,908.1	5,538.3
Payroll ratio[7]	$k/employee	85.2	109.5	119.5	105.5	98.3
Average tenure of employment	years	3.1	3.0	3.9	4.0	3.7
Number of new hires	#	12,564	-	-	-	-
Of which: Male	#	11,816	-	-	-	-
Female	#	748	-	-	-	-
Total turnover numbers and rate[8]	# / %	12,850 / 46.0	42.7	56.5	25.6	27.6
Of which: Male staff (voluntary)	# / %	871 / 9.7	-	-	-	-
Female staff (voluntary)	# / %	304 / 3.4	-	-	-	-
Of which: Male staff (involuntary)	# / %	1,135 / 12.6	-	-	-	-
Female staff (involuntary)	# / %	270 / 3.0	-	-	-	-
Females on the Board	# / %	0[9] / 0	1 / 12.5	1 / 12.5	2 / 20	1 / 10
Females in the workforce	%	9.3	9.4	12.3	12.2	12
Females in senior management	%	9.1	14.3	10.2	12.9	10
Indigenous employees in Australia	#	161	294	720[10]	821	594
Indigenous employees in Australian workforce	%	2.0	3.9	3.2	2.9	2.1
Local participation in International workforce	%	97.7	96.8	-	-	-
INNOVATING TO DELIVER PROJECTS		**2016**	**2015**	**2014**	**2013**	**2012**
Cumulative green buildings completed	#	63	57	50	35	27
Cumulative ISCA[11] certified and rated projects	#	16	12	6	2	-

[1] Total Revenue less Total Operating Expenses less Total Employee Related Costs (TERC) divided by TERC. As reported to DJSI.
[2] Total Recordable Injury Frequency Rate.
[3] As of 31 December 2014 the numbers of employees including the discontinued operations of JHG and Ventia was 45,214. See note below.
[4] For the purposes of environmental, safety and other ratios based on people numbers or hours, the base is 28,535 employees which excludes UGL as of 31 Dec 2016 as the Group did not have control during the year and does not report UGL's operating performance.
[5] Reflects total employees from continuing operations as at 31 December 2015; total employees including continuing operations was 45,214 – 22,355 in Australia and 22,859 in the Group's international operations.
[6] Total employees includes both direct employees of CIMIC Group and a proportion of the headcount of indirect employees from investments as follows: HLG Contracting (45%) and Ventia (50%) as at 31 December, 2016.
[7] Total personnel costs divided by the total number of direct employees. For 2014, the ratio is based on continuing operations and total employees of 36,512. Ratio is distorted because it includes redundancy cost and most of the redundancies occurred in the second half of the year, thereby inflating the ratio. For 2013, ratio is based on continuing operations, restated to match 2014.
[8] Given that a large proportion of the workforce is hired on a project basis, overall employee turnover rates are not an effective method to measure staff retention. Therefore, turnover rates including only permanently employed staff has been provided.
[9] CIMIC had one female Director until 10 November 2016.
[10] Includes Indigenous employees of JHG and Services until 2014.
[11] Infrastructure Sustainability Council of Australia.

Green Standard projects registered	#	14	14	9	-	-
Green Standard projects certified	#	6	8	8	7	-
Green Standard employee certifications	#	57	41	-	-	-

USING RESOURCES EFFICIENTLY		**2016**	**2015**	**2014**	**2013**	**2012**
Total Level 1 incidents	#	0	0	0	0	0
Total Level 2 incidents	#	6	4	18	21	34
Of which: Australia	#	5	2	16	19	32
International	#	1	2	2	2	2
Total Level 3 incidents	#	520	824	1787	1997	1869
Of which: Australia	#	493	782	1528	1857	1663
International	#	27	38	259	140	206
Total Breaches	#	10	4	12	3	26
Of which: Australia	#	9	2	11	2	25
International	#	1	2	1	1	1
EIFR[12]	No/MhW	0.05	0.03	0.145	0.08	0.15
Violations with fines >$10k	#	0	0	0	1	0
Value of fines related to above	$k	0	0	0	15	0
Energy consumption - Diesel	GWH	7,722	7,477	12,224	12,605	-
Energy consumption - Electricity	GWH	94	109	269	244	-
Energy consumption - Other[13]	GWH	13	75	233	174	-
Total energy consumption	GWH	7,820	7,661	12,726	13,023	-
Energy intensity[14]	GWH/$m	0.72	0.58	0.76	0.58	-
Energy intensity[15]	GWH/MhW	63.9	58.5	50.4	52.6	-
% change on prior period		*9%*	*16%*	*-4%*	-	-
Energy consumption (NGER)[16]	TJ	0.8	1.4	2.6	2.7	6.9
Water use (withdrawals and re-use)	ML	12,664	11,935	-	-	-
Of which: Withdrawals	ML	7,239	6,837	-	-	-
Reuse	ML	5,425	5,098	-	-	-
Water discharges	ML	1,668	3,957	-	-	-
Water intensity[17]	ML/$m	1.17	0.90	-	-	-
Water intensity[18]	ML/MhW	103.5	91.1	-	-	-
GHG emissions - Scope 1[19]	kt.C02-e	1,964	1,913	3,191	3,172	-
GHG emissions - Scope 2	kt.C02-e	89	93	219	210	-
GHG emissions - Scope 3	kt.C02-e	3,423	3,497	4,731	-	-
Carbon intensity[20]	kt.C02-e/$m	1.19	0.15	0.20	0.15	-
% change on prior period		*25.3%*	*-25.6%*	*35.2%*	-	-
GHG emissions - Scope 1 (NGER)[21]	kt.C02-e	45.3	77.4	153.2	206.2	730.5
GHG emissions - Scope 2 (NGER)	kt.C02-e	32.9	72.1	92.5	128.5	132.5
Level of assurance of NGER data	Type	Limited	Limited	Limited	Limited	Limited
Waste generated	kT	502	329	-	-	-
Of which: Recycled	kT	322	203	-	-	-
Landfill	kT	180	127	-	-	-
Total material volumes[22]	kT	4,842	4,077	5,951	-	-
Of which: Concrete	kT	4,169	3,418	4,880	-	-
Asphalt	kT	39	309	359	-	-
Steel	kT	630	238	580	-	-
Timber	kT	6	111	132	-	-
DJSI Economic dimension	Out of 100	85	79	78	78	74
DJSI Environmental dimension	Out of 100	85	87	78	81	71
DJSI Social dimension	Out of 100	69	74	73	68	65
DJSI Total sustainability score	Out of 100	80	81	76	76	70

[12] Environmental Incident Frequency Rate (EIFR) is total number of Level 1 and Level 2 environmental incidents per million hours worked. 2014 EIFR excludes John Holland and Ventia.
[13] 2013 excludes solid fuels from Leighton Asia, India and Offshore operations.
[14] Energy intensity is 'Total energy consumption' divided by 'Total revenue from continuing operations'.
[15] Energy intensity is 'Total energy consumption' divided by 'Million hours worked'.
[16] As reported to the Australian Government Clean Energy Regulator under the *National Greenhouse and Energy Reporting Act 2007* (NGER Act), includes energy consumption from the operation of facilities under the Group's operational control.
[17] Water intensity is 'Total water use' divided by 'Total revenue from continuing operations'.
[18] Water intensity is 'Total water use' divided by 'Million hours worked'.
[19] For 2013 and 2014, period is to 30 June and includes John Holland and Ventia. For 2015, the period is to 31 December and includes internal reporting of emissions regardless of who has operational control of facilities.
[20] Carbon intensity is 'Total Scope 1' and 'Total Scope 2' emissions divided by 'Total revenue from continuing operations'.
[21] As reported to the Australian Government Clean Energy Regulator under the NGER Act, includes greenhouse gas emissions from the operation of facilities under the Group's operational control.
[22] Materials includes John Holland and Ventia for 2014.

MATERIAL ISSUES

DEFINING MATERIAL ISSUES

In November 2016, CIMIC again undertook a materiality assessment to identify and confirm the important potential economic, environmental, social and governance issues that could affect the business, both positively and negatively. The process built on the assessment undertaken in the prior year and involved a series of interviews with senior management from across the Group and ESG analysts at broking firms, an assessment of media reports about the Group, reviews of client sustainability reports, and reference to recent sustainability reporting submissions such as the DJSI and CDP.

The topics and themes identified from these sources were then used to develop a shortlist of 39 potential material issues which formed the basis of a web-facilitated survey. The survey was then sent to a selection of stakeholders identified through our strategic plans and in consultation with our Operating Companies. These included:

- Senior managers from across the Group and employees with operational responsibility for sustainability-related functions;
- ESG and equity analysts providing broking coverage of the Group; and
- Managers representing the Group’s major equity investors and financiers.

It is our intention to extend our engagement to other stakeholders as we progress on the sustainability journey. A desktop review of our major client’s sustainability issues was also undertaken and cross-checked against the results.

Respondents were asked to prioritise the 39 identified potential material issues which were structured using GRI Guidelines (Economic, Governance, Environmental and Social - including labour practices, human rights, society, product responsibility) to rank, on a five point scale, their:

- importance in their assessment of, and decision regarding, CIMIC Group; and
- current or potential impact in terms of revenue, costs, investments or risk, on the medium and long-term success of the CIMIC Group.

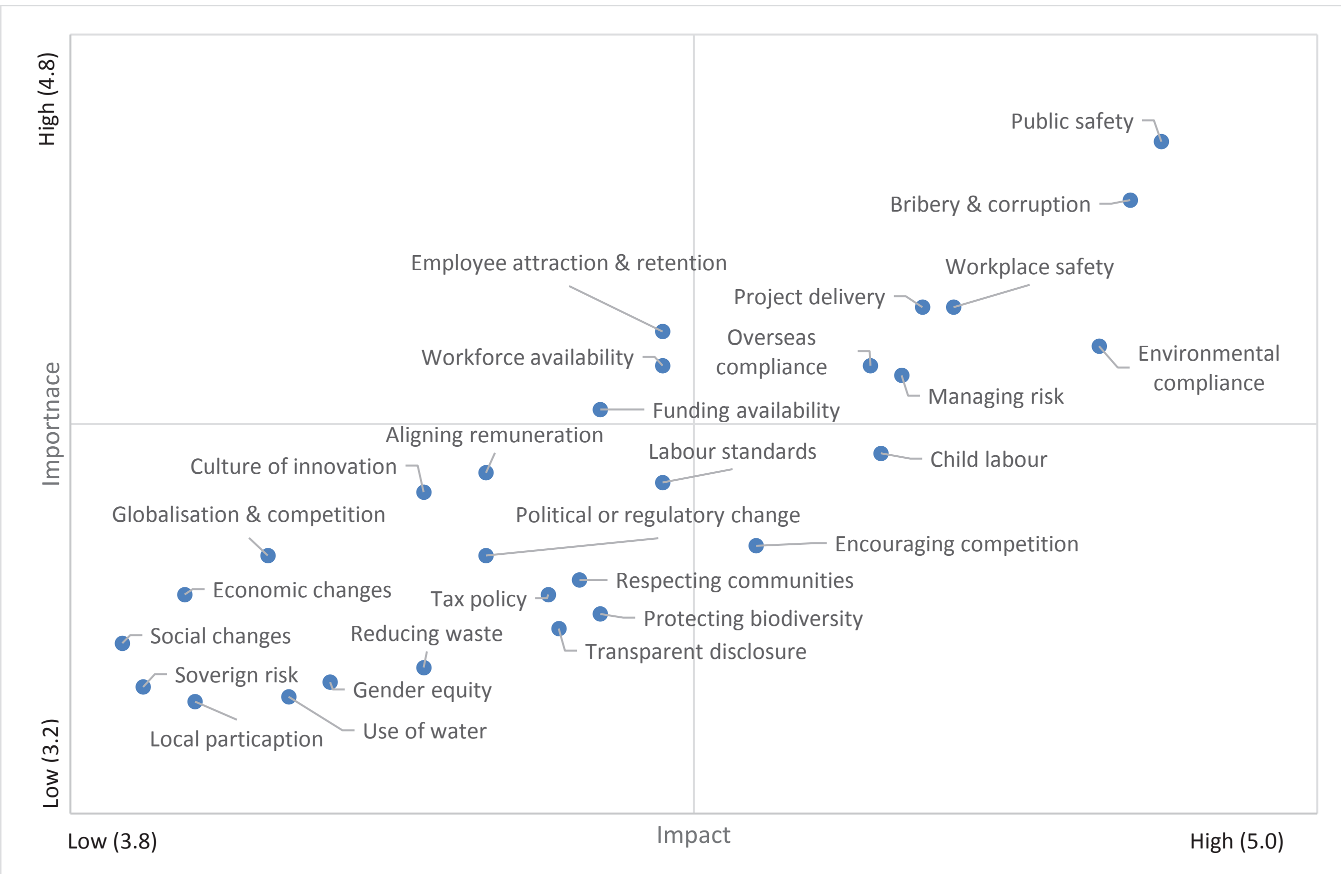
The 39 identified material issues, and their ranking in terms of both importance and impact, were:

	Material issues and their ranking	ESG factor
1.	Ensuring the safety of the public while delivering projects	Social
2.	Avoidance of all forms of bribery and corruption including facilitation payments	Social
3.	Ensuring legal compliance with all environmental regulations and avoiding reputational liabilities	Environmental
4.	Creating safer and healthier workplaces for the well-being of employees and all those in the Group's care	Social
5.	CIMIC Group’s ability to deliver projects that meet the needs of its clients	Economic
6.	Managing risk across a diverse and complex range of markets and geographies	Governance
7.	Ensuring compliance in overseas markets when operating across different cultures and languages	Governance
8.	Attracting, developing and retaining employees to meet the evolving needs of the business	Social
9.	Avoidance of all forms of child or forced labour in the supply chain	Social
10.	Availability of a skilled and trained workforce that can deliver projects and manage the business	Social
11.	Availability of funding for future infrastructure projects given government budget constraints and competing demands	Economic
12.	Application of appropriate labour standards where people are treated fairly and with respect	Social
13.	Encouraging free, fair and open competition, and complying with all applicable competition laws	Governance
14.	Aligning remuneration with performance to encourage and reward the creation of shareholder value	Governance
15.	Encouraging a culture of innovation where people are continually looking for new and better ways of doing things	Social
16.	Respecting the rights of local communities when delivering projects for clients	Social
17.	Impact of changes in local or regional political or regulatory regimes that may impact business development and project delivery	Governance
18.	Protecting biodiversity and ecosystem health (including erosion and sediment management) when delivering projects	Environmental
19.	Payment of a fair rate of company tax and disclosure of the payments made	Governance
20.	Balancing transparency in disclosing information for investors while not giving away commercial advantage	Governance
21.	Increased globalisation and a more competitive business environment	Economic
22.	Reducing the production of hazardous and non-hazardous waste	Environmental
23.	Changes in economic factors (regulation, government policy, new technology, availability of capital, etc) that could impact capital productivity	Economic
24.	Promoting gender equity in remuneration and promotion decisions	Social
25.	Reducing the consumption and wastage of water	Environmental
26.	Changes in social factors (government policy, industrial relations, new technology, etc) that could impact labour productivity	Social
27.	Providing local communities with full, fair and reasonable opportunity to participate in the economic benefits (i.e. employment, procurement, or as subcontractors) of the Group’s activities	Social
28.	Increased sovereign risk and Australia’s attractiveness as an investment destination	Economic

29.	Growth in renewable energy supply potentially leading to a decline in demand for thermal coal and the impact on contract mining opportunities	Economic
30.	Continuing population growth, greater urbanisation, and the future growth of China and India	Economic
31.	Fostering a more diverse workforce that reflects the communities in which the Group operates	Social
32.	Growth in demand for renewable energy and the impact on construction opportunities	Economic
33.	Ensuring environmentally and socially responsible sourcing and governance factors are integrated into procurement processes	Governance
34.	Contributing to the development of local communities who can affect or be affected by the Group's activities	Social
35.	Improving energy efficiency on projects, in the supply chain and in corporate activities	Environmental
36.	Minimising the use of materials (e.g. concrete, steel, packaging) and working with the supply chain to reduce environmental impacts	Environmental
37.	Dealing with climate change threats and opportunities, developments in government's emissions policies and reducing carbon emissions	Environmental
38.	Supporting corporate community investment (i.e. sponsorship, donations and corporate partnerships) in local communities and society	Social
39.	Collaborating with industry not-for-profits to generate shared value	Governance

95 responses were received from those surveyed. The results of this survey are summarised in the chart below with the 28 most important and highest impact responses (of the 39 identified material issues) plotted, based on their ratings.

IMPORTANCE AND IMPACT MAP



The remaining 11 material issues are still addressed in this report because of their importance to ratings bodies such as DJSI or they are key topics identified in the GRI reporting framework, and they are still relevant to some stakeholders. An explanation of our approach to dealing with each individual material issue is set out in more detail in this Sustainability Report.

PROVIDING SAFE COMMUNITIES AND WORKPLACES

Measures in place	Actions during 2016	Performance
- 100% of Operating Company management systems certified to ISO 18001 and/or AS/NZ4801	- Maintained a diligent focus on making workplaces safe and continued to constantly assess the health and safety of our people	- Recorded a fatality at CPB Contractors' new Royal Adelaide Hospital project in South Australia - Recorded a fatality at Leighton Asia's Liantang/Heung Yuen Wai Boundary Control Point project in Hong Kong - Recorded a fatality at Thiess' Sangatta coal mine project in Indonesia - Reduced Group TRIFR from 3.2 in 2015 to 2.7 in 2016 - Thiess achieved zero Recordable Injuries (RI) in July, the first Recordable Injury free month since 2003
- Safety Essentials (or similar) in place across CPB Contractors, Leighton Asia, Thiess and Sedgman to provide projects with the rules, tools and knowledge to manage activities that pose the greatest risk to people	- Geotechnical Safety Essential campaign launched in Thiess - Sedgman 'Critical Controls' were rolled out in 2016 including implementation of Critical Controls audits on operational sites - Integrated Sedgman into CIMIC Group safety systems	- Broad Construction (a subsidiary of CPB Contractors) received an Excellence in Workplace Health and Safety Award) for the fit-out of the David Malcom Justice Centre in Perth - One Potential Class 1 (PC1) injury recorded in Sedgman
- Use of 'above-the-line' controls used to eliminate, substitute, isolate or engineer out risk	- Introduced trial of secondary guarding systems on construction scissors lifts - Rolled out a 'working at heights' campaign in CPB Contractors	- Trial to be evaluated - Campaign communicated to employees
- Health and Safety Policy which promotes employee physical and mental wellbeing	- Introduced the 'Mates in Construction' suicide prevention training program across CPB Contractors' sites and offices	- Program in place
- Thiess' Health Safety & Security management system available in Spanish (as well as English, Bahasa and Mongolian)	- Systems in place	- Management system being accessed by foreign speakers

OUR APPROACH

Safety underpins everything we do. A business that depends on its people must provide a safe and healthy workplace. CIMIC Group creates a safe and healthy workplace by performing work safely, encouraging workers to identify and fix workplace hazards, and by promoting mental health and physical health to our workers.

CIMIC Group promotes, across all of its Operating Companies, a culture of sharing safety innovation, best practices and learning. The Group is committed to driving safety through simplification of safety systems, and the identification and elimination of Class One Risks through the creation of evidence-based lead indicators that drive key safety behaviours and outcomes.

The Group recognises that each of its Operating Companies is best placed to identify and control the hazards and risks associated with that Operating Company. CIMIC supports the Operating Companies through integrated reporting at the CIMIC Group level and to the CIMIC Board's Ethics, Compliance and Sustainability Committee.

Our projects aim to integrate hazard identification and risk assessment into the design process with the aim of eliminating or minimising risk of injury throughout the life of the asset (considering construction, testing and commissioning, operations and maintenance, and decommissioning and demolition). Every project is required to have a Safety and Health Management Plan that is integrated with the Group's management systems.

The Group's approach is that we take responsibility for everyone on our projects – employees, sub-contractors or visitors. We treat all workers on our sites equally, irrespective of their role. CIMIC and its Operating Companies recognise that all workers on site are in our care.

FATALITIES AND CLASS 1 INJURIES

The Group is deeply saddened by the death of three of its workers in 2016: the first in February at the new Royal Adelaide Hospital Project, being constructed by a joint venture including CPB Contractors; the second, in June, related to an incident at our Thiess Sangatta Mine in Indonesia; and the third, in November, at Leighton Asia's Liantang/Hueny Yuen Wai Boundary Control Point project in New Territories Hong Kong.

The Board and management extend their deepest condolences to the family, friends and co-workers of the deceased. The project teams have been working with the relevant authorities and detailed investigations have been initiated to establish the causes of these tragic events.

There were no other Class 1 Injuries (C1I) within the Group during 2016.

OTHER INJURIES

The Group records the number of Lost Time Injuries (LTI's)[23] which are industry-recognised metrics and the Lost Time Injury Frequency Rate (LTIFR)[24] is used as a lag indicator of injury prevention performance. In 2016, the Group' LTIFR slightly increased by 0.08 to 1.00 from 0.92.

LTIFR (accidents/MhW)	**2016**	**2015**
CPB Contractors	0.8	0.4
Leighton Asia	1.5	1.64
Thiess	0.2	0.4
Sedgman	0	-
Other (including CIMIC, EIC Activities, Pacific Partnerships)	0	0
Group	**1.00**	**0.92**

The Group's preferred lag measure of injuries is Total Recordable Injuries (TRI)[25]. The Total Recordable Injury Frequency Rate (TRIFR)[26], which captures LTIs, Medically Treated Injuries (MTIs) and Restricted Work Injures (RWIs), provides a higher level and captures a wider range of injuries, which impact our workers. The Group's performance in 2016 was 2.7, down from 3.2 in 2015, a 16% reduction. The table below sets out the TFRIR by Operating Company.

TRIFR (TRIs/MhW)	**2016**	**2015**
CPB Contractors	3.4	4.0
Leighton Asia	3.0	3.7
Thiess	1.4	2.0
Sedgman	4.6	-
Other (including CIMIC, EIC Activities, Pacific Partnerships)	0	0
Group	**2.7**	**3.2**

LEAD INDICATORS

The Group uses lead indicators of safety performance to identify and help prioritise where effort is needed in order to reduce the potential for injury to people. Lead indicators, used in this way, become important tools for risk avoidance and minimisation across any business.

A key lead indicator that the Group measures is identifying and investigating Potential Class 1 injuries (PC1). A PC1 is an incident that may have resulted in a fatality or a permanent disabling injury. The number of PC1 injuries reduced from 192 in 2015 to 97 in 2016.

PC1 (#)	**2016**	**2015**
CPB Contractors	56	93
Leighton Asia	22	55
Thiess	19	44
Sedgman	1	-
Other (including CIMIC, EIC Activities, Pacific Partnerships)	0	0
Group	**97**	**192**

SAFETY IN CONSTRUCTION

Consistent with CIMIC's approach to safety, each of our Operating Companies have safety management systems that, while similar in their approach, are tailored to meet each individual Operating Companies' risks and hazards.

The Group is continuing to streamline reporting through the implementation of a common safety system. The benefits of having uniform reporting, definitions and standards across the Operating Companies will assist us in the identification and roll-out of best practice and to share safety information more efficiently across the Group.

[23] An occurrence that resulted in a fatality, permanent disability or time lost from work of one day/shift or more. While the criteria for LTIs vary across industries, essentially any injury that results in the injured employee losing one shift is generally regarded as an LTI.
[24] Accidents per million hours worked (MhW).
[25] All fatalities, lost time injuries, cases restricted for work, cases of substitute work due to injury, and medical treatment cases by medical professionals (doctors, nurses, etc.). It does not include a first aid injury.
[26] TRI per million hours worked (MhW).

CPB Contractors' Safety Essentials are a collection of minimum requirements that are focused on providing projects with the rules, tools and knowledge to manage activities that pose the greatest risk to our people. The Safety Essentials cover activities such as:

- Electrical work – managing the risk of electric shock;
- Live services – risk of working with live services such as power, electricity, gas, water and petroleum;
- Live traffic – where there is a risk of being struck by live traffic, or project activities impacting on passing vehicles or pedestrians;
- Mobile cranes and lifting operations – when working with mobile plant that is used to lift, suspend and/or carry, and lower a load;
- Mobile plant – where the public or workers risk being struck by operating mobile plant; and
- Working at heights – where there is a risk of a worker falling or an object falling from height.

Originally launched in 2010, the Safety Essentials were refreshed and reinvigorated in 2015/2016 after a period of extensive review and consultation with project staff.

As a result of the fatality at the New Royal Adelaide Hospital, CPB Contractors has begun investigating a secondary guarding system (SGS) that can be fitted to an elevated work platform (EWP - scissor lift). The proposed SGS utilises sonic technology (or radio waves) that are integrated into the controls of the scissor lift. When the EWP approaches a hard object it will automatically reduce the speed of operation of the EWP, therefore eliminating most of the risk of being caught between the EWP and the hard object. CPB Contractors is confident that its initiative will be able to be successfully transferred to the industry so as to improve safety standards on other construction projects.

In Australia, due to the outdoor nature of construction and construction activity, employees are susceptible to skin cancer. CIMIC has worked with and supported the Cancer Council of Australia to promote sun awareness and maintaining a healthy lifestyle. The Group also provides personal protective equipment to reduce the risk including long sleeve shirts, broad-brimmed hats and safety-rated sun glasses.

Our Leighton Asia business has developed a series of Class One Practices (COPs). Similar in nature to the CPB Safety Essentials, the COPs cover the high risk activities carried out at project sites, such as:

- Working at heights – risks associated with working at heights including falling objects and working above the ground;
- Lifting operations – risks associated with crane operations, safe working loads and rigging requirements;
- Isolation and hazardous energies – risks associated with electricity, chemicals, kinetic energy and mechanical energy;
- Vehicle and mobile plant movement – risks associated with the interactions between workers and plant and between plant; and
- Temporary works – risks associated with temporary works such as form work and scaffolding.

COPs build on the application of minimum standards and set best practice for controlling safety hazards and risks associated within Leighton Asia. Leighton Asia's 'Strive for L.I.F.E' initiatives, such as the Strive for L.I.F.E training centres, reinforce COPs. Since opening in 2010, 95,452 Leighton Asia employees have been trained through the Strive for L.I.F.E. training centres.

SAFETY IN MINING AND MINERALS PROCESSING

Thiess' Safety Essentials describe clear minimum requirements for high risk activities in mining and are mandatory for all Thiess sites. They comprise non-negotiable critical controls and core procedures, and are produced in English, Spanish, Bahasa (Indonesian) and Mongolian. The Safety Essentials globally cover higher risk activities such as:

- Explosives – for the safe transportation, use, security and disposal of explosives;
- Geotechnical – to ensure ground movement is managed;
- Heights – for working safely at heights;
- Isolation – to ensure energy sources are identified and positively isolated;
- Lifting – to work safely with cranes and other lifting equipment;
- Traffic – for the safe operation and interaction of all vehicles on site and to ensure infrastructure is designed, constructed and maintained; and
- Tyres – for working safely with tyres and tyre handling equipment.

In 2016, Thiess added the Geotechnical Safety Essential which highlights the critical controls necessary to deal with geotechnical hazards and risks such as rock-falls, rock-bursts, and slope failures.

Thiess has continued to reduce injury rates through the development of lead indicators that drive the behaviours aimed at reducing hazards and incidents through the proactive identification of those hazards and risks. Thiess has set a target that 60% of all actions taken to treat or eliminate hazards should arise out of proactive activities such as audits, workplace inspections and observations. The other 40% of actions taken are reactive, arising as a consequence of safety incidents. This approach aims to reduce hazards before they can result in an injury.

The Sedgman 'Critical Controls' were rolled out in 2016. These describe clear minimum requirements for high risk activities and are mandatory for all Sedgman sites. Sedgman's Critical Controls cover the following material risk activities:

- Hazardous / stored energy
- Operating energised equipment
- Working at heights
- Lifting activities and suspended loads
- Dropped objects
- Mobile plant, vehicles and pedestrians
- Entanglement and crushing
- Confined space entry
- Excavations
- Hot work activities
- Working in hot or cold environments
- Hazardous substances
- Working on or entering a stockpile
- Working over or adjacent to water

Critical Controls include measures to ensure safe processes/systems and safe operating practices are in place, and that they are integrated into model procedures. Sedgman is committed to the principles of Safety in Design, and the safe design process uses HAZOP workshops, among other tools, to ensure potential hazards are identified and addressed at the design stage.

Sedgman undertakes monthly HSE Campaigns, providing posters and supporting materials to all sites. A 'Stop to Spot' campaign was launched in early 2016, to highlight the importance of identifying hazards in any task and being prepared for change. In the second half of 2016, Sedgman launched the 'I'm Committed' campaign, which focussed on individual commitments to safety and putting them into action, both at work and at home.

WORKPLACE HEALTH INITIATIVES

In June 2016, CIMIC launched the 'Fit for work + Fit for life' initiative, building on our principles and addressing the prevalence of mental health issues in construction and mining industries. 'Fit for work + Fit for life' is about promoting the steps all employees can take to achieve or maintain their physical and mental health, to avoid or better manage both physical and mental health conditions such as fatigue, depression and anxiety, and to provide care and support for ourselves and others.

'Fit for work + Fit for life':

- builds awareness of mental health in our workplace;
- trains our leaders on protective factors;
- builds employee resilience through promoting physical health which supports mental health; and
- connects our people with mental health support services offered by our Employee Assistance Program and specialists such as beyondblue, Lifeline, Mates in Construction and Mates in Mining.

Across the Group in 2016, activities have included: executive briefings with beyondblue, one of Australia's leading mental health support specialists; Australian managers training in physical and mental health protective factors; peer support training; and promoting campaigns such as R U OK and White Ribbon Day.

Awareness of the importance of mental health and suicide prevention is growing across the construction sector with the help of specialist organisations such as Mates in Construction (MIC). A 2016 health and well-being initiative has seen the introduction of MIC suicide prevention training program across CPB Contractors' sites and offices. CPB Contractors has implemented MIC training in four states where MIC operates (NSW, QLD, WA and SA) and is working with a similar provider to deliver comparable training in other states.

CPB Contractors has also made additional MIC training available to employees who volunteer to be a MIC Connector or ASSIST worker. A Connector is trained to keep someone needing help safe and to connect them to professional support. ASSIST workers can be compared to a first aid officer; they are trained to listen and talk to someone contemplating suicide, and to help them develop a plan to maintain life and keep safe. Crew members, leading hands, supervisors and managers have volunteered for the additional training and we now have a strong network of Connectors and ASSIST workers across shifts and the rest and recuperation cycle. Awareness is maintained with reminder tool box talks and refresher MIC training was undertaken during the year, and will continue to be provided. This initiative fits well with other elements of the Group's Health, Safety and Wellbeing strategy including a very active approach to injury management, fly-in-fly-out (FIFO) inductions and on-site health programs.

Sedgman's health initiatives focus on ensuring our people are mentally and physically healthy to ensure they are at their best to enjoy life at or outside work. Some of Sedgman's key health initiatives are the Online Health Assessment, Step Team Challenge, Group Activity Classes, Better Sleep Program, Flu Shots, Know Your Number – Resilience, and Skin Checks. Other supporting initiatives are the launch of their next campaign 'Be in Game' which will focus on themes such as Staying Alert, Bring Your Own Game, Resilience and Bouncing Back, and the Sedgman Team Spirit.

In 2016, a visible commitment was made to the health and wellbeing of people at Thiess' Safety Summit. This included the launch of Thiess' Health and Wellbeing Framework. The Framework encompasses the four pillars of: health protection; promotion; monitoring; and intervention. One of the key activities that followed the Summit was the development of Health and Hygiene Risk Assessments. The outcome of these risk assessments will assist to ensure Thiess provides multi-faceted programs that address the four pillars of their Framework, while continuing to educate people in the risks and protective factors.

Thiess has also maintained a focus on ensuring teams are 'Fit for work + Fit for life' by encouraging projects to implement wellness programs. This has included promotion, monitoring and intervention programs targeting personal health and lifestyle factors, the impact of drugs and alcohol, and sleep and mental health issues. This broad approach acknowledges the interconnected nature of physical and mental health. These 'Fit for Work + Fit for Life' initiatives are an essential element in achieving safe and productive workplaces and will be a central focus for Thiess in 2017.

PUBLIC SAFETY

The Group takes great care to protect the health and safety of its clients and the public which can include passing motorists, passengers of public transport and pedestrians.

Infrastructure and building projects are being developed in densely populated urban areas. Safety is incorporated into design and results in the installation of prevention measures such as safety and crash barriers, as well as road or rail closures if necessary. Engineering solutions include variable speed signs, auto flaggers, barrier guards and truck mounted attenuators.

On the Transmission Gully project in New Zealand, CPB Contractors and HEB Construction (the CPB HEB JV) put in place traffic management systems to support safety around a number of additional site access points along State Highway 1. Concrete barriers are being used to provide additional protection, dedicated paths behind concrete barriers are being constructed alongside the roadway in both directions to provide safe passage for cyclists and any pedestrians past the work zone, and the speed limit has been reduced at all of the project site access points to minimise any potential conflicts between construction vehicles and the travelling public.

All projects prepare and maintain emergency management plans, which allow for effective responses to health and safety emergencies and crises on projects, should they occur. The Group maintains a 'Group Crisis Management Plan' which coordinates any Group crisis response, and ensures appropriate Group capabilities are in place to respond if required.

COMPLIANCE

During 2016, with the exception of the three fatalities, there were no material incidents of non-compliance with regulations and/or voluntary codes.

OUTLOOK AND FUTURE PLANS

We are committed to our people returning home safely at the end of a day's work. In 2017, we plan to:

- focus on reducing the occurrence of C1I and PC1 Injuries through:
    - ensuring each past incident is effectively investigated;
    - putting in place engineering controls to ensure that similar incidents do not occur across the Group; and
    - reviewing the controls put in place in response to C1I and PC1 Injuries to measure their effectiveness;
- continue to drive down our TRIFR and LTIFR;
- consolidate and simplify our safety systems across the CIMIC Group; and
- develop and improve on evidence-based lead indicators.

ACTING WITH INTEGRITY

Measures in place	Actions during 2016	Performance
- Code of Conduct available to all employees - Group Code Of Conduct – Management, Monitoring and Reporting Policy in place which includes comprehensive protection for whistleblowers	- Refreshed Code of Conduct and associated training modules - Issued new Procurement Policy and Procedures which integrates sustainability and issued rigorous 'Dealing with Third Parties Procedure'	- 3,124 people acknowledged having read the refreshed Code of Conduct - 4,924 employees across the Group undertook formal on-line Code of Conduct training including the refreshed module released in December 2016 - 2,513 operational employees participated in a pre-start or toolbox Code of Conduct training session - 1,576 employees participated in high risk role workshops
- Anti-Bribery and Corruption Policy in place	- Continued to communicate Policy to employees and maintained focus on Code training	- No instances of significant fines or sanctions for non-compliance with Australian and international laws and regulations during the year
- Group-wide independent Ethics Line available for reporting	- Changed Ethics Line provider	- 23 calls made to the 'Ethics Line' (including 10 related to human resources). Matters were dealt with internally by the Reportable Conduct Group, under the supervision of the ECSC
- Anti-Bullying, Harassment and Discrimination Policy in place - Diversity and Inclusion Policy in place	- Implemented Group Equal Employment Opportunity, Discrimination, Bullying & Harassment training. Released in Q416	- To date 209 employees across the Group undertook face to face training. The roll out of training across all employees of the Group will be an ongoing initiative in 2017
- Leadership development and succession planning programs in place	- Held executive leadership conference with a focus on 'leading with principle' reinforcing our principles in action	- Attendance of all Group executive leadership teams
- Ensuring Code of Conduct available to all Sedgman employees.	- Introduction and implementation of Group Principles to Sedgman as an Operating Company	- No significant breaches of Code
- Continuous Disclosure Policy in place - Privacy Policy in place	- Not applicable	- No breaches of continuous disclosure and the Group is unaware of any substantiated complaints regarding breaches of privacy by clients or other stakeholders

OUR APPROACH

We expect our people to act with integrity - honestly and respectfully – with their colleagues, and in all relationships with the Group's stakeholders including our clients, suppliers, shareholders and the community.

The Group Code of Conduct sets the foundation for the way we work every day. It is important for each employee – as an individual - and unites us as one company. The Code is underpinned by our principles of Integrity, Accountability, Innovation and Delivery, and outlines the standards of behaviour we expect, regardless of Operating Company, role or location. This Code applies to CIMIC directors and all employees of the Group, and all alliances and joint ventures in all jurisdictions. The Group seeks to have third parties engaged by the Group agree to abide by their own code (containing equivalent standards of behaviour) or, if they do not have one, the Group Code.

Where the Code or a policy sets higher standards of behaviour than local laws, rules, customs or norms, the higher standards will apply. The Code provides a framework, but cannot describe every situation, law or policy that may apply. We expect our people to exercise good judgement, justify their actions, and try to prevent any potential breaches.

We refreshed the Code of Conduct in 2016 to make it easier to read and deployed new online training to employees at the end of the year. The Code of Conduct training has been translated into local languages to reflect the communities in which we operate.

AVOIDING BRIBERY AND CORRUPTION

The Group prohibits, and has zero tolerance for, all forms of bribery and corruption. Our people must obey all relevant laws and regulations, and must not participate in any arrangement which gives any person an improper benefit or an unfair advantage to any party, directly or through an intermediary. This includes facilitation payments (payments of cash or in kind made to secure or expedite a routine service, or to 'facilitate' a routine Government action), even if allowed under local laws or customs.

Prevention of bribery and corruption relies on the following key factors:
- promotion of, and adherence to, an ethical culture of integrity and accountability;
- management accountability;
- effective employee recruitment procedures;
- on-going training and awareness and enforcement;
- carrying out periodic risk assessments; and
- strong internal control systems which includes a robust whistleblower regime.

We have an Anti-Bribery and Corruption Policy supported by the Group Code of Conduct - Management, Monitoring and Reporting Policy which:
- identifies roles, responsibilities and obligations of leadership and employee groups;
- prescribes training requirements of various roles in the Group; and
- details related processes, including:
  - obligations of employees and managers in reporting a concern about a suspected breach of the Code;
  - confirming protection available to whistleblowers;
  - outlining investigation processes for an alleged breach of the Code – ensuring it is confidential, objective, independent and fair; and
  - setting out key contacts and details.

Subcontractors and other third parties the Group works with can make a significant contribution to our success. The Group will only do business with third parties for legitimate purposes, in accordance with the Code, relevant laws and where that business relationship will benefit the Group. Third parties are entities and individuals outside of CIMIC Group and may include clients, joint venture partners, subcontractors, consultants and suppliers, agents or intermediaries (as defined by our Dealing with Third Parties Policy).

The Group will not do business with a third party that does not share a similar approach to the Group in relation to ethical matters, or where engaging with the third party will harm the reputation of the Group. We aim to have effective business relationships with subcontractors and other third parties, and to encourage them to adopt similar business principles, practices and procedures to those of the Group. Group employees must ensure that any third party understands the Group's expectations and the Code.

When the Group has a controlling position in a joint venture or similar arrangement, the Code (or another code containing equivalent standards of behaviour) must be adopted for the joint venture or other arrangement. In other circumstances, the Group will remain bound by the Code and will seek to have partners adopt the Code.

Before entering into a commercial relationship with a third party on behalf of the Group, appropriate due diligence must be conducted in accordance with the Dealing with Third Parties Procedure and all contracts must be approved in accordance with the Group Delegations of Authority.

Each contract with a third party must be in writing and all contracts must:
- reflect the entire agreement between the Group and the third party;
- describe in a transparent manner and with an appropriate amount of detail the services and/or goods to be provided; and
- contain terms that provide a clear link between, and are commensurate with, the provision of goods or services and the payment of a fee or charge.

'High Risk'[27] third parties may only be engaged where:
- they have completed and executed a Third Party Anti-Bribery and Corruption Declaration, where it has been established that the business relationship is a legitimate one, and that the third party will comply with the Code or, if it has a code of similar scope and content to the Code, its own code; and
- integrity checks on the third party have been completed (e.g. internet searches on the company and key individuals) and are acceptable to the approving manager.

Other third parties may only be engaged where they have completed a Third Party Anti-Bribery and Corruption Declaration.

Where either the Third Party Anti-Bribery and Corruption Declaration or the integrity checks are not to the satisfaction of the approving manager, further enquires must be made. These could include:
- enquiries of the third party about the specific concerns; and
- detailed due diligence by an approved specialist due diligence provider (e.g. Thomson Reuters or Control Risks).

[27] The Dealing With Third Parties Procedure has a detailed definition for 'High Risk' which includes but is not limited to: if it is a potential/new joint venture partner; it is an agent and/or intermediary (which includes legal, tax, immigration, financial, security and industrial relations advisers, lobbyists, customs and shipping agents); it is nominated or recommended by a public official or other representative of a government or state-owned enterprise; it is an individual (rather than a company or partnership), other than permanent or contract employees; the engagement relates directly to a project for a government or state-owned enterprise in any country which has a ranking of 80 or higher in the most recent Corruption Perceptions Index (as published from time to time by Transparency International) such as Mongolia, India, the Philippines, Sri Lanka, Thailand, China, Indonesia, Vietnam, Laos, Papua New Guinea, Cambodia and Myanmar; or 'Low Risk' due diligence enquiries identifies potential issues.

The Group does not enter into any agreements in relation to services such as lobbying, facilitating client relationships, relationship management, strategic advice, or other stakeholder management services which may directly or indirectly influence decision makers considering any bid for work.

COMMUNICATION AND TRAINING

CIMIC Group Code of Conduct training is completed by employees within 3 months of commencing within the Group and then repeated every two years. Training includes online training for white collar workers, toolbox talks for blue collar workers, and face-to-face training for high risk roles. In 2016, we required employees to acknowledge that they had read the refreshed Group Code of Conduct. In December 2016, we deployed the online training for the refreshed Group Code of Conduct. Training completion (by employee numbers) are provided below:

Completion of formal Code of Conduct training (#)	2016 (On-line only)	2016 (Total)	2015 (Total)
CIMIC	38	82	47
CPB Contractors	414	1,717	2,486
Leighton Asia	3,513	4,270	630
Thiess	511	2,380	1,030
Sedgman	435	1,089	-
EIC Activities	0	25	101
Pacific Partnerships	13	61	40
Group	**4,924**	**9,624**	**4,334**

MONITORING AND WHISTLEBLOWERS

CIMIC provides the 'Ethics Line', a confidential way for employees, sub-contractors and partners to voice their concerns should they come across potentially unethical practices. In 2016, we appointed a new provider and promoted the Ethics Line across the Group, including our projects.

The Ethics Line is an independent service operated by STOPline Pty Ltd, a leading provider of disclosure management services. It is a 24 hours-a-day, seven days-a-week service staffed by highly trained consultants who are able to access a comprehensive interpreter service covering all the regions where we operate and the languages our people speak. All reports made to the Ethics Line are treated confidentially. Matters can be reported to the Ethics Line via phone, fax, on-line, by email or post.

CIMIC and each Operating Company maintain a Reportable Conduct Group, with membership comprising the CEO or Managing Director, CFO, General Counsel, and Head of Human Resources, or as otherwise determined by the CEO. Its responsibilities include monitoring and responding appropriately to matters investigated and brought before it, and reporting to the CIMIC Board Ethics, Compliance & Sustainability Committee (ECSC), a sub-committee of the CIMIC Board, on a regular basis about matters reported, actions taken, and the success or otherwise of systems in place to support compliance with the Code. The Group monitors the volume and type of disclosures received through the Ethics Line. Any complaints that are received are dealt with in accordance with the Code.

The ECSC, on behalf of the Board, monitors and reviews the ethical standards and practices generally within the Group, compliance with the Code, and compliance with applicable legal and regulatory requirements. The ECSC receives quarterly reporting at a high level on the nature of all calls to the Ethics Line. Any serious matters are also reported to the ECSC.

In 2016, the nature of the calls to the Ethics Line were as follows:

Calls to the Ethics Line (#)	2016
Conflicts	5
Breaches of code/procedures	2
Misappropriation/theft	0
Fraud	0
Human resources related	10
Other	6
Total	**23**

Of the matters reported in 2016, two were considered substantive enough to be reported to the Reportable Conduct Group for further investigation. Both related to allegations regarding training processes and have been dealt with internally.

DISCLOSURE AND PRIVACY

Listed companies, such as CIMIC, must comply with the continuous disclosure obligations in the ASX Listing Rules and the Corporations Act. This is also essential for the maintenance of shareholder confidence and market trust.

A Market Disclosure and Communications Framework is in place and the Group has supporting procedures for the gathering and release of information to the ASX. Our corporate governance processes are continuously reviewed to ensure compliance with changes to the Corporations Act and other legislation that affects the Group's operations.

The Group has a Privacy Policy which applies to all employees of the Group, third parties engaged by the Group, and all alliances and joint ventures in all jurisdictions. The objectives of this Policy are to treat personal information:

- in Australia, including that of its Australian customers and business partners, in accordance with the *Australian Privacy Act 1988* (Cth) (the Privacy Act) and the Australian Privacy Principles; and
- outside Australia, in accordance with the applicable law.

During 2016, there were no breaches of continuous disclosure and the Group is unaware of any substantiated complaints regarding breaches of privacy by clients or other stakeholders.

FREE AND FAIR COMPETITION

The Group is committed to the principles of free and fair competition as reflected in our Code of Conduct. The Group will always compete vigorously but fairly, and comply with all applicable competition laws. The Group will also comply with all applicable national and international laws, regulations and restrictions relating to the movement of materials, goods and services.

In 2016, there were no significant fines or non-monetary sanctions for breaches of laws or regulations related to anti-competitive conduct, marketing communications, or other matters of non-compliance.

No legal actions were commenced or are outstanding with respect to anti-competitive, anti-trust or monopoly behaviour. There were no instances of significant fines or sanctions for non-compliance with Australian and international laws and regulations during the year.[28]

The Group does not sell banned or disputed products.

SUPPLY CHAIN AND LOCAL SUPPLIERS

Our Operating Companies aim to build sustainable supply chains, relevant to their focused businesses. The major elements of the Group's supply chain are materials (concrete, steel, and asphalt), plant and equipment, and fuel and sub-contractors (such as electricians, plumbers, glaziers, steel fixers and other tradespeople). We seek to minimise the impact of our construction materials such as steel, timber and concrete by working with our suppliers to identify measures to improve the efficient use of these resources. Measures identified include: providing financial incentives for subcontractors to reduce wastage of reinforcing steel (rebar), cabling and pipes; reusing inert waste and secondary aggregate as backfill on projects; and redeployment of concrete waste to build temporary road structures, hard stands and precast concrete road barriers, amongst other things.

In 2016, CIMIC launched its Group Procurement Policy which applies to all project related and corporate procurement of CIMIC Group globally, including joint ventures. The new Policy aligns with our Code of Conduct and will play a key role in supporting project delivery, cost control, sustainability and financial performance. Suppliers are assessed against relevant performance dimensions: compliance with health, safety and labour standards (15%), compliance with sustainability/ environmental regulations (15%), quality (15%), schedule compliance (15%), technical assistance (10%), responsiveness (10%), contract terms and conditions (10%), quality certificates (5%), withholdings and warranties (5%).

All suppliers must comply with the Dealing with Third Parties Procedure referred to above. The Procedure aims to avoid dealing with third parties who do not share a similar approach to the Group in relation to ethical matters, including supply related matters.

Locally sourced goods and services support local employment, boost regional economic growth and create upskilling opportunities. In some cases, purchasing locally made products and services can minimise transport costs and reduce fuel consumption and associated greenhouse gas emissions.

For example, on the Transmission Gully project in New Zealand, the CPB HEB JV is a founding member of the Porirua Youth2Work program and has pledged to inspire local youth into careers in the construction industry. The CPB HEB JV is recruiting around 100 local labourers and 100 plant machinery operators as the project gears up for the first season of major earthworks.

CPB Contractors also completed the construction of Papua New Guinea's (PNG) new National Football Stadium in Port Moresby, redeveloping an existing playing field to create a 15,000 seat venue to host rugby league and the 2016 Pacific Games. The project featured 88% involvement of PNG-based companies and a national workforce involvement rate of 90%. Practical completion was achieved 24 days ahead of schedule with no LTIs and a TRIFR of 1.51.

[28] CIMIC is continuing to cooperate with the relevant authorities regarding an alleged breach of the Code by employees within the Leighton International business prior to 2012 that, if substantiated, may have contravened Australian laws. This matter was self-reported to the Australian Federal Police and CIMIC does not know when the investigations will be concluded.

TAX POLICY

The Group is committed to managing all taxes in a sustainable manner with regard to the commercial and social imperatives of our business and stakeholders. The Group does not undertake purely tax driven transactions. Specifically, no innovative or aggressive tax planning transaction is undertaken and all transactions must have a legitimate business purpose.

In 2016, the Group's effective tax rate was 25.4%, compared to the Australian corporate tax rate of 30%, primarily due to refunds of overpaid income taxes relating to divestment activity that took place in 2014. Our performance over the past four years is laid out in the 'Measuring our performance' table in this Sustainability Report. Despite the drop in rate in 2016, the Group continued to maintain an average effective tax rate of 30% over the last three years. Based on Australian Taxation Office reported figures, for the 2014/15 year[29], CIMIC ranked 13th in respect of the amount of tax payable by Australian public and foreign-owned corporate tax entities.

CIMIC understands that corporate tax payable by the Group provides important contributions to the financing of government services and programs, and the provision of important infrastructure. In addition, the Group is a substantial generator of payroll tax, as well as excise and stamp duty, which also contributes to government revenue.

CIMIC does not receive significant financial aid from governments, apart from standard tax relief measures that are available to similar businesses in the jurisdictions where CIMIC operates such as the Australian Government's Research and Development tax incentives or accelerated depreciation allowances[30].

POLITICAL DONATIONS

In keeping with the Code, the Group did not make any donations, either in kind or directly, to political organisations, political parties, politicians, or trade unions in 2015 or 2016.

LOCAL COMMUNITY ENGAGEMENT

The objectives of the Group's Sustainability Policy, issued in 2016, include amongst other things, encouraging initiatives and successfully delivering projects that meet client expectations, provide value for money, and leave net positive legacies for CIMIC Group, our clients, users, the environment and communities. We work with relevant community stakeholders, especially those most affected by our operations, and seek to identify and address their concerns and expectations. Each Operating Company has its own community engagement policy and framework. We also incorporate a Stakeholder Engagement Plan in the planning process for each project, which includes the recording and tracking of the management in relation to community concerns.

From time-to-time our construction activities may impinge on local communities as we deliver infrastructure projects for our clients. When they do, we try to minimise the impact of our activities by engaging proactively, being approachable and developing positive relationships with community members. We understand that communities may be concerned about the potential impact of traffic, noise, dust, access changes, the siting of new infrastructure (i.e. tunnel vents or noise walls) or even the resumption of property. Generally these impacts are the outcome of decisions made by our clients. However, our Operating Companies will seek to minimise these impacts as far as possible and to carry out the work in a proactive, approachable, empathetic and positive way.

The Group has not identified any incidents of violations involving the rights of Indigenous peoples during the reporting period.

COMMUNITY INVESTMENT

Our objectives are to deliver shared value for the community and CIMIC Group. For the community, our initiatives should make a tangible, genuine and lasting improvement to the quality of people's lives.

The Group may support local community groups and charities through sponsorships and donations that are legal, ethical and further the interests of the Group, and have mutual benefit to the community or broader society and CIMIC Group. During the 2016 Financial Year, the Group directly gave more than $0.34 million to the community through partnerships, sponsorships, donations and workplace giving. Our people are also encouraged to fundraise and volunteer to help create sustainable communities.

Support for Central Queensland Rescue Helicopter Service (CQ Rescue) Mackay and Capricorn were part of Thiess' regional partnerships for 2016. This support enables CQ Rescue to continue to provide world class aero-medical and emergency rescue services 24/7 and 365 days of the year to all residents, workers and visitors in and around Central Queensland. Sponsorship of these critical emergency service providers ensured the Group's mining related sites and mining communities in the Bowen and Callide Basins were covered for any eventuality. This year saw an increase in the number of rescues across the region; through Thiess' support CQ Rescue was able to service these requests and save lives. Support also extended to individual site participation in CQ Rescue activities, sponsoring signature fundraising events, and coordinating T-shirt drives which raised additional funds. In 2017, the ongoing relationship with CQ Rescue will see Thiess as a key sponsor of pilot and paramedic training; all vital requirements to enable ongoing day and night time rescues.

Thiess' 21 year partnership with Hear and Say has changed the lives of thousands of Queensland children with a hearing impairment. In 2016, Thiess continued its support of Hear and Say by sponsoring the Child Champion Program, where 'Harrison', the sponsored child,

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[29] 2014-15 Report of Entity Tax Information, Corporate Tax Transparency, Australian Taxation Office.

[30] Governments at local, State and Federal levels are important clients. The Group does receive income from Governments in the form of fees, reimbursement of costs or contractual entitlements for infrastructure construction and operations and maintenance work performed on a competitively tendered basis.

received sound and speech therapy enabling him to overcome his disability and participate in the hearing world. Through Thiess' support and assistance, funds were also raised at the Gala Ball enabling the centre's vital programs and initiatives to continue in 2017. From humble beginnings to present day, Thiess has been an important part of the centre's 25 year success, and in 2017 the relationship will see the hearing screening program delivered to regional Queensland mining communities.

Sedgman was proud to support the beyondblue mental health initiative, with a number of their people supporting a fund raising drive. Sedgman was acknowledged as a beyondblue 'Fundraising Legend' for their contribution in 2016.

In May 2016, WestConnex contractor, the CPB Contractors Samsung John Holland Joint Venture (CPBSJH), was able to support the locally disadvantaged community nearby the project. Partnering with local charity organisation, the Exodus Foundation, CPBJSH facilitated the donation of several hundred pieces of furniture, white goods and bedding from the former Phillip Lodge Motel in Ashfield. Founded in 1989, the Exodus Foundation strives to combat disadvantage in Sydney's inner west by providing food, social health and wellbeing services to those who need it most.

CPB Contractors' project team at the Acute Services Building Christchurch Hospital in New Zealand provided some Christmas cheer for children in the hospital over the holiday season. Many of the 200 workers on the project met to hand over toys donated by the team and the project's subcontractors. Because the 75 bed children's ward is very close to the construction zone, and is full at this time of year, the team wanted to do something that would help add some fun to the children's day and distract from the noise and activity outside. Hospital staff said they were overwhelmed by the 'incredible generosity' of the CPB Contractors workers and subcontractors.

In 2016, CIMIC relocated its head office to a new, sustainable facility at 177 Pacific Highway, North Sydney (see 'Innovating to deliver projects' section of this Sustainability Report for more detail) which also serves as the headquarters for all of the Group's NSW operations. In moving from the former head office at St Leonards, which had been the Group's base since 1984, a range of furniture and other goods were surplus to requirements. Some of these were donated to the CatholicCare 'Out of Home Care' program at West Gosford on the NSW Central Coast which provides care for children and young people from 0-18 years of age who are not able to live with their own families. Other surplus furniture was donated to The Salvation Army, to generate financial support for the Salvos' varied social and community service programs, and some also went to the Rough Edges charity that helps homeless people in Darlinghurst.

In 2016, CIMIC sent two volunteers from the Group (including a 2016 civil engineering graduate) to build a 40-metre long pedestrian bridge in Rwanda alongside employees from HOCHTIEF. The project was delivered in partnership with the charity organisation Bridges to Prosperity. Building this new bridge will help local residents to avoid a dangerous crossing which, during the rainy season, cuts them off from work, markets or schools. Estimates suggest that this project will benefit 5,780 people directly and another 9,280 indirectly.

COLLABORATION WITH INDUSTRY AND NGOS

The Group has built strong relationships with industry and not-for-profit groups, including non-governmental organisations (NGOs), at local, regional and national levels, as part of our commitment to achieving sustainable outcomes for the Group, our industries and the broader community.

We partner with and/or are members of groups such as:

- AusIMM (Australasian Institute of Mining and Metallurgy)
- AustCham (Australian Chamber of Commerce)
- AUSTMINE (Australian Mining Equipment and services export association)
- Australian Industry Group
- Australian Constructors Association
- Australian Health Promotion Association
- Australian Mines & Metals Association
- Central Queensland Mine Rehabilitation Group
- Chamber of Commerce Local Industry Networks
- Chamber of Minerals and Energy (CME)
- Chamber of Minerals and Energy of Western Australia
- Committee of Economic Development Australia
- Diversity Council of Australia
- Green Building Council of Australia
- Hear and Say
- Hunter Coal Environment Group
- ICN Industry Capability Network
- Infrastructure Sustainability Council of Australia
- Minerals Council of Australia
- New South Wales Minerals Council
- QBCC Licence
- QCoal Foundation
- QRC (Queensland Resources Council)
- Queensland Resource Council
- RACQ CQ Rescue Mackay
- RACQ CQ Rescue Capricorn Reconciliation Australia
- Resource Industry Network
- Royal Flying Doctors Service
- South Australian Chamber of Mines and Energy
- STEM Queensland Academy of Science, Maths and Technology
- Supply Nation
- University of Queensland
- Women in Mining (NSW, WA, QLD)
- Women in Resources National Awards
- Workplace Giving
- International Society of Explosives Engineers
- Hong Kong Construction Association
- Indonesian Contractors Association
- Masters Builders Association Malaysia
- Singapore Contractors Association Ltd
- STRATTERA (Natural Resources of New Zealand)

OUTLOOK AND FUTURE PLANS

We are committed to acting with integrity and doing the right thing, regardless of where we operate. In 2017, we plan to:

- continue to reinforce the Code through senior management roadshows and presentations;
- maintain our focus on training for all employees;
- implement the 'Thiess 2017 Industry and Social Investment Plan' to grow their social licence and meet legislative and contractual obligations, and social responsibilities;
- implement and support 2017 Community Relations Action Plans across all Thiess sites;
- identify and establish a national social investment partnership with an indigenous organisation, and a regional partnership in Western Australia;
- develop and deliver CARE Program[31] training package and supporting materials to Thiess project managers and relationship leads;
- incorporate more detailed stakeholder engagement reporting into monthly reports;
- identify and enable full, fair and reasonable opportunities for local suppliers across projects;
- provide school based training opportunities to build individual skill development and community capacity; and
- continue to engage with our stakeholders to identify risk and to minimise impacts on local communities.

[31] Thiess' CARE Program provides a framework for company-wide community investments so as to support local communities.

DEVELOPING A PERFORMANCE CULTURE

Measures in place	Actions during 2016	Performance
- Professional Development Policy and culture of developing leadership capability and skills	- Developed a Group leadership framework and program – 'Program One'	- Conducted a conference for top 100 leaders to set expectations and align behaviours around Principles. The Group will roll out frontline leadership training in March 2017
- Comprehensive learning and development plans in place across all Operating Companies	- Launched new Group-wide Graduate Program	- CIMIC ranked by industry peak body Australian Association of Graduate Employers (AAGE) as a Top 75 Graduate Employer - CIMIC ranked in the AFR and GradConnection Top100 Most Popular Graduate Employer Awards, Top 10 Finalist for the category of Engineering and Resources Graduate Programs
- Health and Safety Policy and procedures in place to apply appropriate labour standards	- Launched new 'Fit for work + Fit for life' health initiative - Implemented mental health awareness sessions across the Group's construction projects in Australia and Thiess' mining projects	- This is an on-going activity
- Remuneration Policy that promotes individual accountability	- No increase in remuneration or bonuses can be approved without a current rating from a recent performance review - Continued to review performance management approach to ensure all employees have their performance reviewed at least annually and this review is used as the basis for any increases to remuneration as well as for any bonus payments	- All remuneration increases and bonuses have a recent performance review rating as a key input
- Remuneration Policy which aims to fairly motivate, recognise and fairly compensate without bias	- Commenced a pay equity review for Australian operations utilising the new Group job level framework as well as the outcomes from the 2016 bonus and total fixed remuneration review process - The job level and remuneration range are reviewed at recruitment and whenever a remuneration increase is proposed for an individual	- The review is in the final stages and as part of the final recommendations we will develop targeted initiatives linked to the findings - The initiatives agreed will have performance measures associated with them so that progress can be tracked over time
- Remuneration Policy	- Continued to refine the Group job level framework and remuneration ranges that were introduced in late 2015. Both of these initiatives help to ensure competitive remuneration levels are consistently applied across the Australian operations. The framework and ranges will be rolled out to international operations over the next year	- This is an on-going activity
- Incentive schemes linked to creation of sustainable returns for shareholders	- Rolled out simplified, options based, long-term incentive scheme for senior executives aligned with share price growth for the Group	- The performance period for the first grant of options ends on 28 October 2017 at which date performance will be tested for the first time
- Employee value proposition that aims to provide safe, rewarding and fulfilling careers for our people	- Continued engagement of employees - Launched new Group wide employee newsletter – 'Pulse'	- CPB Contractors ranked 10th in list of Australian companies best at attracting and keeping top talent
- Providing safe and fulfilling careers	- Relocated CIMIC, EIC Activates, Pacific Partnerships, Leighton Properties, and CPB Contractors' head office and NSW office to 177 Pacific Hwy, North Sydney	- Minimal impact to productivity and safety of employees

OUR APPROACH

As a service organisation, our success is dependent on the quality of our service which is driven largely by the skills, passion and expertise of our people. CIMIC Group's workforce is project-focused, committed to the achievement of high quality standards, and gains satisfaction from meeting or beating targets. CIMIC Group places considerable emphasis on leadership, responsibility and accountability, and is committed to developing the individual skills and career paths of its employees.

EMPLOYMENT

As at 31 December 2016, the Group directly employed 28,535 people, 8,148 in Australia and 20,387 in the international operations, up from 27,939 last year (7,610 in Australia and 20,329 in the international operations).

Direct employees (#)	2016	2015
CIMIC	101	93
CPB Contractors	5,031	4,740
Leighton Asia	14,950	13,954
Thiess	7,852	9,024
Sedgman	464	-
UGL	6,801	-
EIC Activities	83	63
Pacific Partnerships	41	38
Devine	58	139
Leighton Properties	13	27
Group	**35,394**	**28,078**

Based on a share of the employees in our investments as follow – HLG Contracting (45%) and Ventia (50%) - our total number of employees is 50,874, up from 43,433 last year. The acquisition of a substantial shareholding in UGL by 31 December 2016 is the largest factor in the total employee increase since 2015.

ATTRACTING, DEVELOPING AND RETAINING EMPLOYEES

To maintain our position as a leader in the industries in which we operate, we must ensure that the knowledge and expertise of our people grows. To do this we identify skill gaps, train and develop our people, and share knowledge across the Company. By doing so we improve employee attraction, retention and engagement which ensures we have the skills to execute on our strategy.

Our workforce is predominantly made up of permanently employed full time and fixed term employees. Typically, many trade-related employees such as labourers are recruited on fixed terms for construction projects and then leave for other opportunities when the project, or their contribution to the project, is completed.

Workforce composition (%)	Male	Female
Permanent full time	55.7	8.3
Permanent part time	0.3	0.4
Fixed term	34.6	0.5
Casual	0.3	0.1

In 2016, the Group recruited 12,564 new employees, 748 female and 11,816 male.

Recruitment (#)	Male	Female
CIMIC	20	20
CPB Contractors	2,537	417
Leighton Asia	7,916	138
Thiess	1,249	141
Sedgman	51	19
EIC Activities	25	7
Pacific Partnerships	18	5
Leighton Properties	0	1
Group	**11,816**	**748**

Developing our people and leadership are critical to our success. In 2016, CIMIC Group developed ‘Program One’ which is a new Group wide leadership framework and program which will be utilised to consistently build our leadership capability across the Group. The program launched with a global conference led by the Executive Chairman with the top 100 executive leaders from across the Group participating. The conference focused on ‘leading with principle’ and setting the leadership expectations required for CIMIC Group. Our priorities into 2017 will be to roll out the program to our frontline leadership group.

In 2016, a Group-wide ‘Capability Framework’ has been developed which is designed to deliver consistent training for core capabilities that are a priority for our business. We invest in training that supports our business requirements and the development of our employees. Each of our Operating Companies conducts regular skills-based training and programs, such as technical and vocational training, and health and safety programs, to support our business requirements. In 2016, across the Group we delivered 234,463 hours of training which equates to more than 8 hours per annum for each direct employee.

In addition, approximately 2,100 employees attended technical training as part of the Graduate and professional development training programs provided by our focused engineering entity, EIC Activities. The Civil Graduate engineers training in CPB Contractors was delivered via a monthly webinar series, covering 10 core competencies. Other technical training was delivered at project sites or head offices in a classroom setting. EIC Activities has developed a list of 'On-Demand' technical training that can be delivered to CIMIC Group Operating Companies on a project or regional basis.

Attracting talent is critical to building our future workforce. In 2016, CIMIC Group launched a new Group wide Graduate program. 78 graduates from across CPB Contractors, Thiess and EIC Activities commenced in February 2016. Throughout the two-year program, graduates participate in structured development days providing in-depth information on key areas of the business. The new Group Graduate Program has replaced programs previously delivered by individual Operating Companies. The new Group-wide program provides consistent development experiences for all graduates and opens opportunities for rotations across the Group, including into CIMIC. The 2016 graduates are from the engineering (75%), supply chain, legal, finance, safety and human resources disciplines.

Graduates, trainees and apprentices employed in 2016 (#)	**Male**	**Female**
Graduates	55	23
Trainees and apprentices	113	44

In its first year, CIMIC Group's graduate program has been ranked by peak industry body Australian Association of Graduate Employers (AAGE) [32] as a Top 75 Graduate employer. The AAGE Top Graduate Employer ranking is a definitive guide to the best Australian graduate programs as the ranking is determined entirely from survey feedback gathered from graduates who have been on formal graduate programs. The survey requests graduates to anonymously respond and rate their organisation across 25 categories.

CIMIC Group was also ranked in the GradConnection Top100 Most Popular Graduate Employer Awards during 2016 as well as being a Top 10 Finalist for the category of Engineering and Resources Graduate Programs. GradConnection is Australia's most popular online marketing channel for graduate opportunities and, at any one time, works with over 250 Australian graduate employers and has an average of 150,000 to 200,000 visitors to their site each month.

GradConnection stated that, "It isn't often that we see a new graduate program rank at all on this list as students tend towards programs that have existed in the market for some time. With this in mind it's a considerable achievement for CIMIC Group to rank so well and we expect bigger and better things from their program in the future."

At the Prominent Hill copper and gold mine in South Australia, production and maintenance teams are supported by first-class training and development specialists experienced in production and maintenance training. Key initiatives include:

- an on-site $800k truck and excavator simulator to further develop plant operator skills;
- a dedicated training and development program for experienced operators. Thiess has trained more than 30 experienced operators through the Certification (Level 4) in Training and Assessment, empowering these experienced operators to develop the workforce to the next level;
- thorough training program for 'green' truck operators which involves a minimum of 120 hours of practical training assessment; and
- robust verification of operator competency through written, verbal and practical assessments.

Given the relatively short term duration of many of the Group's construction projects and the fixed term employment model of trades and manual workers, the turnover rate of our employees reflects the departures of only white collar workers (staff).

Voluntary and involuntary departures[33] (%) – staff only	**Overall**	**Male**	**Female**
CIMIC	35.5	21.5	14.0
CPB Contractors	34.3	24.6	9.6
Leighton Asia	29.4	24.1	5.3
Thiess	14.3	11.6	2.7
EIC Activities	28.6	22.2	6.3
Pacific Partnerships	34.2	26.3	7.9

While the average tenure of our people is 3.1 years, the Group has many experienced and long serving employees. The Group's management, which includes key operational roles such as project managers, foremen and site superintendents, generally enjoy a substantially longer tenure. We recognise and reward the hard work and loyalty of our employees and understand that this is an important and effective motivator for retention.

[32] The survey is conducted by the Australian Association of Graduate Employers (AAGE), the peak industry body for the graduate recruitment and development market.

[33] Percentages are based on total voluntary and involuntary departures for the 2016 year divided by the total number of employees at the end of 2015.

Length of service with the Group in years (% of workforce)	Male	Female
- Less than 1 year	38.7	2.4
- Greater than or equal to 1 year and less than 3 years	18.8	1.9
- Greater than or equal to 3 years and less than 5 years	11.4	1.7
- Greater than or equal to 5 years and less than 10 years	15.7	2.5
- Greater than or equal to 10 years and less than 15 years	4.3	0.4
- Greater than or equal to 15 years	1.9	0.3

In order to improve employee attraction, encourage diversity and retention, the Group continues to implement a Group paid parental leave scheme to eligible employees of the Group, in Australia. In other countries, paid parental leave is provided in accordance with current local legislation.

In Australia, the Group paid parental leave scheme comprises paid parental leave to the primary carer of a child or adopted child. The Group provides an additional return to work incentive to support employees returning following parental leave. The Group provides partners of primary carers a period of paid leave upon the birth or adoption of a child. The Group's paid parental leave scheme is an important retention strategy which recognises the importance of employees managing personal and family commitments with work obligations.

In 2016, CPB Contractors was ranked 10th in the list of the top 25 Australian companies that are the best in attracting and keeping top talent, according to LinkedIn data. This list was compiled based on the actions of millions of LinkedIn users and analysed job applications, engagement and new hire staying power, to determine those companies who can hire better and keep the best. The results were normalised to ensure that companies were measured against their peers versus the total universe of companies.

To engage our global workforce and deliver consistent messaging and communication CIMIC launched the Group's first new internal newsletter – Pulse, in 2016. Bringing news to our employees across more than 430 projects, Pulse is about the sharing of ideas and information by our people and our companies. The newsletter is an important initiative in creating a unified culture across the Group.

PERFORMANCE MANAGEMENT AND ALIGNING REMUNERATION

We believe that people perform best when they have clearly defined goals and when they are empowered to operate and are held accountable for delivering. This assists us to foster a culture of high performance.

Each of our Operating Companies has a framework for managing the performance of its people. Skill mapping against role requirements is used to identify gaps in capability and consistently and equitably assess employee performance. Regular performance reviews for all staff facilitates the transparent discussion of employee achievement against key performance indicators and expectations.

The Remuneration Report in this Annual Report sets out the Group's approach to remuneration of senior and other executives. Individual remuneration is determined with reference to Group policy regarding the mix of fixed and variable remuneration, the performance and experience of the individual, comparable jobs within the Group and remuneration for comparable jobs amongst peer companies.

In 2013, the Leighton Superannuation Plan and the AMEC Superannuation Fund members were transferred to the defined contribution category within the same plan. As a result, there are no defined benefit superannuation plans at year end.

FOSTERING A DIVERSE WORKFORCE

Employing a diverse range of people is important to CIMIC Group. It promotes diverse ways of thinking about, and executing on, our principles and mission.

Our approach to diversity and inclusion aims to identify and embrace the diverse thinking that is reflected by our differences such as our personality, communication styles, career paths, educational backgrounds, parental status, gender, sexual orientation, age, disability, ethnicity and religion. We recognise that:

- diverse and inclusive teams promote innovation, performance and productivity;
- these advantages are strongest when our workforces reflect the diverse communities in which we work; and
- these diverse communities provide a valuable source of talent.

The Group's diversity and inclusion (D&I) strategy has prioritised four strategic objectives to ensure we leverage the diverse contributions of our people:

- Gender Equality: promote and improve female participation and achieve gender equality, including pay equity in the workplace;
- Indigenous Australia: increase Indigenous employment and the use of Indigenous suppliers;
- National Inclusion: invest in local employees to ensure the future workforce is reflective of the country in which we operate; and
- Workplace Culture: cultivate an inclusive workplace of fairness and equity which fosters the unique skills and talents of our people.

In 2016, the Group strengthened our governance to support diversity with the launch of a D&I Executive council led by the CEO with participation of Managing Directors from each Operating Company. The Council regularly review our Group wide workforce reporting to track progress against our diversity objectives, and together with the Board, continue management's focus on diversity and inclusion.

We are focused on the diversity of our business in three areas: gender diversity; local participation internationally; and Indigenous employment in Australia. We are also aware of the importance of age diversity to our business.

The primary aim of the Group's Diversity Policy is to increase and leverage the diversity that exists across the organisation. This includes increasing and retaining the number of women employed at all levels in CIMIC Group by seeking to overcome the challenges associated with the relatively small numbers of women entering the engineering trades and profession. As we increase female representation across CIMIC Group, we are seeking to ensure that women are not over-represented in administrative and professional service roles, and under-represented in the trade, engineering and leadership roles that are core to our business.

We report certain gender related information to the Australian Government's Workplace Gender Equality Agency (WGEA) based on the year ended 30 June 2016. The 2015/16 WGEA submissions show that, for the reporting entities of CIMIC, CPB Contractors, Thiess and Leighton Properties, females accounted for around 18% of both management and non-management positons. While these results reflect the traditionally male dominated nature of the construction and mining industries, they are encouraging in comparison to the 2016 WGEA industry data for construction (15.9%) and mining (15.8%).

Female participation (% of each Operating Company's workforce)[34]	**All managers**	**All non-managers**
CIMIC	34.0	46.9
CPB Contractors	9.5	21.0
Thiess	14.5	13.6
Sedgman	14.1	19.3
Leighton Properties	7.1	50.0
EIC Activities	11.8	15.2
Pacific Partnerships	28.6	38.7

Our aim is to employ an international workforce that reflects the populations in which we operate and to be an employer of choice in the regions in which we operate. Across our major contracting businesses, we are achieving a relatively high level of local participation.

Nationals (as a % of workforce)	**Nationals**
CPB Contractors	85
Leighton Asia	98
Sedgman	98

Aboriginal and Torres Strait Islander people are the first inhabitants of Australia, and we respect and value Indigenous people, their land and communities and their culture and heritage. Providing employment and opportunities for Indigenous Australians is a social objective we share with our clients. In 2016, CIMIC Group had a number of programs and partnerships in place to support the employment of Indigenous employees and the use of Indigenous suppliers including our Oothungs (sisters in mining) program, strategic partnerships with Indigenous employment services such as CareerTrackers and CareerSeekers and the implementation of a Group wide procurement policy which supports the use of Indigenous suppliers in our supply chain.

Our objectives include increasing and retaining the number of Indigenous people employed by the Group and increasing opportunities for indirect economic participation e.g. through subcontracting or supply contracts; and building our knowledge of, and capacity in, Indigenous participation. With the decline of remote projects e.g oil and gas, we are focused on urban projects to increase our Indigenous workforce. In 2016, our Indigenous employment rates were as follows:

Indigenous employment (# and % of each Operating Company's workforce)	**Male**	**Female**
CPB Contractors	21 (0.5%)	11 (0.2%)
Thiess	84 (2.9%)	42 (1.5%)

CPB Contractors is also a 50% shareholder in Ngarda Civil and Mining (Ngarda)[35], one of Australia's largest Indigenous contracting companies, and a multi-disciplined service provider in mining, civil construction and infrastructure works across Australia. Ngarda has a workforce of 168, 85 percent of whom are Indigenous people. The company currently has 6 apprentices, 47 trainees and 2 academy based trainees. There are 27 Indigenous personnel completing Certificate III in Metalliferous Mining Operations.

CPB Contractors also has a 10-year partnership with CareerTrackers (entered into in 2013) which supports the long-term career aspirations of Aboriginal and Torres Strait Islander university students through the creation of private sector internship opportunities.

Ensuring we have the right balance of age groups in our workforce is also important to CIMIC Group. We need to retain the experience that mature age workers have gained from working in our industry and our organisations for long periods. Our Operating Companies are working towards achieving this goal.

[34] Based on Australian Government's Workplace Gender Equality Agency (WGEA) report for year ended 30 June 2016. Detailed reports by company can be found at https://www.wgea.gov.au/report/public-reports.
[35] Ngarda Civil and Mining Pty Limited is a Pilbara based industry leader in Indigenous employment in the Australian mining industry.

Age distribution of the Group's workforce (%) – staff only	Male	Female
<30	30.3	2.5
30-40	31.8	3.3
41-50	19.4	2.1
51-60	7.4	1.2
>60	1.8	0.2

As well, we need to continually recruit younger talent that will facilitate succession planning and support our ability to build capable leadership for the future.

ENSURING GENDER EQUITY

CIMIC Group has an ongoing commitment to ensure gender equality in the workplace. In 2016, the Group utilised the new job level framework together with key criteria for the bonus and total fixed remuneration review process to ensure pay equity and commenced the third formal pay equity review following changes to our operating model. The 2016 pay equity review is due to be completed in early 2017. As CIMIC operates in a male dominated industry we have been conscious to ensure that our findings are based on rigorous and defensible analysis. With this in mind we have been working with an independent third party to provide guidance and oversight to the analysis. As part of the final recommendations we will develop targeted initiatives linked to the findings. In addition, we will continue to place particular focus on ensuring equity in decision making for remuneration increases and bonus payments for males and females in the upcoming remuneration and bonus review.

The promotion and increase of female participation continues to be a key priority for the Group. The Group's new Graduate Program featured an above-industry female participation rate of 30 percent for the 2016 cohort. Internal networking events were hosted including national diversity roundtable discussions to generate dialogue about how to attract and retain operational women in our business.

To support the elimination of discrimination on the basis of gender, and remove any barriers to equal participation of female employees, the Group developed new Equal Employment Opportunity, Discrimination, Bullying and Harassment training, supported by a video from the CEO, and refreshed the Group Code of Conduct e-learning module for all employees. In 2017, we will focus on addressing unconscious bias.

LABOUR STANDARDS, FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

The Group does not tolerate harassment, discrimination, bullying, vilification, occupational violence or victimisation on any grounds, whether by race, gender, sexual preference, marital status, age, religion, colour, national extraction, social origin, political opinion, disability, family or carer's responsibilities, or pregnancy, as reflected in Group policies including the Group Anti Bullying, Harassment and Discrimination Policy and supported by the recent implementation of face-to-face Group Equal Employment Opportunity, Discrimination, Bullying and Harassment training.

We recognise the right of our employees to freely associate and collectively bargain. We aim to fairly, consultatively and constructively engage with workers, union representatives and regulators. Some 40.7% of the Group's employees in Australia are covered by collective bargaining agreements, 26.2% at CPB Contractors, 67.1% at Thiess and 19.5% at Sedgman.

The Group is not aware of any instances where its operations, or those of its suppliers, have seen workers' rights to exercise freedom of association or collective bargaining violated or at significant risk.

The Group rejects all forms of forced labour. No employee may be obliged to work by the direct or indirect use of force and/or intimidation. Only people who voluntarily make themselves available for work may be employed. The Group does not tolerate child labour or any form of exploitation of children or young people and will comply with the International Labour Organisation (ILO) with respect to under-age workers.

The Group's Dealing with Third Parties Procedure requires specific due diligence to be undertaken regarding, amongst other things, slavery, forced or child labour. Third parties are required to sign a declaration asking if "slavery, forced or child labour been used anywhere by the Third Party or, to the best of the Third Party's knowledge, by any direct suppliers to the Third Party?"

OUTLOOK AND FUTURE PLANS

We place considerable emphasis on leadership, responsibility and accountability, and are committed to developing the individual skills and career paths of our employees. In 2017, we plan to:

- undertake Group-wide employee engagement surveys;
- roll out 'One' leadership program commencing with frontline leadership training and support;
- increase intake of the 2017 Graduate Program cohort to 140;
- implement an online learning laboratory for all employees; and
- focus on addressing unconscious bias.

INNOVATING TO DELIVER PROJECTS

Measures in place	Actions during 2016	Performance
- Comprehensive risk management framework in place based on ISO 31000:2009	- EIC Activities implemented best practice 'Webinar Wednesday' series aimed at education regarding risks and opportunities, sharing best practice and highlighting emerging technologies	- EIC Activities provided training and webinars to over 1,100 participants during 2016
- Comprehensive quality management systems in place based on ISO 9001:2008	- Launched new interactive Project Knowledge Library (iPKL)	- iPKL captures details of over 1,900 projects including 252 case studies
- EIC Activities structured to provide training and advice in digital engineering	- Trained 215 employees in the use of Building Information Modelling (BIM)[36] and Geographic Information System (GIS)[37]	- BIM and GIS used on 168 projects
- Innovation embedded in the Group's Principles	- Issued Sustainability Policy which supports the adoption and delivery of appropriate industry rating schemes and standards that drive sustainability outcomes for clients	- CPB Contractors continues to be Australia's leading sustainability contractor having 16 projects registered or certified by Infrastructure Sustainability Council of Australia (ISCA) - 14 Green Standard[38] projects registered in 2016 and 6 projects verified - 54 Green Star[39] rated building projects completed since 2007 - $2.1 billion of revenue generated from CPB Contractors' sustainably rated or 'green' projects

OUR APPROACH

One of the Group's four Principles is Innovation. For CIMIC, innovation means challenging conventional practices and adopting to new technologies, proactively investing for the future, sharing knowledge and learning from mistakes. In today's highly competitive environment, our clients depend on our use of innovative technology and business systems to deliver operational excellence and to pioneer new and better ways to overcome challenges. By working closely with clients, partners, suppliers and subcontractors, we solve tomorrow's problems today through world-class expertise, management and quality.

Innovation is a mindset that questions and imagines what's possible. Innovation is about creating a flexible and collaborative environment where our people are encouraged to challenge and change their current work practices, and add value to whatever they do.

We recognise that, essentially, there are two types of innovation: incremental and transformational. Incremental innovation happens all day, every day – it is about continuous improvement. As we strive to deliver our clients' needs more effectively and efficiently, we focus on improving client service, work practices, productivity and re-engineering processes. These are all valuable but, alone, they do not achieve sustainable competitive advantage – they just keep us in the game.

Transformational, disruptive or game-changing innovation comes from creating products and services that no-one has yet developed. Over our history we have challenged what we do, the services we provide, the markets we serve, and even our core competencies, but our future depends on continuing to find a compelling reason to exist. We must continually ask ourselves – are we doing today what we need to do in order to be relevant tomorrow?

ENCOURAGING INNOVATION

EIC Activities is CIMIC Group's engineering business. It provides specialist design, technical support, research and technology for Group projects and enhances the Group's ability to mitigate and manage risk. EIC Activities delivers solutions, capability and innovation in the disciplines of infrastructure, industrial, building and specialist design for projects tendered and delivered by the Group. EIC Activities supports its capability through other technical groups within the ACS Group, including HOCHTIEF, Dragados and Turner. The EIC name stands for Engineering, Innovation and Capability.

During the year, EIC Activities launched its interactive Project Knowledge Library (iPKL). Custom built by EIC Activities, with a user friendly interface and powerful search function, iPKL holds key data from 1,500 past civil, building and process plant projects. iPKL gives tender and project teams access to technical and operational knowledge from successful projects. iPKL holds project execution resources (workpack documents), project data sheets, lessons learned, case studies, innovations, technical papers, awards, images and pre-contract

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[36] BIM - a digital representation of physical and functional characteristics of a facility.
[37] GIS is designed to capture, store, manipulate, analyse, manage, and present spatial or geographical data.
[38] Includes the ISCA and Greenroads rating systems for infrastructure projects, and the Green Star and LEED rating systems for building projects.
[39] Green Star is Australia's only national and voluntary rating system for buildings and communities and was launched by the Green Building Council of Australia (GBCA) in 2003.

documents such as capability statements and submitted tenders. It supports efficient bid preparation and project delivery, and by using it to access and store key information resources helps the Group to fast track learning, repeat successes and innovate to win challenging projects.

EIC Activities has developed a web based GIS module that is enabling projects to mitigate sub-surface utilities risks (e.g. gas, electricity, water and telecommunications). Identification and relocation of utilities can present projects with a risk to safety, reliability and reputation which has traditionally been mitigated by a paper based administrative process relying on a small number of specialists to author and review the information. EIC Activities' new GIS Permit to Disturb (PTD) system incorporates inputs from the Dial-Before-You-Dig service and develops a master utility model. The GIS PTD system is accessible to all project members enabling staff at the workplace to access up-to-date information. The new system streamlines the approval process by compiling all the relevant information in the one place.

We currently have 81 projects (including in Ventia) using GIS data. An additional 14 projects are being, or have been, delivered using BIM in 2015, bringing the total to 87 projects utilising this technology. In 2016, we trained 215 people in the use of BIM and GIS.

During the year, EIC Activities launched its Webinar Wednesday program. Held on the second Wednesday of each month, EIC Activities hosts webinars covering a range of engineering-related topics with a focus on:

- risks and opportunities;
- best practice; and
- emerging technologies.

The webinars aim to promote discussion and socialisation of technical knowledge throughout the Group and connect colleagues interested in a variety of engineering topics. The 30-minute webinars are interactive, with a Q&A session at the end of each presentation. Subjects covered in 2016 included:

- soft soil engineering;
- an insight to BIM - a key digital engineering process;
- utility management;
- digital engineering;
- an introduction to Sedgman;
- methods and lean (production); and
- surveying.

Thiess has established innovation groups – on its intranet – providing a range of useful tools that enable greater efficiency and increased productivity. The intranet provides a dedicated innovation space that allows employees to collaborate with subject-matter-experts and innovation champions, and enables increased knowledge sharing and best practice.

In June 2016, Thiess' Technical Services, Principal Mining Geologist, Helgi Stedman, won a professional excellence award from the Australian Institute of Mining and Metals. Mr Stedman was recognised for his contribution to the industry through his innovative idea of using blast-hole data to improve the precision of geological models. Since first trials of the technique began at Lake Vermont in 2012, coal recovery has steadily improved from low 90s to almost 100%. This technique puts Thiess at the forefront of maximising coal recovery while improving performance results for Thiess and its clients.

Sedgman has leveraged commercially available Virtual Reality (VR) hardware to develop its own VR environment for viewing and reviewing designs as 3D models. Enhancing traditional design processes, the tool has been used during safety reviews to better highlight and eliminate any potential risks for the constructor or operator. The tool also presents opportunities for site familiarisation and training.

Sedgman's annual 'Meakin Innovation Award' was presented to 3 employees who adapted an existing technology by using specialist clamps for the purposes of installing light poles, switches, hose reels and small pipes to plant structures. The team developed a customised pressed steel plate to be used in conjunction with the clamps to simplify installation, reducing time and cost.

Over the last year, Sedgman has developed and tested a Radio-Frequency Identification (RFID) density tracer system at two coal handling preparation plants. The RFID system uses tracers of different size and densities which are inserted into the dense medium cyclones (DMC) and are detected by antennas mounted on the DMC product (coal) and reject (waste) screens. The separation efficiency and residence time can then be determined from the data. Test work was conducted to compare the traditional sampling method of evaluating DMC performance against the RFID tracer method and the results were very similar. This RFID method eliminates the need to manually handle multiple 200L drums of coal/reject, reducing risk of injury.

CPB Contractors is now using mobility solutions to enable foremen and engineers to spend more time out on the job supervising works and to reduce project costs. For example, the introduction of a mobile platform means several thousand sub-contractors now complete plant and labour time sheets on their own smartphones. The digital forms are sent to foremen for approval and costing, eliminating paper dockets and significantly reducing data entry overhead costs. Further work is underway to facilitate electronic proof-of-delivery for materials received on site and to develop electronic work packs – key documents used on-site to manage packages of work.

Increasingly, governments are seeking to integrate sustainability into their procurement in a way that achieves value for money and generates benefits not only for the organisation, but also for society and the economy, while minimising damage to the environment. CPB Contractors has developed an innovative capability in the area of sustainable buildings and infrastructure, and is currently the leading sustainability contractor in the Australian market, working on or having delivered 16 ISCA registered or certified projects worth more than $18.5 billion in total.

In 2016, CPB Contractors reported the following Green Standard projects:

CPB Contractors' Green Standard projects (#)	Registered	Certified
ISCA – Design	8	0
ISCA – As built	4	4
Green Star – Design	2	22
Green Star – As built	0	9
Green Star – Interiors	0	3
Green Star – Performance	0	1
LEED[40] – Silver	1	0
Green Roads[41] – Pilot	1	0

In 2016, revenue generated by CPB Contractors from sustainably rated or 'green' projects was almost $2.1 billion. CPB Contractors' position as a sustainable contractor with a track-record in delivering ISCA rated projects positons the company well for the future.

CPB Contractors' Green Standards project revenue ($m)	2016	2015	2014
ISCA	1,801	1,274	687
Green Star	202	521	774
LEED	0	82	95
Green Roads	80	45	36
Total	**2,083**	**1,922**	**1,592**

The 177 Pacific Highway project in North Sydney, developed by Leighton Properties and constructed by CPB Contractors, is a 30 storey, 40,000 square metre A-grade commercial office tower and is 5-star Green Star and 5-star NABERS rated. The project features a number of sustainable initiatives including:

- water efficient fittings/fixtures to minimise potable water consumption in conjunction with a 90,000 litre rainwater capture system servicing irrigation, toilet and urinal flushing demands;
- using concrete mixes developed to utilise industrial waste products as aggregate, reducing the requirement for raw mined aggregates and using recycled/reclaimed water, together with the selection of structural reinforcing steels with high strength grades, to minimise the material requirement;
- demand control ventilation that adjusts ventilation rates and ensures carbon dioxide (CO2) levels are kept low, maximising the quality of breathable air for occupants; and
- a highly efficient lighting design that incorporates re-programmable lighting control zones of no greater than 100 square metres, providing greater control flexibility and reducing tenant energy consumption and running costs.

A notable feature of the design is the large cutaway (cut-out) sections of the building which increase the amount of sunlight to the community in North Sydney. The ingenious solution incorporates large cutaway sections within the centre of the tower to allow solar access to Council's 'special areas' on the winter solstice. The provision of these cut-away sections also permitted the building to rise 42 metres above Council's previously defined maximum height limit.

MANAGING RISK

The recognition and management of risk is embedded in all activities of the Group and is a core part of our culture. The Group's exposure to risk stems from its broad and evolving business risk profile, which covers areas including operations, safety, reputation, regulation, contracts, human resources, finance, information and strategy.

As required by the CIMIC Board, management has implemented a policy framework designed to ensure that the Group's material business risks are identified and that adequate controls are in place and function effectively, and for management to report to the Board on whether those risks are managed effectively. This framework incorporates the maintenance of comprehensive policies, procedures and guidelines which span the Group's diverse contracting and project development activities, including setting financial controls, conducting business audits, investment and acquisition overview, and ensuring high standards in corporate communications and external affairs. The CIMIC Group Risk Framework is based on International Standard ISO 31000:2009 'Risk management – Principles and guidelines', and forms the basis for CIMIC's risk management activities.

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[40] Leadership in Energy and Environmental Design (LEED) is a rating system devised by the United States Green Building Council (USGBC) to evaluate the environmental performance of a building and encourage market transformation towards sustainable design.
[41] Greenroads is an independent non-profit that advances sustainability performance management and education for transportation capital projects.

The Group's key risks, including those arising due to externalities such as the economic, natural and social operating environments, are set out in the table in the Operating and Financial Review Section in this Annual Report, together with the Group's approach to managing those risks.

These technical webinars reached over 1,100 employees across the Group either during the live broadcast or by being accessed on-line at a later date. The majority of these were delivered by EIC Activities staff. One was a guest webinar by Sedgman and others included presenters from other Operating Companies, demonstrating the degree of collaboration occurring across the Group.

QUALITY

Delivering projects that meet our clients and other stakeholder requirements is the result of good planning and skilful execution. Everyone has accountabilities in this regard.

The Group has people in pure quality and systems roles with direct accountability for ensuring compliance with ISO 9001:2008 Quality Management Systems. These people also coordinate with key stakeholders and subject matter experts to improve our procedures so we work more efficiently and develop effective controls to ensure that work is done in compliance with quality requirements. The Group's quality certification includes:

- Thiess – AS/NZS ISO 9001 (DNV-GL Quality System Certification);
- CPB Contractors – AS/NZS ISO 9001:2008 (SGS Quality System Certification);
- Leighton Asia – ISO 9001:2008 (India, Singapore, Malaysia, Indonesia - Lloyd's Quality System Certification, Hong Kong – HKQAA Quality System Certification, Philippines – Bureau Veritas Quality System Verification); and
- Sedgman – ISO 9001[42].

CREATING VALUE

The direct economic value that CIMIC generated and distributed over the past 3 years is set out below.

Economic value created ($m)[43]	**2016**	**2015**	**2014**
Economic value generated: Revenue	10,847	13,273	16,780
Economic value distributed	(10,488)	(12,685)	(16,194)
Of which: Operating costs	(7,456)	(8,824)	(11,170)
Employee wages and benefits	(2,432)	(3,059)	(4,362)
Payments to providers of capital	(412)	(580)	(636)
Payments to governments[44]	(188)	(221)	(22)
Community investments	(0.3)	(0.8)	(4.3)
Economic value retained	359	588	586

Other shareholder return information can be found in the Operating and Financial Review section of this Annual Report and in the Remuneration Report. But value is more than purely dividends and share appreciation for shareholders. CIMIC creates value in other ways that have significant benefits to communities and society:

- the infrastructure and property projects we construct for clients (roads, railways, hospitals, schools, offices, gas plants, wind farms, water recycling plants, telecommunications lines, etc) are fundamental to improving the productivity of economies and the quality of people's lives;
- contract mining produces resources (coal, iron ore, nickel, copper, gold, diamonds) which are critical for economic development and prosperity, and help to generate royalties and tax income for governments, stimulate local communities, and generate well paid and secure employment;
- our operations and maintenance services are integral to the upkeep of critical infrastructure – we help keep the lights on, trains rolling, water flowing and motorways tolling;
- by engaging many thousands of sub-contractors to provide services to our projects, and the payments we make, we provide employment opportunities and foster local suppliers, many of them in regional and remote communities; and
- the innovation of our people leads to safer construction techniques for the industry and new services which can be exported to other markets, ultimately earning income for the country.

[42] Certification covers Sedgman's Brisbane, Gold Coast and Santiago offices and Townsville workshop locations for the following scope: concept development, feasibility, minerals processing and materials handling design, engineering, fabrication, installation, and repair and maintenance services to the resources sector. Additional locations and services will be considered for certification in the future.

[43] Restated for 2014 for comparison to reflect continuing operations after disposals. This calculation follows the formula set by the GRI.

[44] The Group incurred tax expenses of $430.4 million in 2014 and $135.1 million in 2013 due to the profits on sale and income from its discontinued operations.

OUTLOOK AND FUTURE PLANS

We are committed to bringing an innovative approach to the successful delivery of projects. In 2017, we plan to:

- continue to work with ISCA and Green Star on projects that are externally recognised as being sustainable;
- invest in EIC Activities' research and development of innovative engineering and project management software solutions;
- further develop the iPKL, gathering key data on projects and using the tool to give tender and project teams access to technical and operational knowledge;
- leverage the engineering expertise and experience of our major shareholder, HOCHTIEF, and its related entities; and
- further encourage, through EIC Activities, the sharing of technical engineering excellence across the Group.

USING RESOURCES EFFICIENTLY

Measures in place	Actions during 2016	Performance
- 100% of Operating Company management systems certified to ISO 14001	- Maintained rigorous approach to environmental management	- Excellent environmental result with no Level 1 incidents and only 6 Level 2 incidents recorded - Significant reduction in Level 3 incidents in both Australian and international operations - 10 minor legal breaches, one of which resulted in a fine of $3,800
- Environmental Policy in place	- Issued revised CIMIC Group Environmental Policy	- Gateway WA project awarded national 2016 Civil Contractors Federation Earth Award - Melbourne International RoRo & Automotive Terminal (MIRRAT) recognised as a finalist in the Banksia Foundation's Sustainable Cities Award
- Sustainability Policy in place	- Issued Sustainability Policy which commits the Group to abiding by the principles of the UN Global Compact and acknowledges our role in contributing to the UN Sustainable Development Goals	- Policy rolled out across Group
- Commitment to the efficient use of resources enshrined in the Sustainability Policy	- Participated in HOCHTIEF Energy Awards which promoted energy efficiency across the Group	- CIMIC Operating Companies took out first position and filled 6 of the top ten positions

OUR APPROACH

Respect for the environment is a demonstration of CIMIC Group's core values of Integrity, Accountability, Innovation and Delivery. We undertake to use resources efficiently, minimise waste and promote the delivery of energy efficient, environmentally and socially responsible projects. By constantly innovating we seek to improve efficiency and reduce waste, thereby lowering costs, improving our value proposition and growing client loyalty.

Operating across a range of diverse and sensitive areas, we are committed to managing our environmental footprint using consistent processes and methods that reflect best practice and mitigate environmental risk. Effective management of the environment is a commercial and ethical imperative, and is part of our everyday decisions and processes. An enhanced reputation in environmental management gives us a competitive advantage in winning and delivering work.

Each of our Operating Companies maintains an environmental management system which comprises governance documentation, and comprehensive environmental management plans, procedures and other supporting documents. All of the Group's Operating Companies management systems are certified to ISO 14001.[45]

Minimising project and business-wide impacts, such as erosion and sediment control, protection of flora and fauna, and reducing our carbon emissions, are important focus areas for environmental management at CIMIC Group.

MANAGING HAZARDS AND RISKS

We recognise that by preventing and mitigating pollution and degradation, we avoid potential operational delays, remediation costs, fines and legal fees, and enhance our relationships with the communities and markets in which we operate. We also understand that by delivering on specifications and standards set by regulators, clients and other stakeholders, we stand to gain the confidence of the markets and communities in which we operate, and avoid potential litigation and increased insurance premiums.

The Group's 2016 environmental performance was positive with no Level 1[46] incidents recorded (0 also recorded in 2015) and 6 Level 2[47] incidents recorded (versus 4 in 2015[48]). The number of Level 2 incidents has declined markedly over recent years.

[45] The Sedgman Environment Management System has been certified to the ISO 14001:2004 Environmental Management standard. The Gold Coast, Townsville, Brisbane and Santiago (Studies and Design scope) has been certified to this/these standards. All projects and operational sites are internally audited for compliance with the requirements of the Sedgman HSEQ management system.

[46] Pollution or degradation which has high severity impacts on the community and/or environment and may have irreversible residual impacts.

[47] Pollution or degradation which has moderate severity impacts on the community and/or environment (1 to 3 months duration) but is fully reversible with no residual impacts.

[48] From Q3 2016, any incident in CPB Contractors that relates to formal warning or legal breach is classified as a Level 2 incident, pushing up the number of Level 2 incidents for the second half of 2016. This change does not apply retrospectively i.e. result in reclassification of past incidents.

Environmental incidents	**CPB Contractors**	**Leighton Asia**	**Thiess**	**Sedgman**
Environmental incident frequency rate (#/MhW)[49]	0.23	0.01	0	0
Level 1 (#)	0	0	0	0
Level 2 (#)	5	1	0	0
Level 3 (#)	335	15	162	8
Number of breaches (#)	9	1	0	0
Value of fines ($)	6,000	3,800	0	0

In CPB Contractors, the 5 Level 2 incidents related to:

- WestConnex New M5: discharge to surface water of less than 1 cubic metre of drilling mud into a stormwater pipe and into the adjacent concrete lined channel (Wolli Creek);
- WestConnex New M5: receipt of a formal warning letter from the Department of Planning & Environment for late delivery of a report (with no direct environmental impact);
- M4 Widening: sediment released onto a public road in Auburn;
- Northwest Rapid Transit: a low level of dust was generated in the precast yard works area; and
- WestConnex M4 East: turbid water was observed passing the site boundary.

9 legal breaches were recorded in CPB Contractors for environmental incidents and a fine of $6,000 was incurred for out of hours work after 1pm on a Saturday at 177 Pacific Hwy, North Sydney.

In Leighton Asia, 1 Level 2 incident was recorded in 2016 in Singapore on the construction of the Springleaf Station and Tunnels project due to mosquito breeding. The breach resulted in a fine from the regulator of approximately $3,800. Another potential Level 2 incident also occurred in Singapore on the Downtown Line Stage 3 project, however no penalty has been received to date.

The number of Level 3 incidents across the Group have continued to fall over time with a reduction from 824 in 2015 to 520 in 2016.

The Group has adopted a comprehensive, systematic and collective approach to hazard and risk management, and by continuously monitoring and improving our performance, we ensure we remain competitive in the markets in which we operate.

DEALING WITH CLIMATE CHANGE AND REDUCING EMISSIONS

CIMIC understands the need to reduce emissions by boosting energy productivity, reducing waste, rehabilitating degraded land, increasing renewable energy and driving innovation. Our responses to climate change involve the adoption of a number of approaches.

We aim to reduce emissions by working together with our clients and business partners. Our Operating Companies use a range of systems to track and report on our energy use and calculate our greenhouse gas (GHG) emissions.

Scope One greenhouse gas emissions (kt.CO2-e)	**2016**	**2015**
CPB Contractors	106	124
Leighton Asia	52	60
Thiess	1,805	1,729
Sedgman	1	-
Other (including CIMIC, Pacific Partnerships, EIC Activities, Leighton Properties, Devine)[50]	1	1
Total	**1,964**	**1,913**

For CIMIC, absolute measures of emissions are important but not the most relevant measures. Emissions are driven by the demands of our clients but we continue to try to find ways to operate more effectively and efficiently in undertaking the construction so as to reduce the emissions from each individual project.

Similarly, two infrastructure projects – such as a hospital and a railway line – may have similar costs but generate very different emission footprints. Both are necessary to the welfare of the community but are not comparable in terms of their overall contribution to the Group’s emissions. The Group’s challenge – on a project-by-project basis – is to reduce emissions wherever possible.

For example, on the $1.15 billion Sydney Metro Northwest Tunnels and Station Civil Project, being delivered by a CPB Contractors John Holland Dragados (CPBJHD) joint venture, the project was able to achieve a significant reduction in energy use and a 24% reduction in Scope One and Scope Two emissions. Scope One reductions have been achieved through:

- the use of B5 blended fuel;
- plant selection criteria targeting plant less than 4 years old;
- use of hybrid excavators;
- fuel efficient training and awareness programs; and

[49] The frequency rate is the total number of Level 1 and Level 2 incidents per million man hours worked.
[50] Scope 1 and Scope 2 emission for ‘Other’ have been extrapolated for the 2016 year based on 2015/16 NGER data.

- enforced efficiency routines including regular maintenance of plant and no idling policies for heavy plant.

Scope Two reductions have been achieved through:
- design optimisation which reduced the tunnel diameter, reducing the quantity of materials to be removed and sent offsite, and reducing the volume of concrete used in each segment of panel lining the tunnel; and
- reduced electricity associated with segment production and handling.

Scope Two greenhouse gas emissions (kt.CO2-e)	**2016**	**2015**
CPB Contractors	29	41
Leighton Asia	31	36
Thiess	20	15
Sedgman	1	-
Other (including CIMIC, Pacific Partnerships, EIC Activities, Leighton Properties, Devine)	7	7
Total	**89**	**100**

Scope Three includes other indirect emissions, such as:
- the extraction and production of purchased materials such as concrete, asphalt and steel;
- fuel for transport-related activities in vehicles not owned or controlled by the Group;
- electricity-related activities not covered in Scope Two;
- outsourced activities; and
- waste disposal.

Scope Three greenhouse gas emissions (kt.CO2-e)	**2016**	**2015**
CPB Contractors	1,848	606
Leighton Asia	1,572	2,882
Thiess	1	8
Sedgman	1	-
Other (including CIMIC, Pacific Partnerships, EIC Activities, Leighton Properties, Devine)	1	1
Total	**3,423**	**3,497**

We are registered to report under Australia's *National Greenhouse and Energy Reporting Act 2007* (Cth) (NGER). Energy use and emissions data is collected for all Company projects and sites irrespective of the operational control status. The Group has comprehensive measures in place to manage its Australian NGER obligations including:
- having established legal review processes to identify operational control[51] status at the tender and contract stages;
- utilising Group-wide accounting systems to manage all data; and
- having the Group's data and processes subjected to annual external assurance audits.

The Group has reported the following emissions and energy usage NGER data:

Greenhouse gas emissions and energy consumption[52]	**Total Scope One emissions (t CO2-e)**	**Total Scope Two emissions (t CO2-e)**	**Total Net energy consumed (GJ)**
2015/16[53]	45,260	32,910	807,792
2014/15	77,412	72,142	1,434,467
2013/14	153,239	92,522	2,604,328
2012/13	206,245	128,495	2,660,483
2011/12	730,542	132,516	6,918,762
2010/11	775,441	187,887	8,435,737
2009/10	684,758	243,487	7,811,131
2008/09	478,444	114,785	5,278,962

EY provided a limited assurance audit in 2016 and signed off on the preparation of CIMIC's Energy and Emissions Report.

[51] 'Operational control' is the concept used when determining the corporate group which has NGER obligations for the facility.
[52] National Greenhouse and Energy Reporting figures are for where the Group has 'Operational control' for the facility as per the NGER definition and are for Australian operations only.
[53] Reported to NGER, expected to be published by the Clean Energy Regulator at the end of Feb 2017.

IMPROVING ENERGY EFFICIENCY

The Group is a substantial user of energy, particularly driven by the mining operation of Thiess which utilises large volumes of diesel. The Group's energy consumption for 2016 was as follows:

Energy consumption	CPB Contractors	Leighton Asia	Thiess
Total Gigawatt hours (GWH)	399	248	1,825
Of which: Liquid, gas and solid fuel (%)	93	83	99
Electricity (%)	7	17	1
Energy spend ($m)	27	29	84.5

In 2016, CIMIC participated in the first HOCHTIEF Energy Award[54] which elicited 44 submissions, representing projects and ideas from across CIMIC Group, HOCHTIEF and Turner. CIMIC Group companies took out 1st and 3rd places, and filled 6 of the top 10 positions. Thiess' 'Lighting Plant Refurbishment Program for the energy-efficient lighting plant in mines' initiative was awarded 1st place. The program's key benefits include 75% less fuel use and carbon emissions, 60% less frequent servicing, refuelling decreased from every 3days to just 12 times each year, and servicing extended from every 250 hours to every 400 hours – now carried out in tandem with refuelling. When the 160-strong fleet of lighting plants is refurbished, Thiess is set to save more than 3.2 million litres of diesel and 8.5 million kilograms of CO2-e each year.

The 3rd placed project was Thiess' 'Novel gas technology to displace diesel in the world's largest mining trucks' initiative which aims to replace 80% of the diesel required for heavy-duty mining trucks through the use of natural gas. Other CIMIC Group initiatives in the top 10 included:

- reducing fuel consumption on haul trucks at the Melak coal mine by adjusting engine power output (Thiess Indonesia) – 5th place;
- improving the efficiency of generator sets on the Melak coal mine project by controlling power spikes and optimising output to meet consumption demands (Thiess Indonesia) – 7th place;
- use of a Remote Area Power System which incorporates a coordinated generator, solar panels and battery bank at the Melbourne International RoRo & Automotive Terminal (MIRRAT) (CPB Contractors) – 8th place; and
- increasing the efficiency of a plant yard at Laverton in Victoria by upgrading to energy efficient LED fittings and a 20kW solar system (CPB Contractors) – 10th place.

The Group is working hard on initiatives such as those outlined above that promote the delivery of energy efficient, environmentally and socially responsible projects.

REDUCING WATER CONSUMPTION

The Group's construction and mining projects seek to identify and implement opportunities for water efficiency and savings. Each of the Group's projects develops a water management plan to effectively manage water according to the unique conditions of that project. Generally Sedgman is required to comply with their client's water management plans.

During 2016, the Group's contracting activities used almost 12.7 million kilolitres of water and discharged almost 2.2 million kilolitres.

Water use (ML)	CPB Contractors	Leighton Asia	Thiess
Withdrawals	1,710	1,853	3,676
Re-use	41	53	5,331
Discharge	(135)	(1,800)	(268)

The water management plans address the environmental values of the surrounding environment; potential water sources; and the regulatory commitments and landholder obligations that a particular project must meet. The plans systematically address all risks associated with water management on the project and identifies controls that the project will put in place to manage environmental values and associated risks. They also focus on identifying options for minimising potable water use and maximising recycling and water reuse. These options are critical on projects where water is scarce.

On the Sydney Metro Northwest - the CPB Contractors John Holland Dragados (CPBJHD) joint venture achieved a 37% reduction in total water used below the reference footprint, as the result of the closed loop recirculation networks used for cooling on the project tunnel boring machines. Potable water use was reduced through on-site rainwater harvesting and the use of recycled water.

[54] A competition run across HOCHTIEF's various operating entities that sought to identify and recognise best practice examples and good ideas to save energy and improve energy efficiency.

Of total water demand, 43% (5.4 million kilolitres) was met through recycling or reusing water. Of the water that was withdrawn, it was sourced as follows:

Source of water withdrawals (%)	CPB Contractors	Leighton Asia	Thiess
Mains	43	97	2
Groundwater	29	3	97
Surface water	28	0	1
Marine water	0	0	0

The discharges of water went to the following areas:

Discharges of water (%)	CPB Contractors	Leighton Asia	Thiess
Surface water	1	100	100
Marine environment	0	0	0
Other discharges	99	0	0

CPB Contractors and UGL have been selected by Melbourne Water to deliver the approximately $127 million Western Treatment Plant - Treatment Capacity Increase Project in a 50:50 joint venture. The new treatment facility at Werribee is designed to integrate with the existing Western Treatment Plant and involves the design and construction of a new sewage treatment facility with a hydraulic capacity of 140 million litres per day. The Group is proud to be able to apply its construction capability to upgrading a facility that processes around half of Melbourne's sewage and produces almost 40 billion litres of recycled water a year.

USING MATERIALS EFFICIENTLY

We aim to continually innovate so as to improve the efficiency of the resources we use and reduce waste, thereby lowering our costs, improving our value proposition and benefiting the environment. In 2016, CPB Contractors and Leighton Asia spent some $924 million on 4.84 million tonnes of materials.

Material use (million tonnes) and spend ($m)	CPB Contractors	Leighton Asia
Quantity	2.68	2.16
Spend	396	530

The quantities of construction materials purchased and the spend on those materials is split as follows:

Quantities (%)	CPB Contractors	Leighton Asia
Concrete	92	79
Steel	7	21
Asphalt	1	0

Spend (%)	CPB Contractors	Leighton Asia
Concrete	62	23
Steel	32	77
Asphalt	6	0

Of the Group’s total expenses in 2016: materials were 17%; sub-contractors were 36%; personnel costs were 24%; plant costs, including depreciation and lease payments were 14%; and other expenses were 9%.

On the Sydney Metro Northwest, the CPBJHD joint venture project team, in collaboration with the tunnel boring machine (TBM) manufacturer, developed an innovative traverse and relaunch methodology which, utilising the TBM propulsion system, avoids installation and relocation of jacking systems, that had not been implemented anywhere in the world to date. This innovative process reduced the construction program by 2.5 months, reduced construction noise by over 10 decibels and reduced materials inputs, avoiding the use of over 600 tonnes of structural steel.

Use of materials on the Sydney Metro Northwest was significantly reduced, with a 45% reduction in ‘ecopoints’[55] below the reference footprint, thanks largely to an innovative concrete mix for the high-strength concrete used in the tunnel lining segments. A reduction of 330,000 tonnes of concrete was achieved due to a reduction in segment thickness from 370mm to 260mm.

REDUCING WASTE

To minimise the impact of our operations on the environment we encourage our teams, wherever possible, to take a life-cycle approach to resource efficiency. This means reducing waste through smarter design and procurement, and recycling when this is possible.

[55] Ecopoints are a measure of overall environmental impact developed by BRE. The annual environmental impact caused by a typical UK citizen creates 100 Ecopoints; more Ecopoints indicates a higher environmental impact.

In 2016, we generated a total of 502,047 tonnes of waste, of which 64% was diverted for recycling and the balance was disposed of in landfill.

Waste generation (tonnes)	CPB Contractors	Leighton Asia	Thiess
Landfill	44,119	52,151	7,710
Recycled	264,628	128,415	5,023

The Group is not aware of having transported, imported, exported or having treated any hazardous waste and has not shipped any hazardous waste internationally.

CPB Contactors has successfully delivered the MIRRAT facility in Victoria. The project has become the first in the state to be awarded a '6-Star Green Star' 'Design' rating from the Green Building Council of Australia and 'Excellent' rating in both the 'Design' and 'As-Built' categories from ISCA. The facility will be Australia's largest car terminal, with a berth length of 920 metres and the capacity to handle up to one million units a year. Sustainability initiatives included:

- over 260,000 tonnes of recycled brick, glass and concrete used in the construction of the pavements across the site;
- 95% of the waste generated onsite during construction has been recycled;
- recycled sand has been used throughout the site to backfill trenches;
- through the use of recycled materials and efficient design the carbon footprint of the materials used in the facility has been reduced by over 30%, which equates to over 4,000 tonnes of CO2 and
- rainwater harvesting is being used across the site to provide water for the wash-bay and toilet flushing.

The project features a host of other sustainability initiatives.

PROTECTING BIODIVERSITY

We aim to avoid environmental impacts to sensitive locations during the design and planning phases of our diverse infrastructure, resources and property projects. Where this is not possible, we deploy strategies to minimise disturbance while efficiently, effectively and safely completing work. In areas with sensitive ecological communities, the Group employs a range of measures to manage and mitigate potential impacts. Central to this is the development of biodiversity management plans that consider local contexts, baseline surveys, monitoring results and specialist advice.

The rehabilitation of disturbed areas remains an integral element of dealing with biodiversity on our construction, mining projects and services. This typically involves progressively reshaping disturbed areas, establishing erosion control structures, and topsoiling and seeding. Rehabilitation aims to ensure that areas are safe, stable and suitable for agreed land uses, such as agriculture, grazing or natural habitats. In 2016, Thiess rehabilitated 1,314 hectares of land on its mining projects.

Rehabilitation of mining area (ha)	Reshaped	Top-soiled	Seeded
Australia/Pacific	266	228	99
Asia	314	408	0
Total	**580**	**635**	**99**

At the Moreton Bay Rail (MBR) project in Queensland, CPB Contractors successfully dealt with a number of environmental challenges including undertaking substantial 'Greenfield' works within populated residential areas and dense coastal bushland. Notably, the project intersects estuarine and freshwater waterways, and is adjacent to the Moreton Bay Marine Park and Ramsar-listed[56] Hays Inlet. Key project initiatives include:

- detailed design to avoid disturbance and prioritised drainage construction to minimise onsite water-management devices;
- prioritisation of erosion controls to reduce sedimentation management needs;
- seasonal earthworks programming to avoid high rainfall months and elevated erosion periods;
- catchment size reduction to allow use of type-two controls that reused mulch (over 5,000 cubic metres) and rock from site works;
- use of short and long-term stabilisation techniques, and innovative soil-binding technologies, to reduce water quality impacts and to avoid large, traditional sediment basins;
- application of more than 173,100 square metres of hydro-seed, 13,500 square metres of bonded fibre matrix and 16,000 square metres of turf; and
- community group involvement in rehabilitating marine-plant areas.

These key initiatives resulted in a timely delivered project, successfully rehabilitated sites, 0 environmental incidents and a positive relationship developed with the surrounding community.

[56] The Convention on Wetlands of International Importance, called the Ramsar Convention, is the intergovernmental treaty that provides the framework for the conservation and wise use of wetlands and their resources.

OUTLOOK AND FUTURE PLANS

We are committed to, wherever possible, preventing or otherwise mitigating and remediating any harmful effects from our operations. In 2017, we plan to:

- continue to focus on initiatives to report on and reduce GHG emissions;
- promote waste management and minimisation initiatives on all projects in Leighton Asia;
- encourage employees to understand and abide by the principles of the UN Global Compact and to provide education on the Group's role in contributing to the UN Sustainable Development Goals;
- use CDP (formerly the Carbon Disclosure Project) and the DJSI as tools to engage employees on the important role of sustainability reporting;
- participate again in the HOCHTIEF Innovation Award (Energy and Environmental Protection category) with a focus on using the Award to identify and communicate worthwhile initiatives; and
- further develop and improve support tools and processes to integrate sustainability on infrastructure projects.

OUR AWARDS

SUSTAINABILITY

CIMIC

- DJSI again recognised CIMIC with inclusion in the DJSI Australia Index. CIMIC was identified as the construction and engineering sector global leader in three categories: 1. Building Materials; 2. Environmental Policy and Management System; and 3. Resource Conservation and Resource Efficiency.
- RobecoSam included CIMIC in the 2017 Sustainability Yearbook and awarded a Bronze Class distinction for CIMIC's excellent sustainability performance based on the 2016 DJSI submission. CIMIC was one of only 10 companies in the global 'Construction & Engineering' industry recognised.
- CDP recognised CIMIC with a 'C' rating for its 'Climate Change' submission and a 'B' rating for its 'Water' submission.
- FTSE Russell recognised CIMIC's sustainability with inclusion in the FTSE4Good Index Series following an independent assessment according to FTSE4Good criteria. The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG practices.

PROVIDING SAFE COMMUNITIES AND WORKPLACES

CPB Contractors

- Master Builders-Bankwest Excellence in Construction Awards in Western Australia - Excellence in Workplace Health and Safety Award was presented to Broad Construction (a subsidiary of CPB Contractors) for the fit-out of the David Malcom Justice Centre in Perth.

Leighton Asia

- 22nd Annual Hong Kong Considerate Contractors Site Award Scheme - Gold award to Central-Wanchai Bypass - Central Interchange.
- Construction Industry Safety Award Scheme for Public Works Building Contracts - Silver award to the Hong Kong-Zhuhai-Macao Bridge, Hong Kong Boundary Crossing Facilities - Passenger Clearance Building.
- Ministry of Manpower, Workplace Safety and Health Council SHARP Award and RoSPA Gold Award to the Springleaf Station & Tunnel project for the Thomson-East Coast Line in Singapore.
- Singapore's Building and Construction Authority Green and Gracious Builder Award - Excellent rating (2014 – 2017).
- A total of thirty awards were received from a number of institutional and client sources in Hong Kong by employees and projects.

DEVELOPING A PERFORMANCE CULTURE

CIMIC

- Australian Association of Graduate Employers (AAGE) ranked CIMIC as a Top 75 Graduate employer.
- AFR & GradConnection ranked CIMIC as one of the Top 100 Graduate Employers of Australia in their 2017 list. CIMIC was also recognised as a Top 10 Finalist in the category of popular graduate employers in the Engineering and Resources sector.

CPB Contractors

- LinkedIn ranked CPB Contractors 10th in their list of 'Australia's Top Attractors'.
- Civil Contractors NZ, Auckland branch - Young Engineer of the Year awarded to Brad Wallace, Senior Project Engineer.
- Railway Technical Society of Australasia's 2016 Young Rail Professional of the Year - Samuel Lilley, Project Engineer – Rail Systems.
- 2016 National Association of Women in Construction (NAWIC) Award for Achievement in Design was presented to Kate Taylor, Senior Design Manager.

Leighton Asia

- 2016 LinkedIn Hong Kong Employer Awards - Bronze Rising Star Award for the effective use of LinkedIn features for recruiting and attracting talent.
- Labour Department of Hong Kong - The Most Improved Trainees Award in the Youth Employment and Training Programme awarded to Happy Leung, Building Technician.

Thiess

- Queensland Resources Council's Indigenous Advocacy Award presented to Penny Hamilton, Diversity Manager.
- South Australian Women in Resources Award for outstanding South Australian Tradeswoman awarded to Kristy Hasting, an operator at the Prominent Hill copper-gold mine.

EIC Activities

- National Association of Women in Construction (NAWIC) - Queensland and Northern Territory Chapters' Award for Achievement in Construction (General Building) presented to Julie Martin, Principal – Electrical.
- 2016 NAWIC Award for Achievement in Construction (General Building) was presented to Julie Martin, Principal – Electrical Specialist Design.

INNOVATING TO DELIVER PROJECTS

CIMIC

- Winner of Treasury Management International's 2016 Corporate Innovation Award for Working Capital Management.
- Winner of a Highly Commended Award for the Best Trade Solution in the Adam Smith Awards Asia 2016.

CPB Contractors

- Infrastructure Partnerships Australia's 2016 National Infrastructure Award for Contractor Excellence was presented to Sydney Metro Northwest (CPB Contractors, with consortium members John Holland and Dragados).
- 2016 Australian Construction Achievement Award recognised the Gateway WA Alliance (CPB Contractors with Georgiou Group, GHD, AECOM and BG&E) as a finalist for the Gateway WA Perth Airport and Freight Access Project.
- 2016 Sustainability in Infrastructure Award – IS Project or Asset Leadership in Infrastructure Sustainability Award was awarded to the Melbourne International Roll On-Roll Off Automotive Terminal.
- Civil Contractors NZ, Auckland branch - Best Project over $20 million presented to The Causeway.
- Roads Australia 2016 John Shaw Medal was awarded to Gordon Ralph. The John Shaw Medalist is chosen by an elite committee of past winners and presented to an industry champion who has made a lasting contribution to Australia's roads.

Leighton Asia

- 2016 Indonesia Property Awards - Best Government Development and Best Landscape Architectural Design presented to New Australia Embassy Compound project (Leighton Asia with Total Bangun Persada).

Thiess

- Aus IMM's Professional Excellence Award for 2016 was awarded to Principal Mining Geologist, Helgi Stedman, for his contributions to the industry.

Sedgman

- Australian Institute of Steel Detailers 2016 Annual Queensland Steel Excellence Award for Integrated Project Delivery awarded to Sedgman and Steelcad Drafting for the Byerwen coal handling and preparation plant. The project involved over 500 tonnes of detailed steel and utilised a digital 3D model to coordinate the design and fabrication, saving significant detailing time.

EIC Activities

- ISCA's 2016 Sustainability in Infrastructure Awards - Individual Leadership in Infrastructure Sustainability Award was presented to Glenn Hedges, Principal – Sustainability.

USING RESOURCES EFFICIENTLY

CPB Contractors

- 2016 Civil Contractors Federation's Western Australia and National Earth Awards for Excellence in Civil Construction awarded to the Gateway WA project for projects valued more than $75 million.
- Banksia Foundation recognised the Melbourne International RoRo Automotive Terminal and CPB Contractors, in partnership with Worley Parsons, Arcadis and PLUS Architecture, as a finalist in their Sustainable Cities Award.

Leighton Asia

- Indian Green Building Council Gold rating for Tritvam Residential Project in Kochi, India.
- Hong Kong Awards for Environmental Excellence – Construction Sector - Merit award for the Express Rail Link.

Thiess

- HOCHTIEF Energy Award – 1st place was awarded to Thiess' Lighting Plant Refurbishment initiative which saved around 2 million kWh per annum due to a series of integrated energy efficiency measures related to lighting plant in mines.

GRI INDEX

Legend

● Covered in full ◕ Covered for the most part ◑ Covered in part Code = Covered in the Code of Conduct

GRI standard	Topic specific disclosures	Annual Report section, Page number/s and or URL	Application level / omission
			◑◕
	General Disclosures		
	Organisational profile		
102-1	Name of the organization	44	●
102-2	Activities, brands, products, and services	Operating and Financial Review, www.cimic.com.au	●
102-3	Location of headquarters	www.cimic.com.au	●
102-4	Location of operations	www.cimic.com.au	●
102-5	Ownership and legal form	Financial Report, www.cimic.com.au	●
102-6	Markets served	Operating and Financial Review, www.cimic.com.au	●
102-7	Scale of the organization	Operating and Financial Review, 62	●
102-8	Information on employees and other workers	45, 62 - 66,	●
102-9	Supply chain	57	◕
102-10	Significant changes to the organization and its supply chain	Operating and Financial Review, 57	●
102-11	Precautionary Principle or approach		
102-12	External initiatives	72, Group Policies[57]	●
102-13	Membership of associations	59	●
	Strategy		
102-14	Statement from senior decision-maker	Executive Chairman's review, CEO's review	●
102-15	Key impacts, risks, and opportunities	Operating and Financial Review	●
	Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	44, 54 - 57, Group Policies, Code[58]	●
102-17	Mechanisms for advice and concerns about ethics	54 - 56, Code, Ethics-line[59]	●
	Governance		
102-18	Governance structure	2016 Corporate Governance Statement,[60] Corporate Governance[61]	●
102-19	Delegating authority	Corporate Governance	●
102-20	Executive-level responsibility for economic, environmental, and social topics	2015 Sustainability Report, Corporate Governance	
102-21	Consulting stakeholders on economic, environmental, and social topics	47	
102-22	Composition of the highest governance body and its committees	2016 Corporate Governance Statement,	●
102-23	Chair of the highest governance body	Directors' Report, 2016 Corporate Governance Statement, www.cimic.com.au	●
102-24	Nominating and selecting the highest governance body	2016 Corporate Governance Statement,	●
102-25	Conflicts of interest	Directors' Report, 2016 Corporate Governance Statement, www.cimic.com.au	●
102-26	Role of highest governance body in setting purpose, values, and strategy	2016 Corporate Governance Statement, Board & committee charters[62]	●
102-27	Collective knowledge of highest governance body	2016 Corporate Governance Statement	●
102-28	Evaluating the highest governance body's performance	2016 Corporate Governance Statement	●
102-29	Identifying and managing economic, environmental, and social impacts	2016 Corporate Governance Statement, Board & committee charters	●
102-30	Effectiveness of risk management processes	2016 Corporate Governance Statement, Board & committee charters	●
102-31	Review of economic, environmental, and social topics	44 - 80, 2016 Corporate Governance Statement, Board & committee charters	●
102-32	Highest governance body's role in sustainability reporting	56, 2016 Corporate Governance Statement, Board & committee charters	●
102-33	Communicating critical concerns	47, 2016 Corporate Governance Statement, Board & committee charters	●
102-34	Nature and total number of critical concerns	47, 2016 Corporate Governance Statement, Board & committee charters	●
102-35	Remuneration policies	Remuneration Report	●
102-36	Process for determining remuneration	Remuneration Report	

[57] The CIMIC Group Policies can be accessed at: http://www.cimic.com.au/our-approach/corporate-governance/group-policies.
[58] The CIMIC Group Code of Conduct can be accessed at: http://www.cimic.com.au/our-approach/corporate-governance/group-policies.
[59] The CIMIC Group Ethics Line can be accessed at: http://www.cimic.com.au/ethics-line.
[60] The 2016 Corporate Governance Statements can be accessed at: http://www.cimic.com.au/our-approach/corporate-governance.
[61] The Group's approach to Corporate Governance can be accessed at: http://www.cimic.com.au/our-approach/corporate-governance.
[62] The Board and Committee Charters can be accessed at: http://www.cimic.com.au/our-approach/corporate-governance.

GRI standard	Topic specific disclosures	Annual Report section, Page number/s and or URL	Application level / omission
102-37	Stakeholders' involvement in remuneration	Remuneration Report, 2016 AGM Results[63]	●
102-38	Annual total compensation ratio	Not disclosed	
102-39	Percentage increase in annual total compensation ratio	Not disclosed	
	Stakeholder engagement		
102-40	List of stakeholder groups	47	●
102-41	Collective bargaining agreements	66	
102-42	Identifying and selecting stakeholders	47	●
102-43	Approach to stakeholder engagement	47	
102-44	Key topics and concerns raised	47	●
	Reporting practice		
102-45	Entities included in the consolidated financial statements	44, Financial Report	●
102-46	Defining report content and topic Boundaries	44	●
102-47	List of material topics	47	●
102-48	Restatements of information	44, see also footnotes on pages 45 and 46, Operating and Financial Review, Financial Report	●
102-49	Changes in reporting	44, 47, Operating and Financial Review, Financial Report	●
102-50	Reporting period	44, Operating and Financial Review, Financial Report	●
102-51	Date of most recent report	44, Operating and Financial Review, Financial Report	●
102-52	Reporting cycle	44, Operating and Financial Review, Financial Report	●
102-53	Contact point for questions regarding the report	Justin Grogan, EGM Sustainability	●
102-54	Claims of reporting in accordance with the GRI Standards	44	●
102-55	GRI content index	81 - 84	●
102-56	External assurance	44	●
	Economic Topic-specific Disclosures		
	Economic performance		
201-1	Direct economic value generated and distributed	70	●
201-2	Financial implications and other risks and opportunities due to climate change	73, 2015 Sustainability Report	◑
201-3	Defined benefit plan obligations and other retirement plans	64	●
201-4	Financial assistance received from government	58	●
	Market Presence		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Not disclosed	
202-2	Proportion of senior management hired from the local community	65	◑
	Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	70	●
203-2	Significant indirect economic impacts	70	●
	Procurement Practices		
204-1	Proportion of spending on local suppliers	57	◕
	Anti-corruption		
205-1	Operations assessed for risks related to corruption	54, 55	●
205-2	Communication and training about anti-corruption policies and procedures	54, 56	●
205-3	Confirmed incidents of corruption and actions taken	57	●
	Anti-competitive Behaviour		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	57	●
	Environmental Topic-specific Disclosures		
	Materials		
301-1	Materials used by weight or volume	46, 76	●
301-2	Recycled input materials used	46, 76	●
301-3	Reclaimed products and their packaging materials	46, 76	●
	Energy		
302-1	Energy consumption within the organization	46, 74	●

[63] The 2016 AGM results can be accessed at: http://www.cimic.com.au/investor-and-media-centre/financial-results-and-meetings/annual-reports-and-annual-general-meetings.

GRI standard	Topic specific disclosures	Annual Report section, Page number/s and or URL	Application level / omission
302-2	Energy consumption outside of the organization	46, 74	●
302-3	Energy intensity	46	◕
302-4	Reduction of energy consumption	46, 74	◕
302-5	Reductions in energy requirements of products and services	46, 74	◕
	Water		
303-1	Water withdrawal by source	46, 75	●
303-2	Water sources significantly affected by withdrawal of water	75	●
303-3	Water recycled and reused	46, 75	●
	Biodiversity		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	77	◕
304-2	Significant impacts of activities, products, and services on biodiversity	77	◕
304-3	Habitats protected or restored	77	●
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not disclosed	
	Emissions		
305-1	Direct (Scope 1) GHG emissions	46, 73, 74	●
305-2	Energy indirect (Scope 2) GHG emissions	46, 74	●
305-3	Other indirect (Scope 3) GHG emissions	46, 74	●
305-4	GHG emissions intensity	46,	●
305-5	Reduction of GHG emissions	46, 73, 74	◕
305-6	Emissions of ozone-depleting substances (ODS)	73	◕
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Not disclosed	
	Effluents and Waste		
306-1	Water discharge by quality and destination	46, 75	●
306-2	Waste by type and disposal method	46, 76	●
306-3	Significant spills	46, 72	●
306-4	Transport of hazardous waste	76 - 77	●
306-5	Water bodies affected by water discharges and/or runoff	75, 77	●
	Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	46, 72	●
	Supplier Environmental Assessment	57	●
308-1	New suppliers that were screened using environmental criteria	57	●
308-2	Negative environmental impacts in the supply chain and actions taken	57	●
	Social Topic-specific Disclosures		
	Employment		
401-1	New employee hires and employee turnover	62, 63	●
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Not disclosed	
401-3	Parental leave	64	●
	Labor/Management Relations		
402-1	Minimum notice periods regarding operational changes	As per statutory obligations	
	Occupational Health and Safety		
403-1	Workers representation in formal joint management–worker health and safety committees	50	◑
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	45, 49, 50, 51	●
403-3	Workers with high incidence or high risk of diseases related to their occupation	50, 51	●
403-4	Health and safety topics covered in formal agreements with trade unions	As per statutory obligations	
	Training and Education		
404-1	Average hours of training per year per employee	63	●

GRI standard	Topic specific disclosures	Annual Report section, Page number/s and or URL	Application level / omission
404-2	Programs for upgrading employee skills and transition assistance programs	62, 63	●
404-3	Percentage of employees receiving regular performance and career development reviews	61, 64	●
	Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	45, 64 - 66, Directors' Report, 2016 Corporate Governance Statement	●
405-2	Ratio of basic salary and remuneration of women to men	Not disclosed	
	Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	Not disclosed	
	Freedom of Association and Collective Bargaining		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	66	◑
	Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	66	●
	Forced or Compulsory Labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	66	●
	Security Practices		
410-1	Security personnel trained in human rights policies or procedures	Not disclosed	
	Rights of Indigenous Peoples		
411-1	Incidents of violations involving rights of indigenous peoples	58	●
	Human Rights Assessment		
412-1	Operations that have been subject to human rights reviews or impact assessments	54 - 57	●
412-2	Employee training on human rights policies or procedures	Not disclosed	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	84	●
	Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	58	●
413-2	Operations with significant actual and potential negative impacts on local communities	58	●
	Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	57	●
414-2	Negative social impacts in the supply chain and actions taken	57	●
	Public Policy		
415-1	Political contributions	58	●
	Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	53 - 53	●
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	53 - 53	●
	Marketing and Labelling		
417-1	Requirements for product and service information and labelling	57	●
417-2	Incidents of non-compliance concerning product and service information and labelling	57	●
417-3	Incidents of non-compliance concerning marketing communications	57	●
	Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	57	●
	Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	53, 57	●

Financial Report

Thiess, Dawson South Coal Mine, Queensland Australia

Thiess has a long history and unrivalled experience operating at the Dawson Mine, having been part of the original joint venture in 1962 to establish and operate what was then known as Moura Mine. In 2005 Anglo Coal entered into an alliance with the Thiess Sedgman Joint Venture (TSJV) to deliver the $346 million Dawson project - a massive upgrade and expansion. Thiess resumed operations at Dawson in February 2015, undertaking the open-cut mining of the existing pit at Dawson South.

Financial Report

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Consolidated Statement of Profit or Loss

for the 12 months to 31 December 2016

	Note	12 months to December 2016 $m	12 months to December 2015 $m
Revenue	2	10,853.6	13,280.8
Expenses	3	(10,051.2)	(12,427.4)
Share of profit / (loss) of associates and joint venture entities	25, 26	(44.0)	(14.5)
Earnings before interest and tax ("EBIT")		758.4	838.9
Finance income	4	73.5	89.9
Finance costs	4	(91.5)	(193.8)
Net finance income / (costs)		(18.0)	(103.9)
Profit before tax		740.4	735.0
Income tax (expense) / benefit	6	(188.0)	(220.6)
Profit for the year		552.4	514.4
(Profit) / loss for the year attributable to non-controlling interests		27.9	6.0
Profit for the year attributable to shareholders of the parent entity		580.3	520.4
Dividends per share - Final	23	62.0¢	50.0¢
Dividends per share - Interim	23	48.0¢	46.0¢
Basic earnings per share	24	176.6¢	153.7¢
Diluted earnings per share	24	176.4¢	153.4¢

The consolidated statement of profit or loss is to be read in conjunction with the notes to the consolidated financial report.

Consolidated Statement of Other Comprehensive Income

for the 12 months to 31 December 2016

	Note	12 months to December 2016 $m	12 months to December 2015 $m
Profit for the year attributable to shareholders of the parent entity		580.3	520.4
Other comprehensive income attributable to shareholders of the parent entity:			
Items that may be reclassified to profit or loss:			
- Foreign exchange translation differences (net of tax)	21	35.7	213.8
- Effective portion of changes in fair value of cash flow hedges (net of tax)	21	(14.5)	2.6
- Change in fair value of available-for-sale assets (net of tax)	21	-	6.0
Items that will not be reclassified to profit or loss:			
- Change in value of equity reserves (net of tax)	21	-	(13.8)
- Recycling of associate reserve	21	(21.2)	-
- Recycling of fair value reserve	21	(20.0)	-
Other comprehensive income / (expense) for the year		(20.0)	208.6
Total comprehensive income / (expense) for the year attributable to shareholders of the parent entity		560.3	729.0
Total comprehensive income / (expense) for the year attributable to shareholders of the parent entity:			
Total comprehensive income / (expense) for the year		532.4	723.0
Total comprehensive (income) / expense for the year attributable to non-controlling interests		27.9	6.0
Total comprehensive income / (expense) for the year attributable to shareholders of the parent entity		560.3	729.0

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

Consolidated Statement of Financial Position

as at 31 December 2016

	Note	31 December 2016 $m	31 December 2015 $m
Assets			
Cash and cash equivalents	7	1,576.5	2,167.8
Trade and other receivables	8	3,209.6	2,659.6
Current tax assets	9	28.0	26.6
Inventories: consumables and development properties	10	213.0	264.0
Assets held for sale	30	47.7	235.8
Total current assets		5,074.8	5,353.8
Trade and other receivables	8	1,235.8	889.2
Inventories: development properties	10	166.9	275.3
Investments accounted for using the equity method	11	616.5	1,073.1
Other investments	12	135.4	125.7
Deferred tax assets	13	310.1	119.5
Property, plant and equipment	14	1,355.7	1,312.8
Intangibles	15	1,125.9	527.4
Total non-current assets		4,946.3	4,323.0
Total assets		10,021.1	9,676.8
Liabilities			
Trade and other payables	16	4,721.1	3,675.7
Current tax liabilities	17	126.6	81.3
Provisions	18	333.3	283.4
Interest bearing liabilities	19	618.2	217.4
Liabilities associated with assets held for sale	30	-	48.7
Total current liabilities		5,799.2	4,306.5
Trade and other payables	16	287.0	331.6
Provisions	18	73.5	84.5
Interest bearing liabilities	19	549.0	838.9
Total non-current liabilities		909.5	1,255.0
Total liabilities		6,708.7	5,561.5
Net assets		3,312.4	4,115.3
Equity			
Share capital	20	1,750.3	2,052.5
Reserves	21	(304.6)	423.6
Retained earnings	22	1,876.5	1,616.7
Total equity attributable to equity holders of the parent		3,322.2	4,092.8
Non-controlling interests		(9.8)	22.5
Total equity		3,312.4	4,115.3

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

Consolidated Statement of Changes in Equity

for the 12 months to 31 December 2016

	Note	Share Capital $m	Reserves $m	Retained Earnings $m	Attributable to Equity Holders $m	Non-controlling Interests $m	Total Equity $m
Total equity at 1 January 2015		2,052.5	219.0	1,482.2	3,753.7	27.9	3,781.6
Profit for the year		-	-	520.4	520.4	(6.0)	514.4
Other comprehensive income		-	208.6	-	208.6	-	208.6
Transactions with shareholders in their capacity as shareholders:							
- Dividends	23	-	-	(385.9)	(385.9)	-	(385.9)
- Share based payments		-	(4.0)	-	(4.0)	-	(4.0)
- Other		-	-	-	-	0.6	0.6
Total transactions with shareholders		-	(4.0)	(385.9)	(389.9)	0.6	(389.3)
Total equity at 1 January 2016		2,052.5	423.6	1,616.7	4,092.8	22.5	4,115.3
Profit for the year		-	-	580.3	580.3	(27.9)	552.4
Other comprehensive income		-	(20.0)	-	(20.0)	-	(20.0)
Transactions with shareholders in their capacity as shareholders:							
- Dividends	23	-	-	(320.5)	(320.5)	-	(320.5)
- Share based payments	21	-	(17.8)	-	(17.8)	-	(17.8)
- Share buy-back	20, 21	(302.2)	(123.7)	-	(425.9)	-	(425.9)
- Acquisitions of controlled entities	29	-	(566.7)	-	(566.7)	(4.4)	(571.1)
Total transactions with shareholders		(302.2)	(708.2)	(320.5)	(1,330.9)	(4.4)	(1,335.3)
Total equity at 31 December 2016		1,750.3	(304.6)	1,876.5	3,322.2	(9.8)	3,312.4

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

Consolidated Statement of Cash Flows

for the 12 months to 31 December 2016

	Note	12 months to December 2016 $m	12 months to December 2015 $m
Cash flows from operating activities			
Cash receipts in the course of operations (including GST)		12,402.7	15,981.0
Cash payments in the course of operations (including GST)		(11,201.3)	(14,061.4)
Cash flows from operating activities		1,201.4	1,919.6
Dividends received		6.9	15.7
Interest received		24.9	32.7
Finance costs paid		(85.2)	(202.8)
Income taxes (paid) / received		(21.0)	(315.0)
Net cash from operating activities	28	1,127.0	1,450.2
Cash flows from investing activities			
Payments for intangibles		(14.7)	(15.2)
Payments for property, plant and equipment		(280.2)	(266.3)
Proceeds from sale of property, plant and equipment		97.8	156.2
Proceeds from sale of investments in controlled entities and businesses		-	1,671.0
Proceeds from sale of investments		180.8	-
Cash acquired from acquisition of investments in controlled entities and businesses	29	244.4	-
Income tax paid in relation to proceeds from sale of investments in controlled entities and businesses		(32.0)	(263.0)
Payments for investments		(325.1)	(35.1)
Loans to associates and joint ventures		(152.7)	-
Net cash from investing activities		(281.7)	1,247.6
Cash flows from financing activities			
Own shares purchased from shareholders of the Company	20	(425.9)	-
Cash payments in relation to employee share plans		(18.8)	(4.1)
Proceeds from borrowings		380.4	871.2
Repayment of borrowings		(380.1)	(2,915.4)
Repayment of finance leases		(276.9)	(124.7)
Dividends paid to non-controlling interests		(12.6)	-
Dividends paid to shareholders of the Company		(320.5)	(385.9)
Payments to acquire non-controlling interests		(389.0)	-
Net cash from financing activities		(1,443.4)	(2,558.9)
Net increase / (decrease) in cash held		(598.1)	138.9
Cash and cash equivalents at the beginning of the period		2,167.8	1,976.9
Effects of exchange rate fluctuations on cash held		6.8	52.0
Cash and cash equivalents at reporting date	7	1,576.5	2,167.8

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

Notes to the Consolidated Financial Statements continued

for the 12 months to 31 December 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

CIMIC Group Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company comprise the Company and its controlled entities (the "Consolidated Entity" or "Group") and the Consolidated Entity's interest in associates and joint arrangements.

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and in accordance with the *Corporations Act 2001*. The financial report of the Consolidated Entity also complies with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB").

The standards, amendments to standards and interpretations available for early adoption at reporting date that have not been applied in preparing this financial report are detailed in Note 39: *New accounting standards.*

Basis of preparation

Presentation

The financial report is presented in Australian dollars which is the Company's functional currency. All amounts disclosed in the financial report relate to the Group unless otherwise stated. The financial report has been prepared on the historical cost basis, except for available-for-sale assets and derivative financial instruments, which are measured at fair value.

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191* dated 24 March 2016 and in accordance with that ASIC Instrument, amounts in the financial report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

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.

New and amended standards adopted by the Company

In the current year, the Company has applied a number of new and revised accounting standards and amendments that are mandatorily effective for an accounting period that begins on or after 1 January 2016, as follows:

- AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations;*
- AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation;*
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity method in separate financial statements*
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle;*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101;*
- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality;* and
- AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent*.
- AASB 2015-5 *Investment Entities: Applying the Consolidation Exception; and*
- AASB 1057 *Application of Australian Accounting Standards, AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs.*

While these standards introduced new disclosure requirements, they do not affect the Group's accounting policies or any of the amounts recognised in the financial statements.

Notes to the Consolidated Financial Statements continued

for the 12 months to 31 December 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and are believed to be reasonable under the circumstances. Revisions to estimates are recognised in the period in which the estimate is revised and in any future period affected.

Judgements made in the application of AASBs that could have a significant effect on the financial report and estimates with a risk of adjustment in the next year are as follows:

- Construction and mining contracting projects:
  - determination of stage of completion;
  - estimation of total contract revenue and contract costs;
  - assessment of the probability of customer approval of variations and acceptance of claims;
  - estimation of project completion date; and
  - assumed levels of project execution productivity.

It is reasonably possible on the basis of existing knowledge that actual outcomes within the next financial year that are different from the estimates and assumptions in the areas listed above could require a material adjustment to the carrying value of amounts due from and due to customers and amounts receivable from and payable to related parties. Refer to Note 8: *Trade and other receivables*, Note 16: *Trade and other payables* and Note 37: *Related party disclosures.*

- Lease classification;
- Asset disposals:
  - Controlled entities and businesses: determination of loss of control and fair value of consideration; and
  - Other assets: determination as to whether the significant risks and rewards of ownership have transferred;
- Estimation of the economic life of property, plant and equipment and intangibles;
- Asset impairment testing, including assumptions in value in use calculations;
- Assessment of the fair value of available-for-sale assets and derivatives; and
- Determination of the fair value arising from business combinations.

Basis of consolidation

Subsidiaries

The Company controls an entity when it 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.

Results of controlled entities are included in the consolidated statement of profit or loss from the date control is obtained or excluded from the date the entity is no longer controlled. Intragroup balances and transactions, and any unrealised gains or losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the controlled entity.

Any difference between the amount of the adjustment to non-controlling interests and the fair value of the consideration paid or received is recognised in the equity reserve. When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss.

Notes to the Consolidated Financial Statements continued

for the 12 months to 31 December 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of consolidation continued

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at cost less impairment.

Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the entity. Significant influence is presumed to exist when the Group owns between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and recognised initially at cost. The cost of the investments includes transaction costs and goodwill on acquisition.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investments, after adjustments for impairment and after aligning the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investment, the carrying value of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further loss is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint arrangements

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Company has assessed the nature of its joint arrangements and determined to have both joint operations and joint ventures.

Joint operations

The Group recognises its direct right, and its share of, jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate headings. Details of joint operations are set out in Note 27: *Joint operations*.

Joint ventures

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognised in the consolidated statement of financial position at cost, including transaction costs and goodwill on acquisition, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been adjusted for where necessary, to ensure consistency with the policies adopted by the Group.

Other investments

Other investments are accounted for as either available-for-sale financial assets, or fair value through profit and loss financial assets.

Notes to the Consolidated Financial Statements continued

for the 12 months to 31 December 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

a) Revenue recognition

Revenue from construction contracting services is recognised using the percentage complete method. Stage of completion is measured by reference to costs incurred to date as a percentage of estimated total costs for each contract. Where the project result can be reliably estimated, contract revenue and expenses are recognised in the statement of profit or loss as earned and incurred. Where the project result cannot be reliably estimated, profits are deferred and the difference between consideration received and expenses is carried forward as either a contract receivable or contract payable. Once the contract result can be reliably estimated, the profit earned to that point is recognised immediately.

Revenue from mining contracts and mineral processing is recognised on the basis of the value of work completed.

Property development revenue includes sales of development properties, rental and fee income. Revenue from the sale of property developments and land sales is recognised when the significant risks and rewards of ownership have been transferred. Rental income is recognised on a straight line basis over the term of the operating lease. Other property development revenue is recognised as services are provided.

Other revenue including telecommunications, environmental and utilities services, is recognised as services are provided.

Expected losses on all contracts are recognised in full as soon as they become apparent.

Interest revenue is recognised on an accruals basis.

Dividend income is recognised when the dividend is declared.

b) Finance costs

Finance costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs 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, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and certain exchange differences arising from foreign currency borrowings.

c) Income tax

Income tax expense on the profit or loss for the period comprises current and deferred tax expense. Income tax expense is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Group adopts the statement of financial position liability method to provide for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Taxable temporary differences are not provided for the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the statement of financial position date.

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. The Company is the head entity in the Tax Consolidated Group comprising the Australian wholly-owned subsidiaries. The head entity recognises all of the current tax assets and liabilities and deferred tax assets in respect of tax losses of the Tax Consolidated Group (after elimination of intra-group transactions). Deferred tax assets and liabilities in respect of temporary differences are recognised in the subsidiaries' financial statements.

The Tax Consolidated Group has entered into a tax funding agreement that requires wholly-owned subsidiaries to make contributions to the head entity for current tax assets and liabilities occurring after the implementation of tax consolidation. Under the tax funding agreement, the contributions are calculated using the "group allocation" approach so that the contributions are equivalent to the current tax balances generated by transactions entered into by wholly-owned subsidiaries. The contributions are payable as set out in the agreement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to current tax assets.

Notes to the Consolidated Financial Statements continued

for the 12 months to 31 December 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

d) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing profit attributable to shareholders of the parent entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

e) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. When acquired, non-derivative financial instruments are recognised at fair value. At subsequent reporting dates they are measured at amortised cost unless specifically mentioned below.

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, at bank and short term deposits at call, net of bank overdrafts where there is an ability to offset and an intention to settle.

Trade and other receivables

Contract and trade debtors include all net receivables from construction, contract mining and mineral processing, property development, and other services. Included in contract debtors is the progressive valuation of work completed. The valuation of work completed is made after bringing to account a proportion of the estimated contract profits and after recognising all forecast losses. Contract and trade debtors are normally settled within 60 days of billing.

Where payments received exceed the revenue recognised, the difference is recorded as a liability in the statement of financial position.

Other amounts receivable generally arise from transactions other than the revenue generating activities and include amounts in respect of sales of assets and taxes receivable. Interest may be charged at market rates based on individual debtor arrangements. Amounts receivable expected to be received after twelve months are discounted. Recoverability is assessed at reporting date and provision made for any doubtful debts. Prepayments represent amounts paid for the rights to receive future goods or services.

Available-for-sale financial assets

Available-for-sale assets are initially recognised at cost, being the fair value of the consideration given and include acquisition costs. Subsequently, available-for-sale assets are measured at fair value. Changes in fair value are recognised as a separate component of equity in the fair value reserve. When the asset is sold, collected or otherwise disposed, or if the asset is determined to be impaired, the cumulative gain or loss previously reported in equity is recognised in the statement of profit or loss.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets designated as at fair value through profit and loss comprise equity securities that otherwise would have been classified as available-for-sale. These financial assets are measured at fair value at each reporting date and movements in fair value are taken into the statement of profit and loss.

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.

Trade and other payables

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

Notes to the Consolidated Financial Statements continued

for the 12 months to 31 December 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

f) 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.

Cash flow hedge

Changes in the fair value of designated and qualifying cash flow hedges are deferred in equity. Where it is expected that all or a portion of a loss recognised directly in equity will not be recovered in future periods, that loss is recognised in the statement of profit or loss.

Amounts deferred are included in the initial measurement of the cost of the asset or liability where the forecast transaction being hedged results in the recognition of a non-financial asset or a non-financial liability.

Cash flow hedges relating to operating activities are recognised in profit or loss in the same period the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss deferred in equity is recognised immediately in profit or loss.

Hedges of net investments in foreign operations

Gains or losses on the hedging instrument are recognised in the foreign currency translation reserve. Gains and losses deferred in the foreign currency translation reserve are recognised in profit or loss upon disposal of the foreign operation.

Fair value hedge

Changes in the fair value of designated and qualifying fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. When hedge accounting is discontinued the adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Call option to acquire remaining shares in joint venture

Changes in the fair value of the option are recorded in profit and loss. If the option is called the joint venture will be acquired in a business combination and the fair value of the option at the point it is utilised will form part of the purchase consideration for the remaining shares.

g) Inventories

Inventories are carried at the lower of cost and net realisable value. Inventories comprise:

Property developments

Cost includes the costs of acquisition, development and holding costs such as rates, taxes and finance costs. Holding costs on property developments not under active development are expensed as incurred.

Raw materials and consumables

Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

h) Assets held for sale and liabilities associated with assets held for sale

Assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use, and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised.

Assets classified as held for sale are presented separately from the other assets in the statement of financial position. Assets are not depreciated or amortised while they are classified as held for sale.

Liabilities associated with assets held for sale are presented separately from other liabilities in the statement of financial position. Interest and other expenses attributable to the liabilities associated with assets held for sale continue to be recognised.

Notes to the Consolidated Financial Statements continued

for the 12 months to 31 December 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

i) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation and amortisation

Depreciation and amortisation is calculated so as to write-off the net book values of property, plant and equipment over their estimated effective useful lives as follows:

- freehold buildings: straight line method - up to 40 years;
- major plant and equipment: cumulative number of hours worked - up to 10 years;
- major plant and equipment - component parts: cumulative number of hours worked - up to 10 years;
- leased plant and equipment: cumulative number of hours worked - up to 10 years;
- office and other equipment: diminishing value method - up to 10 years; and
- leasehold buildings and improvements: straight line method, over the terms of the leases - up to 40 years.

Subsequent costs

Subsequent expenditure is included in the carrying amount of property, plant and equipment only when it is probable that the associated future economic benefits will flow to the Group. All other costs are recognised in the statement of profit or loss.

j) Leased assets

Leases under which the Group assumes substantially all of the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

A lease asset equal to the lower of the fair value of the leased property and the present value of the minimum lease payments is recorded at the inception of the lease. A finance lease liability is recognised at the net present value of future finance lease rentals and residuals. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals, which are potential incremental lease payments not fixed in amount as they relate to future changes, are expensed as incurred.

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease.

k) Business combinations

The acquisition method of accounting is used to account for all business combinations. The consideration for the acquisition of a controlled entity comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any pre-existing equity interest in the controlled entity. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree’s net identifiable assets. The excess of the consideration transferred over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill.

Where the consideration is less than the fair value of the net identifiable assets of the controlled entity acquired the difference is recognised directly in the statement of profit or loss as a gain on acquisition of a controlled entity.

l) Intangible assets

Goodwill

Goodwill arising from business combinations is included in intangible assets. Goodwill on acquisition of associates is included in equity accounted investments. Goodwill is not amortised but it is tested for impairment annually or more frequently if there is an indication that it might be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Notes to the Consolidated Financial Statements continued

for the 12 months to 31 December 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

l) Intangible assets continued

Brand names

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

Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. 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.

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 projects. IT systems are amortised over their estimated useful lives of up to 7 years.

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

m) Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of goodwill and indefinite lived intangible assets are reviewed at each reporting date irrespective of an indication of impairment.

An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. An assets recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount for an asset that does not generate largely independent cash flows is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the statement of profit or loss unless the asset has been previously revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised in the statement of profit or loss. Reversals of impairment losses, other than in respect of goodwill and available-for-sale assets, are recognised in the statement of profit or loss.

n) Employee benefits

Liabilities in respect of employee benefits which are not due to be settled within twelve months are discounted at period end using rates which most closely match the terms of maturity of the related liabilities. Corporate bond rates are utilised where a deep market exists. Rates from national government securities are utilised where a deep market for Corporate bonds does not exist.

Wages, salaries, annual and long service leave

The provision for employee entitlements to wages, salaries and annual and long service leave represents the amount which the Group has a present obligation to pay resulting from employees' services provided up to the reporting date. Provisions have been calculated based on expected wage and salary rates and include related on-costs. In determining the liability for these employee entitlements, consideration has been given to estimated future increases in wage and rates, and the Group's experience with staff departures.

Superannuation

Defined contribution superannuation plans exist to provide benefits for eligible employees or their dependants. Contributions by the Group are expensed to the statement of profit or loss as incurred.

Notes to the Consolidated Financial Statements continued

for the 12 months to 31 December 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

n) Employee benefits continued

Share-based payment transactions

Ownership based remuneration is provided to employees via the plans outlined in Note 36: *Employee Benefits*. The fair value of share options and share rights are recognised as an expense over the vesting period.

Shares are recognised when either options are exercised and the proceeds received or shares are issued to settle share rights.

Retention arrangements

Retention arrangements are in place ranging from three years to retirement for certain key employees which 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 salary rates, including related on-costs.

Annual bonus and deferred incentive arrangements

Annual bonuses and deferred incentives are provided at reporting date and include related on-costs. The Group recognises a provision where there is a contractual or constructive obligation.

o) Share capital

Ordinary share capital

Issued and paid up capital is recognised at its par value, being the consideration received by the Company.

Dividends

Provision is not made for dividends unless the dividend has been declared by the Directors, but not distributed, at or before the end of the period.

p) Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars.

Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Translation of controlled foreign entities

Assets and liabilities of controlled foreign entities are translated into the presentation currency at the rates of exchange at reporting date and the statement of profit or loss is translated at the rates approximating foreign exchange rates ruling at the dates of the transactions. The resulting exchange differences are taken directly to the foreign currency translation reserve. Exchange gains and losses on transactions which form part of the net investments in foreign controlled entities together with any related income tax effect are recognised in the foreign currency translation reserve on consolidation. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign entity is recognised in the statement of profit or loss as part of the gain or loss on sale.

Notes continued

for the 12 months to 31 December 2016

2. REVENUE

	Note	12 months to December 2016 $m	12 months to December 2015 $m
Construction contracting services		7,439.3	9,365.2
Mining contracting services and mineral processing		2,609.2	2,912.8
Property development revenue		323.5	875.7
Other revenue		474.7	119.3
Revenue from external customers		10,846.7	13,273.0
Dividends / distributions		6.9	7.8
Total revenue	31	10,853.6	13,280.8

3. EXPENSES

	Note	12 months to December 2016 $m	12 months to December 2015 $m
Materials		(1,666.8)	(1,804.0)
Subcontractors		(3,641.6)	(4,470.7)
Plant costs		(901.2)	(954.1)
Personnel costs		(2,432.0)	(3,059.4)
Depreciation and impairment of property, plant and equipment[1]	14	(304.9)	(496.6)
Amortisation of intangibles	15	(32.5)	(47.2)
Impairment of intangibles	15	(10.0)	(2.7)
Net gain / (loss) on sale of equity accounted investments	26	70.1	-
Net gain / (loss) on acquisition of controlled entities	29	46.6	-
Net gain / (loss) on disposal of controlled entities		-	25.4
Net gain / (loss) on sale of assets		(1.4)	(14.6)
Property development - cost of goods sold[2]		(471.3)	(916.5)
Foreign exchange gains / (losses)		(1.3)	(1.4)
Operating lease payments - plant and equipment		(230.5)	(220.9)
Operating lease payments - other		(157.1)	(130.8)
Design, engineering and technical consulting fees		(53.3)	(44.5)
Gain on fair value of option to acquire shares	26	75.0	-
Other expenses		(339.0)	(289.4)
Total expenses		(10,051.2)	(12,427.4)

[1] Plant and equipment depreciation includes impairments during the period of $nil (31 December 2015: $50.0 million) that arose due to a decline in the recoverable amount of marine fleet that was idle in the Construction segment.

[2] Property development – cost of goods sold includes write-downs of $nil (31 December 2015: $8.2 million).

Notes continued

for the 12 months to 31 December 2016

4. NET FINANCE INCOME / (COSTS)

	Note	12 months to December 2016 $m	12 months to December 2015 $m
Finance income			
Interest income			
- Related parties	37 (b)	27.2	25.8
- Other parties		24.6	19.5
Unwinding of discounts on non-current receivables			
- Related parties	37 (b)	8.8	7.8
- Other parties		12.9	36.8
Total finance income		73.5	89.9
Finance costs			
Interest expense			
- Related parties	37 (b)	-	(1.3)
- Other parties		(57.9)	(136.0)
Finance charge for finance leases		(9.2)	(15.4)
Facility fees			
- Bank guarantees, insurance bonds and letters of credit		(14.4)	(32.0)
- Other		(7.1)	(6.9)
Impact of discounting			
- Related parties	37 (b)	(0.1)	(1.1)
- Other		(2.8)	(1.1)
Total finance costs		(91.5)	(193.8)
Net finance income / (costs)		(18.0)	(103.9)

Notes continued

for the 12 months to 31 December 2016

5. AUDITORS' REMUNERATION

	12 months to December 2016 $'000	12 months to December 2015 $'000
Audit and review services		
Deloitte Touche Tohmatsu ("Deloitte")		
- Audit and review of financial statements – Deloitte Australia[1]	2,850	2,652
- Audit and review of financial statements – related overseas firms[1]	1,108	1,226
Other auditors		
- Audit and review of financial statements – other auditors	258	359
Audit and review services	4,216	4,237
Other assurance services		
Deloitte		
- Other assurance services – Deloitte Australia[1]	-	40
- Other assurance services – related overseas firms[1]	-	12
Other auditors		
- Other assurance services – other auditors	36	50
Other assurance services	36	102
Other services		
Deloitte		
- In relation to taxation and other services – Deloitte Australia[1]	135	781
- In relation to taxation and other services – related overseas firms	-	-
Other auditors		
- Other services – other auditors	4	-
Other services	139	781

[1]*The 12 months to December 2015 has been restated to include additional fees for audit services and other services relating to the prior year paid in the 12 months to 31 December 2016.*

The Group may use Deloitte on assignments in addition to their statutory audit duties to utilise their expertise and experience with the Group. These assignments are assessed and approved in accordance with the Group's External Auditor Independence Charter.

Notes continued

for the 12 months to 31 December 2016

6. INCOME TAX (EXPENSE) / BENEFIT

	12 months to December 2016 $m	12 months to December 2015 $m
Income tax (expense) / benefit recognised in the statement of profit or loss		
Current tax expense	(116.3)	(123.9)
Deferred tax (expense) / benefit	(97.7)	(113.3)
(Under) / over provision in prior periods	26.0	16.6
Total income tax (expense) / benefit in statement of profit or loss	(188.0)	(220.6)
Deferred tax recognised directly in equity		
Revaluation of cash flow and net investment hedges	6.2	8.8
Revaluation of available-for-sale assets	-	2.6
Recycling of reserves	8.6	-
Total deferred tax (expense) / benefit recognised in equity	14.8	11.4
Reconciliation of prima facie tax to income tax (expense) / benefit		
Profit / (loss) from continuing operations	740.4	735.0
Profit / (loss) before tax	740.4	735.0
Prima facie income tax (expense) / benefit at 30% (31 December 2015: 30%)	(222.1)	(220.5)
The following items have affected income tax (expense) / benefit for the year:		
Gain on fair value of option to acquire shares	22.5	(3.2)
Tax losses not recognised	(18.7)	(6.0)
Overseas income tax differential	9.4	(26.3)
Research and development credit	3.5	9.6
Movement in provision for taxes on retained earnings of controlled entities	(7.0)	0.5
Equity accounted and joint venture income tax differential	(21.6)	(7.0)
Other	20.0	15.7
Current period income tax (expense) / benefit	(214.0)	(237.2)
(Under) / over provision in prior periods	26.0	16.6
Income tax (expense) / benefit	(188.0)	(220.6)

Notes continued

for the 12 months to 31 December 2016

7. CASH AND CASH EQUIVALENTS

	December 2016 $m	December 2015 $m
Funds on deposit	597.6	475.9
Cash at bank and on hand	978.9	1,691.9
Cash and cash equivalents	1,576.5	2,167.8

As at 31 December 2016: $166.7 million (31 December 2015: $165.3 million) of cash at bank in relation to the sale of receivables during the reporting period and $34.4 million (31 December 2015: $nil) of cash reserved for warranties is classified as restricted cash.

8. TRADE AND OTHER RECEIVABLES

	Note	December 2016 $m	December 2015 $m
Contract debtors[1]		3,282.9	2,820.0
Contract debtors provision		(675.0)	(675.0)
Total contract debtors		2,607.9	2,145.0
Trade debtors		302.7	181.3
Other amounts receivable		364.3	241.3
Prepayments		46.5	34.7
Derivative financial assets	35	17.3	4.5
Amounts receivable from related parties[2]	37 (b)	1,077.8	916.8
Non-current tax asset[3]		28.9	25.2
Total trade and other receivables		4,445.4	3,548.8
Current		3,209.6	2,659.6
Non-current		1,235.8	889.2
Total trade and other receivables		4,445.4	3,548.8

[1] Contract debtors includes an amount equal to $1.15 billion (31 December 2015: $1.13 billion) relating to the Gorgon LNG Jetty and Marine Structures Project being undertaken by CPB Contractors Pty Ltd (CPB), a wholly owned subsidiary of CIMIC, together with its consortium partners, Saipem SA and Saipem Portugal Comercio Maritime LDA (together the Consortium) for Chevron Australia Pty Ltd (Chevron) (Gorgon Contract).

The position is:

- *In November 2009 the Consortium was announced as the preferred contractor to construct the 2.1 kilometre Chevron Gorgon LNG Jetty and Marine Structures project on Barrow Island, 70 kilometres off the Pilbara coast of Western Australia.*
- *The scope of work consisted of the design, material supply, fabrication, construction and commissioning of the LNG Jetty. The scope also included supply, fabrication and construction of marine structures including a heavy lift facility, tug pens and navigation aids.*
- *The jetty comprised steel trusses approximately 70 metres long supported by concrete caissons leading to the loading platform approximately 4 kilometres from the shore.*
- *Initial acceptance of the jetty and marine structures took place on 15 August 2014.*
- *During the project, changes to scope and conditions led to the Consortium submitting Change Order Requests (CORs). The Consortium, Chevron and Chevron's agent, entered into negotiations in relation to some of the CORs.*

Notes continued

for the 12 months to 31 December 2016

8. TRADE AND OTHER RECEIVABLES CONTINUED

- *On 9 February 2016 the Consortium formally issued a Notice of Dispute to Chevron in connection with the Gorgon Contract relating to the CORs. Following a period of prescribed negotiation, the parties have entered a private arbitration as prescribed by the Gorgon Contract. As the Gorgon Contract does not specify a time limit within which the process must be determined, there can be no certainty as to when the matter will be finalised.*
- *On 20 August 2016, in order to pursue further its entitlement under the contract, CIMIC Group commenced proceedings in the United States against Chevron Corporation and KBR Inc. The commencement of the proceedings has no effect on the contract process or CIMIC's entitlement to the amounts under negotiation / claimed in the aribtration.*

The Group's share of the total amount claimed equals approximately $1.86 billion. CIMIC confirms its view that CPB remains entitled to that amount plus interest (being an amount exceeding $500 million that will continue to accrue) and costs (Total Entitlement). CIMIC has only recognised revenue equal to the costs incurred in respect of the Gorgon Contract in accordance with the relevant accounting standard, AASB 111, resulting in an amount equal to $1.15 billion (approximately 50% of the Total Entitlement) being recognised as a Contract debtor at 31 December 2016 (Contract debtors).

[2]The Group has the following trade and other receivables relating to HLG Contracting LLC (formerly known as Al Habtoor Leighton LLC) (HLG Contracting):

- *loan receivables:*
  - *non-current interest free shareholder loans provided to HLG Contracting of US$148.8 million (31 December 2015: US$115.2 million) equivalent to $206.6 million (31 December 2015: $157.8 million), maturing on 30 September 2018;*
  - *non-current interest bearing loans of US$497.7 million (31 December 2015: US$415.0 million) equivalent to $691.3 million (31 December 2015: $568.5 million), maturing on 30 September 2018; and*
  - *the repayment of the above loans is subject to certain restrictions as a result of the loans being subordinate to other external debt held by HLG Contracting. Repayment of these amounts is expected to occur after the settlement of HLG Contracting's external debt in September 2018, or where HLG Contracting receives prior written consent from the financier, or where a permitted payment under the financing arrangement occurs; and*
- *non-current interest receivable of US$104.6 million (31 December 2015: US$85.0 million), equivalent to $145.3 million (31 December 2015: $116.4 million), is receivable from HLG Contracting on the interest bearing shareholder loans.*

[3]The non-current tax asset of $28.9 million (31 December 2015: $25.2 million) represents the amount of income taxes recoverable from the payment of tax in excess of the amounts due to the relevant tax authority not expected to be received within twelve months after reporting date.

Notes continued

for the 12 months to 31 December 2016

8. TRADE AND OTHER RECEIVABLES CONTINUED

			December 2016 $m	December 2015 $m
Additional information on contract debtors				
Amounts due from customers	-	contract debtors	2,607.9	2,145.0
Amounts due to customers	-	trade and other payables	(1,223.3)	(645.8)
Net contract debtors			1,384.6	1,499.2
Net contract debtors excluding retentions			1,131.8	1,268.0
Retentions			252.8	231.2
Net contract debtors			1,384.6	1,499.2
Cash received to date			71,055.8	71,502.6
Total progressive value of all contracts in progress at reporting date			72,440.4	73,001.8

	12 months to December 2016 $m	12 months to December 2015 $m
Contract debtors provision		
Balance at beginning of reporting period	(675.0)	(675.0)
Net provision (made) / used	-	-
Balance at reporting date[1]	(675.0)	(675.0)

[1]*The Group maintains a contract debtors provision to cover the risk on a portfolio basis of unrecoverable contract debtors.*

9. CURRENT TAX ASSETS

The current tax asset of $28.0 million (31 December 2015: $26.6 million) represents the amount of income taxes recoverable from the payment of tax in excess of the amounts due to the relevant tax authority.

Notes continued

for the 12 months to 31 December 2016

10. INVENTORIES

	December 2016 $m	December 2015 $m
Property developments		
Cost of acquisition	66.3	248.5
Development expenses capitalised	110.8	95.9
Rates, taxes, finance and other costs capitalised	28.2	39.9
Total property developments	205.3	384.3
Other inventories		
Raw materials and consumables at cost	174.6	155.0
Total other inventories	174.6	155.0
Total inventories	379.9	539.3
Current	213.0	264.0
Non-current	166.9	275.3
Total inventories	379.9	539.3

Finance costs capitalised to property developments during the period were $5.5 million (31 December 2015: $3.8 million). Property developments pledged as security for interest bearing liabilities - refer to Note 35(j): *Financial instruments - Assets Pledged as Security*.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	December 2016 $m	December 2015 $m
Associates	25	72.9	558.9
Joint venture entities	26	543.6	514.2
Total investments accounted for using the equity method		616.5	1,073.1

Notes continued

for the 12 months to 31 December 2016

12. OTHER INVESTMENTS

	Note	December 2016 $m	December 2015 $m
Equity and stapled securities available-for-sale			
Listed investments		1.9	1.6
Unlisted investments		5.4	72.3
Total equity and stapled securities available-for-sale	35 (f)	7.3	73.9
Other financial assets at fair value through profit or loss			
Unlisted investments		53.1	51.8
Call option to acquire shares		75.0	-
Total other financial assets at fair value through profit or loss	35 (f)	128.1	51.8
Current		-	-
Non-current		135.4	125.7
Total other investments		135.4	125.7

13. DEFERRED TAXES

	December 2016 $m	December 2015 $m
Recognised deferred tax assets / (liabilities)		
Deferred tax assets are attributed to the following:		
Contract debtors	452.8	341.4
Property developments	17.6	13.9
Other inventories	5.8	2.1
Property, plant and equipment	(18.4)	(2.2)
Employee benefits	113.2	99.9
Contract profit differential	(296.5)	(297.9)
Withholding tax on retained earnings of non-resident and controlled entities	(71.0)	(64.0)
Investment revaluations	53.7	73.3
(Gain) / loss on disposal / acquisition of controlled entities	(119.5)	(191.3)
Foreign exchange	13.7	11.8
Tax losses	164.5	139.7
Other	(5.8)	(7.2)
Total deferred taxes	310.1	119.5
Unrecognised deferred tax assets		
Deferred tax assets which have not been recognised in respect of tax losses	116.0	3.1

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for the 12 months to 31 December 2016

14. PROPERTY, PLANT AND EQUIPMENT

	Note	Land $m	Buildings $m	Leasehold land, buildings and improvements $m	Plant and equipment $m	Total property, plant and equipment $m
At 1 January 2015						
Cost or fair value		5.2	37.6	96.7	3,869.6	4,009.1
Accumulated depreciation		-	(16.0)	(61.2)	(2,305.4)	(2,382.6)
Net book amount		5.2	21.6	35.5	1,564.2	1,626.5
Year ended 31 December 2015						
Opening net book amount		5.2	21.6	35.5	1,564.2	1,626.5
Additions[1]		-	-	3.0	248.9	251.9
Disposals		(4.8)	(20.7)	-	(207.5)	(233.0)
Net transfers (to) / from assets held for sale		-	-	-	54.0	54.0
Depreciation		-	(0.7)	(11.7)	(484.2)	(496.6)
Effects of exchange rate fluctuations		-	-	0.8	109.2	110.0
Closing net book amount[2]		0.4	0.2	27.6	1,284.6	1,312.8
Year ended 31 December 2015						
Cost or fair value		0.4	0.6	86.9	3,372.7	3,460.6
Accumulated depreciation and impairment		-	(0.4)	(59.3)	(2,088.1)	(2,147.8)
Net book amount		0.4	0.2	27.6	1,284.6	1,312.8
Year ended 31 December 2016						
Opening net book amount		0.4	0.2	27.6	1,284.6	1,312.8
Additions[1]		-	-	28.2	252.0	280.2
Acquisitions	29	2.7	1.9	4.4	80.1	89.1
Disposals		(0.2)	(0.1)	(0.6)	(102.0)	(102.9)
Net transfers (to) / from assets held for sale		-	-	-	39.8	39.8
Depreciation		-	(0.1)	(8.2)	(296.6)	(304.9)
Effects of exchange rate fluctuations		-	-	-	41.6	41.6
Closing net book amount[2]		2.9	1.9	51.4	1,299.5	1,355.7
Year ended 31 December 2016						
Cost or fair value		2.9	2.4	109.6	3,415.6	3,530.5
Accumulated depreciation and impairment		-	(0.5)	(58.2)	(2,116.1)	(2,174.8)
Net book amount		2.9	1.9	51.4	1,299.5	1,355.7

[1] *Additions to property, plant and equipment include finance lease additions of $nil (12 months to December 2015: $6.7 million).*

[2] *Plant and equipment with net book value of $47.8 million (31 December 2015: $288.4 million) is held under finance lease.*

Notes continued

for the 12 months to 31 December 2016

15. INTANGIBLES

	Note	Goodwill $m	Other intangibles[1] $m	Total intangibles $m
At 1 January 2015				
Cost or fair value		376.1	293.9	670.0
Accumulated amortisation and impairment		(12.3)	(101.7)	(114.0)
Net book amount		363.8	192.2	556.0
Year ended 31 December 2015				
Opening net book amount		363.8	192.2	556.0
Additions		-	15.3	15.3
Disposals		-	(4.2)	(4.2)
Impairment		(2.7)	-	(2.7)
Amortisation		-	(47.2)	(47.2)
Effects of exchange rate fluctuations		9.3	0.9	10.2
Closing net book amount		370.4	157.0	527.4
Year ended 31 December 2015				
Cost or fair value		385.6	273.6	659.2
Accumulated amortisation and impairment		(15.2)	(116.6)	(131.8)
Net book amount		370.4	157.0	527.4
Year ended 31 December 2016				
Opening net book amount		370.4	157.0	527.4
Acquisitions	29	542.2	83.7	625.9
Additions		-	13.9	13.9
Disposals		-	(1.0)	(1.0)
Impairment		-	(10.0)	(10.0)
Amortisation		-	(32.5)	(32.5)
Effects of exchange rate fluctuations		1.4	0.8	2.2
Closing net book amount		914.0	211.9	1,125.9
Year ended 31 December 2016				
Cost or fair value		927.6	369.2	1,296.8
Accumulated amortisation and impairment		(13.6)	(157.3)	(170.9)
Net book amount		914.0	211.9	1,125.9

[1]*Other intangibles include:*

- *IT software systems of $127.4 million with a useful life of up to 7 years (31 December 2015: $126.6 million up to 4 years);*
- *Customer contracts with useful lives of:*
  - *2 to 5 years $29.2 million (31 December 2015: $4.3 million); and*
  - *10 to 15 years $39.2 million (31 December 2015: $nil);*
- *Wai Ming engineering license of $2.1 million with an indefinite useful life (31 December 2015: $2.1 million); and*
- *Devine brand name of $14.0 million (31 December 2015: $24.0 million) with an indefinite useful life. The model used to calculate recoverable amount utilises the royalty relief method and a royalty rate of 0.6% (31 December 2015: 0.6%). The model uses five year cash flow projections and long term growth rates of 3.0% (31 December 2015: 3.0%). A pre-tax discount rate of 11.0% (31 December 2015: 11.5%) has been used in discounting the projected cash flow.*

Notes continued

for the 12 months to 31 December 2016

15. INTANGIBLES CONTINUED

	December 2016 $m	December 2015 $m
Impairment tests for cash-generating units containing goodwill		
Goodwill is attributable to cash generating units in the following segments:		
Construction	455.4	334.6
Mining & mineral processing	98.1	35.8
Services	360.5	-
Balance at reporting date	914.0	370.4

As disclosed in Note 29: *Acquisitions and Disposals of controlled entities and businesses*, a portion of goodwill arising on the acquisition of UGL is attributable to existing construction and services businesses. The goodwill has been provisionally allocated to the cash-generating units that will benefit from the synergies. Of the total goodwill acquired of $480.7 million, $120.2 million has been allocated to cash-generating units within the Construction segment and $360.5 million has been allocated to cash-generating units within the new segment Services, refer to Note 31: *Segment information.*

The recoverable amount of all cash-generating units is based on value in use calculations, using five year cash flow projections based on forecast operating results and the CIMIC Group Business Plan. The recoverable amount of each cash-generating unit exceeds its carrying amount.

The key assumptions used in the value in use calculations and the approach to determining the recoverable amount of all cash-generating units in the current and previous period are:

Market / segment growth:	Economic forecasts, taking into account the Group's participation in each market
Commodity price stability:	Analysis of price forecasts, adjusted for actual experience
Inflation / CPI rates and foreign currency rates:	Economic forecasts
Discount Rate:	Risk in the industry and country in which each unit operates
Growth Rate:	Relevant to the market conditions and business plan

Cash-generating units	Discount rate range	Growth rate range
Construction	11-17%	3-5%
Mining and mineral processing	11-20%	3%
Services	11%	3%

Sensitivity to changes in assumptions
The recoverable amount of intangible assets exceeds their carrying values at 31 December 2016. The Group considers that for the carrying value to equal the recoverable amount, there would have to be unreasonable changes to key assumptions. The Group considers the chances of these changes occurring as unlikely.

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for the 12 months to 31 December 2016

16. TRADE AND OTHER PAYABLES

	Note	December 2016 $m	December 2015 $m
Trade creditors and accruals		4,561.7	3,457.5
Other creditors		404.9	509.6
Amounts payable to related parties	37 (b)	36.9	38.8
Trade and other payables	35 (b)	5,003.5	4,005.9
Derivative financial liabilities	35 (b)	4.6	1.4
Total trade and other payables		5,008.1	4,007.3
Current		4,721.1	3,675.7
Non-current		287.0	331.6
Total trade and other payables		5,008.1	4,007.3

17. CURRENT TAX LIABILITIES

The current tax liability of $126.6 million (31 December 2015: $81.3 million) represents the amounts payable in respect of current and prior periods.

18. PROVISIONS

	December 2016 $m	December 2015 $m
Employee Benefits		
Current	333.3	283.4
Non-current	73.5	84.5
Total provisions	406.8	367.9

The provision for employee benefits relates to wages and salaries, annual leave, long service leave, retirement benefits and deferred bonuses.

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for the 12 months to 31 December 2016

19. INTEREST BEARING LIABILITIES

	Note	December 2016 $m	December 2015 $m
Current			
Interest bearing loans		328.1	20.1
Finance lease liabilities		22.8	145.3
Interest bearing liabilities - limited recourse loans		267.3	52.0
Total current liabilities		618.2	217.4
Non-current			
Interest bearing loans		549.0	740.1
Finance lease liabilities		-	98.8
Total non-current liabilities		549.0	838.9
Total interest bearing liabilities[1]	35 (g)	1,167.2	1,056.3

[1]31 December 2016: Total interest bearing liabilities excludes $nil (31 December 2015: $48.7 million) of interest bearing liabilities included in held for sale as at the end of the reporting period. Refer to Note 30: Held for Sale.

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for the 12 months to 31 December 2016

20. SHARE CAPITAL

	Company	
	December 2016 No. of shares	December 2015 No. of shares
Issued and fully paid share capital		
Balance at beginning of reporting period	338,503,563	338,503,563
Shares bought back[1]	(14,249,466)	-
Balance at reporting date	324,254,097	338,503,563

	Company	
	12 months to December 2016 $m	12 months to December 2015 $m
Share capital		
Balance at beginning of reporting period	2,052.5	2,052.5
Par value of shares bought back[1]	(302.2)	-
Balance at reporting date	1,750.3	2,052.5

[1] *On 14 December 2015 the CIMIC Group Board approved a proposal to conduct an on-market share buy-back of up to 10% of CIMIC's fully paid ordinary shares over a 12 month period, which commenced on 29 December 2015 and concluded on 28 December 2016. As at 31 December 2016, 14,249,466 shares were bought back for $425.9 million and subsequently cancelled. The associated par value of the shares cancelled totalling $302.2 million has reduced share capital with the total premium paid over par value of $123.7 million taken to the share buy-back reserve.*

On 12 December 2016, the CIMIC Group Board approved a further on-market share buy-back of up to 10% of CIMIC's fully paid ordinary shares for a period of 12 months commencing 29 December 2016. As at 31 December 2016, nil shares have been bought back under this program.

Holders of ordinary shares are entitled to receive dividends, as declared from time to time, and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

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for the 12 months to 31 December 2016

21. RESERVES

	Note	12 months to December 2016 $m	12 months to December 2015 $m
Foreign currency translation reserve			
Balance at beginning of reporting period		348.6	134.8
Included in statement of other comprehensive income		35.7	213.8
Balance at reporting date		384.3	348.6
Hedging reserve			
Balance at beginning of reporting period		3.0	0.4
Included in statement of other comprehensive income		(14.5)	2.6
Balance at reporting date		(11.5)	3.0
Fair value reserve			
Balance at beginning of reporting period		20.0	14.0
Included in statement of other comprehensive income		(20.0)	6.0
Balance at reporting date		-	20.0
Associates equity reserve			
Balance at beginning of reporting period		21.2	21.2
Included in statement of other comprehensive income	29	(21.2)	-
Balance at reporting date		-	21.2
Equity reserve			
Balance at beginning of reporting period		(31.9)	(18.1)
Acquisition of non-controlling interests	29	(566.7)	(13.8)
Balance at reporting date		(598.6)	(31.9)
Share buy-back reserve			
Balance at beginning of reporting period		-	-
Premium paid over par on share buy-back		(123.7)	-
Balance at reporting date		(123.7)	-
Share based payments reserve			
Balance at beginning of reporting period		62.7	66.7
Included in statement of profit or loss		1.0	0.1
Share based payments		(18.8)	(4.1)
Balance at reporting date		44.9	62.7
Total reserves at reporting date		(304.6)	423.6

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for the 12 months to 31 December 2016

21. RESERVES CONTINUED

Nature and purpose of reserves

Foreign currency translation reserve
The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of operations where their functional currency is different to the presentation currency of the Group, as well as from the translation of liabilities that hedge the Group's net investment in foreign operations.

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to future transactions.

Fair value reserve
The fair value reserve includes the cumulative net increase above cost of the fair value of available-for-sale assets until the asset is realised or impaired.

Associates equity reserve
The associates equity reserve is used to record the Group's share of the changes in the reserves of associates.

Equity reserve
The equity reserve accounts for the differences between the fair value of, and the amounts paid or received for, equity transactions with non-controlling interests.

Share buy-back reserve
The share buy-back reserve represents the excess above par value of CIMIC shares that were purchased and subsequently cancelled. The cancellation of the shares creates a non-distributable reserve.

Share based payments reserve
The share based payments reserve is used to recognise the fair value of share based payments issued to employees over the vesting period, and to recognise the value attributable to the share based payments during the reporting period.

22. RETAINED EARNINGS

	Note	12 months to December 2016 $m	12 months to December 2015 $m
Balance at beginning of reporting period		1,616.7	1,482.2
Included in statement of profit or loss		580.3	520.4
Dividends paid	23	(320.5)	(385.9)
Balance at reporting date		1,876.5	1,616.7

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for the 12 months to 31 December 2016

23. DIVIDENDS

	Cents per share	$m
2016 final dividend		
Subsequent to reporting date the Company announced a 100% franked final dividend in respect of the year ended 31 December 2016. The dividend is payable on 4 July 2017. This dividend has not been provided for in the statement of financial position[1]	62.0	201.0
Dividends recognised in the reporting period to 31 December 2016		
30 June 2016 interim ordinary dividend 100% franked paid on 5 October 2016	48.0	155.6
31 December 2015 final dividend 100% franked paid on 8 April 2016	50.0	164.9
Total dividends recognised in reporting period to 31 December 2016		320.5
Dividends recognised in the reporting period to 31 December 2015		
30 June 2015 interim ordinary dividend 100% franked paid on 2 October 2015	46.0	155.7
31 December 2014 final dividend (including special dividend) 100% franked paid on 10 April 2015	68.0	230.2
Total dividends recognised in reporting period to 31 December 2015		385.9

[1]The Board has determined a final dividend of 62 cents per share. The total dividend payable is an estimate only, based on the number of shares on issue as at the date of this financial report. Due to the further on-market share buy-back announced by the Company on 12 December 2016, which commenced on 29 December 2016, there may be fewer shares on issue on the record date for the dividend than the number of shares on issue as at the date of this financial report.

	Company	
	December 2016 $m	December 2015 $m
Dividend franking account		
Balance of the franking account, adjusted for franking credits / debits which arise from the payment / refund of income tax provided for in the financial statements	398.2	437.8

The impact of the 2016 final dividend, determined after the reporting date, on the dividend franking account will be a reduction of $86.1 million (2015: $72.2 million).

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24. EARNINGS PER SHARE

	12 months to December 2016	12 months to December 2015
Basic earnings per share	176.6¢	153.7¢
Diluted earnings per share	176.4¢	153.4¢
Profit / (loss) attributable to shareholders of the parent entity used in the calculation of basic and diluted earnings per share ($m)	580.3	520.4
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	328,649,980	338,503,563
Weighted average effect of share options on issue	-	-
Contingently issuable shares[1]	235,225	727,690
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	328,885,205	339,231,253

[1]Contingently issuable shares relate to share rights under plans disclosed in Note 36: Employee Benefits.

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for the 12 months to 31 December 2016

25. ASSOCIATES

The Group has the following investments in associates:

Name of entity	Principal activity	Country	Ownership interest December 2016 %	Ownership interest December 2015 %
Canberra Metro Holdings Trust[1]	Construction	Australia	30	-
Canberra Metro Holdings Pty Ltd[1]	Construction	Australia	30	-
Canberra Metro Pty Ltd	Construction	Australia	30	-
Dunsborough Lakes Village Syndicate[1]	Development	Australia	20	20
HLG Contracting LLC[5] (formerly known as Al Habtoor Leighton LLC)	Construction	United Arab Emirates	-	45
LCIP Co-Investment Unit Trust[3]	Investment	Australia	-	11
Macmahon Holdings Limited[1]	Construction, Contract Mining	Australia	21	20
Metro Trains Australia Pty Ltd[1, 6]	Services	Australia	20	-
Metro Trains Melbourne Pty Ltd[1, 6]	Services	Australia	20	-
Metro Trains Sydney Pty Ltd[1, 6]	Services	Australia	20	-
On Talent Pty Ltd[1]	Recruitment	Australia	33	-
Paradip Multi Cargo Berth Private Limited[2]	Development	India	-	26
Sedgman Limited[1, 4]	Mineral Processing	Australia	-	37
Wellington Gateway General Partner No.1 Limited[3]	Investment	New Zealand	15	15

All associates have a statutory reporting date of 31 December with the following exceptions:

[1] *Entities have a 30 June statutory reporting date.*

[2] *Entities have a 31 March statutory reporting date.*

[3] *The Group's investment was equity accounted as a result of the Group's active participation on the Board and the Group's ability to impact decision making, leading to the assessment that significant influence exists.*

[4] *As at 31 December 2015, the Group's ownership interest in Sedgman was 37%, and it was an equity accounted associate of the Group. In the period to 31 December 2016 the Group increased its ownership interest in Sedgman to 100%. Refer to Note 29: Acquisitions and disposals of controlled entities and businesses.*

[5] *HLG Contracting LLC ("HLG Contracting") was an equity accounted associate of the Group as at 31 December 2015. In the period to 31 December 2016 joint control was obtained with no increased shareholding and the entity has been reclassified as a Joint Venture. Refer to Note 26: Joint venture entities.*

[6] *Entities attained through the purchase of UGL refer to Note 29: Acquisitions and disposals of controlled entities and businesses. Percentages are based on 100% ownership of UGL, acquired on 20 January 2017.*

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for the 12 months to 31 December 2016

25. ASSOCIATES CONTINUED

The Group's share of associates' results, assets and liabilities are as follows:

	12 months to December 2016 $m	12 months to December 2015 $m
Revenue	1,318.0	1,401.8
Expenses	(1,285.7)	(1,420.4)
Earnings before interest and tax ("EBIT")	32.3	(18.6)
Finance income	0.5	2.5
Finance costs	(34.4)	(25.0)
Net finance income / (costs)	(33.9)	(22.5)
Profit / (loss) before tax	(1.6)	(41.1)
Income tax (expense) / benefit	(0.2)	8.1
Profit / (loss) for the period[1]	(1.8)	(33.0)

	December 2016 $m	December 2015 $m
Current assets	186.6	2,015.8
Non-current assets	134.7	869.9
Total assets	321.3	2,885.7
Current liabilities	102.7	1,628.5
Non-current liabilities	145.7	698.3
Total liabilities	248.4	2,326.8
Equity accounted associates at reporting date[1,2]	72.9	558.9

[1]*Results of HLG Contracting are included within results of associates until 1 December 2016 when joint control was obtained. The assets and liabilities of HLG Contracting are included in the above table as at 31 December 2015. Assets and liabilities of HLG Contracting as at 31 December 2016 are included with those of other joint ventures and are disclosed within Note 26: Joint Venture Entities.*

[2]*The Group's shareholding in listed associates for which there are published price quotations had a market value at reporting date of: $24.7 million (31 December 2015: $97.9 million).*

There were no impairments of equity accounted associates during the reporting period (31 December 2015: $nil).

In the opinion of the directors, there are no individually material associates as at 31 December 2016.

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26. JOINT VENTURE ENTITIES

The Group has the following joint venture entities:

Name of entity	Principal activity	Country	Ownership interest December 2016 %	Ownership interest December 2015 %
A.C.N. 115 687 057 Pty Ltd[1]	Construction	Australia	-	50
APM Group (Aust) Pty Ltd & Broad Construction Services (NSW/VIC) Pty Ltd[1]	Construction	Australia	50	50
Applemead Proprietary Limited	Development	Australia	50	50
Auckland Road Maintenance Alliance (West) Management JV[1]	Construction	New Zealand	50	50
Australian Terminal Operations Management Pty Ltd[1, 3]	Services	Australia	50	-
Bac Devco Pty Limited[1]	Development	Australia	33	33
Barclay Mowlem Thiess Joint Venture[1]	Construction	Australia	50	50
Canberra Metro Operations Pty Ltd[1]	Services	Australia	50	-
City West Property Holding Trust (Section 63 Trust)	Development	Australia	50	50
City West Property Holdings Pty Limited	Development	Australia	50	50
City West Property Investment (No. 1) Trust	Development	Australia	50	50
City West Property Investment (No. 2) Trust	Development	Australia	50	50
City West Property Investment (No. 3) Trust	Development	Australia	50	50
City West Property Investment (No. 4) Trust	Development	Australia	50	50
City West Property Investment (No. 5) Trust	Development	Australia	50	50
City West Property Investment (No. 6) Trust	Development	Australia	50	50
City West Property Investments (No. 1) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 2) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 3) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 4) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 5) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 6) Pty Limited	Development	Australia	50	50
Cockatoo Iron Ore[1]	Contract Mining	Australia	-	50
Cockatoo Mining Pty Ltd[1]	Contract Mining	Australia	50	50
Doubleone 3 Unit Trust[1]	Development	Australia	50	50
Erskineville Residential Project Pty Ltd	Construction	Australia	50	50
Fallingwater Trust[1]	Development	Australia	-	15
Great Eastern Alliance	Construction	Australia	75	-
HLG Contracting LLC (formerly known as Al Habtoor Leighton LLC)	Construction	United Arab Emirates	45	-
Kentz E & C Pty Ltd	Construction	Australia	-	50
Kings Square No.4 Unit Trust	Development	Australia	50	50
Kings Square Pty Ltd	Development	Australia	50	50
Kurunjang Development Pty Ltd[1]	Investment	Australia	-	50

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26. JOINT VENTURE ENTITIES CONTINUED

			Ownership interest	
Name of entity	Principal activity	Country	December 2016 %	December 2015 %
LCS Employment Agency Ltd	Services	Macau	50	50
Leighton Abigroup Joint Venture[1]	Construction	Australia	50	50
Leighton BMD JV[1]	Construction	Australia	50	50
Leighton Construction India (Private) Limited[2]	Construction	India	50	50
Leighton Contractors & Baulderstone Hornibrook Bilfinger Berger Joint Venture[1]	Construction	Australia	50	50
Leighton Holland Browse JV[1]	Construction	Australia	50	50
Leighton Kumagai Joint Venture (MetroRail)[1]	Construction	Australia	55	55
Leighton Services UAE Co LLC	Services	United Arab Emirates	50	50
Leighton / Ngarda Joint Venture (LNJV)[1]	Construction	Australia	88	88
Leighton-Infra 13 Joint Venture[2]	Construction	India	50	50
Leighton OSE Joint Venture[2]	Construction	India	50	50
Majwe Mining Joint Venture (Proprietary) Limited	Contract Mining	Botswana	60	60
Manukau Motorway Extension[1]	Construction	New Zealand	50	50
Marine & Civil Pty Ltd[1]	Construction	Australia	-	50
Mode Apartments Pty Ltd	Development	Australia	50	50
Mode Apartments Unit Trust	Development	Australia	50	50
Moonee Ponds Pty Ltd	Development	Australia	50	50
Mosaic Apartments Holdings Pty Ltd[1]	Development	Australia	50	50
Mosaic Apartments Pty. Ltd.[1]	Development	Australia	50	50
Mosaic Apartments Unit Trust	Development	Australia	50	50
MPEET Pty Ltd[3]	Services	Australia	50	-
Mulba Mia Leighton Broad Joint Venture[1]	Construction	Australia	50	50
Naval Ship Management (Australia) Pty Ltd[1, 3]	Services	Australia	50	-
New Future Alliance (SIHIP)	Construction	Australia	80	80
Nextgen Group Holdings Pty Limited	Services	Australia	-	29
Ngarda Civil and Mining Pty Limited[1]	Contract Mining	Australia	50	50
Northern Gateway Alliance	Construction	New Zealand	50	50
RTL JV[1]	Mining	Australia	44	44
RTL Mining and Earthworks Pty Ltd[1]	Construction	Australia	44	44
S.A.N.T. (MGT Holding) Pty Ltd	Construction	Australia	50	50
S.A.N.T. (Term-Holding) Pty Ltd	Construction	Australia	50	50
Sedgman Civmec Joint Venture	Construction	Australia	50	-
SmartReo Pty Ltd	Construction	Australia	50	50
Southern Gateway Alliance (Mandurah)	Construction	Australia	69	69
The Kurunjang Development Trust[1]	Development	Australia	-	50

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for the 12 months to 31 December 2016

26. JOINT VENTURE ENTITIES CONTINUED

			Ownership interest	
Name of entity	Principal activity	Country	December 2016 %	December 2015 %
Thiess Alstom Joint Venture[1]	Construction	Australia	-	50
Thiess Barnard Joint Venture	Construction	Australia	-	50
Thiess Downer EDI Works JV[1]	Construction	Australia	-	75
Thiess Hochtief Joint Venture[1]	Construction	Australia	50	50
Thiess United Group Joint Venture[1]	Construction	Australia	50	50
Ventia Services Group Pty Limited	Services	Australia	47	50
Viridian Noosa Pty Ltd[1]	Development	Australia	50	50
Viridian Noosa Trust[1]	Development	Australia	50	50
Wallan Project Pty Ltd[1]	Investment	Australia	50	50
Wallan Project Trust[1]	Investment	Australia	50	50
Wedgewood Road Hallam No. 1 Pty Ltd	Development	Australia	50	50
Wedgewood Road Hallam Trust	Development	Australia	50	50
Wellington Tunnels Alliance	Construction	New Zealand	50	50
Wrap Southbank Unit Trust	Development	Australia	50	50

All joint venture entities have a statutory reporting date of 31 December with the following exceptions:
[1]*Entities have a 30 June statutory reporting date.*
[2]*Entities have a 31 March statutory reporting date.*
[3]*Enities attained through the purchase of UGL refer to Note 29: Acquisitions and disposals of controlled entities and businesses. Percentages are based on 100% ownership of UGL, which was obtained on 20 January 2017.*

These entities have different statutory reporting dates to the Group as they are aligned with the joint venture partners' reporting date and / or the reporting date is prescribed by local statutory requirements.

Where the Group has an ownership interest in a joint venture entity greater than 50% but does not control the arrangement due to the existence of joint control, the joint venture is not consolidated.

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for the 12 months to 31 December 2016

26. JOINT VENTURE ENTITIES CONTINUED

The Group's share of joint venture entities' results, assets and liabilities are as follows:

	12 months to December 2016 $m	12 months to December 2015 $m
Revenue	1,362.9	1,446.2
Expenses	(1,331.5)	(1,385.6)
Earnings before interest and tax ("EBIT")	31.4	60.6
Finance income	2.6	4.0
Finance costs	(48.1)	(42.5)
Net finance income / (costs)	(45.5)	(38.5)
Profit / (loss) before tax	(14.1)	22.1
Income tax (expense) / benefit	(28.1)	(3.6)
Profit / (loss) for the period[1]	(42.2)	18.5

	December 2016 $m	December 2015 $m
Current assets	2,143.7	481.1
Non-current assets	1,386.9	763.3
Total assets	3,530.6	1,244.4
Current liabilities	(1,968.3)	(419.4)
Non-current liabilities	(1,018.7)	(310.8)
Total liabilities	(2,987.0)	(730.2)
The Group's share of joint venture entities' net assets at reporting date[1,2]	543.6	514.2

[1] *The results of HLG Contracting are included within the table above from 1 December 2016 when Joint Control was obtained.*

[2] *The Group disposed of its investment in Nextgen Group Holdings Pty Limited in the year for a profit of $70.1 million. Refer to Note 3: Expenses.*

There were no impairments of investments in joint ventures during the reporting period (31 December 2015: $nil).

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26. JOINT VENTURE ENTITIES CONTINUED

a) Material joint ventures

Set out below are the joint venture entities of the Group as at 31 December 2016 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

				Ownership interest held by the Company	
Name of entity	Place of business / country of incorporation	Measurement method	Nature of relationship	December 2016 %	December 2015 %
HLG Contracting LLC[1]	United Arab Emirates	Equity method	Joint venture	45	45

[1]There is no quoted market value for HLG Contracting LLC (HLG Contracting) as it is not a listed entity.

HLG Contracting LLC ("HLG Contracting")

On 30 November 2016 an agreement was reached with with HLG Contracting's existing shareholders which allowed one shareholder, Al Habtoor Holdings LLC, to transfer their shareholding to the other partner Riad Al Sadik. Following this transfer CIMIC's shareholding remained unchanged at 45% with Riad Al Sadik now owning the remaining 55%.

Following the completion of this agreement CIMIC management have determined they have joint control of HLG Contracting in accordance with AASB 10 *Consolidated Financial Statements*. As a result of this change in control, CIMIC's investment in HLG Contracting is now classified as a joint venture, whereas it was previously classified as an associate. CIMIC continues to equity account for the investment and as such there was no impact on the carrying value of the investment as a result of this change.

As part of the contractual arrangements around shareholder exit, CIMIC assumed certain obligations from the other shareholders including guaranteeing various performance bonds (refer Note 33: *Contingent Liabilities*), acquired certain loans from Al Habtoor Group LLC for US$27.2 million (equivalent to $37.8 million) and acquired a call option to purchase the remaining 55% shareholding in HLG Contracting. This option has no current impact on the control of the company. The option is a derivative, as defined by AASB 139 Financial Instruments: Recognition & Measurement (AASB 139) and is required to be carried at fair value with any gain and loss recognised in profit and loss in the period.

As at 31 December 2016 the fair value of the call option was determined to be US$54.0 million (equivalent to $75.0 million). In accordance with AASB 139 the option has been classified as a financial asset held at fair value through profit or loss and the resulting gain has been reflected in Note 3: *Expenses*. The asset value has been disclosed in Note 12: *Other investments*.

HLG Contracting's new shareholder structure is a step towards reaching its long term strategic objectives in the region. This will allow HLG Contracting to continue to deliver leading projects for clients. A strategic review of the HLG Contracting business has commenced and is ongoing.

During the reporting period, the carrying value of the Group's investment in HLG Contracting decreased from $444.7 million to $366.5 million (equivalent to US$263.9 million in 2016 and US$324.6 million in 2015). The decrease was due to the Group's share of equity accounted loss of $84.4 million, offset by a foreign exchange translation gain of $6.2 million.

The recoverable amount of the Group's investment was calculated using a value in use calculation.

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26. JOINT VENTURE ENTITIES CONTINUED

a) Material joint ventures continued

The key assumptions used in the value in use calculation:

Discount rate	15% (31 December 2015: 15%)
Growth rate	3% (31 December 2015: 3%) for cash flows beyond five years. This rate does not exceed the expected long-term average growth rate for the Middle East & North Africa ("MENA") region
Legacy project receivables	There continues to be a delay in payment from clients in the MENA region, particularly for projects in progress at the time the Group invested in HLG Contracting. It is assumed of the remaining unprovided legacy project receivables, 55% will be collected within twenty-four months and 45% collected subsequently (31 December 2015: 56% and 44% respectively)
Borrowings	Borrowings obtained to fund working capital will be progressively repaid during the forecast period
Forecast cash flow	The calculation uses five year cash flow projections based on forecasts provided by HLG Contracting's management, risk adjusted downward by the Group. Cash flows beyond five years are extrapolated using the estimated growth rate

Management considers that for the recoverable amount to fall below the carrying value there would have to be unreasonable changes to key assumptions. Management considers the likelihood of these changes occurring as unlikely.

Refer to Note 8: *Trade and other receivables* for further details relating to loans and other receivables provided to HLG Contracting.

The Group has pledged the following security against borrowings by HLG Contracting under certain facilities totalling US$239.7 million (31 December 2015: two facilities totalling US$259.8 million) equivalent to $332.9 million (31 December 2015: $356.0 million):

- letters of credit of US$85.4 million (31 December 2015: US$68.2 million), equivalent to $118.6 million (31 December 2015: $93.4 million); and
- guarantees of US$154.3 million (31 December 2015: US$191.6 million), equivalent to $214.3 million (31 December 2015: $262.6 million).

No amounts have been recognised in relation to these letters of credit or guarantees.

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26. JOINT VENTURE ENTITIES CONTINUED

a) Material joint ventures continued

The following tables provide summarised financial information and reconciles the carrying amount of the Group's interest, and its share of profit or loss and other comprehensive income of its equity accounted investment in HLG Contracting.

Summarised profit or loss[1]	12 months to December 2016 $m	12 months to December 2015 $m
Revenue	2,702.5	2,573.5
Depreciation and amortisation	(24.3)	(9.8)
Other expenses	(2,782.9)	(2,529.1)
Share of profit / (loss) of joint venture entities	1.2	6.2
Earnings before interest and tax ("EBIT")	(103.5)	40.8
Finance income	1.3	3.2
Finance costs	(82.7)	(74.0)
Net finance income / (costs)	(81.4)	(70.8)
Profit / (loss) before tax	(184.9)	(30.0)
Income tax (expense) / benefit	(2.6)	(1.8)
Profit / (loss) for the period	(187.5)	(31.8)
Other comprehensive income	-	-
Total comprehensive income	(187.5)	(31.8)
Group's ownership interest	45%	45%
Group's total share of:		
Profit / (loss) for the period	(84.4)	(14.3)
Other comprehensive income	-	-
Total comprehensive income	(84.4)	(14.3)
Dividends received from HLG Contracting	-	-

[1] *Results give the full results of HLG Contracting for the periods shown. HLG Contracting was classified as an associate until 1 December 2016.*

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26. JOINT VENTURE ENTITIES CONTINUED

a) Material joint ventures continued

Summarised balance sheet	December 2016 $m	December 2015 $m
Current assets		
Cash and cash equivalents	223.4	278.4
Other current assets	3,742.4	3,854.7
Total current assets	3,965.8	4,133.1
Non-current assets	1,744.4	1,674.9
Total non-current assets	1,744.4	1,674.9
Current liabilities		
Financial liabilities (excluding trade payables)	(733.7)	(602.9)
Other current liabilities	(2,704.8)	(2,802.2)
Total current liabilities	(3,438.5)	(3,405.1)
Non-current liabilities		
Financial liabilities (excluding trade payables)	(1,130.8)	(1,252.6)
Other non-current liabilities	(326.4)	(162.1)
Total non-current liabilities	(1,457.2)	(1,414.7)
Net assets (100%)	814.5	988.2
Group's share of net assets (45%)	366.5	444.7

b) Individually immaterial joint ventures

The Group has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	December 2016 $m	December 2015 $m
Individually immaterial joint ventures		
Aggregate amounts of the Group's carrying value: Net assets	177.1	514.2
Aggregate amounts of the Group's share of profit: Profit / (loss) for the period	42.2	18.5

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for the 12 months to 31 December 2016

27. JOINT OPERATIONS

The Group has the following interest in joint operations:

			Ownership interest	
Name of arrangement	Principal activity	Country	December 2016 %	December 2015 %
Bacchus Marsh[1]	Development	Australia	50	50
Baulderstone Leighton Joint Venture	Construction	Australia	50	50
Building ROE 8	Construction	Australia	71	-
Casey Fields[1]	Development	Australia	55	55
CH2 – UGL[4]	Construction	Australia	50	-
China State Leighton Joint Venture	Construction	Hong Kong	50	50
CHT Joint Venture	Construction	Australia	50	50
CPB Black & Veatch Joint Venture (formerly known as Leighton Contractors Black & Veatch Joint Venture)[1]	Construction	Australia	50	50
CPB Contractors UGL Engineering Joint Venture	Construction	Australia	50	-
CPB Dragados Samsung Joint Venture (formerly known as Leighton Dragados Samsung Joint Venture)	Construction	Australia	40	40
CPB John Holland Dragados Joint Venture (formerly known as Thiess John Holland Dragados Joint Venture)	Construction	Australia	50	50
CPB Samsung John Holland Joint Venture (formerly known as Leighton Samsung John Holland Joint Venture)	Construction	Australia	33	33
Edenbrook	Development	Australia	50	50
Erskineville Residential Project	Development	Australia	50	50
EV LNG Australia Pty Ltd & Thiess Pty Ltd (EVT JV)	Construction	Australia	50	50
Gammon - Leighton Joint Venture	Construction	Hong Kong	50	50
Garlanja Joint Venture[1]	Construction	Australia	-	75
HYLC Joint Venture[1]	Construction	Australia	50	50
JHCPB JV	Construction	Australia	50	-
John Holland – Leighton (South East Asia) Joint Venture	Services	Hong Kong	50	50
Leighton - China State Joint Venture	Construction	Hong Kong	51	51
Leighton - Chun Wo Joint Venture	Construction	Hong Kong	84	84
Leighton - Chun Wo Joint Venture	Construction	Hong Kong	60	60
Leighton - Gammon Joint Venture	Construction	Hong Kong	50	50
Leighton - HEB Joint Venture	Construction	New Zealand	80	80
Leighton Abigroup Consortium (Epping to Thornleigh)	Construction	Australia	50	50
Leighton China State John Holland Joint Venture (City of Dreams)[1]	Construction	Macau	40	40
Leighton China State Joint Venture (Wynn Resort) [1]	Construction	Macau	50	50
Leighton China State Van Oord Joint Venture	Construction	Hong Kong	45	45
Leighton Contractors Downer Joint Venture[1]	Construction	Australia	50	50
Leighton Fabrication and Modularisation Ltd	Construction	Thailand	-	50

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27. JOINT OPERATIONS CONTINUED

Name of arrangement	Principal activity	Country	Ownership interest December 2016 %	Ownership interest December 2015 %
Leighton Fulton Hogan Joint Venture (Sapphire to Woolgoolga)[1]	Construction	Australia	50	50
Leighton Fulton Hogan Joint Venture (SH16 Causeway Upgrade)	Construction	New Zealand	50	50
Leighton John Holland Joint Venture (Thomson Line)	Construction	Singapore	50	50
Leighton Offshore - John Holland Joint Venture (LTA Project)	Construction	Singapore	50	50
Leighton M&E - Southa Joint Venture	Construction	Australia	50	50
Leighton York Joint Venture	Construction	Australia	75	75
Leighton - Able Joint Venture	Construction	Hong Kong	51	51
Leighton - Chubb E&M Joint Venture	Construction	Hong Kong	50	50
Leighton - John Holland Joint Venture	Construction	Hong Kong	55	55
Leighton - John Holland Joint Venture (Lai Chi Kok)	Construction	Hong Kong	51	51
Leighton - Total Joint Operation	Construction	Indonesia	70	70
Link 200 Joint Venture[1]	Construction	Hong Kong	-	48
Link 200 Station Joint Venture[1]	Construction	Hong Kong	-	60
Link 200 Tunnel Joint Venture[1]	Construction	Hong Kong	-	60
LLECPB Crossing Removal JV	Construction	Australia	50	-
Murray & Roberts Marine Malaysia - Leighton Contractors Malaysia Joint Venture[1]	Construction	Malaysia	50	50
N.V. Besix S.A. & Thiess Pty Ltd (Best JV)	Construction	Australia	50	50
NRT – Design & Delivery JV	Construction	Australia	30	-
NRT - Infrastructure Joint Venture	Construction	Australia	50	50
NRT Systems[1, 4]	Services	Australia	40	-
OWP Joint Venture	Services	Australia	75	75
Rizzani Leighton Joint Venture	Construction	Australia	50	50
Swietelsky CPB Rail Joint Venture (formerly known as Leighton Swietelsky Joint Venture)[1]	Services	Australia	50	50
Task Joint Venture (Thiess & Sinclair Knight Merz)	Construction	Australia	60	60
Thiess Balfour Beatty Joint Venture	Construction	Australia	67	67
Thiess Decmil Kentz Joint Venture[1]	Construction	Australia	33	33
Thiess Degremont JV	Construction	Australia	65	65
Thiess Degremont Nacap Joint Venture[1]	Construction	Australia	33	33
Thiess MacDow Joint Venture[1]	Construction	Australia	50	50
Thiess Pty Ltd & York Civil Pty Ltd	Construction	Australia	-	65
Thiess Sedgman Joint Venture[1,2,3]	Construction	Australia	100	68
Thiess Southbase Joint Venture	Construction	New Zealand	-	50
Thiess John Holland Joint Venture (Airport Link)	Construction	Australia	50	50
Thiess John Holland Joint Venture (Eastlink)	Construction	Australia	50	50
Thiess John Holland Joint Venture (Lane Cove Tunnel)	Construction	Australia	-	50

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27. JOINT OPERATIONS CONTINUED

Name of arrangement	Principal activity	Country	Ownership interest December 2016 %	Ownership interest December 2015 %
Thiess KMC JV	Contract Mining	Canada	51	-
UGL Cape[1, 4]	Services	Australia	50	-
UGL Kaefer[1, 4]	Services	Australia	50	-
UGL Kentz[1, 4]	Construction	Australia	50	-
Veolia Water - Leighton- John Holland Joint Venture	Construction	Hong Kong	24	24

All joint operations have a reporting date of 31 December with the following exceptions:

[1] *Arrangements have a 30 June reporting date. These entities have different statutory reporting dates to the Group as they are aligned with the joint operations partners' reporting date and / or the reporting date is prescribed by local statutory requirements.*
[2] *Entity has been transferred to controlled entities during the period.*
[3] *On acquisition of Sedgman this entity was 100% owned by the Group and was fully consolidated, disclosure is given for comparative purposes.*
[4] *Entities attained through the purchase of UGL refer to Note 29: Acquisitions and disposals of controlled entities and businesses. Percentages are based on 100% ownership of UGL, acquired on 20 January 2017.*

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for the 12 months to 31 December 2016

28. RECONCILIATION OF PROFIT / (LOSS) FOR THE YEAR TO NET CASH FROM OPERATING ACTIVITIES

	12 months to December 2016 $m	12 months to December 2015 $m
Profit / (loss) for the year	552.4	514.4
Adjustments for:		
- Depreciation of property, plant and equipment	304.9	496.6
- Amortisation of intangibles	32.5	47.2
- Net (gain) / loss on disposal of equity accounted investments	(70.1)	-
- Net (gain) / loss on sale of controlled entities	-	(25.4)
- Net (gain) / loss on acquisition of controlled entities	(46.6)	-
- Net (gain) / loss on sale of assets	1.4	14.6
- Impairment of intangibles	10.0	2.7
- Property development and property joint venture write-downs	-	8.2
- Foreign exchange losses	1.3	1.4
- Net amounts set aside to provisions	202.7	168.4
- Share of (profits)/ losses of associates	5.3	40.9
- Share based payments	1.0	0.1
- Net (gain) / loss on fair value of option to acquire shares	(75.0)	-
Net changes in assets / liabilities:		
- Decrease / (increase) in receivables	(161.3)	1,089.9
- Decrease / (increase) in joint ventures	305.8	(41.7)
- Decrease / (increase) in inventories	203.3	173.4
- Increase / (decrease) in payables	(42.7)	(634.5)
- Increase / (decrease) in provisions	(271.2)	(276.6)
- Current and deferred income tax movement	173.3	(129.4)
Net cash from operating activities	1,127.0	1,450.2

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for the 12 months to 31 December 2016

29. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES

Acquisitions – UGL Limited

On 10 October 2016, CIMIC Group Investments No.2 Pty Limited (CGI2), a controlled entity within the Group, became a substantial shareholder in UGL Limited (UGL), an entity formerly listed on the ASX, by acquiring an interest of 13.84% of shares on issue. On obtaining the initial interest CIMIC announced a final unconditional offer for the remaining shares pursuant to a takeover at a price of $3.15 per share.

On 24 November 2016, CGI2's ownership interest in UGL increased to over 50% and thereby gained control. The results of UGL have been consolidated from this date. CGI2 subsequently increased its ownership interest in UGL to more than 90% and exercised its right to compulsorily acquire the remaining shares, which was completed on 20 January 2017. The shareholding at 31 December 2016 was 95%. Cash consideration paid to 31 December 2016 to acquire the non-controlling interest was $248.5 million and a liability for $29.3 million is recognised for the remaining shares.

Purchase consideration to 24 November 2016	$m
Cash paid to obtain control	262.1

The provisional value of assets and liabilities recognised as a result of the acquisition are as follows:

	Provisional fair value on acquisition $m
Cash and cash equivalents	152.7
Trade and other receivables	259.6
Inventories: consumables	37.0
Other current assets	28.4
Investments accounted for using the equity method	39.6
Property, plant and equipment	72.7
Intangibles	70.6
Current and deferred tax	268.2
Trade and other payables	(972.3)
Provisions	(82.8)
Interest bearing liabilities	(315.3)
Net identifiable assets / (liabilities)	(441.6)
Less: non-controlling interests	223.0
Add: Goodwill	480.7
Net assets / (liabilities) acquired	262.1

The goodwill is attributable to the future profitability and expertise of UGL, as well as the synergies expected to be achieved from integrating UGL with the pre-existing CIMIC cash generating units (CGUs) of CIMIC in the construction segment. An element of the acquired goodwill has been provisionally allocated to this segment refer to Note 15: *Intangibles*. The values of assets and liabilities acquired have not been finalised due to the proximity of the acquisition to the end of the period. No goodwill is deductible for tax purposes.

The acquisition has been accounted for under Accounting Standard AASB 3 *Business Combinations*. Under AASB 3 the Group can elect, on an acquisition by acquisition basis, to recognise non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's share of the acquired entity's net identifiable assets / (liabilities). For the acquisition of UGL, the CIMIC Group elected to recognise the non-controlling interests at the non-controlling interest's share of the acquired entity's net identifiable liabilities.

The contribution by UGL to the Group from the acquisition date to the end of the period ended 31 December 2016 was $204.2 million revenue and $5.3 million profit after tax after making adjustments for the acquisition in accordance with AASB 3. Had the acquisition occurred on 1 January 2016, UGL's contribution to the Group for the year ended 31 December 2016 would have been $1,983.3 million revenue and $104.3 million of loss after tax. The loss includes $200.0 million of provisions recorded prior to acquisition on the Ichthys Projects.

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for the 12 months to 31 December 2016

29. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES CONTINUED

Acquisitions – Sedgman Pty Limited

On 23 February 2016, CIMIC Group Investments Pty Ltd, a controlled entity of the Company, increased its ownership interest in Sedgman Pty Limited (Sedgman), an entity formerly listed on the ASX, to 51% and thereby gained control of Sedgman. As at 31 December 2015, the Group's ownership interest in Sedgman was 37%. The acquisition of Sedgman shares was made under an unconditional off-market takeover offer for Sedgman. CIMIC Group Investments Pty Ltd subsequently increased its ownership interest in Sedgman to 90% and exercised its right to compulsorily acquire the remaining shares in Sedgman, which was completed on 13 April 2016.

Purchase consideration to 23 February 2016	$m
Cash paid on date of obtaining control	5.7
Fair value of previously held equity interest	104.6
Total purchase consideration to 23 February 2016	110.3

The value of assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value on acquisition $m
Cash and cash equivalents	91.7
Trade and other receivables	73.8
Other current assets	4.0
Investments accounted for using the equity method	6.3
Other investments	0.4
Property, plant and equipment	16.4
Intangibles	13.1
Current and deferred tax	4.3
Trade and other payables	(86.6)
Provisions	(23.7)
Interest bearing liabilities	(4.5)
Net identifiable assets / (liabilities)	95.2
Less: non-controlling interests	(46.4)
Add: Goodwill	61.5
Net assets / (liabilities) acquired	110.3

The goodwill is attributable to the future profitability and expertise of Sedgman, as well as the synergies expected to be achieved between Sedgman's mineral processing activities and the Group's mining operations. No goodwill is deductible for tax purposes.

The acquisition has been accounted for under Accounting Standard AASB 3 *Business Combinations*. For the acquisition of Sedgman the Group elected to recognise the non-controlling interests at fair value.

The revaluation of CIMIC's previously held investment to fair value resulted in a gain on remeasurement of $25.4 million. In addition the associates reserve of $21.2 million was recycled from equity to profit and loss, resulting in a total gain on acquisition before tax of $46.6 million (refer to Note 3*: Expenses*).

The contribution by Sedgman to the Group from the acquisition date to the end of the period ended 31 December 2016 was $223.7 million of revenue. Had the acquisition occurred on 1 January 2016, Sedgman's contribution to the Group for the year ended 31 December 2016 would have been $255.7 million revenue. The business is now integrated with mining operations and reported within the mining and mineral processing segment (refer to Note 31: *Segment information*), as such it is not possible to assess the contribution of the business to profit for the year.

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for the 12 months to 31 December 2016

29. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES CONTINUED

Acquisitions continued

There were no acquisitions of controlled entities or businesses during the 12 months to 31 December 2015.

Disposals

There were no disposals of controlled entities or businesses during the 12 months to 31 December 2016.

On 31 March 2015 and 15 May 2015, a subsidiary of Thiess Pty Limited, a controlled entity of the Company, disposed of its interests in PT Solo Ngawi Jaya, PT Ngawi Kertosono Jaya and PT Cinere Serpong Jaya for $68.0 million. In the year to 31 December 2015 the disposed companies contributed $nil net profit after tax to the consolidated net profit for the period.

30. HELD FOR SALE

PT Arutmin Indonesian Mining Assets and Liabilities ("Arutmin")

On 23 December 2013 PT Thiess Contractors Indonesia ("TCI"), a wholly owned subsidiary of Thiess Pty Limited, signed a Deed of Settlement and Termination Agreement ("STA") with PT Arutmin Indonesia, for the sale of selected assets of TCI.

The assets and associated finance lease liabilities relating to Arutmin were reclassified for the first time as held for sale under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* at 31 December 2013. As at 31 December 2015 inventories of $30.4 million, property, plant and equipment of $194.2 million and interest bearing liabilities of $47.1 million were expected to be disposed in the period to 31 December 2016.

An agreement for the sale of the majority of assets was formally signed in January 2016 and the sale was finalised in the period. Certain inventory and property, plant and equipment items were not disposed of and were reclassified to property, plant and equipment or inventory and utilised elsewhere within the mining operations.

Other assets and liabilities held for sale

Other assets and liabilities held for sale includes marine fleet of $37.2 million (31 December 2015: $nil), development properties of $3.6 million (31 December 2015: $11.0 million), mining equipment of $6.9 million (31 December 2015: $0.2 million) and interest bearing liabilities of $nil (31 December 2015: $1.6 million) actively marketed for sale.

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for the 12 months to 31 December 2016

31. SEGMENT INFORMATION

Description of segments

Operating segments have been identified based on separate financial information that is regularly reviewed by the CIMIC CEO, who is also the Chief Operating Decision Maker ("CODM"). The CIMIC Group is structured on a decentralised basis comprising the following main segments and a corporate head office:

- Construction
- Mining & Mineral Processing
- Services
- HLG
- Public Private Partnerships ("PPPs")
- Engineering
- Commercial & Residential
- Corporate

The performance of each segment forms the primary basis for all management reporting to the CODM.

Following the acquisition of UGL Limited ("UGL") as outlined in Note 29: *Acquisitions and disposals of controlled entities and businesses*, UGL's results have been identified to be reportable in a separate segment called *Services*. Furthermore, following the acquisition of Sedgman Limited as outlined in Note 29: *Acquisitions and disposals of controlled entities and businesses,* Sedgman Limited's results are reported along with the contract mining results in a newly expanded segment called *Mining & Mineral Processing*. Accordingly, the equity accounted amounts of Sedgman Limited have been restated in the 12 months to 31 December 2015 period for comparative purposes, from the Corporate segment to the Mining & Mineral Processing segment in accordance with AASB 8 *Operating Segments*.

The types of activities from which segments derive revenue, are included in Note 2: *Revenue*. The Group's share of revenue from associates and joint ventures is included in the revenue reported for each applicable operating segment. Performance is measured based on segment result. The corporate segment represents the corporate head office and includes transactions relating to Group finance, taxation, treasury, corporate secretarial and certain strategic investments. Included within the corporate segment disclosed are the results of the non-reportable segments.

Geographical information

	Revenue		Non-current assets	
Geographical information	12 months to December 2016 $m	12 months to December 2015 $m	December 2016 $m	December 2015 $m
Australia Pacific	7,339.9	8,530.3	1,288.2	774.2
Asia, Middle East, Americas & Africa	3,513.7	4,750.5	1,360.3	1,341.3
Total	10,853.6	13,280.8	2,648.5	2,115.5

Revenue is allocated based on the geographical location of the entity generating the revenue. Assets are allocated based on the geographical location of the assets. Geographical non-current assets comprise: inventories; development properties; property, plant and equipment; and intangibles.

Major customers

No revenue from transactions with a single external customer amount to 10% or more of the Group's revenue.

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for the 12 months to 31 December 2016

31. SEGMENT INFORMATION CONTINUED

12 months to December 2016	Construction $m	Mining & Mineral Processing $m	Services $m	HLG $m	Commercial & Residential $m	Corporate $m	Eliminations $m	Total $m
Revenue								
Segment revenue	7,439.4	2,947.0	231.7	1,227.1	444.7	1,346.8	(102.2)	13,534.5
Inter-segment revenue	(102.2)	-	-	-	-	-	102.2	-
Segment joint venture and associate revenue	(20.4)	(160.8)	(27.5)	(1,227.1)	(4.9)	(1,240.2)	-	(2,680.9)
Revenue	7,316.8	2,786.2	204.2	-	439.8	106.6	-	10,853.6
Result								
Segment EBIT	591.9	284.8	10.6	(6.5)	(87.8)	(34.6)	-	758.4
Net finance income / (costs)	3.6	(9.2)	(2.0)	35.9	13.1	(59.4)	-	(18.0)
Segment result	595.5	275.6	8.6	29.4	(74.7)	(94.0)	-	740.4
Income tax (expense) / benefit								(188.0)
Profit / (loss) for the year								552.4
(Profit) / loss for the year attributable to non-controlling interests								27.9
Profit / (loss) for the year attributable to shareholders of the parent entity								580.3
Other								
Share of profit / (loss) of associates and joint venture entities	(11.6)	0.7	(0.1)	(81.1)	(3.8)	51.9	-	(44.0)
Depreciation & amortisation	(88.6)	(244.6)	(2.3)	-	(0.8)	(1.1)	-	(337.4)
Other material non-cash income / (expenses)	-	-	-	75.0	(10.0)	46.6	-	111.6

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31. SEGMENT INFORMATION CONTINUED

12 months to December 2015	Construction $m	Mining & Mineral Processing[1] $m	Services $m	HLG $m	Commercial & Residential $m	Corporate[1] $m	Eliminations $m	Total $m
Revenue								
Segment revenue	9,514.0	3,220.4	-	1,159.5	1,064.2	1,398.7	(228.0)	16,128.8
Inter-segment revenue	(136.5)	-	-	-	-	(91.5)	228.0	-
Segment joint venture and associate revenue	(57.6)	(337.6)	-	(1,159.5)	(76.7)	(1,216.6)	-	(2,848.0)
Revenue	9,319.9	2,882.8	-	-	987.5	90.6	-	13,280.8
Result								
Segment EBIT	661.1	248.2	-	(14.3)	39.7	(95.8)	-	838.9
Net finance income / (costs)	(11.9)	(15.9)	-	32.2	30.8	(139.1)	-	(103.9)
Segment result	649.2	232.3	-	17.9	70.5	(234.9)	-	735.0
Income tax (expense) / benefit								(220.6)
Profit / (loss) for the year								514.4
(Profit) / loss for the year attributable to non-controlling interests								6.0
Profit / (loss) for the year attributable to shareholders of the parent entity								520.4
Other								
Share of profit / (loss) of associates and joint venture entities	(1.9)	16.4	-	(14.3)	15.5	(30.2)	-	(14.5)
Depreciation & amortisation	(206.6)	(333.2)	-	-	(1.0)	(3.0)	-	(543.8)
Other material non-cash income / (expenses)	(2.7)	-	-	-	(8.2)	-	-	(10.9)

[1] The Mining & Mineral Processing segment has been restated in the 12 months to 31 December 2015 period for comparative purposes, to reflect the equity accounted amounts of Sedgman Limited; these amounts were reclassified from the Corporate segment.

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for the 12 months to 31 December 2016

32. COMMITMENTS

	December 2016 $m	December 2015 $m
Expenditure commitments in relation to operating leases contracted at the reporting date but not recognised as liabilities, are payable as follows:		
- within one year	257.5	255.9
- later than one year but not later than five years	497.9	480.2
- later than five years	242.6	164.8
Total	998.0	900.9
Representing:		
Cancellable operating leases		
Plant and equipment	6.1	3.2
Property	22.4	36.6
Other	0.1	0.2
Non-cancellable operating leases		
Plant and equipment		
- within one year	121.7	162.6
- later than one year but not later than five years	151.0	240.6
- later than five years	-	2.3
Property[1]		
- within one year	116.2	77.0
- later than one year but not later than five years	340.9	222.0
- later than five years	238.2	156.1
Other		
- within one year	0.9	0.2
- later than one year but not later than five years	0.5	0.1
- later than five years	-	-
Total operating lease commitments	998.0	900.9

[1] *The increase is mainly due to the Group's new property leases at 177 Pacific Highway, North Sydney and leases assumed as part of the acquisitions of UGL and Sedgman.*

Operating leases

The Group leases plant and equipment used in mining and mineral processing, construction and services activities. Operating leases generally provide the Group with a right of renewal. Under certain property operating leases, contingent rentals may be payable for periodic rent reviews. The Group's leasing arrangements impose no restrictions on any of its financial arrangements.

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32. COMMITMENTS CONTINUED

Capital commitments

Capital expenditure contracted for at reporting date but not recognised as liabilities is as follows:

	December 2016 $m	December 2015 $m
Property, plant and equipment		
Payable:		
- within one year	80.9	0.6
- later than one year but not later than five years	-	-
- later than five years	-	-
Total	80.9	0.6
Investments		
Payable:		
- within one year	15.5	19.4
- later than one year but not later than five years	-	-
- later than five years	-	-
Total	15.5	19.4
Share of Joint Ventures' commitments - property, plant and equipment		
Payable:		
- within one year	3.4	30.9
- later than one year but not later than five years	-	-
- later than five years	-	-
Total	3.4	30.9
Share of Associates' commitments - property, plant and equipment		
Payable:		
- within one year	3.5	2.7
- later than one year but not later than five years	-	-
- later than five years	-	-
Total	3.5	2.7

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for the 12 months to 31 December 2016

33. CONTINGENT LIABILITIES

Bank guarantees, insurance bonds and letters of credit

Indemnities given by third parties on behalf of controlled entities and equity accounted investments are as follows:

	December 2016 $m	December 2015 $m
Bank guarantees	2,815.8	1,982.5
Insurance, performance and payment bonds	958.2	898.5
Letters of credit	193.6	262.9

Included in the table above are amounts where the Group has indemnified performance and payment bonds in respect of all of the Group's joint ventures and associates in the normal course of business totalling $1,014.4 million (31 December 2015 $547.1 million).

Letters of credit include those provided for the Group's capital commitments totalling $80.3 million (31 December 2015: $3.3 million).

Other contingencies

i) The Group is called upon to give, in the ordinary course of business, guarantees and indemnities in respect of the performance by controlled entities, associates and related parties of their contractual and financial obligations. The value of these guarantees and indemnities is indeterminable in amount.

ii) There exists in some entities within the Group the normal design liability in relation to completed design and construction projects.

iii) Certain entities within the Group have the normal contractor's liability in relation to construction contracts. This liability may include litigation by or against the Group and / or joint arrangements in which the Group has an interest. It is not possible to estimate the financial effect of these claims should they be successful. The Directors are of the opinion that adequate allowance has been made and that disclosure of any further information about the claims would be prejudicial to the interests of the Group.

iv) Controlled entities have entered into joint arrangements under which the controlled entity may be jointly and severally liable for the liabilities of the joint arrangement.

v) Under the terms of the Class Order described in Note 38: *CIMIC Group Limited and controlled entities*, the Company has entered into approved deeds of indemnity for the cross-guarantee of liabilities with participating Australian subsidiary companies.

vi) On 13 February 2012, the Company announced to the ASX that it had reported to the Australian Federal Police ("AFP") a possible breach by employees within the Leighton International business of its Code of Ethics that, if substantiated, may have contravened Australian laws. The AFP is investigating the CIMIC Group's international operations. In November 2013, ASIC made public statements about its cooperation with the AFP in the AFP's investigation. On 28 March 2014, ASIC informed the Senate Estimates Committee that it had commenced a formal investigation into potential breaches of the Corporations Act relating to a number of matters being investigated by the AFP.

The Company is cooperating with the AFP and ASIC investigations. The Company does not know when the investigations will be concluded.

vii) On 7 October 2013, the Company announced to the ASX that it had been made aware of proceedings relating to an alleged failure to disclose the report to the AFP (referred to in (vi) above) which commenced on 4 October 2013. On 14 April 2015 the proceedings were stayed by the Victorian Supreme Court and on 7 September 2015 the Victorian Court of Appeal dismissed the plaintiff's appeal of that decision and permanently stayed the proceedings. In any event, the plaintiff has in the interim commenced nearly identical proceedings in relation to the same subject matter. The Company continues to deny the claim and is defending the proceedings.

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for the 12 months to 31 December 2016

33. CONTINGENT LIABILITIES CONTINUED

Other contingencies continued

viii) On 6 December 2016, the Company announced to the ASX that it had been made aware of additional proceedings relating to an alleged failure to disclose the report to the AFP (referred to in (vi) above) which had commenced on 23 November 2016. The additional proceedings purport to be for the same class as the proceedings in (vii) above and in relation to similar issues. The Company denies the claim and will defend the proceedings.

ix) On 24 June 2015 the Senate of the Parliament of the Commonwealth of Australia referred an inquiry into foreign bribery to the Senate Economics References Committee. The inquiry lapsed at the proroguing of the 44th Parliament. On 11 October 2016, the Senate readopted the inquiry. The Committee is to report by 30 June 2017. The Company anticipates that the matter referred to in (vi) above will be a subject of the inquiry.

34. CAPITAL RISK MANAGEMENT

Capital planning forms part of the business and strategic plans of the Group. Decisions relating to obtaining and investing capital are made following consideration of the Group's key financial objectives including total shareholder return and the maintenance of an investment grade credit rating. Performance measures include return on revenue, return on equity, earnings growth, liquidity and borrowing capacity. The Group has access to numerous sources of capital both domestically and internationally, including cash balances, equity, bank debt, capital markets, insurance and lease facilities. The Group is not subject to any externally imposed capital requirements.

35. FINANCIAL INSTRUMENTS

The activities of the Group result in exposure to credit, liquidity and market risk (equity price, foreign currency and interest rate).

a) Credit risk

Credit risk represents the risk that a counterparty will not complete its obligations under a financial instrument resulting in a financial loss to the Group. The Group has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. The Group minimises concentrations of credit risk by undertaking transactions with a large number of customers in various countries. Derivative and deposit counterparties are limited to investment grade financial institutions. At the reporting date, other than the trade receivables relating to the Gorgon LNG Jetty and Marine Structures Project, and the loan receivables from HLG Contracting (refer to Note 8: *Trade and other receivables*), there were no other significant concentrations of credit risk. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position. The Group's maximum exposure to credit risk for receivables at the reporting date by geographic region was: Australia Pacific $1,145.6 million (31 December 2015: $682.7 million) and Asia, Middle East, Americas & Africa $3,299.8 million (31 December 2015: $2,866.1 million).

The ageing of the Group's receivables at the reporting date was: not past due: $564.1 million (31 December 2015: $497.7 million); past due: $353.5 million (31 December 2015: $282.5 million). Past due is defined under AASB 7 *Financial Instruments: Disclosures* to mean any amount outstanding for one or more days after the contractual due date. Past due receivables aged greater than 90 days: 8% (31 December 2015: 6%).

Provision for impairment of trade debtors	12 months to December 2016 $m	12 months to December 2015 $m
Balance at beginning of reporting period	(5.4)	(12.0)
Net provision (made) / used	3.5	6.6
Balance at reporting date	(1.9)	(5.4)

The impairment provision relates to trade debtors identified as being impaired. The Group did not obtain financial or non-financial assets as collateral during the period as a result of default by a counterparty (31 December 2015: $nil).

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35. FINANCIAL INSTRUMENTS CONTINUED

b) Liquidity risk

Liquidity risk is the risk of having insufficient funds to settle financial liabilities when they fall due. This includes having insufficient levels of committed credit facilities. The Group's objective is to maintain efficient use of cash and debt facilities in order to balance the cost of borrowing and ensuring sufficient availability of credit facilities, to meet forecast capital requirements. The Group adopts a prudent approach to cash management which ensures sufficient levels of cash and committed credit facilities are maintained to meet working capital requirements. Liquidity is reviewed continually by the Group's treasury departments through daily cash monitoring, review of available credit facilities and forecasting and matching of cash flows.

At 31 December 2016 the Group had undrawn bank facilities of $1,686.4 million (31 December 2015: $1,861.5 million), and undrawn guarantee facilities of $546.3 million (31 December 2015: $563.9 million).

Contractual maturities of financial liabilities and cash flow hedge contracts as at 31 December 2016:

December 2016	Carrying amount $m	Contractual cash flows $m	Less than 1 year $m	1-5 years $m	More than 5 years $m
Non-derivative financial liabilities					
Interest bearing loans	877.1	(996.5)	(373.2)	(327.1)	(296.2)
Finance lease liabilities	22.8	(23.4)	(23.4)	-	-
Limited recourse loans	267.3	(268.3)	(18.3)	(250.0)	-
Total interest bearing liabilities[1]	1,167.2	(1,288.2)	(414.9)	(577.1)	(296.2)
Trade and other payables	5,003.5	(5,003.5)	(4,716.9)	(286.6)	-
Derivative financial liabilities / (assets)					
Forward exchange contracts used for foreign currency hedging:					
Net derivative financial liabilities / (assets)[2]	3.0				
Inflow		128.3	121.6	6.7	-
Outflow		(131.9)	(125.0)	(6.9)	-
Other cashflow hedges:					
Net derivative financial (assets)	(15.7)				
Inflow		1.3	0.9	0.4	-
Outflow		(16.0)	-	(16.0)	-
Total net derivative financial liabilities / (assets)	(12.7)	(18.3)	(2.5)	(15.8)	-

Notes continued

for the 12 months to 31 December 2016

35. FINANCIAL INSTRUMENTS CONTINUED

b) Liquidity risk continued

Contractual maturities of financial liabilities and cash flow hedge contracts as at 31 December 2015:

December 2015	Carrying amount $m	Contractual cash flows $m	Less than 1 year $m	1-5 years $m	More than 5 years $m
Non-derivative financial liabilities					
Interest bearing loans	761.8	(959.7)	(65.9)	(593.4)	(300.4)
Finance lease liabilities	291.2	(301.5)	(191.0)	(110.5)	-
Limited recourse loans	52.0	(54.0)	(54.0)	-	-
Total interest bearing liabilities[1]	1,105.0	(1,315.2)	(310.9)	(703.9)	(300.4)
Trade and other payables	4,005.9	(4,005.9)	(3,674.3)	(331.6)	-
Derivative financial liabilities / (assets)					
Forward exchange contracts used for foreign currency hedging:					
Net derivative financial liabilities / (assets)[2]	(3.1)				
Inflow		89.6	48.9	40.7	-
Outflow		(81.6)	(51.1)	(30.5)	-
Total net derivative financial liabilities / (assets)	(3.1)	8.0	(2.2)	10.2	-

[1] 31 December 2016: Total interest bearing financial liabilities includes $nil (31 December 2015: $48.7 million) of interest bearing liabilities included in held for sale as at the end of the reporting period. Refer to Note 30: Held for Sale.

[2] Net derivative financial liabilities / (assets) relating to foreign currency hedging includes $4.6 million (31 December 2015: $4.5 million) of derivatives in an asset position and $1.6 million (31 December 2015: $1.4 million) of derivatives in a liability position.

Guarantees

Guarantees have not been included in the maturity analysis for financial liabilities above. Guarantees provided to joint ventures, with a carrying value of $nil (31 December 2015: $nil), are disclosed in Note 26: *Joint Venture Entities*.

c) Equity price risk

Equity price risk is the risk that the fair value of either a listed or unlisted equity investment, derivative equity instrument, or a portfolio of such financial instruments decreases in the future. The Group invests in equity investments through its participation in major PPP infrastructure projects. Investments may also be made as part of its strategic plans to form alliances or to invest in specialised but complementary businesses to access specialised skills, markets, or additional capacity. Equity investments are not made for trading or speculative purposes.

Fair values

For the fair values of listed and unlisted investments and derivative equity instruments, see section (f) of this note.

Sensitivity analysis of listed and unlisted investments

The price risk for the listed and unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity.

Notes continued

for the 12 months to 31 December 2016

35. FINANCIAL INSTRUMENTS CONTINUED

d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial commitment, a recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group's foreign currency risk arises primarily from net investments in foreign operations. The Group uses non-derivative financial instruments, such as borrowings in the foreign currencies, to hedge its investments in foreign operations. Foreign currency gains and losses arising from translation of net investments in foreign operations are recognised in the foreign currency translation reserve until realised.

Shareholders of the Group are exposed to foreign currency risk on project receipts and expenditure on plant and equipment denominated in currencies other than their functional currency. Where this foreign currency risk is considered to be significant, shareholders of the Group enter into forward exchange contracts to hedge their foreign currency risk. These hedges are classified as cash flow hedges and measured at fair value.

Cash flow hedges

The Group's cash flow hedges protect against foreign exchange rate fluctuations on highly probable forecast transactions using foreign exchange forward contracts. As at reporting date the fair value of these outstanding designated derivatives recognised in equity is $1.0 million (31 December 2015: $0.6 million). It is expected that the current hedged forecast transactions will occur during the periods outlined in section (b) above and will affect the statement of profit or loss in the same periods. There are no gains or losses recognised in the statement of profit or loss during the period due to hedge ineffectiveness.

Exposure to foreign currency risk

The most significant foreign currencies the Group is exposed to is the United States dollar (US$) along with the U.A.E Dirham (AED) and Hong Kong dollar (HKD), both of which are pegged to the US$. The applicable Australian dollar to United States dollar exchange rates during or at the end of the relevant reporting period, were as follows:

	Assets and liabilities		Statement of Profit or Loss	
	December 2016	December 2015	12 months to December 2016	12 months to December 2015
US$ United States dollar	0.72	0.73	0.74	0.75

At 31 December 2016, the share of the Group's assets and liabilities denominated in US$ was: assets US$4,318.4 million (31 December 2015: US$4,165.3 million); liabilities US$1,473.1 million (31 December 2015: US$1,777.4 million). The majority of these US$ balances are held in entities with a US$ functional currency.

Sensitivity analysis

A movement in the United States dollar (US$) against the Australian dollar (AU$) at reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for the period ended 31 December 2015.

	Equity		Statement of Profit or Loss	
	December 2016 $m	December 2015 $m	12 months to December 2016 $m	12 months to December 2015 $m
US$ depreciates by 5% against AU$ (AU$ appreciates)	(159.6)	(121.6)	(2.1)	(2.2)
US$ appreciates by 5% against AU$ (AU$ depreciates)	159.6	110.0	2.1	2.5

Notes continued

for the 12 months to 31 December 2016

35. FINANCIAL INSTRUMENTS CONTINUED

e) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in the market interest rates. The Group uses derivative financial instruments to assist in managing its interest rate exposure. Speculative trading is not undertaken. The Group's interest rate risk arises from the interest receivable on *'Cash and cash equivalents'* and interest payable on *'Interest bearing loans'*.

At the reporting date it is estimated that an increase of one percentage point in floating interest rates would have increased the Group's profit after tax and retained earnings by $8.3 million (31 December 2015: increased by $13.6 million). A one percentage point decrease in interest rates would have an equal and opposite effect.

Profile
At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	December 2016 $m	December 2015 $m
Fixed rate instruments		
Financial assets	-	-
Financial liabilities[1]	(773.3)	(753.9)
Total fixed rate instruments	(773.3)	(753.9)
Variable rate instruments		
Financial assets	1,576.5	2,167.8
Financial liabilities[1]	(393.9)	(351.0)
Total variable rate instruments	1,182.6	1,816.8

[1]*Total interest bearing financial liabilities includes liabilities associated with held for sale during the reporting period. Refer to Note 30: Held for sale.*

Notes continued

for the 12 months to 31 December 2016

35. FINANCIAL INSTRUMENTS CONTINUED

f) Net fair values of financial assets and liabilities

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the fair value hierarchy. The fair values of financial assets and liabilities held at fair value have been determined based on either the listed price or the net present value of cash flows using current market rates of interest. The carrying amounts of other financial assets and liabilities in the Group's balance sheet approximate fair values.

The table below analyses other financial instruments carried at fair value, listed in order of valuation method. The different levels have been identified as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data.

31 December 2016	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Equity and stapled securities available-for-sale				
- Listed investments	1.9	-	-	1.9
- Unlisted investments	-	-	5.4	5.4
Financial assets at fair value through profit or loss				
- Unlisted investments	-	-	53.1	53.1
Derivatives	-	17.3	75.0	92.3
Total assets	1.9	17.3	133.5	152.7
Liabilities				
Derivatives	-	(4.6)	-	(4.6)
Total liabilities	-	(4.6)	-	(4.6)

31 December 2015	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Equity and stapled securities available-for-sale				
- Listed investments	1.6	-	-	1.6
- Unlisted investments	-	-	72.3	72.3
Financial assets at fair value through profit or loss				
- Unlisted investments	-	-	51.8	51.8
Derivatives	-	4.5	-	4.5
Total assets	1.6	4.5	124.1	130.2
Liabilities				
Derivatives	-	(1.4)	-	(1.4)
Total liabilities	-	(1.4)	-	(1.4)

Notes continued

for the 12 months to 31 December 2016

35. FINANCIAL INSTRUMENTS CONTINUED

f) Net fair values of financial assets and liabilities continued

Fair value hierarchy continued

During the period there were no transfers between Level 1, Level 2 and Level 3 fair value hierarchies. Level 3 instruments comprise unlisted equity and stapled securities and unlisted financial assets at fair value through profit and loss; the determination of the fair value of these securities is discussed below. The tables below analyse the changes in Level 3 instruments as follows:

	12 months to December 2016 $m	12 months to December 2015 $m
Unlisted equity and stapled securities available-for-sale		
Balance at beginning of reporting period	72.3	63.7
Acquisitions	0.4	-
Transfers[1]	4.6	-
Disposals	(71.9)	-
Gains/(losses) recognised in other comprehensive income	-	8.6
Balance at reporting date	5.4	72.3

[1] *Transfers from equity accounted investments following loss of significant influence in LCIP Co-Investment Unit Trust.*

	12 months to December 2016 $m	12 months to December 2015 $m
Financial assets at fair value through profit or loss		
Balance at beginning of reporting period	51.8	47.0
Additions	1.3	-
Gains recognised through profit or loss	75.0	4.8
Balance at reporting date	128.1	51.8

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in profit or loss, total assets, total liabilities or total equity.

Methods and valuation techniques

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Listed and unlisted investments
The fair values of listed investments are determined on an active market valuation basis using observable market data such as current bid prices. The fair values of unlisted investments are determined by the use of internal valuation techniques using discounted cash flows. Where practical the valuations incorporate observable market data. Assumptions are generally required with regard to future expected revenues and discount rates.

Listed and unlisted debt
Fair value has been determined based on either the listed price or the net present value of cash flows using current market rates of interest. The carrying amounts of other financial assets and liabilities in the Group's statement of financial position approximate fair values.

Notes continued

for the 12 months to 31 December 2016

35. FINANCIAL INSTRUMENTS CONTINUED

f) Net fair values of financial assets and liabilities continued

Methods and valuation techniques continued

The fair value of interest bearing liabilities is:

- *Listed debt:* 10-Year-Fixed-Rate Guaranteed Notes fair value US$212.4 million, equivalent to $295.0 million; carrying value US$201.3 million, equivalent to $279.6 million (31 December 2015: fair value US$207.5 million, equivalent to $284.2 million; carrying value US $201.3 million, equivalent to $275.8 million).
- *Unlisted debt*: Guaranteed Senior Notes fair value US$368.3 million, equivalent to $511.6 million; carrying value US$339.0 million, equivalent to $470.8 million (31 December 2015: fair value US$377.6 million, equivalent to $517.3 million; carrying value US$339.0 million, equivalent to $464.4 million).

Cash flow hedges

The Group's foreign currency forward contracts are not traded in active markets. The fair values of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, e.g. market exchange and interest rates and are included in Level 2 of the fair value hierarchy.

Option to acquire shares

The Group's option to acquire shares is not related to a listed entity and as such the fair value cannot be observed from a market price. The Monte-Carlo simulation technique used incorporates market observable data including multiples of similar companies to derive a value of the company and compares this to the contractual exercise price to determine a fair value.

Valuation process

The internal valuation process for unlisted investments, unlisted debt and cash flow hedges is managed by a team in the Group finance department which performs the valuations required for financial reporting purposes. The valuation team reports to the CIMIC's CFO. Discussions on valuation processes and outcomes are held between the valuation team and CFO as required. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Valuation inputs

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. There were no significant inter-relationships between unobservable inputs that materially affect fair values.

<table>
<tr><th>Financial assets/ financial liabilities</th><th>Significant unobservable inputs</th><th>Range of inputs</th><th>Relationship of unobservable inputs to fair value</th></tr>
<tr><td rowspan="3">Unlisted investments</td><td>Growth rates</td><td>2.5% - 3.0%</td><td rowspan="6">The impact on a change in the unobservable inputs would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity</td></tr>
<tr><td>Internal rate of return</td><td>9%</td></tr>
<tr><td>Discount rates</td><td>10% - 15%</td></tr>
<tr><td rowspan="3">Option to acquire shares</td><td>Expected exercise period</td><td>1 – 10 years</td></tr>
<tr><td>EBITDA multiple</td><td>6-12 times</td></tr>
<tr><td>Discount rates</td><td>15%</td></tr>
</table>

g) Interest bearing loans

Syndicated loans

On 21 June 2013, CIMIC Finance Limited, a wholly owned subsidiary of the Company, entered into a syndicated bank facility for $1,000.0 million, maturing on 21 June 2016. On 8 December 2014 the maturity date of this facility was extended to 8 December 2017. Carrying amount at 31 December 2016: $nil million (carrying amount at 31 December 2015: $nil million).

Notes continued

for the 12 months to 31 December 2016

35. FINANCIAL INSTRUMENTS CONTINUED

g) Interest bearing loans continued

Guaranteed Senior Notes

CIMIC Finance Limited (2008)

On 15 October 2008, CIMIC Finance Limited, issued a total of US$280.0 million Guaranteed Senior Notes in three series:

- Series A Notes: US$111.0 million Guaranteed Senior Notes at the rate of 6.91% which matured on 15 October 2013
- Series B Notes: US$90.0 million Guaranteed Senior Notes at the rate of 7.19% which matured on 15 October 2015
- Series C Notes: US$79.0 million Guaranteed Senior Notes at the rate of 7.66% maturing on 15 October 2018

Interest on the above Notes is paid semi-annually on the 15th day of April and October in each year. Carrying amount at 31 December 2016: US$79.0 million (31 December 2015: US$79.0 million) equivalent to $109.7 million (31 December 2015: $108.2 million), of which $nil million is due for repayment within twelve months from the reporting date.

CIMIC *Finance (USA) Pty Limited (2010)*

On 21 July 2010, CIMIC Finance (USA) Pty Limited, a wholly owned subsidiary of the Company, issued a total of US$350.0 million Guaranteed Senior Notes in three series:

- Series A Notes: US$90.0 million Guaranteed Senior Notes at the rate of 4.51% which matured on 21 July 2015
- Series B Notes: US$145.0 million Guaranteed Senior Notes at the rate of 5.22% maturing on 21 July 2017
- Series C Notes: US$115.0 million Guaranteed Senior Notes at the rate of 5.78% maturing on 21 July 2020

Interest on the above Notes is paid semi-annually on the 21st day of January and July in each year. Carrying amount at 31 December 2016: US$260.0 million (31 December 2015: US$260.0 million) equivalent to $361.1 million (31 December 2015: $356.1 million), of which US$145 million is due for repayment within twelve months from the reporting date.

CIMIC Finance (USA) Pty Limited (2012)

On 13 November 2012, CIMIC Finance (USA) Pty Limited, a wholly owned subsidiary of the Company, issued US$500.0 million of 10-Year Fixed-Rate Guaranteed Senior Notes.

The notes bear interest from 13 November 2012 at the rate of 5.95% per annum and mature on 13 November 2022. Interest on the notes will be paid semi-annually on the 13th day of May and November in each year. The Group repurchased US$298.7 million, equivalent to $409.2 million, of Guaranteed Senior Notes on 24 June 2015. Carrying amount at 31 December 2016: US$201.3 million (31 December 2015: US$201.3 million) equivalent to $279.6 million (31 December 2015: $275.8 million).

Bilateral loans

At 31 December 2016, bilateral loan facilities outstanding were $115.0 million (31 December 2015: $nil).

Other unsecured loans

Other unsecured loans outstanding as at 31 December 2016: $11.6 million (31 December 2015: $20.1 million). Other unsecured loans expected to be settled within twelve months after reporting date: $11.6 million (31 December 2015: $20.1 million).

h) Finance lease liabilities

The Group has leased mining plant and equipment in Mongolia under finance leases that expire within one year of the reporting date.

Notes continued

for the 12 months to 31 December 2016

35. FINANCIAL INSTRUMENTS CONTINUED

i) Limited recourse loans

The Group has limited recourse property development loans secured against certain property development assets of the Group. Carrying amount as at 31 December 2016: $17.3 million (31 December 2015: $52.0 million).

The Group has borrowings attributable to their UGL subsidiary secured against the assets of the subsidiary. Carrying amount as at 31 December 2016: $250.0 million (31 December 2015: $nil).

j) Assets pledged as security

The total carrying value of financial assets pledged as security at the reporting date is as follows:

	December 2016 $m	December 2015 $m
Assets pledged as security		
Property development - mortgaged	203.0	351.5
Other assets - fixed and floating charge	1,267.6	121.6
Total pledged assets	1,407.6	473.1

Loans relating to development properties are secured by mortgages over the Group's development property inventories. At the reporting date, loans relating to development properties are disclosed above in Note 35 (i): *Financial instruments - Limited Recourse Loans*.

A fixed and floating charge over certain other assets of Devine, part of the Commercial & Residential segment, is held by Devine's principal bankers relating to their commercial and residential property lending.

UGL has a number of facilities secured against the assets of the UGL group.

k) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the balance sheet are disclosed in the table below.

	Effects of offsetting on the balance sheet			Related amounts not offset	
	Gross amounts of bank accounts with a debit balance (financial asset) $m	Gross amounts of bank accounts with a credit balance (financial liability) $m	Net cash amount $m	Amounts subject to master netting arrangements $m	Net amount $m
December 2016					
Cash[1]	25.4	(25.3)	0.1	-	-
December 2015					
Cash[1]	1,276.2	(607.2)	669.0	-	-

[1]*The Group has transactional banking facilities that notionally pool grouped bank accounts with credit and debit balances.*

Notes continued

for the 12 months to 31 December 2016

36. EMPLOYEE BENEFITS

a) Rights plans

Equity Incentive Plans – 2012, 2013, and 2014 Awards
Shareholder approval was obtained at the Annual General Meeting on 22 May 2012 for the Equity Incentive Plan ("EIP"). The EIP provides the legal framework for the awards of share rights made in 2012, 2013 and 2014 under the Long-Term Incentive Plan ("LTI"), Short-Term Incentive Plan (Deferral) ("STI") and One-off Awards described below.

Long-Term Incentive Plan – 2012 Awards
The Long-Term Incentive Plan ("LTI") – 2012 Awards performance share rights were granted for no cost to the employee and entitle the participant to receive one fully paid ordinary share in the Company per right, subject to the terms and conditions determined by the Remuneration and Nomination Committee, including vesting conditions linked to service and performance over the three year performance period. All share rights issued expire on the earlier of their vesting date where performance hurdles are not met or termination of the individual's employment except in certain special circumstances.

In addition to a continuing employment service condition, the vesting is conditional on the Group achieving Total Shareholder Return ("TSR") (ie, growth in share price plus dividends reinvested) or Earnings Per Share ("EPS") performance hurdles, as follows:

- 50% of each grant of share rights will be subject to a TSR performance hurdle ("parcel A"). The TSR hurdle requires the Company's TSR percentile ranking against the TSR performance of the companies comprising the ASX 100 (as at 1 January 2012) over the performance period (from grant date to test date) to be at least at the 51st percentile before any parcel A share rights vest (50% vest at threshold) then pro rata to the 75th percentile and then at the 75th percentile or greater all parcel A share rights vest; and
- 50% of each grant of share rights will be subject to an EPS hurdle ("parcel B"). Annual compound earnings per share growth over the performance period must be at least 8% per annum before any parcel B share rights vest (50% vest at threshold) then pro rata to 13% per annum and then at 13% per annum all parcel B share rights vest.

Long-Term Incentive Plan – 2012 Additional Award
Additional awards of performance share rights were made under the same vesting and performance conditions as the 2012 LTI, and measured over three, four and five year performance periods.

Amount recognised during the reporting period: Expense $0.1 million (31 December 2015: Gain $3.0 million).

	2012 LTI and 2012 LTI additional award	2012 LTI additional award	2012 LTI additional award
Date of grant	1 Jan 2012	1 Jan 2012	1 Jan 2012
Date of performance period end[1]	31 Dec 2014	31 Dec 2015	31 Dec 2017
Grant fair value for TSR performance hurdle ("parcel A")[2]	$9.34	$9.22	$9.02
Grant fair value for EPS hurdle ("parcel B")[3]	$15.84	$14.93	$14.07
Original grant	565,092	21,768	21,768
Unvested rights at 31 December 2014	320,122	21,768	21,768
- Granted	-	-	-
- Vested[4]	-	-	-
- Forfeited/Lapsed[5]	(320,122)	(21,768)	(21,768)
Unvested rights at 31 December 2015 and 31 December 2016	-	-	-

Notes continued

for the 12 months to 31 December 2016

36. EMPLOYEE BENEFITS CONTINUED

a) Rights plans continued

[1]Each 2012 LTI performance hurdle is tested over a three year performance period, which runs from 1 January. Performance hurdles are to be tested in February following the announcement of full year results for the previous financial year. The 2012 LTI additional awards are measured over a three, four and five year performance period respectively.
[2]The fair values were calculated at grant date using Monte-Carlo simulation pricing models. Volatility in share prices and expected dividend levels were estimated based on historic levels for a period consistent with the relevant performance period.
[3]The fair values were calculated at grant date using binomial tree pricing models. Volatility in share prices and expected dividend levels were estimated based on historic levels for a period consistent with the relevant performance period.
[4]The volume weighted average share price during the reporting period to 31 December 2015 was $22.96.
[5]The performance hurdles for the 2012 LTI and three year additional award were not met at the test in February 2015 and as a result 100% of the award lapsed immediately. The three year, four year and five year additional awards lapsed due to termination of employment.
[6]The volume weighted average share price during the reporting period to 31 December 2016 was $31.30.

Long-Term Incentive Plan – 2013 Awards
The Long-Term Incentive Plan ("LTI") – 2013 Awards performance share rights were granted for no cost to the employee and entitle the participant to receive one fully paid ordinary share in the Company per right, subject to the terms and conditions determined by the Remuneration and Nomination Committee, including vesting conditions linked to service and performance over the three year performance period. All share rights issued expire on the earlier of their vesting date where performance hurdles are not met or termination of the individual's employment except in certain special circumstances.

In addition to a continuing employment service condition, the vesting is conditional on the Group achieving Total Shareholder Return ("TSR") (i.e. growth in share price plus dividends reinvested) or Earnings Per Share ("EPS") performance hurdles, as follows:

- 50% of each grant of share rights will be subject to a TSR performance hurdle ("parcel A"). The TSR hurdle requires the Company's TSR percentile ranking against the TSR performance of the companies comprising the ASX 100 (as at 1 January 2013) over the performance period (from grant date to test date) to be at least at the 51st percentile before any parcel A share rights vest (50% vest at threshold) then pro rata to the 75th percentile and then at the 75th percentile or greater all parcel A share rights vest; and
- 50% of each grant of share rights will be subject to an EPS hurdle ("parcel B"). Annual compound earnings per share growth over the performance period must be at least 10% per annum before any parcel B share rights vest (50% vest at threshold) then pro rata to 14% per annum and then at 14% per annum all parcel B share rights vest.

Amount recognised during the reporting period: Gain $0.7 million (31 December 2015: Expense $0.3 million).

	2013 LTI award
Date of grant	1 January 2013
Date of performance period end[1]	31 December 2015
Grant fair value for TSR performance hurdle ("parcel A")[2]	$9.41
Grant fair value for EPS hurdle ("parcel B")[3]	$14.87
Original grant	705,426
Unvested rights at 31 December 2014	410,074
- Granted[4]	5,836
- Vested[5]	-
- Forfeited/Lapsed	(134,381)
Unvested rights at 31 December 2015	281,529
- Granted	-
- Vested[6]	(271,192)
- Forfeited/Lapsed[7]	(10,337)
Unvested rights at 31 December 2016	-

Notes continued

for the 12 months to 31 December 2016

36. EMPLOYEE BENEFITS CONTINUED

a) Rights plans continued

[1]Each 2013 LTI performance hurdle is tested over a three year performance period, which runs from 1 January. Performance hurdles are to be tested in February following the announcement of full year results for the previous financial year.
[2]The fair values were calculated at grant date using Monte-Carlo simulation pricing models. Volatility in share prices and expected dividend levels were estimated based on historic levels for a period consistent with the relevant performance period.
[3]The fair values were calculated at grant date using binomial tree pricing models. Volatility in share prices and expected dividend levels were estimated based on historic levels for a period consistent with the relevant performance period.
[4]This grant represents an amendment to an existing award.
[5]The volume weighted average share price during the reporting period to 31 December 2015 was $22.96.
[6]The five day volume weighted average share price up to and including 6 May 2016 was $37.26.
[7]The performance hurdles for the 2013 LTI were partially met at the test date in February 2016 and as a result 99.26% of the EPS grant vested and 94.21% of the TSR grant vested in May 2016. The remaining unvested rights lapsed in accordance with the terms of the award.

Long-Term Incentive Plan – 2014 Awards
The Long-Term Incentive Plan ("LTI") – 2014 Awards performance share rights were granted for no cost to the employee and entitle the participant to receive one fully paid ordinary share in the Company per right, subject to the terms and conditions determined by the Remuneration and Nomination Committee, including vesting conditions linked to service and performance over the three year performance period. All share rights issued expire on the earlier of their vesting date where performance hurdles are not met or termination of the individual's employment except in certain special circumstances.

In addition to a continuing employment service condition, the vesting is conditional on the Group achieving Total Shareholder Return ("TSR") (i.e. growth in share price plus dividends reinvested) or Earnings Per Share ("EPS") performance hurdles, as follows:

- 50% of each grant of share rights will be subject to a TSR performance hurdle ("parcel A"). The TSR hurdle requires the Company's TSR percentile ranking against the TSR performance of the companies comprising the ASX 100 (as at 1 January 2014) over the performance period (from grant date to test date) to be at least at the 51st percentile before any parcel A share rights vest (50% vest at threshold) then pro rata to the 75th percentile and then at the 75th percentile or greater all parcel A share rights vest; no rights will vest if TSR is less than or equal to 0%; and
- 50% of each grant of share rights will be subject to an EPS hurdle ("parcel B"). Annual compound earnings per share growth over the performance period must be at least 6% per annum before any parcel B share rights vest (50% vest at threshold) then pro rata to 10% per annum and then at 10% per annum all parcel B share rights vest.

Amount recognised during the reporting period: Expense $0.6 million (31 December 2015: Expense $2.4 million).

	2014 LTI award
Date of grant	1 January 2014
Date of performance period end[1]	31 December 2016
Grant fair value for TSR performance hurdle ("parcel A")[2]	$13.81
Grant fair value for EPS hurdle ("parcel B")[3]	$19.78
Original grant	704,802
Unvested rights at 31 December 2014	704,802
- Granted[4]	14,730
- Vested[5]	-
- Forfeited/Lapsed	(318,890)
Unvested rights at 31 December 2015	400,642
- Granted	-
- Vested[6]	-
- Forfeited/Lapsed	(65,657)
Unvested rights at 31 December 2016	334,985

Notes continued

for the 12 months to 31 December 2016

36. EMPLOYEE BENEFITS CONTINUED

a) Rights plans continued

[1]Each 2014 LTI performance hurdle is tested over a three year performance period, which runs from 1 January. Performance hurdles are to be tested in February following the announcement of full year results for the previous financial year.
[2]The fair values were calculated at grant date using Monte-Carlo simulation pricing models. Volatility in share prices and expected dividend levels were estimated based on historic levels for a period consistent with the relevant performance period.
[3]The fair values were calculated at grant date using binomial tree pricing models. Volatility in share prices and expected dividend levels were estimated based on historic levels for a period consistent with the relevant performance period.
[4]This grant represents an amendment to an existing award.
[5]The volume weighted average share price during the reporting period to 31 December 2015 was $22.96.
[6]The volume weighted average share price during the reporting period to 31 December 2016 was $31.30.

One-Off Awards
One-off awards of Deferred Share Rights were granted under the Equity Incentive Plan ("EIP") for no cost to the employee and entitle the participant to receive one fully paid ordinary share in the Company per right. In 2012, 2013, and 2014 one-off awards were granted to employees:

- to replace existing cash-based service and retention arrangements where payment was due to vest over the longer-term; and
- as one-off awards to new and existing employees for recruitment and retention purposes.

All share rights issued expire on the earlier of their vesting date where performance conditions are not met or termination of the individual's employment except in certain special circumstances. The only performance condition is continued employment.

Amount recognised during the reporting period: Expense $0.1 million (31 December 2015: Expense $0.5 million).

	One-off Awards – 2012 Awards	One-off Awards – 2013 Awards	One-off Awards – 2014 Awards
Date of grant	1 Jan 2012 - 31 Dec 2012	3 May 2013	31 Oct 2014
Date of performance period end	5 Sep 2012 - 31 Dec 2017	31 Dec 2014 - 1 Jan 2017	31 Dec 2014 - 1 Jul 2017
Grant fair value[1]	$16.20 -$25.66	$18.06	$16.18 - $21.50
Original grant	811,018	22,034	43,542
Unvested rights at 31 December 2014	307,980	16,497	37,650
- Granted[2]	-	-	12,930
- Vested[3]	(157,231)	-	(37,650)
- Forfeited/Lapsed	(68,098)	(8,249)	-
Unvested rights at 31 December 2015	82,651	8,248	12,930
- Granted	-	-	-
- Vested[4]	(70,831)	(4,124)	(6,651)
- Forfeited/Lapsed	(9,317)	(4,124)	-
Unvested rights at 31 December 2016	2,503	-	6,279

[1]The fair values were calculated using a five day volume weighted average share price up to and including the relevant reference date.
[2]This grant represents an additional award in accordance with contractual entitlements.
[3]The volume weighted average share price during the reporting period to 31 December 2015 was $22.96.
[4]The volume weighted average share price during the reporting period to 31 December 2016 was $31.30.

Notes continued

for the 12 months to 31 December 2016

36. EMPLOYEE BENEFITS CONTINUED

a) Rights plans continued

Short-Term Incentive Plan (Deferral) – 2012, 2013 and 2014 Awards
During the period 2012 to 2014, a percentage of the amount which was earned by executives as a short-term incentive for each financial year was paid in cash, and a percentage delivered as deferred share rights, vesting of which was deferred for one to two years without any additional performance measures. The Company has the ability to reduce the number of shares to be issued under share rights if subsequent events show such a reduction to be appropriate. In making this determination, the Company may consider material changes or reversals in the Group's financial position or profitability from one period to the next.

For each financial year, deferred share rights were granted following the determination of individual short-term incentive payments. The number of deferred share rights granted was determined by reference to the five day volume weighted average price of fully paid ordinary shares in the company over the five days following the Company's full year results announcement.

The deferred share rights were granted for no cost to the employee and entitle the participant to receive one fully paid ordinary share in the Company per right.

Amount recognised during the reporting period: Gain $0.1 million (31 December 2015: Gain $0.3 million).

	2012 STI Deferral award	2013 STI Deferral award	2014 STI Deferral award
Date of grant	1 Jan 2013	1 Jan 2014	1 Jan 2015
Date of performance period end	31 Dec 2014	31 Dec 2015	31 Dec 2015
Grant fair value[1]	$23.32	$17.51	$20.85
Original grant	193,907	299,953	76,448
Unvested rights at 31 December 2014	126,764	286,113	-
- Granted	-	-	76,448
- Vested[2]	(124,455)	-	-
- Forfeited/Lapsed	(2,309)	(51,633)	-
Unvested rights at 31 December 2015	-	234,480	76,448
- Granted	-	-	-
- Vested[3]	-	(234,480)	(76,448)
- Forfeited/Lapsed	-	-	-
Unvested rights at 31 December 2016	-	-	-

[1] The fair values were calculated using a five day volume weighted average price over the five days following the Company's full year results announcement.
[2] The volume weighted average share price during the reporting period to 31 December 2015 was $22.96.
[3] The five day volume weighted average share price up to and including 23 February 2016 was $29.48.

Notes continued

for the 12 months to 31 December 2016

36. EMPLOYEE BENEFITS CONTINUED

b) Share Appreciation Rights

Share Appreciation Rights – 2014 One-off Award to Marcelino Fernández Verdes (Executive Chairman)

Board approval was obtained on 11 December 2014 for the granting of share appreciation rights to Mr Fernández Verdes subject to a two year vesting period. The share appreciation rights were granted at no cost to Mr Fernández Verdes and entitle Mr Fernández Verdes to receive a cash payment reflecting the increase in value of the share price of the Company from the base share price of $17.71 to the share price at close of trading on the last trading day before the share appreciation right is exercised, with a maximum payment per share appreciation right of $32.29. The base price is the volume average weighted price of fully paid ordinary shares in CIMIC traded on the ASX over the 30 day period before Mr Fernández Verdes' appointment as CEO on 13 March 2014. All unvested or vested but unexercised share appreciation rights are subject to forfeiture if Mr Fernández Verdes had ceased to be the CEO of CIMIC before 31 December 2014 or if he does not remain a member of either the Executive Board or the Supervisory Board of HOCHTIEF for the period up to and including 13 March 2017. The share appreciation rights have vested in full on 13 March 2016 and are exercisable for three years from the date of vesting. No more than 40% of the share appreciation rights can be exercised each year for the first two years after vesting, and any remaining share appreciation rights can be exercised in the final year of the exercise period.

On 18 October 2016 Mr Valderas Martínez was appointed as CEO however Mr Fernández Verdes continues in his capacity as Executive Chairman.

Amount recognised during the reporting period: Expense $13.7 million (31 December 2015: Expense $3.3 million).

	Share Appreciation Rights - 2014 One-off Award to M Fernández Verdes
Date of grant	10 June 2014
Date of expiry	13 March 2019
Grant fair value[1]	$16.76
Original grant	1,200,000
Unexercised rights	
Unexercised rights at 31 December 2014	1,200,000
- Granted	-
- Exercised[2]	-
- Forfeited/Lapsed	-
Unexercised rights at 31 December 2015 and as at 31 December 2016	1,200,000
Exercisable rights	
- At 31 December 2015	-
- At 31 December 2016[2]	480,000
Non-exercisable rights	
- At 31 December 2015	-
- At 31 December 2016[3]	720,000

[1] The fair value was re-evaluated on 31 December 2016 using Monte-Carlo simulation pricing models. Volatility in share prices and expected dividend levels were estimated based on historic levels for a period consistent with the relevant performance period.
[2] This represents 40% of the total vested share appreciation rights available to exercise in the first year from the date of vesting.
[3] This represents 60% of the total vested share appreciation rights unavailable to exercise in the first year from the date of vesting.

Notes continued

for the 12 months to 31 December 2016

36. EMPLOYEE BENEFITS CONTINUED

c) Options

Long-Term Incentive Plan – 2015 Award
Board approval was obtained on 28 October 2015 for a discretionary award of options over unissued ordinary shares in the Company to be made to selected executives. The award of options was made under the legal framework of the EIP approved by shareholders on 22 May 2012. The exercise price is the volume weighted average price of fully paid ordinary shares in CIMIC over the five trading days following Board approval of the award (excluding the date of the approval).

All options issued expire on the earlier of their expiry date or termination of the individual's employment except in certain circumstances. Options vest two years after the grant date, subject to individual service and contribution hurdles approved by the Company. Any Options that do not vest will immediately lapse. No more than 40% of the options can be exercised each year for the first two years after vesting, and any remaining options can be exercised in the final year of the exercise period. All options must be exercised prior to the expiry date.

Amount recognised during the reporting period: Expense $1.0 million (31 December 2015: Expense $0.2 million).

	Options – 2015 Long-Term Incentive
Date of grant	29 October 2015
Date of expiry	29 October 2020
Grant fair value[1]	$4.53
Original grant	735,636
Unexercised options at 31 December 2014	-
- Granted	735,636
- Vested[2]	-
- Lapsed	-
Unexercised options at 31 December 2015	735,636
- Granted	-
- Vested[3]	-
- Lapsed	(183,405)
Unexercised options at 31 December 2016	552,231

[1] *The fair values were calculated at grant date using Black Scholes pricing models. Volatility in share prices and expected dividend levels were estimated based on historic levels for a period consistent with the relevant performance period.*
[2] *The volume weighted average share price during the reporting period to 31 December 2015 was $22.96.*
[3] *The volume weighted average share price during the reporting period to 31 December 2016 was $31.30.*

Other information

No further offers will be made under the Short-Term Incentive Plan (STI) Deferral and all legacy grants vested in early 2016.

d) Defined contribution superannuation funds

During the period, the Group recognised $127.8 million (31 December 2015: $192.2 million) of defined contribution expenses.

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for the 12 months to 31 December 2016

37. RELATED PARTY DISCLOSURES

a) Key management personnel

Key management personnel compensation:

	12 months to December 2016 $'000	12 months to December 2015 $'000
Short-term employee benefits	10,538	6,639
Post-employment benefits	84	83
Long-term benefits	-	-
Termination benefits	-	20
Share-based payments	14,377	3,839
Total key management personnel compensation	24,999	10,581

The terms and conditions of transactions with KMP and their related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

D Robinson is a partner of ESV Accounting and Business Advisors (ESV) (following the merger between Harveys, of which D Robinson was principal, and ESV in July 2015), which received fees from HOCHTIEF Australia Holdings Limited for services provided to that company, which is a related party. D Robinson also received directors' fees from Devine Limited as a result of his appointment on 27 May 2015.

R Seidler received fees from HOCHTIEF Australia Holdings Limited, for services provided to that company.

Loans to key management personnel

There were no loans to Key Management Personnel (KMP) in the current or prior reporting period.

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for the 12 months to 31 December 2016

37. RELATED PARTY DISCLOSURES CONTINUED

b) Transactions with other related parties

Unless otherwise disclosed, transactions with other related parties are made on normal commercial terms and conditions. The aggregate of related party transactions was not material to the overall operations of the Group.

	December 2016 $'000	December 2015 $'000
Aggregate amounts receivable from related parties at reporting date		
Associates[1]	10,025	843,039
Joint venture entities[1]	1,067,742	73,764
Aggregate amounts payable to related parties at reporting date		
Associates	(2,203)	(1,138)
Joint venture entities	(34,679)	(37,687)

[1]*Refer to Note 8: Trade and other receivables, which contains the disclosure of interest free and interest bearing loan receivables from HLG Contracting.*

On 12 November 2015 CIMIC Group Limited made an offer of $0.75 per Devine Limited share to acquire the 49% of Devine that it did not already own. This offer expired on 29 December 2015 with CIMIC increasing its shareholding from 51% to 59% (refer to Note 38: *CIMIC Group Limited and controlled entities*). The amounts payable to the previous shareholders of Devine was held within trade and other payables as at 31 December 2016: $nil (31 December 2015: $10,097,000).

On 19 December 2016 the Group increased its ownership interest in UGL to more than 90% and exercised its right to compulsorily acquire the remaining shares, which was completed on 20 January 2017. A liability for $29,374,000 is recognised as at 31 December 2016 to the shareholders of UGL for their shares that are to be compulsorily required and those shares acquired pre-year end not yet settled.

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for the 12 months to 31 December 2016

37. RELATED PARTY DISCLOSURES CONTINUED

b) Transactions with other related parties continued

	12 months to December 2016 $'000	12 months to December 2015 $'000
Revenue – income from related parties		
Joint venture entities	3,771	20,000
Associates	4,519	-
Revenue - interest received / receivable from related parties		
Associates	24,974	24,472
Joint venture entities	2,270	1,285
Revenue - unwinding of discounts on non-current receivables - related parties		
Associates	8,045	7,771
Joint venture entities	731	-
Finance costs - interest paid / payable to related parties		
Joint venture entities	-	(1,299)
Finance costs - impact of discounting - related parties		
Associates	(115)	(1,125)

Notes continued

for the 12 months to 31 December 2016

37. RELATED PARTY DISCLOSURES CONTINUED

b) Transactions with other related parties continued

	December 2016 Number of employees	December 2015 Number of employees
Number of employees		
Number of employees at reporting date[1]	50,500	43,400

[1]Includes a proportional share of employees of Ventia and HLG Contracting.

c) Company information

CIMIC Group is domiciled in Australia and is a company listed on the Australian Securities Exchange. The Company was incorporated in Victoria, Australia. The address of the registered office is 177 Pacific Highway, North Sydney, NSW, Australia, 2060. Number of employees at reporting date: 6 (31 December 2015: 7).

The Group operates in the infrastructure, resources and property markets. Principal activities of the Group within these markets are construction, mining and mineral processing, public private partnerships, engineering, property development and other services (including environmental, telecommunications and operations and maintenance).

d) Ultimate parent entity

The ultimate Australian parent entity is HOCHTIEF Australia Holdings Limited and the ultimate parent entity is Actividades de Construcción y Servicios, SA (ACS) incorporated in Spain.

CIMIC Directors, Mr D Robinson, Mr P Sassenfeld, Mr M Fernández Verdes and alternate director Mr R Seidler were directors of HOCHTIEF Australia Holdings Limited during the period.

CIMIC Directors Mr J del Valle Pérez and Mr P López Jiménez were directors of ACS during the period.

At the date of this financial report, being 8 February 2017, HOCHTIEF Australia Holdings Limited held 235,661,965 shares in the Company.

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for the 12 months to 31 December 2016

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES

a) Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2016 the parent entity of the Group was CIMIC Group Limited. A summarised statement of profit or loss and summarised statement of financial position at 31 December 2016 is set out below:

	Company	
	12 months to December 2016 $m	12 months to December 2015 $m
Comprehensive income		
Profit / (loss) for the period	98.4	2,601.4
Other comprehensive income	-	-
Total comprehensive income for the period	98.4	2,601.4

	December 2016 $m	December 2015 $m
Statement of Financial Position		
Current assets	24.9	38.8
Non-current assets	5,327.9	6,102.0
Total assets	5,352.8	6,140.8
Current liabilities	232.5	236.9
Non-current liabilities	1,113.8	1,037.8
Total liabilities	1,346.3	1,274.7
Net assets	4,006.5	4,866.1
Equity		
Share capital	1,750.3	2,052.5
Reserves	(75.8)	62.7
Retained earnings	2,332.0	2,750.9
Total equity	4,006.5	4,866.1

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for the 12 months to 31 December 2016

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities

Name of entity		Interest held	Place of incorporation
145 Ann Street Pty Ltd	(C)	100%	QLD
145 Ann Street Trust	(C)	100%	QLD
512 Wickham Street Pty Ltd	(A),(C)	100%	NSW
512 Wickham Street Trust	(C)	100%	NSW
A.C.N. 126 130 738 PTY LTD		100%	VIC
A.C.N. 151 868 601 PTY. LTD.	(C)	100%	VIC
Arus Tenang SND BHD[3, 6]		100%	Malaysia
Ashmore Developments Pty Limited	(C)	100%	NSW
Ausindo Holdings Pte Ltd		100%	Singapore
BCJHG Nominees Pty Ltd	(C)	100%	VIC
BKP Electrical Limited[3, 6]		100%	Fiji
BCJHG Trust	(C)	100%	
Boggo Road Project Pty Limited	(C)	100%	QLD
Boggo Road Project Trust	(C)	100%	QLD
Broad Construction Services (NSW/VIC) Pty Ltd[2]	(C)	100%	WA
Broad Construction Services (QLD) Pty Ltd[1]	(C)	100%	QLD
Broad Construction Services (WA) Pty Ltd[1]	(C)	100%	WA
Broad Group Holdings Pty Ltd[1]	(C)	100%	WA
CIMIC Admin Services Pty Limited[1]	(C)	100%	NSW
CIMIC Finance (USA) Pty Ltd	(C)	100%	NSW
CIMIC Finance Limited[1]	(C)	100%	NSW
CIMIC Group Investments Pty Limited	(C)	100%	VIC
CIMIC Group Investments No. 2 Pty Limited	(B), (C)	100%	VIC
CIMIC Group Limited[5]	(C)		VIC
CIMIC Residential Investments Pty Ltd	(C)	100%	VIC
Contrelec Engineering Pty Ltd	(C)	100%	QLD
CPB Contractors (PNG) Limited (formerly known as LCPL (PNG) Limited)		100%	Papua New Guinea
CPB Contractors Pty Ltd[1]	(C)	100%	NSW
D.M.B. Pty. Ltd.		59%	QLD
Devine Bacchus Marsh Pty Ltd		59%	QLD
Devine Building Management Services Pty Ltd		59%	QLD
Devine Colton Avenue Pty Ltd		59%	QLD
Devine Constructions Pty Ltd		59%	QLD
Devine Funds Pty Ltd		59%	VIC
Devine Funds Unit Trust		59%	
Devine Homes Pty Ltd		59%	QLD

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for the 12 months to 31 December 2016

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Devine Land Pty Ltd		59%	QLD
Devine Limited		59%	QLD
Devine Management Services Pty Ltd		59%	QLD
Devine Projects (VIC) Pty Ltd		59%	QLD
Devine Queensland No.10 Pty Ltd		59%	QLD
Devine SA Land Pty Ltd		59%	QLD
Devine Springwood No. 1 Pty Ltd		59%	NSW
Devine Springwood No. 2 Pty Ltd		59%	QLD
Devine Springwood No. 3 Pty Ltd		59%	QLD
Devine Woodforde Pty Ltd		59%	QLD
DoubleOne 3 Building Management Services Pty Ltd		59%	QLD
DoubleOne 3 Pty Ltd		59%	QLD
EIC Activities Pty Ltd	(C)	100%	VIC
Fleetco Canada Rentals Ltd	(B)	100%	Canada
Fleetco Chile SPA	(B)	100%	Chile
Fleetco Finance Pty Limited	(C)	100%	VIC
Fleetco Holdings Pty Limited	(C)	100%	VIC
Fleetco Management Pty Limited	(C)	100%	VIC
Fleetco Rentals AN Pty Limited	(C)	100%	VIC
Fleetco Rentals CT Pty. Limited	(C)	100%	VIC
Fleetco Rentals HD Pty. Limited	(C)	100%	VIC
Fleetco Rentals LB Pty. Limited	(C)	100%	VIC
Fleetco Rentals No. 1 Pty Limited	(C)	100%	VIC
Fleetco Rentals OO Pty. Limited	(C)	100%	VIC
Fleetco Rentals Pty Limited	(C)	100%	VIC
Fleetco Rentals RR Pty. Limited	(C)	100%	VIC
Fleetco Rentals UG Pty. Limited		100%	VIC
Fleetco Services Pty Limited	(C)	100%	VIC
Ganu Puri Snd. Bhd[3, 6]		100%	Malaysia
Giddens Investment Limited		100%	Hong Kong
GSJV Limited (Barbados)[3]		50%	Barbados
GSJV Limited (Guyana)[3]		50%	Guyana
Hamilton Harbour Developments Pty Ltd		80%	QLD
Hamilton Harbour Unit Trust (Devine Hamilton Unit Trust)		80%	QLD
Hunter Valley Earthmoving Co Pty Ltd	(C)	100%	NSW
HWE Cockatoo Pty Ltd	(C)	100%	NT

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for the 12 months to 31 December 2016

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
HWE Mining Pty Limited	(C)	100%	VIC
HWE Newman Assets Pty Limited	(C)	100%	VIC
Inspection Testing & Certification Pty Ltd[3, 6]		100%	Australia
Intermet Engineering Pty Ltd	(C)	100%	QLD
Jarrah Wood Pty Ltd	(C)	100%	WA
JH AD Holdings Pty Ltd	(C)	100%	VIC
JH AD Investments Pty Ltd	(C)	100%	VIC
JH AD Operations Pty Ltd	(C)	100%	VIC
JH Rail Holdings Pty Ltd		59%	VIC
JH Rail Investments Pty Ltd		59%	VIC
JH Rail Operations Pty Ltd		59%	VIC
JH ServiceCo Pty Ltd	(C)	100%	VIC
JHAS Pty Ltd	(C)	100%	VIC
JHI Investment Pty Ltd	(C)	100%	VIC
Joetel Pty. Limited		59%	ACT
Kings Square Developments Pty Ltd	(C)	100%	QLD
Kings Square Developments Unit Trust	(C)	100%	QLD
Legacy JHI Pty Ltd	(C)	100%	VIC
Lei Shun Employment Limited		100%	Macau
Leighton (PNG) Limited		100%	Papua New Guinea
Leighton Africa (Mauritius) Limited		100%	Mauritius
Leighton Asia (Hong Kong) Holdings (No. 2) Limited		100%	Hong Kong
Leighton Asia Limited		100%	Hong Kong
Leighton Asia Southern Pte. Ltd.		95%	Singapore
Leighton Commercial Properties Pty Limited	(C)	100%	VIC
Leighton Companies Management Group LLC		49%	United Arab Emirates
Leighton Contractors (Asia) Limited		100%	Hong Kong
Leighton Contractors (China) Limited		100%	Hong Kong
Leighton Contractors (Indo-China) Limited		100%	Hong Kong
Leighton Contractors (Laos) Sole Co., Limited		100%	Laos
Leighton Contractors (Malaysia) Snd Bhd		100%	Malaysia
Leighton Contractors (Philippines), Inc.	(A)	40%	Philippines
Leighton Contractors Asia (Cambodia) Co., Ltd		100%	Cambodia
Leighton Contractors Asia (Vietnam) Limited		100%	Vietnam
Leighton Contractors Inc.		100%	United States

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for the 12 months to 31 December 2016

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Leighton Contractors Infrastructure Nominees Pty Ltd[2]	(C)	100%	VIC
Leighton Contractors Infrastructure Pty Ltd[2]	(C)	100%	VIC
Leighton Contractors Infrastructure Trust[3]	(C)	100%	
Leighton Contractors Lanka (Private) Limited		100%	Sri Lanka
Leighton Contractors Pty Ltd (formerly known as Leighton Services Australia Pty Limited)	(C)	100%	NSW
Leighton Engineering & Construction (Singapore) Pte Ltd		100%	Singapore
Leighton Engineering Snd Bhd		100%	Malaysia
Leighton Equity Incentive Plan Trust		100%	NSW
Leighton Foundation Engineering (Asia) Limited		100%	Hong Kong
Leighton Funds Management Pty Limited[2]	(C)	100%	QLD
Leighton Group Property Services Pty Ltd	(C)	100%	VIC
Leighton Harbour Trust	(C)	100%	
Leighton Holdings Infrastructure Nominees Pty Ltd[2]	(C)	100%	VIC
Leighton Holdings Infrastructure Pty Ltd[2]	(C)	100%	VIC
Leighton Holdings Infrastructure Trust	(C)	100%	
Leighton India Contractors Private Limited[4]		100%	India
Leighton Infrastructure Investments Pty Limited[2]	(C)	100%	NSW
Leighton International Limited		100%	Cayman Islands
Leighton International Mauritius Holdings Limited No. 4		100%	Mauritius
Leighton Investments Mauritius Limited		100%	Mauritius
Leighton Investments Mauritius Limited No. 2		100%	Mauritius
Leighton Investments Mauritius Limited No. 4		100%	Mauritius
Leighton Joint Venture		100%	Hong Kong
Leighton (PNG) Limited (formerly known as LCPL (PNG) Limited)		100%	Papua New Guinea
Leighton M&E Limited		100%	Hong Kong
Leighton Middle East & Africa (Holding) Limited		100%	Cayman Islands
Leighton Offshore / Leighton Engineering & Construction JV		100%	Singapore
Leighton Offshore Eclipse Pte Ltd		100%	Singapore
Leighton Offshore Faulkner Pte Ltd		100%	Singapore
Leighton Offshore Mynx Pte Ltd		100%	Singapore
Leighton Offshore Pte Ltd		100%	Singapore
Leighton Offshore Snd Bhd		100%	Malaysia
Leighton Offshore Stealth Pte Ltd		100%	Singapore
Leighton Pacific St Leonards Pty Limited	(C)	100%	VIC
Leighton Pacific St Leonards Unit Trust	(C)	100%	

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38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Leighton Portfolio Services Pty Limited	(C)	100%	ACT
Leighton Projects Consulting (Shanghai) Limited		100%	China
Leighton Properties (Brisbane) Pty Limited[2]	(C)	100%	QLD
Leighton Properties (NSW) Pty Ltd	(C)	100%	NSW
Leighton Properties (VIC) Pty Ltd[1]	(C)	100%	VIC
Leighton Properties (WA) Pty Limited[2]	(C)	100%	NSW
Leighton Properties Pty Limited[1]	(C)	100%	QLD
Leighton Property Funds Management Limited[2]	(C)	100%	ACT
Leighton Property Management Pty Limited[2]	(C)	100%	NSW
Leighton U.S.A. Inc.		100%	United States
Leighton-LNS Joint Venture		80%	Hong Kong
LH Holdings Co Pty Ltd[2]	(C)	100%	VIC
LMENA No. 1 Pty Limited	(C)	100%	VIC
LMENA Pty Limited	(C)	100%	VIC
LNWR Pty Limited	(C)	100%	VIC
LNWR Trust	(C)	100%	NSW
LPWRAP Pty Ltd	(C)	100%	VIC
Martox Pty. Limited		59%	NSW
Moorookyle Devine Pty Ltd		59%	VIC
Moving Melbourne Together Finance Pty Ltd	(C)	100%	VIC
MTCT Services Pty Ltd (formerly United Group Pty Ltd)[3, 6]		100%	Australia
Newcastle Engineering Pty Ltd[3, 6]		100%	Australia
Nexus Point Solutions Pty Ltd	(C)	100%	NSW
Olympic Dam Maintenance Pty Ltd[3, 6]		100%	Australia
Opal Insurance (Singapore) Pte Ltd		100%	Singapore
Pacific Partnerships Holdings Pty Ltd	(C)	100%	VIC
Pacific Partnerships Investments Pty Ltd	(C)	100%	VIC
Pacific Partnerships Investments Trust	(C)	100%	VIC
Pacific Partnerships Pty Ltd	(C)	100%	VIC
Pacific Partnerships Services NZ Limited (formerly known as Leighton PPP Services NZ Limited)		100%	New Zealand
Pacific Partnerships Services Pty Limited	(C)	100%	VIC
Pioneer Homes Australia Pty Ltd		59%	QLD
PT Leighton Contractors Indonesia		100%	Indonesia
PT Thiess Contractors Indonesia		99%	Indonesia

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for the 12 months to 31 December 2016

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
RailFleet Maintenance Services Pty Ltd[3, 6]		100%	Australia
Riverstone Rise Gladstone Pty Ltd		59%	QLD
Riverstone Rise Gladstone Unit Trust		59%	QLD
Ruby Equation Snd Bhd[3, 6]		100%	Malaysia
Sedgman Asia Ltd		100%	Hong Kong
Sedgman Botswana (Pty) Ltd		100%	Botswana
Sedgman Canada Limited		100%	Canada
Sedgman Chile SPA		100%	Chile
Sedgman Consulting Pty Ltd	(C)	100%	QLD
Sedgman Employment Services Pty Ltd	(C)	100%	QLD
Sedgman Engineering Technology (Beijing) Company Limited		100%	China
Sedgman International Employment Services Pty Ltd	(C)	100%	QLD
Sedgman LLC		100%	Mongolia
Sedgman Malaysia SND BHD		100%	Malaysia
Sedgman Mozambique Limitada		100%	Mozambique
Sedgman Operations Employment Services Pty Ltd	(C)	100%	QLD
Sedgman Operations Pty Ltd	(C)	100%	QLD
Sedgman Pty Ltd	(C)	100%	QLD
Sedgman SAS (Columbia)		100%	Colombia
Sedgman South Africa (Pty) Ltd		100%	South Africa
Sedgman South Africa Investments Limited (BVI)		100%	South Africa
Silverton Group Pty Ltd	(C)	100%	WA
Sustaining Works Pty Limited	(C)	100%	QLD
Talcliff Pty Ltd		59%	QLD
Tambala Pty Ltd		100%	Mauritius
Telecommunication Infrastructure Pty Ltd	(C)	100%	VIC
Thai Leighton Limited	(A)	49%	Thailand
Thiess (Mauritius) Pty Ltd[3]		100%	Mauritius
Thiess Africa Investments Pty Ltd	(A)	100%	South Africa
Thiess Botswana (Proprietary) Limited		100%	Botswana
Thiess Chile SPA		100%	Chile
Thiess Contractors (Malaysia) Snd. Bhd.		100%	Malaysia
Thiess Contractors (PNG) Limited		100%	Papua New Guinea
Thiess Contractors Canada Ltd		100%	Canada
Thiess India Pvt Ltd[4]		100%	India

Notes continued

for the 12 months to 31 December 2016

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Thiess Infrastructure Nominees Pty Ltd	(C)	100%	VIC
Thiess Infrastructure Pty Ltd	(C)	100%	VIC
Thiess Infrastructure Trust	(C)	100%	VIC
Thiess Khishig Arvin JV LLC		100%	Mongolia
Thiess Minecs India Pvt Ltd[4]		90%	India
Thiess Mining Maintenance Pty Ltd	(C)	100%	QLD
Thiess Mongolia LLC		100%	Mongolia
Thiess Mozambique Limitada		100%	Mozambique
Thiess NC		100%	New Caledonia
Thiess NZ Limited		100%	New Zealand
Thiess Pty Ltd	(C)	100%	QLD
Thiess Sedgman Joint Venture		100%	NSW
Thiess South Africa (Pty) Ltd		100%	South Africa
Think Consulting Group Pty Ltd	(C)	100%	VIC
Townsville City Project Pty Ltd		80%	NSW
Townsville City Project Trust		80%	QLD
Trafalgar EB Pty Ltd		59%	QLD
Trafalgar EB Unit Trust		59%	QLD
Tribune SB Pty Ltd		59%	QLD
Tribune SB Unit Trust		59%	QLD
UGL (Asia) Snd Bhd[3, 6]		100%	Malaysia
UGL (NZ) Limited[3, 6]		100%	Australia
UGL (Singapore) Pte Ltd[3, 6]		100%	Singapore
UGL Canada Inc[3, 6]		100%	Canada
UGL Engineering Private Limited[3, 6]		100%	India
UGL Engineering Pty Ltd[3, 6]		100%	Australia
UGL Limited[3, 6]		100%	Australia
UGL Operations and Maintenance (Services) Pty Limited[3, 6]		100%	Australia
UGL Operations and Maintenance Pty Ltd[3, 6]		100%	Australia
UGL Rail (North Queensland) Pty Ltd[3, 6]		100%	Australia
UGL Rail Fleet Services Pty Limited[3, 6]		100%	Australia
UGL Rail Pty Ltd[3, 6]		100%	Australia
UGL Rail Services Pty Limited[3, 6]		100%	Australia
UGL Resources (Contracting) Pty Ltd[3, 6]		100%	Australia

Notes continued

for the 12 months to 31 December 2016

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
UGL Resources (Malaysia) Snd Bhd[3, 6]		100%	Malaysia
UGL Unipart Rail Services Pty Ltd[3, 6]		70%	Australia
United Goninan Construction Pty Ltd[3, 6]		100%	Australia
United Group Infrastructure (NZ) Limited[3, 6]		100%	Australia
United Group Infrastructure (Services) Pty Ltd[3, 6]		100%	Australia
United Group International Pty Ltd[3, 6]		100%	Australia
United Group Investment Partnership[3, 6]		100%	USA
United Group Melbourne Transport Limited[3, 6]		100%	Australia
United Group Water Projects (Victoria) Pty Ltd[3, 6]		100%	Australia
United Group Water Projects Pty Ltd[3, 6]		100%	Australia
United KG (No. 1) Pty Ltd[3, 6]		100%	Australia
United KG (No. 2) Pty Ltd[3, 6]		100%	Australia
United KG Construction Pty Ltd[3, 6]		100%	Australia
United KG Engineering Services Pty Ltd[3, 6]		100%	Australia
United KG Maintenance Pty Ltd[3, 6]		100%	Australia
Western Port Highway Trust	(C)	100%	
Yoltax Pty. Limited		59%	NSW
Zelmex Pty. Limited		59%	ACT

[1]*These companies (CIMIC Group Limited (CGL) Class Order Companies) have the benefit of ASIC Class Order 98/1418 as at 31 December 2016.*

[2]*These companies are parties to the Deed of Cross Guarantee but do not have the benefit of ASIC Class Order 98/1418 as at 31 December 2016, as they are small proprietary companies.*

[3]*Entity has a 30 June reporting date.*

[4]*Entity has a 31 March reporting date.*

[5]*This company is a party to the Deed of Cross Guarantee as Holding Entity.*

(A) *Entities controlled under shareholder agreements.*

(B) *Incorporated / established in the 2016 reporting period.*

(C) *Entities included in the tax-consolidated Group.*

[6]*Enities attained through the purchase of UGL refer to Note 29: Acquisitions and disposals of controlled entities and businesses. Percentages are based on 100% ownership of UGL, acquired on 20 January 2017.*

Where the Group has an ownership interest of less than 50%, the entity is consolidated where the Group can demonstrate its control of the entity, in that it 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.

Notes continued

for the 12 months to 31 December 2016

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

c) Acquisition and disposal of controlled entities

Refer to Note 29: *Acquisitions and disposals of controlled entities and businesses* for further details.

d) Liquidation of controlled entities

The following controlled entities have been liquidated during the period to 31 December 2016 as they are no longer required by the Group in the ordinary course of business:

- 111 Margaret Street Pty Ltd
- Boggo Road Lots 6 and 7 Pty Ltd
- BOS Australia Pty Ltd
- Canberra Metro Finance Pty Limited
- Green Construction Company
- Leighton Asia (China) Limited
- Leighton Contractors (Mauritius) Limited
- Leighton Engineering Joint Venture
- Leighton Gbs Snd. Bhd
- Leighton Geotech Limited
- Leighton International Holdings Limited
- Leighton International Projects (India) Private Limited
- Moonamang Joint Venture Pty Ltd
- Queens Square Pty Ltd
- Sedgman Consulting Unit Trust
- Thiess Infraco Pty Ltd
- Thiess Southland Pty Ltd
- Victoria Point Docklands Pty Ltd
- Woodforde JV Pty Ltd

e) Parent entity commitments and contingent liabilities

Contingent liabilities under indemnities given on behalf of controlled entities in respect of the parent: bank guarantees: $1,864.8 million (31 December 2015: $1,950.1 million); insurance bonds: $699.1 million (31 December 2015: $761.3 million); letters of credit: $180.6 million (31 December 2015: $262.6 million). During the reporting period, the parent was released from bank guarantees totalling $nil million (31 December 2015: $nil milllion), insurance, performance and payments bonds totalling $nil million (31 December 2015: $nil million) and letters of credit totalling $nil million (31 December 2015: $nil million) related to the disposal of controlled entities and businesses.

Capital expenditure contracted for at the reporting date but not recognised as liabilities of the parent was $nil (31 December 2015: $nil).

Notes continued

for the 12 months to 31 December 2016

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

f) Material subsidiaries including consolidated structured entities

Set out below are the Company's principal subsidiaries at 31 December 2016. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Company, and the proportion of ownership interests held equals to the voting rights held by the Company.

			Ownership interest held by the Company		Ownership interest held by non-controlling interests	
Name of entity	Principal activity	Country of incorporation	December 2016 %	December 2015 %	December 2016 %	December 2015 %
CPB Contractors Pty Limited (formerly Leighton Contractors Pty Ltd)[1]	Construction	Australia	100	100	-	-
Thiess Pty Ltd	Contract Mining & Construction	Australia	100	100	-	-
Leighton Asia Limited	Construction	Hong Kong	100	100	-	-
Leighton International Limited	Construction	Cayman Islands	100	100	-	-
UGL Limited[2]	Services	Australia	100	-		

[1]CIMIC Group Limited (CGL) Class Order Company has the benefit of ASIC Class Order 98/1418. For further information, refer to section (i).
[2]As at 31 December 2016 the Group owned 95% of the shares of UGL Limited but had exercised the right to compulsorily acquire the remaining shares. A liability is recognised for the remaining shares.

Non-controlling interests
There were no material non-controlling interests relating to the Company's material subsidiaries disclosed above as at 31 December 2016. There were no material transactions with non-controlling interests during the period to 31 December 2016 other than the acquisition of the shares from the non-controlling interest share holders. Refer to Note 29: *Acquisitions and disposals of controlled entities and businesses*.

g) Unconsolidated structured entities

The Group is party to several lease agreements with unconsolidated structured entities during the reporting period. These transactions were undertaken to develop operational and financing synergies across the Group. The unconsolidated structured entities are financed by external parties and the Group does not hold any equity interests or assets such as loans or receivables with these entities. The relevant activities of the structured entities are directed by contractual agreements. The entities are controlled by external parties and therefore are not consolidated by the Group.

The Group is only exposed to the variability of returns in relation to return conditions at lease expiry, which are not known at this time. These items are also included at Note 19*: Interest bearing liabilities* and Note 32*: Commitments.*

The table below provides a summary of the Group's exposure to unconsolidated structured entities.

Exposures to unconsolidated structured entities	**December 2016 $m**	**December 2015 $m**
Finance lease liabilities	0.7	6.4
Total on balance sheet liabilities	0.7	6.4
Operating lease commitments	189.3	213.3
Total liabilities due to unconsolidated structured entities	190.0	219.7

Notes continued

for the 12 months to 31 December 2016

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

h) Parent entity transactions with wholly-owned controlled entities

Transactions with wholly-owned controlled entities were as follows: aggregate amounts receivable: $2,014.3 million (31 December 2015: $2,565.6 million); aggregate amounts payable: $1,085.2 million (31 December 2015: $955.6 million); interest received / receivable: $23.0 million (31 December 2015: $14.1 million); interest paid / payable: $9.3 million (31 December 2015: $5.1 million); fees charged: $nil million (31 December 2015: $nil million); dividends received: $nil million (31 December 2015: $2,166.0 million); fees paid: $100.0 million (31 December 2015: $95.0 million).

i) Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 dated 13 August 1998, relief was granted to the CGL Class Order Companies from the *Corporations Act 2001* requirements for preparation, audit and publication of financial statements. The Company and each of the CGL Class Order Companies are party to a Deed of Cross Guarantee dated 10 June 2008. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt of a CGL Class Order Company in the event of its winding up under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the law, the Company will only be liable in the event that after six months any creditor has not been paid in full. The CGL Class Order Companies have also given similar guarantees in the event that the Company or other CGL Class Order Companies party to the Deed of Cross Guarantee are wound up.

On 28 September 2016, *ASIC Class Order 98/1418* dated 13 August 1998 was repealed by *ASIC Corporations (Amendment and Repeal) Instrument 2016/914*, and ASIC replaced its financial reporting relief for wholly-owned companies with the new *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785* (New ASIC Instrument). The New ASIC Instrument applies in relation to a financial year ending on or after 1 January 2017, while *ASIC Class Order 98/1418* continues to apply, despite its repeal, in relation to a financial year ending before 1 January 2017. Therefore, the CGL Class Order Companies have been able to rely on the benefit of relief afforded by *ASIC Class Order 98/1418* as at 31 December 2016.

One of the conditions to obtain relief under the New ASIC Instrument is that before the end of the relevant financial year, the company seeking relief must be a party to a deed of cross guarantee.

The Company has decided to revoke the current Deed of Cross Guarantee dated 10 June 2008 in its entirety and enter into a new Deed of Cross Guarantee in order to:

(a) effect the removal of a number of entities from the Group's Deed of Cross Guarantee structure (i.e. release them from their covenants in respect of the cross-guarantee of Group debts); and

(b) update the form of the Deed of Cross Guarantee so that it reflects the new ASIC pro forma deed (which, due to the update of the New ASIC Instrument, will be required going forward for the proper administration of the deed).

As a result, the Company and each of the CGL Class Order Companies who are party to the Deed of Cross Guarantee dated 10 June 2008 have been released from their obligations under the Deed by executing two Revocation Deeds dated 19 December 2016 (one in respect of CGL as the trustee under the Deed, and one in respect of CIMIC Finance Limited as the alternative trustee under the Deed), which have both been lodged with ASIC. These Revocation Deeds will take effect 6 months from the date of lodgement with ASIC. The Company and each of the CGL Class Order Companies (except for the following companies which are small proprietary companies and therefore not seeking to rely on the financial reporting relief provided by the new ASIC Instrument) have also executed a new Deed of Cross Guarantee dated 19 December 2016 in compliance with the requirements of the New ASIC Instrument:

- Leighton Contractors Infrastructure Nominees Pty Ltd;
- Leighton Contractors Infrastructure Pty Ltd;
- Leighton Funds Management Pty Limited;
- Leighton Holdings Infrastructure Nominees Pty Ltd;
- Leighton Holdings Infrastructure Pty Ltd;
- Leighton Infrastructure Investments Pty Limited;
- Leighton Properties (Brisbane) Pty Limited;
- Leighton Property Funds Management Limited;
- Leighton Property Management Pty Limited; and
- LH Holdings Co Pty Ltd.

The Deed of Cross Guarantee dated 19 December 2016 has been lodged with ASIC.

Thiess Pty Limited and HWE Mining Pty Limited executed Revocation Deeds dated 9 December 2016 and subsequently lodged the Revocation Deeds with ASIC which will have the effect of revoking the Deed of Cross Guarantee dated 17 December 2015 in its entirety 6 months from the date of lodgement with ASIC. The Deed is being revoked as HWE Mining Pty Limited no longer requires financial reporting relief.

Notes continued

for the 12 months to 31 December 2016

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

i) Deed of Cross Guarantee continued

A consolidated statement of profit or loss and statement of financial position, comprising the Company and entities which are a party to the Deed of Cross Guarantee dated 10 June 2008, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 December 2016 is set out below:

Deed of Cross Guarantee	12 months to December 2016 $m	12 months to December 2015 $m
Statement of Profit or Loss		
Profit / (loss) before tax	480.5	2,748.0
Income tax (expense) / benefit	(119.9)	(169.1)
Profit / (loss) for the period	360.6	2,578.9
Retained earnings brought forward	4,062.2	1,858.3
Retained earnings brought forward - adjustment for new entities party to the Deed of Cross Guarantee	-	-
Retained earnings brought forward - adjustment for entities removed from the Deed of Cross Guarantee	-	10.9
Dividends paid	(320.5)	(385.9)
Retained earnings at reporting date	4,102.3	4,062.2

Notes continued

for the 12 months to 31 December 2016

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

i) Deed of Cross Guarantee continued

Deed of Cross Guarantee	December 2016 $m	December 2015 $m
Statement of Financial Position		
Assets		
Cash and cash equivalents	611.0	1,027.2
Trade and other receivables	1,839.3	1,897.2
Inventories: consumables and development properties	20.5	1.0
Assets held for sale	37.2	-
Total current assets	2,508.0	2,925.4
Trade and other receivables	4,945.4	4,973.1
Inventories: development properties	2.3	81.7
Investments	1,664.9	2,014.1
Property, plant and equipment	151.3	165.6
Intangibles	113.7	129.2
Total non-current assets	6,877.6	7,363.7
Total assets	9,385.6	10,289.1
Liabilities		
Trade and other payables	2,447.8	3,241.5
Current tax liabilities	36.9	44.5
Provisions	87.2	111.7
Interest bearing liabilities	119.2	18.7
Total current liabilities	2,691.1	3,416.4
Trade and other payables	1,275.9	1,064.7
Provisions	44.4	44.5
Interest bearing liabilities	109.7	108.2
Deferred tax liabilities	264.8	246.9
Total non-current liabilities	1,694.8	1,464.3
Total liabilities	4,385.9	4,880.7
Net assets	4,999.7	5,408.4
Equity		
Share capital	1,750.3	2,052.5
Reserves	(852.9)	(706.3)
Retained earnings	4,102.3	4,062.2
Total equity	4,999.7	5,408.4

Notes continued

for the 12 months to 31 December 2016

39. NEW ACCOUNTING STANDARDS

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They are available for early adoption at 31 December 2016, unless noted otherwise below, but have not been applied in preparing this financial report. The Group's assessment of these new standards and interpretations is set out below:

- AASB 9 *Financial Instruments (revised December 2014)* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

  This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139. The standard will become mandatory for reporting periods beginning on or after 1 January 2018. The Group does not intend to early adopt the standard. Retrospective application is required with some exceptions.

  While the Group has yet to undertake a detailed assessment of the classification and measurement impacts of the new standard the Group expects the following impacts:

  - the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets;
  - the Group does not hold any financial liabilities at fair value through profit and loss and as such there is no impact of the new standard on financial liabilities;
  - as a general rule more hedge relationships may be eligible for hedge accounting. Existing hedge relationships would appear to qualify as continuing hedge relationships upon adoption of the new standard; and
  - the new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses. Whilst the Group has not yet finalised its detailed assessment of the impact of AASB 9 and its interaction with AASB 15 *Revenue from Contracts with Customers* it may result in earlier recognition of credit loss provisions.

- AASB 15 *Revenue from Contracts with Customers* and AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*

  AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance, including AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The core principle of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer. This standard will become mandatory for reporting periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

  The Group is assessing the impact on its consolidated financial statements resulting from the application of the new standard. Broadly there is an increased threshold to recognising revenue and related assets in the new standard. Given the number of projects operated by the Group, revenue in any particular year is not expected to vary significantly in percentage terms however there is expected to be a reduction in assets recognised on the balance sheet. The following areas have been identified that are likely to be significantly affected.

  - Currently under AASB 111 *Construction Contracts* costs incurred during the tender process are capitalised within net contract debtors when it is deemed probable the contract will be won. Under the new standard costs can only be capitalised if they are both expected to be recovered and either would not have been incurred if the contract had not been won or if they are intrinsic to the delivery of a project. As such a reduction in net contract debtors is expected.
  - Construction revenue is predominantly derived on projects with one performance obligation. Contracted revenue will continue to be recognised over time on a percentage completion basis however the new standard imparts a higher threshold of probability for recognition of claims and variances. Revenue is currently 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 happen. As such a reduction in net contract debtors may be seen under the new standard.
  - Mining projects typically involve payment on the delivery of ore to a client. There are several stages in mine development and production that, dependent on the contract terms, could represent separate performance obligations. Revenue is required to be allocated to each performance obligation and recognised on transfer of control. The appropriate allocation of revenue may result in a change in the timing of revenue recognition that may be accelerated or deferred compared to the current method.
  - The new standard requires significant increases in disclosures in relation to revenue derived from contracts, key judgments and future revenue expected to be generated.

Notes continued

for the 12 months to 31 December 2016

39. NEW ACCOUNTING STANDARDS CONTINUED

- *AASB* 16 – *Leases*

  AASB 16 *Leases* specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for almost all leases. AASB 16 applies to annual reporting periods beginning on or after 1 January 2019.

  As at the reporting date, the Group has non-cancellable operating lease commitments of $969.4 million, refer to Note 32: *Commitments*. The Group manages its owned and leased assets to ensure there is an appropriate level of equipment to meet its current obligations and to tender for new work. The decision as to whether to lease or purchase an asset is dependent on the finance available at the time and the residual risk of ownership following the anticipated completion of a project.

  Many of the operating leases currently held expire prior to the implementation of the standard and decisions on future leases will be made as projects are tendered for. As such the Group has not quantified the effect of the new standard, however the following impacts are expected:

  - the total assets and liabilities on the balance sheet will increase with a decrease in net total assets, due to the reduction of the capitalised asset being on a straight line basis whilst the liability reduces by the principal amount of repayments. Net current assets will show a decrease due to an element of the liability being disclosed as a current liability;
  - interest expenses will increase due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a leases life due to the higher principal value causing profit variability over the course of a lease life. This effect may be partially mitigated due to number of leases held in the Group at different stages of their terms; and
  - operating cash flows will be higher as repayment of the principle portion of all lease liabilities will be classified as financing activities.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*;
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to* AASB 107;
- AASB 2016-5*Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions;*
- AASB 2014-10 *Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture; and*
- AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to* AASB 10 and AASB 128

40. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to reporting date:

- The Group determined a 100% franked dividend of 62 cents per share to be paid on 4 July 2016.
- On 24 January 2017, CIMIC announced its intention to acquire the remaining shares of Macmahon that it did not already own, at a price of $0.145 per share, made through an unconditional off - market takeover offer.
- On 25 January 2017, CIMIC, through the UGL-CH2M JV-GE Consortium, which includes UGL and its joint venture partner CH2M, terminated its contract with JKC Australia LNG for the design, construct and commissioning of the Ichthys Combined Cycle Power Plant. The termination is adequately covered by provisions held at 31 December 2016.
- The Directors approved the financial report on 8 February 2017.

Statutory Statements

DIRECTORS' DECLARATION

1. In the opinion of the Directors of CIMIC Group Limited ("the Company"):

   a) The financial statements and notes, set out on pages 85-179, are in accordance with the *Corporations Act 2001*, including:

      i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 31 December 2016 and of their performance for the financial year ended on that date; and

      ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

   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.

2. There are reasonable grounds to believe that the Company and the controlled entities identified in Note 38 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 between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

3. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the CEO and CFO for the financial year ended 31 December 2016.

4. The Directors draw attention to Note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Sydney this 8th day of February 2017.

Signed for and on behalf of the Board in accordance with a resolution of the Directors:

Adolfo Valderas	Russell Chenu
Chief Executive Officer	*Chairman Audit and Risk Committee*

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place, 225 George Street,
Sydney NSW 2000
PO Box N250 Grosvenor Place,
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

Independent Auditor's Report to the members of CIMIC Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of CIMIC Group Limited ("CIMIC", or the "Company") and its subsidiaries (the "Group"), which comprises the Consolidated Statement of Financial Position as at 31 December 2016, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards 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 this 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**How the scope of our audit responded to the Key Audit Matter**

Recognition of revenue and recovery of contract debtors including recovery of Gorgon LNG Jetty and Marine Structures Project contract debtors
 	
Refer to Note 1(a) 'Revenue recognition', Note 2 'Revenue' and Note 8 'Trade and other receivables'.
 	
The Group's two largest sources of revenue are contract mining and construction projects.
 	
Mining revenues are derived from contracts based on the value of work completed.
 	
Construction revenues are derived from contracts where revenue is recognised based on the stage of completion. This is measured as the percentage of work performed up to the reporting date with respect to the total anticipated contract work to be performed. Construction revenue is recognised by management after assessing all factors relevant to each contract, including specifically assessing the following as applicable:
- Determination of stage of completion;
- Estimation of total contract revenue and costs including the estimation of cost contingencies;
- Determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims; and
- Estimation of project completion date.
 	
The Group recognises in contract debtors progressive valuation of work completed as well as amounts invoiced to customers. The recognition of these amounts is based on management's assessment of the expected amounts recoverable.
 	
In November 2009, CIMIC, together with its consortium partners ("the Consortium"), was announced as the preferred contractor to construct the Gorgon LNG Jetty and Marine
	Our procedures included, amongst others:
	
	• Evaluating management's processes and controls in respect of the recognition of revenue from contract mining and construction. As part of this process we tested key controls including:
	  - the review process conducted at the tendering phase by the Group's Tender Review Management Committee;
	  - the preparation, review and authorisation of monthly valuation reports for all contracts; and
	  - the comprehensive project reviews that are undertaken by Group management on a quarterly basis.
	• A sample of site visits across the Group's major divisions and geographies to enhance our understanding of the Group's contracting processes, the consistency of their application, and to discuss directly with project management the risks and opportunities in relation to individual contracts.
	• Selecting a sample of contracts for testing based on a number of quantitative and qualitative factors which may indicate that a greater level of judgement is required in recognising revenue, including:
	  - history of issues identified;
	  - significant unapproved changes, variations and claims;
	  - delay risk;
	  - high potential impact and high likelihood of risk events;
	  - material new contracts;
	  - high value contracts; and
	  - loss making contracts.

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Structures Project ("Gorgon Contract") for Chevron Australia Pty Ltd ("Chevron"). Initial acceptance of the jetty and marine structures took place on 15 August 2014. During the project, changes to scope and conditions led to the Consortium submitting Change Order Requests ("CORs") as entitled under the contract. The Consortium, Chevron and Chevron's agent KBR Inc. remain in negotiations in relation to the validity and valuation of some of the CORs. As at 31 December 2016, contract debtors includes an amount of $1.15 billion in relation to the Gorgon Contract. CIMIC's share of the total amount under negotiation is approximately $1.9 billion. CIMIC is of the view that it remains entitled to that amount plus interest (being an amount exceeding $0.5 billion that will continue to accrue until paid) and costs ("Total Entitlement"). CIMIC has only recognised revenue equal to the costs incurred in respect of the Gorgon Contract in accordance with the relevant accounting standards resulting in an amount of approximately 50% of the Total Entitlement ($1.15 billion) being recognised in contract debtors at 31 December 2016. Although negotiations continue, the Consortium formally issued a Notice of Dispute to Chevron pursuant to the relevant provisions of the Gorgon Contract on 9 February 2016. That Notice required the Consortium to enter into a further prescribed negotiation process which, if unsuccessful, may lead to a private arbitration. The parties have moved into an arbitration prescribed by the contract. As the Gorgon Contract does not specify a time limit within which the process must be determined, there can be no certainty as to when the matter will be finalised. In addition, and in order to further pursue its entitlement under the Gorgon Contract, on 20 August 2016 CIMIC announced that it had commenced proceedings in the United States against Chevron Corporation Inc., KBR Inc. and related companies. We focused on recognition of revenue and recovery of contract debtors including recovery of Gorgon Contract contract debtors as key audit matters due to the number and type of estimation events over the course of a contract life, the unique nature of individual contract terms leading to complex and judgemental revenue recognition from contracts and the judgement involved in evaluating the probability of recovery of contract debtors.	• For the sample of contracts selected the following procedures were performed, amongst others: - we obtained an understanding of the contract terms and conditions to evaluate whether these were reflected in management's estimate of forecast costs and revenue; - we tested a sample of costs incurred to date and agreed these to supporting documentation; - we assessed the forecast costs to complete through discussion and challenge of project managers and finance personnel; - we tested contractual entitlement for changes, variations and claims recognised within contract revenue to supporting documentation and by reference to the underlying contract; - we evaluated significant exposures to liquidated damages for late delivery of contract works; - we evaluated contract performance in the period since year end to audit opinion date to confirm management's year end revenue recognition judgements; and - we evaluated the probability of recovery of outstanding amounts by reference to the status of contract negotiations, historical recoveries and other supporting documentation. • In respect of the Gorgon Contract, the following procedures were performed: - we evaluated the probability and timing of recovery of outstanding amounts by reference to historical recoveries, the status of contract negotiations, Notice of Dispute, legal proceedings and other supporting documentation; - we made enquiries of internal legal counsel and management appointed external legal counsel in respect of the current status of negotiations; - we read documents lodged with United States courts commencing legal proceedings against Chevron Corporation and KBR Inc.; and - we assessed the appropriateness of the relevant disclosures in the financial statements.
Recoverability of carrying value of investment in and loans receivable from HLG Contracting LLC Refer to Note 26 'Joint Venture Entities – HLG Contracting LLC ("HLG")' and Note 8 'Trade and other receivables'. Included in the Group's consolidated statement of financial position at 31 December 2016 is the equity accounted investment in HLG at a carrying value of $366.5 million and loans (including interest) receivable from HLG totalling $1.04 billion. The assessment of the recoverable amount of the Group's investment in and loans receivable from HLG involves significant judgement in respect of assumptions such as discount rates, current work in hand, future contract wins and the recoverability of certain legacy contract receivables, as well as economic assumptions such as growth rate and foreign currency exchange rates. The recoverable amount of the Group's investment in and loans receivable from HLG was a key audit matter due to the significant judgement involved in forecasting future cash flows and the selection of assumptions.	In conjunction with valuation experts, our procedures included, amongst others: • Evaluating the 'value in use' discounted cash flow model developed by management to assess the recoverable amount of the investment and the loans receivable, including critically assessing the following assumptions: - discount rate; - forecast cash flows and capital expenditure; - forecast recoverability of certain legacy contract receivables; - terminal growth rate; and - foreign currency exchange rates. Where possible we corroborated market related assumptions by reference to external data. • Testing on a sample basis the mathematical accuracy of the cash flow models. • Assessing the historical accuracy of forecasting of the Group in relation to HLG. • Performing sensitivity analysis on a number of assumptions, including the deferral of cash receipts on certain legacy contract receivables and on revenue assumptions. • Assessing the appropriateness of the relevant disclosures in the financial statements.

Carrying value of goodwill	
Refer to Note 15 'Intangibles'. Included in the Group's consolidated statement of financial position at 31 December 2016 is goodwill relating to Services of \$360.5 million, Mining and Mineral Processing of \$98.1 million, and Construction of \$455.4 million. Management has assessed the recoverable amount of the goodwill relating to Construction utilising discounted cash flow models which incorporate significant judgement in respect of assumptions such as discount rates and future contract wins, as well as economic assumptions such as growth rates. We focused on this area as a key audit matter due to the judgement involved in forecasting future cash flows and the selection of assumptions.	In conjunction with valuation experts, our procedures included, amongst others: • Evaluating the 'value in use' discounted cash flow model developed by management to assess the recoverable amount of the goodwill, including critically assessing the following assumptions: - discount rate; - forecast cash flows and capital expenditure; - growth rates by reference to recent bid wins and pipeline of prospective projects; and - terminal growth rate. Where possible we corroborated market related assumptions by reference to external data. • Testing on a sample basis the mathematical accuracy of the cash flow model and agreeing relevant data to the latest Board approved forecasts. • Assessing the historical accuracy of forecasting of the Group in relation to cash flows of cash generating units. • Performing sensitivity analysis on a number of assumptions, including discount rates and forecast profitability. • Assessing the appropriateness of the relevant disclosures in the financial statements.
Acquisition of UGL Limited	
Refer to Note 30 'Acquisitions, disposals and discontinued operations'. On 10 October 2016 the Group made an unconditional cash off-market takeover offer for all of the shares it did not own in UGL Limited ("UGL") for \$3.15 per share. On 24 November 2016 the Group increased its ownership interest in UGL to over 50% and thereby gained control at that date. The purchase consideration paid for UGL was \$262.1 million. As at 31 December 2016, the Group's ownership interest in UGL was 95%. Accounting for this transaction is complex, requiring management to exercise judgement to determine the fair value of acquired assets and liabilities, including contracts and determining the allocation of purchase consideration to goodwill and separately identifiable intangible assets such as customer contracts. We focussed on this area as a key audit matter due to the size of the acquisition and the judgement involved in accounting for the transaction.	In conjunction with valuation experts, our procedures included, amongst others: • Reading the bidder's statement and target's statement for the unconditional cash off-market takeover offer to understand key terms and conditions. • Critically evaluating the fair value model developed by management to determine the value of UGL's intangible customer contracts to the Group. • Assessing the reliability of third party valuations utilised by management in their determination of fair value of acquired assets and liabilities including provisions for loss making contracts. • Performing testing on certain fair value adjustments, including to contracts, within the provisional fair value accounting for the transaction. • Assessing the appropriateness of the relevant disclosures in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Executive Chairman and CEO's Review, Directors' Report and Additional Information within the Company's annual report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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.

Directors' Responsibilities

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 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report
We have audited the Remuneration Report included in pages 29 to 42 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of CIMIC Group Limited, for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

Responsibilities
The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

J A Leotta
Partner
Chartered Accountants
Sydney, 8 February 2017

Additional Information

Leighton Asia, Express Rail Link - Contract 810A, Hong Kong

The West Kowloon Terminus Station North is the largest civil contract awarded for the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link. Located in the heart of Kowloon, the terminus will serve as Hong Kong's international gateway to China. A key element of the project is the dramatic roof structure above the station entrance made up of 7,000 tonnes of steel trusses.

Shareholdings

The information below is current as at 23 January 2017.

TWENTY LARGEST SHAREHOLDERS

The 20 largest shareholders on the Company's register of members held 92.55% of the Company's issued capital.

Name	No. of shares	% of issued capital
HOCHTIEF AUSTRALIA HOLDINGS LIMITED	235,661,965	72.68
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	27,261,620	8.41
J P MORGAN NOMINEES AUSTRALIA LIMITED	22,779,476	7.03
CITICORP NOMINEES PTY LIMITED	6,213,782	1.92
NATIONAL NOMINEES LIMITED	3,344,339	1.03
MILTON CORPORATION LIMITED	791,239	0.24
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	747,972	0.23
BNP PARIBAS NOMS PTY LTD <DRP>	628,332	0.19
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL>	539,000	0.17
GWYNVILL INVESTMENTS PTY LIMITED	427,188	0.13
GWYNVILL TRADING PTY LIMITED	284,791	0.09
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	258,629	0.08
ECAPITAL NOMINEES PTY LIMITED <ACCUMULATION A/C>	180,269	0.06
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	167,741	0.05
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	163,835	0.05
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	159,224	0.05
MR JONATHAN LEIGHTON STANLEY ELLIS	138,150	0.04
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	136,625	0.04
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	114,111	0.04
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	106,319	0.03
Total	**300,104,607**	**92.55**
Total shares on issue	**324,254,097**	**100**

DISTRIBUTION SCHEDULE

The Company has 324,254,097 ordinary shares on issue. The distribution of shareholders is as follows:

Size of shareholding	No. of holders	Ordinary shares held	% of issued capital
1 – 1,000	26,545	6,779,976	2.09
1,001 – 5,000	4,702	9,520,918	2.94
5,001 – 10,000	448	3,119,630	0.96
10,001 – 100,000	217	4,728,966	1.46
100,001 and over	20	300,104,607	92.55
Total	**31,932**	**324,254,097**	**100**

The voting rights for ordinary shares are as follows: on a show of hands every member present in person or by proxy or attorney or duly appointed representative has one vote, and on a poll every member so present has one vote for every fully paid share held by that member.

There were 664 shareholders with less than a marketable parcel (15 shares), based on the closing market price of $34.11 on 23 January 2017.

SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders and the number of equity securities to which they have a relevant interest, as disclosed in substantial holding notices given to the Company under the Corporations Act are:

Name	No. of shares	Voting power
HOCHTIEF Australia Holdings Limited and its associates	235,668,760*	71.88%

* Number of shares as at 29 July 2016, the date of disclosure in the substantial shareholding notice given to the Company.

SHARE RIGHTS

The Company has 343,767 share rights on issue. The distribution is as follows:

Size of holding	No. of holders	Share rights
1 – 1,000	2	1,721
1,001 – 5,000	38	120,044
5,001 – 10,000	9	59,058
10,001 – 100,000	7	162,944
100,001 and over	0	-
Total	**56**	**343,767**

The share rights do not carry any rights to voting.

OPTIONS

The Company has 552,231 options on issue. The distribution is as follows:

Size of holding	No. of holders	Options
1 – 1,000	0	-
1,001 – 5,000	1	1,113
5,001 – 10,000	12	94,705
10,001 – 100,000	15	351,801
100,001 and over	1	104,612
Total	**29**	**552,231**

The options do not carry any rights to voting.

Shareholder information

ENQUIRIES AND SHARE REGISTRY

If you have any questions about your shareholding, dividend payments, tax file number, change of address or any other enquiry, please contact Computershare Investor Services Pty Limited:

- Telephone: 1300 850 505 (local) or +61 3 9415 4000 (international)
- Fax: (03) 9473 2500 (local) or +61 3 9473 2500 (international)
- Email: www.investorcentre.com/contact
- Post: GPO Box 2975, Melbourne, VIC, 3001, Australia

REGISTERED OFFICE

Principal registered office in Australia
Level 25, 177 Pacific Highway, North Sydney, NSW, 2060, Australia
Telephone: +61 2 9925 6666
Fax: +61 2 9925 6000
Website: www.cimic.com.au

TAX FILE NUMBERS

Since 1 July 1991, all companies have been obliged to deduct tax at the top marginal rate from unfranked dividends paid to investors resident in Australia who have not supplied them with a tax file number or exemption particulars. Tax will not be deducted from the franked portion of a dividend.

If you have not already done so, a Tax File Number Notification form or Tax File Number Exemption form should be completed for each holding and returned to our Share Registrar, Computershare Investor Services Pty Limited. Please note you are not required by law to provide your tax file number if you do not wish to do so.

SECURITIES EXCHANGE LISTINGS

CIMIC's shares are listed on the ASX and are traded under the stock code 'CIM'. The ASX home branch is Sydney, Australia. A Subsidiary, CIMIC Finance (USA) Pty Limited, has notes on issue which are listed on the Singapore Exchange.

YEAR-ON-YEAR PERFORMANCE SNAPSHOT

The five-year performance of the Group is set out in a table within the 'Company Performance' section of the Remuneration Report.

CORPORATE GOVERNANCE STATEMENT

The CIMIC Group corporate governance statement is available on our website, in the section titled Corporate Governance (www.cimic.com.au/our-approach/corporate-governance).

ANNUAL GENERAL MEETING

The 56th Annual General Meeting of the members of CIMIC will be held in the Wentworth Ballroom, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney, New South Wales on 13 April 2017. Shareholders will be notified of the meeting and any resolutions in accordance with the Corporations Act.

SHAREHOLDER COMMUNICATIONS

Shareholder communications, including this Annual Report, are available on our website (www.cimic.com.au). CIMIC encourages shareholders to receive notification of all communications by email. Printed copies of shareholder communications are available on request by contacting +61 2 9925 6666 or visiting our website: www.cimic.com.au/enquiries-form.

Glossary

Term	Description
2Q16	Second quarter of the 2016 Financial Year
3Q16	Third quarter of the 2016 Financial Year
4Q16	Fourth quarter of the 2016 Financial Year
2015 Financial Year or FY15	Financial year ended 31 December 2015
2016 Financial Year or FY16	Financial year ending 31 December 2016
2017 Financial Year or FY17	Financial year ending 31 December 2017
A$ or $	Australian dollars, unless otherwise stated
AASB	Australian Accounting Standards Board
Above-the-line	Higher order controls such as engineering and design controls, rather than personal protective equipment or administrative controls, which aim to improve safety outcomes
ACS or ACS Group	Actividades de Construcción y Servicios S.A.
AGM or Annual General Meeting	Annual General Meeting of CIMIC's shareholders
ASIC	Australian Securities and Investments Commission
AS/NZ	Denotes a standard created by Standards Australia
ASX	ASX Limited
ASX Principles and Recommendations	ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition)
Arutmin	PT Arutmin Indonesia Mining Assets and Liabilities
BIM	Building Information Modelling, a digital representation of physical and functional characteristics of a facility
Board	Board of directors of CIMIC
Broad Construction	Broad Construction is a new-build, fit-out and refurbishment construction contractor wholly owned by CPB Contractors
CDP	A not-for-profit that runs the global disclosure system CDP (formerly the 'Carbon Disclosure Project')
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Class 1 Injury	A fatality or injury that permanently affects the future of a worker. e.g. quadriplegia, paraplegia, loss of eyesight
CO2- e or Carbon dioxide equivalent	Is a term for describing different greenhouse gases in a common unit
Committee	Any Board/management committee of the Company from time to time
Company or CIMIC	CIMIC Group Limited
Constitution	Constitution of CIMIC Group Limited
Corporations Act	Corporations Act 2001 (Cth)
Corruption Perceptions Index	An annual ranking, published since 1995 by Transparency International (TI) of countries "by their perceived levels of corruption, as determined by expert assessments and opinion surveys"
Deferred Right	An entitlement to a Share subject to satisfaction of applicable conditions (including service based vesting conditions)
Deloitte	Deloitte Touche Tohmatsu
Devine	Devine Limited
DJSI	Dow Jones Sustainability Index
DMC	A dense medium cyclone (DMC) is conical vessel that uses centrifugal force to separate coal from other materials within a coal handling preparation plant
Dragados	Is an international contractor established in 1941 and is the construction arm of the ACS Group specialising in major infrastructure projects
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EIP	The CIMIC Equity Incentive Plan approved by shareholders at the 2012 AGM, under which the STI and LTI programs are administered
EPS	Earnings per share
ESA	Executive service agreement
ESG	Environmental, Social and Governance
FleetCo	The Company's mining equipment hire business
FY	Financial year
GIS	Geographic Information System which is designed to capture, store, manipulate, analyze, manage, and present spatial or geographical data
Greenfield	Refers to land that has never been used (e.g. green or new), where there was no need to demolish or rebuild any existing structures

GRI	The Global Reporting Initiative
Green Standard projects	Refers to nationally or international recognised rating systems for infrastructure projects, such as ISCA and Greenroads, and for building projects such as the Green Star and LEED.
Group or CIMIC Group	CIMIC Group Limited and certain entities it controls
HAZOP	A hazard and operability study (HAZOP) is a structured and systematic examination of a complex planned or existing process or operation in order to identify and evaluate problems that may represent risks to personnel or equipment
HEB Construction	A New Zealand based civil construction company joint venturing with CPB Contractors on Transmission Gully project in New Zealand
HLG Contracting or HLG	HLG Contracting LLC, (previously known as AL Habtoor Leighton LLC)
HOCHTIEF Australia	HOCHTIEF Australia Holdings Limited, a wholly owned subsidiary of HOCHTIEF AG
HOCHTIEF or HOCHTIEF AG	HOCHTIEF Aktiengesellschaft
HSE Campaigns	Health, Safety and Environment campaigns
ISCA	Infrastructure Sustainability Council of Australia
ISO	Denotes a standard of the International Organisation for Standardisation
John Holland or JHG	John Holland Group Pty Limited, a former wholly owned subsidiary of CIMIC
John Holland sale	In December 2014, the Group announced the successful divestment of JHG to CCCC International Holding Limited. Completion of the sale occurred on 20 April 2015
JV	Joint venture
KMP	Key Management Personnel as defined in AASB 124 *Related Party Disclosures*
KPI	Key performance indicators
Leighton International	A controlled entity of CIMIC that is responsible for the Group’s offshore oil and gas business
LNG	Liquefied natural gas
LTI	Long-Term Incentive
Macmahon	Macmahon Holdings Limited
Moody's	Moody's Investors Service
Nextgen	A network and data centre telecommunications company
NGER Scheme	National Greenhouse and Energy Reporting Scheme which operates under the *National Greenhouse and Energy Reporting Act 2007* (Cth)
NGO	Non-governmental organisation that is independent from states and international governmental organisations
NPAT	Net profit after tax
Operating Companies	CPB Contractors & Leighton Asia, India and Offshore, Thiess, Sedgman, UGL, Pacific Partnerships and EIC Activities
PBT	Profit before tax
Performance Right	An entitlement to a Share subject to satisfaction of applicable conditions (including performance based vesting conditions)
Potential Class 1 Injury	An incident that has the potential to be a Class 1 Injury as classified by the Managing Director of that business or an Executive General Manger
PPP	Public private partnership
Safety Essentials	A collection of minimum requirements that are focused on providing projects with the rules, tools and knowledge to manage activities that pose the greatest risk to our people
SAR	Share appreciation right
Sedgman	Sedgman Pty Limited
S&P	Standard & Poor’s
STI	Short-Term Incentive
Subsidiary	Subsidiary of the Company as defined in the Corporations Act
TFR	Total Fixed Remuneration
TRIFR	Total recordable injury frequency rate
TSR	Total shareholder return
Turner	A North America-based, international construction services company and a leading builder in diverse market segments that is wholly owned by HOCHTIEF AG
Services or UGL	UGL Limited
Ventia	50:50 Partnership for CPB Contractors’ and Thiess’ operations and maintenance services businesses with certain funds managed by affiliates of Apollo Global Management, LLC. Completion of the transaction occurred on 31 March 2015, with the business now operating under the name ‘Ventia’
VWAP	Volume weighted average price

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For more information please contact CIMIC:
PO Box 1002, Crows Nest NSW 1585, Australia
T +61 2 9925 6666
F +61 2 9925 6000
www.cimic.com.au/enquiries-form

CIMIC.COM.AU