CIMIC

Annual Report 2018

CIMIC

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CIMIC Group is an engineering-led construction, mining, services and public private partnerships leader with a history dating back to 1899.

Peak Downs Coal Mine
Thiess, Queensland, Australia


THIESS

Maintenance Docking of HMAS Toowoomba, Henderson Common User Facility
UGL, Western Australia

Executive Chairman's review

> CIMIC is in a strong position, with a high level of demand for our operations.

Dear shareholders,

CIMIC Group has a unique position in our markets globally. A family of industry leaders, our businesses offer integrated, engineering-led strength in construction, mining, services and public private partnerships (PPPs).

In 2018, we focused on enhancing this collective capability, to provide our clients with enduring value across the lifecycle of assets, infrastructure and resources projects.

It is an approach that has driven performance for our shareholders and clients, provided exciting opportunities for our people, and will power the next phase of our transformation through digitalisation and innovation.

Shareholder returns

The value of our end-to-end offering is evident in our achievement of an outstanding operational performance and excellent returns for shareholders during the year in review.

We achieved improved returns in 2018, reporting net profit after tax of $781 million, an increase of 11% on 2017 and at the top of our profit guidance range.

Our strong performance enabled the Board to declare a final dividend of 86 cents per share to be paid on 4 July 2019 and franked at 100%. Total dividends declared for 2018 were 156 cents per share, representing a payout ratio of 64.8%.

Our people and culture

These results were possible because of our people's passion and commitment to work as a team.

Collaborating across our companies, our people secured and delivered work that provided clients with the best outcomes by combining our expertise across construction, mining, services, PPPs and engineering.

This kind of proactive collaboration, as a committed part of our culture, is at the heart of our competitive advantage, equipping us to win and execute the most sought after projects.

Our Principles – integrity, accountability, innovation and delivery, underpinned by safety – are essential to this and were evident throughout the year.

Also crucial to our culture is our commitment to continue to build a truly diverse global team, keeping them safe and prioritising health and wellbeing in all that we do. We increased our focus this year on providing an inclusive workplace – one where our people feel a sense of belonging and safety.

Diversity of thought, experience and skills will only make our business stronger, so we are undertaking activities (such as unconscious bias training) to encourage greater intentionality by our people in the pursuit of different ways of thinking.

Digital transformation

With greater opportunities for our people to collaborate comes greater opportunities to work with the future in mind.

Our industries have always faced the traditional levers of change, such as commodity cycles, infrastructure investment levels and social priorities. Today they also face new change agents, with the greatest of these being digital transformation.

In construction, mining, services and PPPs, we are seeing advances in people, process and daily practice due to digitalisation and intelligent technologies.

The speed of data capture and information sharing, automation, artificial intelligence, augmented reality, machine learning, advanced analytics, the internet of things, digital collaboration, 5D building information management, drones and more are changing the way we work.

And CIMIC is at the forefront, leveraging our world of experience and expertise, using our culture of innovation, and further building our capabilities and skills, to lead the digital transformation in our industries.

For CIMIC Group, digital transformation is not about technology adoption for the sake of it. It's about changing the way we work so we're adding more value to our clients, stakeholders and communities.

It is about turning insights into solutions by producing results that are grounded in a deep understanding of our clients' needs, priorities, challenges and opportunities.

Thank you

In summary, CIMIC is in an excellent position. Demand for our operations is robust, led by the strong performance of the mining sector, an increasing level of infrastructure opportunities in Australia, and the trends towards more outsourcing of services and for greater investment in PPPs.

Our pipeline of work has further increased and we have a positive outlook for 2019 and beyond.

In closing, I would like to thank you, our shareholders, for your continued support. I look forward to updating you further on our Company's performance at our Annual General Meeting on 11 April 2019.

Sincerely

Marcelino Fernández Verdes
Executive Chairman

Deep Tunnel Sewerage Phase 2 Contract T-09
Leighton Asia, Singapore

Chief Executive Officer's review

Dear shareholders,

2018 was another successful year for CIMIC Group, with strong, sustainable growth in our profit, revenue and dividends.

Behind this performance is a talented team of around 50,000 people, who delivered exceptional results for our clients in more than 20 countries.

A safe and sustainable approach

Reflecting the importance of our people to our success, we increased our focus on their development during 2018, including expanding our safety commitment and leadership programs, and giving greater attention to diversity and inclusion.

This will continue during 2019 as we advance on our digital transformation journey, upholding the behaviours necessary to support effective, practical digital transformation, and developing new skills in our people.

We also gave more focus to the importance of being client-connected – listening to and learning from our clients – so that we know where the greatest value lies for our projects and clients, and can solve problems collaboratively.

We have more work to do in 2019 to ensure we actively listen to client and partner feedback, and take on board opportunities to improve our decision-making and performance.

Fundamental to our approach to delivery, growth and sustainability is continual improvement and innovation. Across our Operating Companies, we are building a reputation as a provider of choice with our clients, and creating a positive legacy for our people, stakeholders and communities.

This was evident in our sustainability performance, including recognition by the Dow Jones Sustainability Indices and FTSE4Good Index. I encourage you to review our Sustainability Report within this Annual Report.

Performance overview

In 2018, our operating performance was again strong, with an outstanding financial result and a growing and diverse portfolio of work in hand across our core businesses.

We achieved net profit after tax at the top end of our guidance and further strengthened our balance sheet. Highlights of the 2018 result when compared with 2017 were:

- Net profit after tax of $781 million, up 11%, at the top end of guidance;
- Revenue[1] of $14.7 billion, up 9%, with all Operating Companies recording growth;
- Stable margins[2];
- Strong cash flows from operating activities[3] of $1.9 billion, up 22%;
- Free operating cash flow[4] of $1.2 billion, up 18%; and
- Net cash of $1.6 billion at 31 December 2018, up by $709 million.

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

New work and outlook

With a focus on providing end-to-end capabilities for our clients, our work in hand[5] grew to $36.7 billion at the end of 2018, with the work in hand from our Operating Companies up $1.8 billion year on year.

* See page 9 for footnotes

This included reaching contractual close on the Waikeria Corrections and Treatment Facility PPP in New Zealand, using our financial strength through Pacific Partnerships and the expertise of CPB Contractors, to provide a whole-of-life solution.

We delivered an integrated approach for Victoria's Metro Tunnel project, combining our rail expertise in CPB Contractors, UGL and EIC Activities to secure this project as the premier rail services provider in the region.

We also applied our integrated approach to secure the line-wide rail works for the Sydney Metro City and Southwest project (Australia's biggest public transport project), with CPB Contractors and UGL working together to provide a unique solution for our client.

In mining and mineral processing, Thiess and Sedgman achieved significant growth in Australia and overseas, further diversifying our portfolio by commodity and geography. We secured mining works in NSW and Queensland, further extended our operations in the copper belt of Chile, and won work at the Pumpkin Hollow Copper concentrator in the USA.

Our services division UGL also further increased its market share with a range of project wins and extensions across the oil and gas, mining and rail sectors.

Our future

Our robust work in hand position, combined with our focus on bidding discipline, means we are positioned to achieve net profit after tax in the range of $790 million to $840 million in 2019, subject to market conditions.

There are at least $130 billion of tenders relevant to CIMIC Group expected to be bid and/or awarded in 2019, and around $300 billion of projects are coming to the market in 2020 and beyond, including about $120 billion worth of PPP projects.

We are well positioned for this pipeline as we leverage our unique collaborative offer, and our discipline and creativity, to drive results that benefit our clients, our people and our shareholders.

Sincerely

Michael Wright
Chief Executive Officer

"Fundamental to our approach to growth and sustainability is continual improvement and innovation.

2018

$781m

Amount of net profit after tax for 2018, an increase of 11% to the top end of guidance of $720m to $780m.

31km

Of tunnels delivered by CPB Contractors in 2018, bringing the company's total tunnelling work to 380km.

17,500

The approximate number of wheels changed by UGL on rail rolling stock during 2018.

$36.7bn

Our work in hand[5] as at December 2018. Operating Company work in hand rose $1.8 billion during 2018.

1,400

The number of Thiess apprentices trained at the Balikpapan Training Facility, Kalimantan, Indonesia to Australian standards since its inception in 1992.

5.3 terabytes

Data captured by Sedgman through 3D scanning of brownfields infrastructure, delivering improved production and safety through improved optimisation and reduced on-site changes.

* See page 9 for footnotes

at a glance

Operations and Maintenance (Services) Workshop
UGL, Queensland, Australia

$1.9bn

Our cash flow from operating activities[3], an increase of 22%; representing 109% conversion of EBITDA (earnings before interest, tax, depreciation and amortisation).

10

The record number of tunnel boring machines ordered by CPB Contractors in 2018, including the two biggest machines ever used in the Southern Hemisphere.

36,782

Number of participants who completed Code of Conduct and related training (including unconscious bias, anti-bullying and harassment) during 2018.

$1.6bn

In net cash, underscoring our robust financial position. Net cash increased by $709m during the year.

20,000 hours

Spent working on improvements to the way we operate in 2018. EIC Activities, in collaboration with our Operating Companies, has invested in 43 innovation projects.

2.5m

Premises made ready for an nbn service by Ventia's Visionstream in Australia, using 26,000km of fibre optic broadband cable.

[1] Revenue excludes revenue from joint ventures and associates.

[2] Margins are calculated on revenue which excludes revenue from joint ventures and associates.

[3] Cash flows from operating activities before interest, finance costs and taxes.

[4] Free operating cash flow is defined as net cash from operating activities less net capital expenditure for property, plant and equipment.

[5] Order book or work in hand includes CIMIC's share of work in hand from joint ventures and associates.

Northern Beaches Hospital
CPB Contractors supported by EIC Activities
New South Wales
Australia

Contents

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.

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).

CIMIC

responsive

Mt Arthur mining services
Thiess, New South Wales, Australia

Thiess is undertaking its third successive contract with BHP at Mt Arthur Coal Australia, recognition of the team's specialist mining capability within the complex geology of Australia's Hunter Valley and our ability to work flexibly and responsively with our client.

Thiess has a proud history working in the Hunter Valley, where it has operated since the 1940s. Today Thiess provides mining services at three locations in the region, operates two maintenance workshops and contributes significantly to regional employment, local suppliers and businesses.

The five-year contract expands the scope of Thiess' operations to cover services as operator of the southern end of the Mt Arthur operations and includes design, planning and scheduling services, as well as drill and blast operations.

Directors' Report

CIMIC

Directors' Report

The Directors present their report for the 2018 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 5 February 2019.

DIRECTORS' RESUMÉS

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

MARCELINO FERNÁNDEZ VERDES

Executive Chairman
MEng (Civil)
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 studied construction engineering at the University of Barcelona and has held a variety of positions in the construction industry since 1984. In 1994, he became General Manager of OCP and in 1997, General Manager of ACS Proyectos, Obras y Construcciones, and then took over as Chairman and CEO in 2000. Following the merger between ACS and 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. 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. In May 2017, he became a member of the Board of Directors of ACS Group, as CEO. Since May 2018, he has been the President of the Board of Directors of Abertis.

MICHAEL WRIGHT

Chief Executive Officer and Managing Director
MEngSc, BEng (Civil), FIEAust
Appointed Chief Executive Officer and Managing Director on 1 December 2017.

Mr Wright has a Bachelor of Engineering (Civil) from the University of Sydney and a Master of Engineering Science from the University of New South Wales.

Mr Wright is a highly regarded leader with experience across multi-disciplinary projects in Australia, Asia, Africa and the Americas. With more than 25 years experience across the mining, construction and services sectors, and over 20 years with the CIMIC Group, he has held senior executive positions, his last being Deputy CEO of CIMIC. Prior to that, Mr Wright held the position of Thiess Managing Director, as well as the role of Group Executive Mining and Mineral Processing for CIMIC, with oversight of both Thiess and Sedgman. Prior roles included Executive General Manager of Thiess' Australian Mining business and Thiess' Services business, General Manager of Leighton Asia's China and Mongolia operations, and General Manager of Silcar, a joint venture between Thiess and Siemens.

Mr Wright serves as a Director of the Minerals Council of Australia and is a Fellow of the Institute of Engineers Australia.

RUSSELL CHENU

Independent Non-executive Director
BCom, MBA, CPA
Appointed Independent Non-executive Director in June 2014.
Chairman of the Audit and Risk Committee. Member of the Ethics, Compliance and Sustainability Committee and the Remuneration and Nomination Committee.

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 professional who previously 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 CFO of James Hardie Industries plc from 2004 to 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

Non-executive Director
LLB
Appointed Non-executive Director in March 2014.
Member of the Ethics, Compliance and Sustainability Committee and the Remuneration and Nomination Committee.

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 is a member and Board Secretary of ACS Group and a number of its subsidiaries, is a Director and Board Secretary of Dragados, S.A. and is currently a member of the Supervisory Board of HOCHTIEF AG.

TREVOR GERBER

Independent Non-executive Director
BAcc, CA, SA
Appointed Independent Non-executive Director in June 2014.
Chairman of the Remuneration and Nomination Committee. Member of the Audit and Risk Committee and the Ethics, Compliance and Sustainability Committee.

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) and Vicinity Centres Limited (since April 2014). He was formerly a director of Regis Healthcare Limited (from October 2014 to November 2017).

PEDRO LÓPEZ JIMÉNEZ

Non-executive Director
MEng (Civil), MBA
Appointed Non-executive Director in March 2014.
Member of the Ethics, Compliance and Sustainability Committee and the Remuneration and Nomination Committee.

Mr López Jiménez is Ingeniero de Caminos Canales y Puertos 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 CESPA, 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), and 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 is currently a Board Member of ACS Group and Vice Chairman of its Executive Committee, Vice Chairman of Dragados S.A., Vice Chairman of ACS Services y Concesiones S.A. and Vice Chairman ACS Servicios Communicaniones y Energia S.A.; Chair of Supervisory Board of HOCHTIEF AG, and Board Member of Abertis.

Mr López Jiménez is also Chairman of the Royal Board of the National Library of Spain and Board Member of the Malaga Picasso Musuem.

Mr López Jiménez is currently the 1st Vice Chairman of the European Club Association (E.C.A) and Vice Chairman of the Real Madrid Football Club.

DAVID ROBINSON

Non-executive Director
MCom, BEc, FCA, CTA
Appointed Non-executive Director in December 1990.
Member of the Ethics, Compliance and Sustainability Committee.
Previously an Alternate Director for Mr López Jiménez (from June 2014 to October 2017) and Mr Peter Sassenfeld (from November 2011 to June 2013).

Mr Robinson is a graduate of the University of Sydney and a registered company auditor and tax agent. He is a chartered accountant and Partner of ESV Accounting and Business Advisors, which advises local and overseas companies with interests in Australia. He is also principal of Harveys Consulting. Mr Robinson is a Director of Catholic Schools NSW Limited. Mr Robinson is a Director of HOCHTIEF Australia and was a former Director of Leighton Properties from May 2000 to August 2012. He was a Trustee of Mary Aikenhead Ministries, the responsible entity for the health, aged care and education works of the Sisters of Charity in Australia.

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

PETER-WILHELM SASSENFELD

Non-executive Director
MBA
Appointed Non-executive Director in November 2011.
Member of the Audit and Risk Committee.

Mr Sassenfeld has an MBA from the University of Saarland.

Mr Sassenfeld was appointed as the CFO of HOCHTIEF AG in November 2011 and is also the CFO of HOCHTIEF Solutions AG. Mr Sassenfeld is a Director of HOCHTIEF Australia, The Turner Corporation and Flatiron Holding Inc. Mr Sassenfeld has previously worked as the CFO of Ferrostaal AG and Krauss Maffei AG and in senior finance roles at Bayer AG and the Mannesmann Group.

KATHRYN SPARGO

Independent Non-executive Director
LLB (Hons), BA, FAICD
Appointed Non-executive Director in September 2017.
Chairman of the Ethics, Compliance and Sustainability Committee.

Ms Spargo holds a Bachelor of Law with Honours and an Arts degree from the University of Adelaide. Ms Spargo is a fellow of the Australian Institute of Company Directors.

Ms Spargo has broad commercial experience, both in advisory roles (having worked in legal practice in the public and private sectors), and as a director of listed and unlisted companies.

Ms Spargo is a Director of the following additional ASX listed companies: Xenith IP Ltd (since April 2017), Sigma Healthcare Limited (since December 2015), Sonic Healthcare Limited (since July 2010) and Adairs Limited (since May 2015). She is also a director of the Geelong Football Club, Coinvest Ltd and Future Fuels Cooperative Research Centre. Ms Spargo's previous Board positions included Chairman of UGL, as well as directorships at Fulton Hogan, SMEC Holdings, Fletcher Building, Pacific Hydro, Suncorp Portfolio Services, IOOF, Investec Bank, and Transfield Services Infrastructure Fund.

ALTERNATE DIRECTORS' RESUMÉS

ÁNGEL MURIEL

Alternate Director
PhD in Applied Economics
Alternate Director for Mr Sassenfeld.

Mr Muriel joined the ACS group in 1995, and has held a number of global senior executive positions.

From 2002 to 2006 Mr Muriel was the CFO of Iridium in Chile. He then went on to work in North America until 2011, where he was the CFO of ACS Infrastructure Development Inc., the ACS Group's PPP operations, in North America.

In 2011 Mr Muriel was the CFO of Iridium Concesiones de Infraestructuras, S.A., in Madrid, Spain, the concession-arm of ACS Group.I In 2012 he became Head of Corporate Mergers and Acquisitions at HOCHTIEF AG, in Essen, Germany, until April 2014 when he joined CIMIC Group, in Sydney, Australia, as Chief Development Officer and Managing Director of Pacific Partnerships. In addition to these roles, from June 2015 to May 2017, Mr Muriel was CIMIC Chief Financial Officer.

Since May 2017, Mr Muriel has a senior role at the ACS in Madrid, Spain.

ROBERT SEIDLER AM

Alternate Director
LLB

Appointed Alternate Director for Mr del Valle Pérez in June 2014. Previously an Alternate Director for Mr Sassenfeld (from June 2014 to October 2017). 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 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 is the New South Wales Government's 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. He was a Director of Investa Office Fund Management (from July 2016 to December 2018) and Investa Listed Funds Management Limited (from April 2016 to December 2018). 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).

ADOLFO VALDERAS

Alternate Director
MEng (Civil), MBA
Alternate Director for Mr López Jiménez.

Mr Valderas was previously CEO and Managing Director of CIMIC Group up until 30 November 2017. Mr Valderas is a civil engineer with proven expertise in leading companies with complex, multinational operations across Australia, Europe, the United States, Canada, South America, Asia and China.

With more than 25 years experience, Mr Valderas has held various senior executive positions within the construction, services, mining and concessions sectors. He is currently the CEO of Dragados and 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, including as Deputy International Manager. Prior to 2000, he held a variety of positions within the construction industry. He has direct experience in delivering projects in high speed rail, road and bridges, water treatment, construction, services, operations, maintenance and PPPs.

COMPANY SECRETARIES' RESUMÉS

LOUISE GRIFFITHS

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 Criminal Justice and a Bachelor of Arts in Community Justice. She 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.

LYN NIKOLOPOULOS

Company Secretary
BBus, FGIA

Appointed Company Secretary in June 2017. Prior to the CIMIC appointment, Ms Nikolopoulos was Company Secretary of UGL since October 2006. Ms Nikolopoulos has a Bachelor of Business from the University of Technology Sydney and holds a Graduate Diploma in Applied Corporate Governance from the GIA. She is a fellow of the GIA and has over 18 years experience in a company secretary role. Ms Nikolopoulos is also the company secretary of a number of subsidiaries of CIMIC.

BOARD MEETINGS

The number of Board and Board Committee meetings held, and the number of meetings attended by each Director, during the 2018 Financial Year are set out in the table below.

	Board		Audit & Risk Committee		Ethics, Compliance & Sustainability Committee		Remuneration & Nomination Committee		Board Sub-Committee#	
	H	A	H	A	H	A	H	A	H	A
Directors										
M Fernández Verdes	7	7	-	4+	-	4+	-	2+	1	1
M Wright	7	7	-	4+	-	4+	-	3+	1	1
R Chenu	7	7	4	4	4	4	3	3	1	1
J L del Valle Pérez	7	5	-	2+	4	2	3	1	-	-
T Gerber	7	7	4	4	4	4	3	3	-	-
P Lopéz Jiménez	7	7	-	4+	4	3	3	2	-	-
D Robinson	7	7	-	4+	4	4	-	3+	1	1
P Sassenfeld	7	5	4	4	-	2+	-	1+	-	-
K Spargo	7	7	-	4+	4	4	-	3+	1	1
Alternate Directors										
Á Muriel[1]	-	3*	-	3*	-	1*	-	1*	-	1
R Seidler AM[2]	-	4*	-	4*	-	4*	-	3*	-	1*
A Valderas[3]	-	4*	-	4*	-	4*	-	3*	-	-

H The number of meetings held during the period the Director/Alternate 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 was a member of the Board and/or Committee.
Matters delegated to a sub-committee of the Board.
* 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 Muriel is currently an Alternate Director for Mr Sassenfeld.
2 Mr Seidler is currently an Alternate Director for Mr del Valle Pérez.
3 Mr Valderas is currently an Alternate Director for Mr López Jiménez.

In addition to scheduled meetings, briefing sessions were held for Directors during the year.

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.

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[1]	Ordinary shares	Options over shares
Directors				
M Fernández Verdes	2,745[2]	-	13,336 (ACS) 822,369 (ACS)* 12,931 (HOCHTIEF AG)	500,000 (ACS)
M Wright	-	23,537	-	-
R Chenu	4,085	-	-	-
J L del Valle Pérez	1,000[2]	-	286,223 (ACS)	275,000 (ACS)
T Gerber	2,000	-	-	-
P López Jiménez	1,192[2]	-	564,284 (ACS)~	-
D Robinson	1,489	-	-	-
P Sassenfeld	1,858[2]	-	11,841 (HOCHTIEF AG)	-
K Spargo	3,000	-	-	-
Alternate Directors				
Á Muriel	14,991	36,377	4,162 (ACS)	275,000 (ACS)
R Seidler AM	2,941	-	900 (ACS)	-
A Valderas	2,500	20,924	1,563 (ACS)	200,000 (ACS)

1 The Company has determined that all options available to be exercised will be paid in cash in lieu of an allocation of shares (refer to the Remuneration Report for a summary of our option plan and 'Note 36: Employee benefits' to the Financial Report within this Annual Report for further details).

2 These shares are held by the relevant director on trust for HOCHTIEF Australia.

* These 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.

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 2018 Financial Year:

- the Company submitted its NGER Scheme report with EY, our NGER Scheme external auditor, providing limited assurance; and
- across the 159.1 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 21 breaches which involved written warnings from environmental regulators and five fines totalling $21,379, the detail of which is set out in the Sustainability Report.

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.

OPTIONS

As at the date of this Directors' Report, there are 178,513 options on issue. These options were granted under the LTI plan and were made to eligible Senior Executives in February 2016 as their 2015 LTI (2015 options), 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 number issued	735,636
On issue 6 Feb 2018[1]	311,088
Lapsed since 6 Feb 2018	(11,444)
Exercised since 6 Feb 2018	(121,131)
On issue 5 Feb 2019[2]	**178,513**

1 Date of the Directors' Report contained in the 2017 CIMIC Annual Report.
2 Date of this Directors' Report.

On vesting, these options may be satisfied through the issue of ordinary shares in the Company, the allocation of ordinary shares in the Company acquired on-market or in cash in lieu of an allocation of shares. During the 2018 Financial Year all vested options were satisfied in cash. On 23 October 2018, the Company determined that all remaining options also be settled in cash in lieu of an allocation of shares. Holders of these 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 options.

INDEMNITY FOR GROUP OFFICERS AND AUDITORS

CONSTITUTION

The Constitution includes indemnities in favour of people who are, or have been, an 'Officer' of the Company. 'Officer' is defined in the Constitution as any director, alternate director, managing director, executive director, secretary or assistant secretary of the Company or its related bodies corporate.

The Constitution states that, to the full extent permitted by law, the Company indemnifies each Officer, against all losses, liabilities, costs, charges and expenses incurred while acting in that capacity.

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 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 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 2018 Financial Year, the Company has paid or agreed to pay premiums in respect of contracts insuring persons who are or have been an Officer against certain liabilities (including legal costs) incurred in that capacity.

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.

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 2018 Financial Year was a director or partner of the Group's external auditor at a time the Group's external auditor conducted the audit.

NON-AUDIT SERVICES

Details of the amounts paid or payable to our external auditor, Deloitte, for non-audit services provided during the 2018 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 2018 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 2018 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 2018 Financial Year were as follows.

Non-audit services	**Amount paid/payable $'000**
Other assurance services	92
Taxation and other services	-
Total	**92**

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*, 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.

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 2018 Financial Year in accordance with section 295A of the Corporations Act.

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 annual financial report of CIMIC Group Limited for the financial year ended 31 December 2018, 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 A Leotta
Partner
Chartered Accountants

Sydney, 5 February 2019

Operating and Financial Review

FINANCIAL HIGHLIGHTS

OPERATING PERFORMANCE

- Revenue of $14.7 billion up 9.2% on FY17, with all Operating Companies recording growth.
- Stable EBIT, PBT and NPAT margins of 7.8%, 7.3% and 5.3% respectively, driven by diligent focus on project delivery and cost discipline.
- PBT of $1,074.7 million up 12.0% on FY17.
- NPAT of $780.6 million up 11.2% on FY17, at the top end of guidance range of $720 million to $780 million.
- No significant one off impacts.

CASH FLOWS

- Strong cash generation with cash flow from operating activities of $1.9 billion, up 22.0% on FY17.
- Delivered strong EBITDA conversion rate of 109% in FY18.
- Generated free operating cash flow of $1.2 billion in FY18, up 17.7% on FY17.
- Strict focus on managing working capital and generating sustainable cash-backed profits.
- Gross capital expenditure boosted by investment in tunnelling equipment with ongoing spend on mining equipment driven by revenue growth.

FINANCIAL POSITION

- Robust balance sheet with net cash of $1.6 billion, up $708.5 million since FY17.
- Gross debt of $522.8 million, at lowest level since 2007.
- Net contract debtors development in line with revenue growth. The $675.0 million contract debtors portfolio provision remains unchanged.
- Substantial capacity with $2.8 billion of undrawn debt facility available at 31 December 2018.
- Cost of debt down 30 basis points to 3.8%, reduced from 4.1% at December 2017.
- Strength recognised by investment grade ratings from S&P of BBB and Moody's of Baa2, with stable outlook.

WORK IN HAND AND PIPELINE

- Strong work in hand of $36.7 billion, equivalent to more than two years of revenue.
- Operating Companies' work in hand increased by 5.6% or $1.8 billion on FY17, with a significant number of projects announced during the year.
- New work of $17.9 billion awarded in FY18, disciplined bidding maintained.
- Extensive project pipeline in our key markets / activities, providing a range of business opportunities.
- $130 billion of tenders relevant to CIMIC to be bid and/or awarded in 2019, and around $300 billion of projects are coming to the market in 2020 and beyond, including about $120 billion worth of Public Private Partnership (PPP) projects.

SHAREHOLDER RETURNS

- Final dividend of 86 cents per share, 100% franked, up 14.7% on FY17, to be paid on 4 July 2019.
- EPS (basic) was 240.7 cents, up 11.2% on FY17 (in line with 11.2% increase in NPAT).
- Total dividend for the year of 156 cents per share, 100% franked, up 15.6% on FY17, representing a payout ratio of 64.8%.
- Dividend yield of 3.6% on a share price of $43.41 as at December 2018.
- From 2015 – 2018, CIMIC has returned $2.0 billion of cash to shareholders through dividends paid and share buy-backs.

GUIDANCE

- FY19 NPAT is expected to be in the range of $790 million to $840 million, subject to market conditions.
- Guidance supported by a positive outlook across the Group's core markets.

FINANCIAL HIGHLIGHTS

Financial performance **$m**	**2018**	**2017**	**chg. $**	**chg. %**
Group revenue	17,252.8	16,110.7	1,142.1	7.1%
Revenue – joint ventures and associates	(2,582.6)	(2,681.2)	98.6	(3.7)%
Revenue[1]	**14,670.2**	**13,429.5**	**1,240.7**	**9.2%**
EBITDA	**1,701.8**	**1,513.7**	**188.1**	**12.4%**
EBITDA margin[2]	11.6%	11.3%	30bp	
EBIT	**1,142.6**	**1,002.4**	**140.2**	**14.0%**
EBIT margin[2]	7.8%	7.5%	30bp	
Profit before tax	**1,074.7**	**959.2**	**115.5**	**12.0%**
PBT margin[2]	7.3%	7.1%	20bp	
NPAT	**780.6**	**702.1**	**78.5**	**11.2%**
NPAT margin[2]	5.3%	5.2%	10bp	
EPS (basic)	240.7c	216.5c	24.2c	11.2%

Financial position **$m**	**December 2018**	**December 2017**	**chg. $**	**chg. %**
Net cash/(debt)	**1,618.9**	**910.4**	**708.5**	**77.8%**
Operating leases	(807.8)	(538.6)	(269.2)	50.0%
Net cash/(debt) (including operating leases)	811.1	371.8	439.3	118.2%
Net contract debtors (comparable)[3] [4]	**1,098.9**	**717.9**	**381.0**	**53.1%**

Cash flows **$m**	**2018**	**2017**	**chg. $**	**chg. %**
Cash flows from operating activities[5]	**1,858.9**	**1,523.4**	**335.5**	**22.0%**
Interest, finance costs and taxes	(150.4)	(161.0)	10.6	(6.6)%
Net cash from operating activities[6]	**1,708.5**	**1,362.4**	**346.1**	**25.4%**
Gross capital expenditure[7]	(547.4)	(424.1)	(123.3)	29.1%
Gross capital proceeds[8]	82.6	118.6	(36.0)	(30.4)%
Net capital expenditure	**(464.8)**	**(305.5)**	**(159.3)**	**52.1%**
Free operating cash flow[9]	**1,243.7**	**1,056.9**	**186.8**	**17.7%**

Work in hand[10] **$m**	**December 2018**	**December 2017**	**chg. $**	**chg. %**
Work in hand beginning of period	36,009.9	34,012.0	1,997.9	5.9%
New work[11]	17,949.0	18,369.5	(420.5)	(2.3)%
Acquisitions / (divestments)[12]	-	(260.9)	260.9	-
Executed work	(17,252.8)	(16,110.7)	(1,142.1)	7.1%
Total work in hand end of period	**36,706.1**	**36,009.9**	**696.2**	**1.9%**
Operating Companies' work in hand	33,833.1	32,037.0	1,796.1	5.6%
Corporate work in hand	2,873.0	3,972.9	(1,099.9)	(27.7)%
Total work in hand end of period	**36,706.1**	**36,009.9**	**696.2**	**1.9%**

[1] Revenue excludes revenue from joint ventures and associates of $2,582.6 million (FY17: $2,681.2 million).
[2] Margins are calculated on revenue as defined above.
[3] The Group has applied AASB 15 with the cumulative effect of initially applying the standards as an adjustment to the opening balance of net contract debtors. Refer to the Financial Report, '*Note 1: Summary of significant accounting policies - Basis of preparation*'.
[4] Net Contract Debtors represents the net amounts of total contract debtors – trade and other receivables and total contract liabilities – trade and other payables (refer to the Financial Report, 'Note 8: *Trade and other receivables'* – '*Additional information on contract debtors'*).
[5] Cash flows from operating activities is defined as the cash flows from operating activities before interest, finance costs and taxes.
[6] Net cash from operating activities is defined as the cash flows from operating activities after interest, finance costs and taxes.
[7] Gross capital expenditure is payments for property, plant and equipment.
[8] Gross capital proceeds are proceeds received from the sale of property, plant and equipment.
[9] Free operating cash flow is defined as net cash from operating activities less net capital expenditure for property, plant and equipment.
[10] Work in hand includes CIMIC's share of work in hand from joint ventures and associates.
[11] New work includes new contracts and contract extensions and variations including the impact of foreign exchange rate movements.
[12] Relates to Macmahon work in hand at divestment date, 6 July 2017.

SHAREHOLDER RETURNS

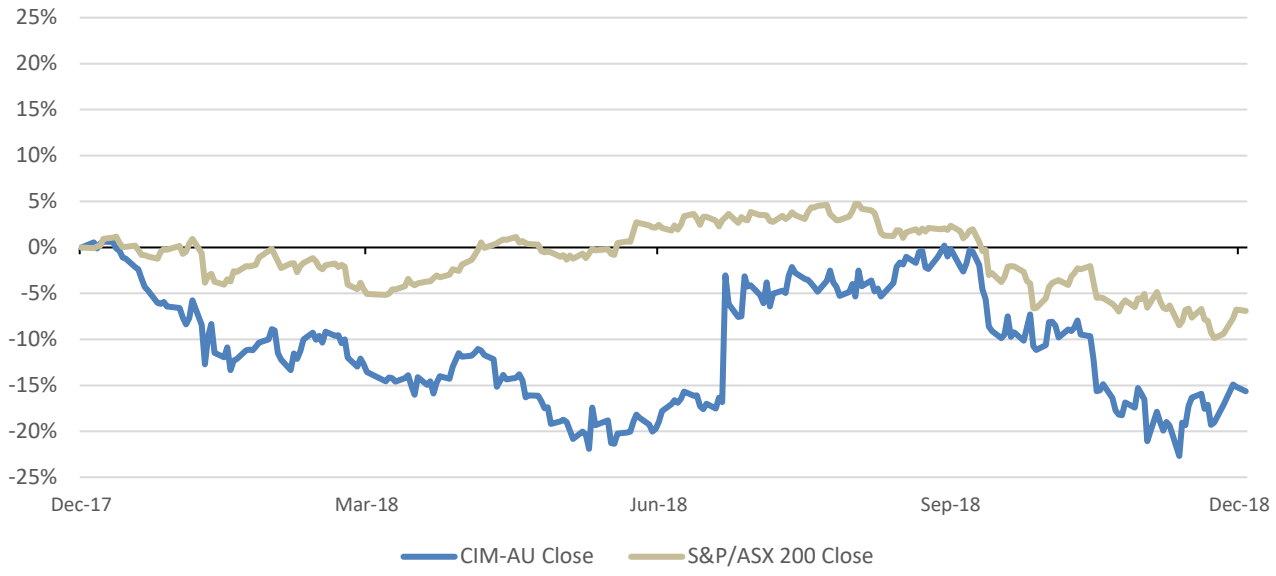
TOTAL SHAREHOLDER RETURNS

Shareholder returns	31 December 2018	31 December 2017
Closing share price	$43.41	$51.45
Market capitalisation ($m)	14,075.9	16,682.9
Final dividend per share	86c	75c
Interim dividend per share	70c	60c
Total dividends per share	156c	135c
EPS (basic)	240.7c	216.5c
Payout ratio for ordinary dividends (2018 estimate at the time the dividend is paid)	64.8%	62.3%

PERFORMANCE OF CIMIC SHARES

Over the past year, CIMIC's share price declined by $8.04, representing a decrease of 15.6% since 31 December 2017. By comparison, the S&P/ASX 200 index decreased by 6.9% to 5,646.4 points during the same period. CIMIC's market capitalisation represented $14.1 billion as at 31 December 2018.

Indexed performance of CIMIC shares



DIVIDENDS

CIMIC seeks to reward shareholders by paying dividends in line with profits. In the year under review, CIMIC again delivered on this approach. Ordinary dividends for the year totalled 156 cents per share, 100% franked, up 15.6% on FY17, and comprised of:

- an interim dividend of 70 cents per share, 100% franked, paid on 4 October 2018; and
- a final dividend of 86 cents per share, 100% franked, to be paid on 4 July 2019.

This represents a full year payout ratio of 64.8% of NPAT.

The final dividend payable of $278.9 million is an estimate, based on the number of shares on issue as at the date of the Financial Report. Due to the share buy-back referred to below, 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.

EPS (basic) was 240.7 cents, an increase of 11.2% on FY17 (in line with an 11.2% increase in NPAT).

SHARE BUY-BACK PROGRAM

On 14 December 2017, CIMIC announced an 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 2017. No additional shares have been bought back under the 2017 buy-back program.

On 14 December 2018, CIMIC announced another 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 2018. As at 5 February 2019, no additional shares had been bought back since the commencement of the buy-back program. The timing and number of any shares purchased will depend on CIMIC's share price and market conditions.

FINANCIAL PERFORMANCE

Financial performance $m	2018	2017	chg. $	chg. %
Group revenue	17,252.8	16,110.7	1,142.1	7.1%
Revenue – joint ventures and associates	(2,582.6)	(2,681.2)	98.6	(3.7)%
Revenue	**14,670.2**	**13,429.5**	**1,240.7**	**9.2%**
Expenses	(13,586.1)	(12,377.2)	(1,208.9)	9.8%
Share of profit/(loss) of joint ventures and associates	58.5	(49.9)	108.4	(217.2)%
EBIT	**1,142.6**	**1,002.4**	**140.2**	**14.0%**
EBIT margin	7.8%	7.5%	30bp	
Net finance costs	(67.9)	(43.2)	(24.7)	57.2%
Profit before tax	**1,074.7**	**959.2**	**115.5**	**12.0%**
PBT margin	7.3%	7.1%	20bp	
Income tax	(300.9)	(268.6)	(32.3)	12.0%
Profit for the year	**773.8**	**690.6**	**83.2**	**12.0%**
Non-controlling interests	6.8	11.5	(4.7)	(40.9)%
NPAT	**780.6**	**702.1**	**78.5**	**11.2%**
NPAT margin	5.3%	5.2%	10bp	
EPS (basic)	240.7c	216.5c	24.2c	11.2%

REVENUE AND PROFIT BEFORE TAX BY SEGMENT

Revenue increased by $1.2 billion, or 9.2%, to $14.7 billion in FY18. Revenue increases were recorded across all Operating Companies. PBT was $1,074.7 million for FY18, an increase of 12.0%, or $115.5 million, compared to FY17. The PBT margin of 7.3% reflected strong performances from all Operating Companies.

Revenue by segment $m	2018	2017	chg. $	chg. %
Construction	7,965.2	7,599.1	366.1	4.8%
Mining & mineral processing	3,966.9	3,164.4	802.5	25.4%
Services	2,676.5	2,607.2	69.3	2.7%
Corporate	61.6	58.8	2.8	4.8%
Revenue	**14,670.2**	**13,429.5**	**1,240.7**	**9.2%**

Profit before tax by segment[13] $m	2018	2017	chg. $	chg. %
Construction	626.1	623.7	2.4	0.4%
Mining & mineral processing	430.9	338.8	92.1	27.2%
Services	159.5	164.8	(5.3)	(3.2)%
Corporate	(141.8)	(168.1)	26.3	(15.6)%
Profit before tax	**1,074.7**	**959.2**	**115.5**	**12.0%**

Group revenue from the various market segments was split 73:27 between domestic and international markets, in line with FY17.

CONSTRUCTION REVENUE

Construction revenue was $8.0 billion for FY18, an increase of 4.8%, or $366.1 million, compared to FY17. This increase reflects substantial contributions from the delivery of a number of large scale transport infrastructure projects.

During the period, the Group's major projects included:

- rail and road developments in Australia, including Sydney Metro 'Northwest' and 'City & Southwest', WestConnex 'M4 East' and 'New M5' in New South Wales, the Level Crossing Removal projects and the West Gate Tunnel project in Victoria, and the Logan Enhancement Project in Queensland;
- social infrastructure projects including the Christchurch Hospital in New Zealand and Junee Correctional Centre in New South Wales;
- infrastructure projects in Hong Kong including the Passenger Clearance Building for the Hong Kong Boundary Crossing Facilities, the Central Wanchai Bypass Tunnel, and the Liantang / Hueng Yuen Wai Boundary Control Point; and
- several PPP projects, including Transmission Gully and New Zealand Schools in New Zealand, and Canberra Light Rail in Australia Capital Territory.

Construction PBT was $626.1 million for FY18. This result was driven by revenue growth of 4.8% and strong margins.

[13] FY17 PBT comparative has been restated to include the results of the former BICC segment within the Corporate segment result.

MINING & MINERAL PROCESSING REVENUE

Mining & mineral processing revenue was $4.0 billion for FY18, an increase of 25.4%, or $802.5 million, compared to FY17. The increase in revenue reflects a number of contract extensions, increased production levels and contributions from a diverse range of mining & mineral processing contracts, due to the Group benefitting from its diversified portfolio across commodities and geographic markets.

During the period, several of the Group's significant projects, included:

- Lake Vermont, Mount Owen, Curragh North, Solomon, Peak Downs and Caval Ridge mines in Australia;
- Byerwen, Woodlawn and the New Century mineral processing projects in Australia;
- Kaltim Prima Coal, Melak and Mahakam Sumber Jaya mines in Indonesia;
- Ukhaa Khudag mine in Mongolia;
- Pumpkin Hollow in United States;
- Encuentro Oxides mine in Chile; and
- Jwaneng mine in Botswana.

Mining and mineral processing PBT was $430.9 million for FY18, an increase of 27.2% or $92.1 million. This result is reflective of 25.4% revenue growth combined with an expanded PBT margin, from a continued focus on driving efficiencies and creating value for clients.

SERVICES REVENUE

Services revenue was $2.7 billion for FY18, an increase of 2.7%, or $69.3 million compared to FY17, as the Group sustained its competitive position in the operations and maintenance services market.

During the period, the Group's major projects included:

- maintenance and supply chain services to over 1,200 passenger cars in Sydney's metropolitan rail fleet;
- engineering, procurement and construction of multiple solar farms in several states across Australia;
- provision of rail signalling systems, tunnel systems and rolling stock, as well as franchisee operations, for a period of 15 years as part of the Operation, Trains and System contract for the Sydney Metro 'Northwest' rail project;
- heavy resource maintenance works for resource companies including Chevron, BP, BHP, Rio Tinto, Woodside and Alcoa, across Australia;
- rail rolling stock maintenance works for Pacific National and Freightliner in New South Wales;
- designing, building, testing and commissioning new waste water treatment plants, across Australia; and
- asset management services for up to 15 years to support the Royal Australian Navy.

Services PBT was $159.5 million for FY18, in line with the development of the revenue.

CORPORATE

Corporate PBT was ($141.8) million for FY18, an improvement of 15.6% or $26.3 million. The FY18 Corporate segment mainly includes contributions from Corporate, EIC Activities, Pacific Partnerships, the commercial & residential business and the former BICC segment. The improvement was mainly driven by a reduction of BICC's losses compared to the previous year.

REVENUE – JOINT VENTURES AND ASSOCIATES

Revenue from joint ventures and associates was $2.6 billion for FY18. The main contributors to this revenue were Ventia and BICC.

EXPENSES

Expenses were $13.6 billion for FY18, an increase of 9.8%, or $1.2 billion, compared to FY17, which was in line with the growth in revenue. The major direct expenses were materials, subcontractors, plant costs, depreciation and personnel costs.

Depreciation and amortisation

Depreciation and amortisation was $559.2 million for FY18, an increase of 9.4%, or $47.9 million, compared to FY17. The revenue growth in mining and increased tunnelling activity on a number of large infrastructure projects has driven the higher level of depreciation in FY18.

EBIT

The Group's EBIT was $1,142.6 million for FY18, an increase of 14.0% or $140.2 million compared to FY17. This solid result was driven by growth in revenue and the Group's ability to deliver stable margins, reflecting a diligent focus on project delivery and cost discipline.

NET FINANCE COSTS

Net finance costs were $67.9 million for FY18, an increase of $24.7 million, compared to FY17. Higher net finance costs were recorded due to a reduction in interest from shareholder loans to BICC[14] and an increase in the total level of bonding which supports the growth of the business.

Finance cost detail **$m**	**2018**	**2017**	**chg. $**	**chg. %**
Debt interest expenses	(73.1)	(80.9)	7.8	(9.6)%
Facility fees, bonding and other costs	(50.1)	(33.9)	(16.2)	47.8%
Total finance costs	**(123.2)**	**(114.8)**	**(8.4)**	**7.3%**
Interest income	55.3	71.6	(16.3)	(22.8)%
Net finance costs	**(67.9)**	**(43.2)**	**(24.7)**	**57.2%**

Average cost of debt calculation **$m**	**2018**	**2017**
Debt interest expenses (a)	(73.1)	(80.9)
Gross debt[15]	522.8	903.4
Gross debt average (b)	1,938.7	1,959.0
Average cost of debt (a/b)	**3.8%**	**4.1%**

INCOME TAX

Income tax expense was $300.9 million for FY18, an increase of 12.0%, or $32.3 million, compared to FY17. This expense equates to an effective tax rate of 28.0%, consistent with FY17. Affecting the effective tax rate are income tax differentials and foreign currency relating to profits and losses from the various overseas jurisdictions in which the Group operates.

NON-CONTROLLING INTERESTS

Non-controlling interests were $6.8 million for FY18, a decrease of 40.9%, or $4.7 million, compared to FY17. This relates to losses attributable to the shareholdings of minority owners for the period, including the Group's investment in the listed entity Devine.

NET PROFIT AFTER TAX

NPAT was $780.6 million for FY18, an increase of 11.2%, or $78.5 million, compared to FY17. Earnings per share (basic) were 240.7 cents, an increase of 11.2% on FY17.

[14] Initial application of AASB 9, refer to the Financial Report, 'Note 1: *Summary of significant accounting policies – Basis of preparation*'.
[15] Total interest bearing liabilities.

FINANCIAL POSITION

CIMIC further strengthened the balance sheet during 2018, as the company maintained its strict focus on managing working capital and generating sustainable cash-backed profits.

Net cash/(debt) **$m**	**December 2018**	**December 2017**	**chg. $**	**chg. %**
Cash and cash equivalents	2,141.7	1,813.8	327.9	18.1%
Current interest bearing liabilities	(50.7)	(265.6)	214.9	(80.9)%
Non-current interest bearing liabilities	(472.1)	(637.8)	165.7	(26.0)%
Net cash/(debt)	**1,618.9**	**910.4**	**708.5**	**77.8%**
Operating leases	(807.8)	(538.6)	(269.2)	50.0%
Net cash/(debt) (including operating leases)	811.1	371.8	439.3	118.2%

Net contract debtors **$m**	**December 2018**	**December 2017**	**chg. $**	**chg. %**
Net contract debtors (comparable)	1,098.9	717.9	381.0	53.1%

Assets **$m**	**December 2018**	**December 2017**	**chg. $**	**chg. %**
Current assets				
Cash and cash equivalents	2,141.7	1,813.8	327.9	18.1%
Trade and other receivables	3,125.4	3,216.3	(90.9)	(2.8)%
Current tax assets	-	29.0	(29.0)	-
Inventories: consumables and development properties	315.1	210.8	104.3	49.5%
Assets held for sale	1.5	32.2	(30.7)	(95.3)%
Total current assets	**5,583.7**	**5,302.1**	**281.6**	**5.3%**
Non-current assets				
Trade and other receivables	777.4	1,090.8	(313.4)	(28.7)%
Inventories: development properties	111.1	167.6	(56.5)	(33.7)%
Investments accounted for using the equity method	136.6	382.7	(246.1)	(64.3)%
Other investments	105.4	169.2	(63.8)	(37.7)%
Deferred tax assets	49.8	145.4	(95.6)	(65.7)%
Property, plant and equipment	1,292.7	1,224.0	68.7	5.6%
Intangibles	1,093.5	1,089.7	3.8	0.3%
Total non-current assets	**3,566.5**	**4,269.4**	**(702.9)**	**(16.5)%**
Total assets	**9,150.2**	**9,571.5**	**(421.3)**	**(4.4)%**

Liabilities and equity **$m**	**December 2018**	**December 2017**	**chg. $**	**chg. %**
Current liabilities				
Trade and other payables	5,701.0	4,737.4	963.6	20.3%
Current tax liabilities	68.4	40.4	28.0	69.3%
Provisions	326.0	311.8	14.2	4.6%
Interest bearing liabilities	50.7	265.6	(214.9)	(80.9)%
Total current liabilities	**6,146.1**	**5,355.2**	**790.9**	**14.8%**
Non-current liabilities				
Trade and other payables	113.4	152.0	(38.6)	(25.4)%
Provisions	62.4	69.3	(6.9)	(10.0)%
Interest bearing liabilities	472.1	637.8	(165.7)	(26.0)%
Deferred tax liability	19.4	-	19.4	-
Total non-current liabilities	**667.3**	**859.1**	**(191.8)**	**(22.3)%**
Total liabilities	**6,813.4**	**6,214.3**	**599.1**	**9.6%**
Equity	**2,336.8**	**3,357.2**	**(1,020.4)**	**(30.4)%**

NET CASH/(DEBT)

Net cash was $1,618.9 million at 31 December 2018, an increase of 77.8%, or $708.5 million, compared to 31 December 2017. The increase is mainly driven by the strong operating cash flows during the year less dividends paid to shareholders and expenditure on capital items.

Interest bearing liabilities

Current and non-current interest bearing liabilities were $522.8 million at 31 December 2018, a reduction of 42.1%, or $380.6 million, compared to 31 December 2017 and at the lowest level since 2007.

At 31 December 2018, the Group financed $807.8 million worth of equipment under operating leases. The increase reflects the growth in the mining business, and is in line with the Group's fleet management strategy.

Bonding

CIMIC has significant bonding and guarantee facilities available. These bonds and guarantees are integral to the successful tendering and delivery of projects, and the ability to provide them is an important element of the Group's competitive offering to clients.

Bonds and guarantees outstanding at 31 December 2018 were $4.5 billion (31 December 2017: $3.6 billion). An additional $1.5 billion (31 December 2017: $1.6 billion) was undrawn of which $1.1 billion (31 December 2017: $839.6 million) was committed and $419.3 million (31 December 2017: $735.1 million) was uncommitted. The undrawn and uncommitted bonds and guarantees provide significant capacity for the Group to tender for, and take on, more projects in the future.

Credit ratings

In May 2018, Standard & Poor's upgraded CIMIC's outlook to stable and affirmed its investment grade rating at 'BBB /A-2'. Moody's Investor Services has maintained its investment grade rating of 'Baa2' for CIMIC with a stable outlook. These ratings reflect the strength of the Group's financial position.

CURRENT ASSETS

Trade and other receivables

Trade and other receivables were $3,125.4 million at 31 December 2018, a decrease of 2.8%, or $90.9 million, compared to 31 December 2017. The reduction in the balance is mainly due to the initial impact of applying AASB 15[16]. The figure includes $2,297.1 million (31 December 2017: $2,495.9 million) of total contract debtors – trade and other receivables (refer to net contract debtors below). The remaining balance relates to sundry debtors, joint venture and other receivables.

Net contract debtors

The Group's net contract debtors were $1,098.9 million at 31 December 2018, with its development broadly in line with revenue growth.

The Group's $675.0 million contract debtors portfolio provision remains unchanged as at 31 December 2018.

Inventories: consumables and development properties

Inventories: consumables and development properties were $315.1 million at 31 December 2018, an increase of $104.3 million, compared to 31 December 2017. The increase was mainly driven by job-costed inventories held for large infrastructure projects.

NON-CURRENT ASSETS

Trade and other receivables

Trade and other receivables were $777.4 million at 31 December 2018, a decrease of 28.7%, or $313.4 million, compared to 31 December 2017. This figure includes $640.7 million (31 December 2017: $1,046.3 million) of non-current loan receivables owed by BICC, the decrease mainly due to the initial impact of applying AASB 9[16]. For more details, refer to the Financial Report, 'Note 8: *Trade and other receivables*'.

Inventories: development properties

Inventories: development properties were $111.1 million at 31 December 2018, a decrease of 33.7%, or $56.5 million, compared to $167.6 million at 31 December 2017. The movement is mainly driven by the sale of certain development properties.

Investments accounted for using the equity method

Equity accounted investments include project-related associates, joint ventures and PPP projects.

[16] The Group has applied AASB 15 and AASB 9 respectively with the cumulative effect of initially applying the standards as an adjustment to the opening balance of equity and comparative figures are therefore not restated. Refer to the Financial Report 'Note 1: *Summary of significant accounting policies – Basis of preparation*" for details.

Investments accounted for using the equity method were $136.6 million at 31 December 2018, a decrease of 64.3%, or $246.1 million, compared to 31 December 2017. This is largely due to the reduction in the carrying value of the Group's investment in BICC after the initial application of AASB 15. For further details on the valuation of BICC refer to the Financial Report, 'Note 26: *Joint Venture Entities'*.

Property, plant and equipment
Property, plant and equipment was $1,292.7 million at 31 December 2018, an increase of 5.6%, or $68.7 million, compared to 31 December 2017. Additions to property, plant and equipment during the period included investment in job-costed tunnelling machines for major road and rail projects and ongoing investment in mining equipment, driven by revenue growth. The variation also includes the effect of foreign exchange rate fluctuations in the period on the value of these assets.

Intangibles
Intangibles were $1,093.5 million at 31 December 2018, an increase of 0.3%, or $3.8 million, compared to 31 December 2017. The balance mainly consists of goodwill in relation to the construction and services businesses.

CURRENT LIABILITIES

Trade and other payables
Trade and other payables were $5,701.0 million at 31 December 2018, an increase of 20.3%, or $963.6 million, compared to 31 December 2017, driven by the growth of the business. This figure includes $1,198.2 million (31 December 2017: $1,112.1 million) of total contract liabilities – trade and other payables. The remaining balance includes trade creditors and accruals, joint venture payables and other creditors.

Current tax liabilities
Current tax liabilities were $68.4 million at 31 December 2018, an increase of $28.0 million, compared to 31 December 2017. Changes in tax liabilities are driven by the timing of the various income tax payments as required to be made across the numerous jurisdictions in which the Group operates.

Provisions
Provisions were $326.0 million at 31 December 2018, an increase of 4.6%, or $14.2 million, compared to 31 December 2017. The provision is for employee benefits and relates to wages and salaries, annual leave, long service leave, retirement benefits and deferred bonuses.

NON-CURRENT LIABILITIES

Trade and other payables
Trade and other payables were $113.4 million at 31 December 2018, a reduction of $38.6 million, compared to 31 December 2017.

Provisions
Provisions were $62.4 million at 31 December 2018, a decrease of 10.0%, or $6.9 million, compared to 31 December 2017. This figure includes employee benefits relating to long service leave, retirement benefits and deferred bonuses.

EQUITY

Equity was $2,336.8 million as at 31 December 2018, a decrease of 30.4%, or $1,020.4 million, compared to 31 December 2017. The reduction in equity in the period is primarily due to the initial impact of applying AASB 15 and AASB 9 as well as the dividends declared during the period, partially offset by profits earned during FY18.

CASH FLOWS

Cash flows from operating activities $m	2018	2017	chg. $	chg. %
Cash flows from operating activities	**1,858.9**	**1,523.4**	**335.5**	**22.0%**
Interest, finance costs and taxes	(150.4)	(161.0)	10.6	(6.6)%
Net cash from operating activities	**1,708.5**	**1,362.4**	**346.1**	**25.4%**

Cash flows from investing activities $m	2018	2017	chg. $	chg. %
Payments for intangibles	(5.4)	(14.2)	8.8	(62.0)%
Payments for property, plant and equipment	(547.4)	(424.1)	(123.3)	29.1%
Payments for investments in controlled entities and businesses	(22.7)	-	(22.7)	-
Proceeds from sale of property, plant and equipment	82.6	118.6	(36.0)	(30.4)%
Proceeds from sale of investments	1.2	46.9	(45.7)	(97.4)%
Cash acquired from acquisition of investments in controlled entities and businesses	0.7	-	0.7	-
Income tax paid in relation to proceeds from sale of investments in controlled entities and businesses	-	(59.0)	59.0	-
Payments for investments	(53.1)	(60.1)	7.0	(11.6)%
Loans to associates and joint ventures	(1.1)	(40.9)	39.8	(97.3)%
Net cash from investing activities	**(545.2)**	**(432.8)**	**(112.4)**	**26.0%**

Cash flows from financing activities $m	2018	2017	chg. $	chg. %
Cash payments in relation to employee share plans	-	(8.6)	8.6	-
Proceeds from borrowings	407.7	1,517.0	(1,109.3)	(73.1)%
Repayment of borrowings	(835.6)	(1,705.9)	870.3	(51.0)%
Repayment of finance leases	-	(21.2)	21.2	-
Dividends paid to shareholders of the Company	(470.2)	(395.6)	(74.6)	18.9%
Payments to acquire non-controlling interests	-	(29.3)	29.3	-
Net cash from financing activities	**(898.1)**	**(643.6)**	**(254.5)**	**39.5%**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were $1,858.9 million for FY18, an increase of 22.0% or $335.5 million over FY17. The Group has maintained its strict focus on managing working capital and generating sustainable cash-backed profits. This continued focus has helped to deliver another strong EBITDA conversion rate of 109% during FY18 versus 101% in FY17.

Net cash from operating activities increased by 25.4% or $346.1 million to $1,708.5 million in FY18, compared to FY17.

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash outflows from investing activities were $545.2 million for FY18, compared to an outflow of $432.8 million in FY17.

The outflow of cash was mainly due to gross capital expenditure of $547.4 million for FY18, an increase of $123.3 million compared to FY17. This increase reflects a sustained level of investment in tunnelling equipment to support the delivery of large transport related infrastructure projects with ongoing investment in mining equipment driven by revenue growth in that market.

Income tax paid in relation to the proceeds from the sale of investments in controlled entities and businesses was nil in FY18 while the FY17 figure of $59.0 million related to proceeds from the divestments of the Nextgen assets in FY16.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash outflows from financing activities were $898.1 million for FY18 compared to $643.6 million in FY17. This outflow mainly represents a reduction in the Group's net borrowings as well as dividends paid during the year.

NEW WORK AND WORK IN HAND

CIMIC was awarded $17.9 billion worth of new work in FY18. This new work helps to maintain the Group's position as a leading international contractor and the world's largest mining service provider, and supports the delivery of sustainable returns to shareholders.

The Group's total work in hand was $36.7 billion at 31 December 2018, equivalent to more than two years' worth of revenue. Work in hand in the Group's Operating Companies was $33.8 billion, up 5.6%, or $1.8 billion, compared to 31 December 2017.

Work in hand $m	December 2018	December 2017	chg. $	chg. %
Work in hand beginning of period	36,009.9	34,012.0	1,997.9	5.9%
New work	17,949.0	18,369.5	(420.5)	(2.3)%
Acquisitions / (divestments)	-	(260.9)	260.9	-
Executed work	(17,252.8)	(16,110.7)	(1,142.1)	7.1%
Total work in hand end of period	**36,706.1**	**36,009.9**	**696.2**	**1.9%**
Operating Companies' work in hand	33,833.1	32,037.0	1,796.1	5.6%
Corporate work in hand	2,873.0	3,972.9	(1,099.9)	(27.7)%
Total work in hand end of period	**36,706.1**	**36,009.9**	**696.2**	**1.9%**

In FY18, work in hand was split 78:22 between the Group's domestic and international markets, compared with 73:27 in FY17.

MAJOR CONTRACT AWARDS AND SCOPE INCREASES IN 2018

CIMIC's work in hand continues to be broadly diversified by segment as well as by activity and geography.

Work in hand by segment[17] $m	December 2018	%	December 2017	%	chg. $	chg. %
Construction	15,254.3	42%	14,929.0	41%	325.3	2.2%
Mining & mineral processing	11,159.3	30%	10,445.4	29%	713.9	6.8%
Services	7,419.5	20%	6,662.6	19%	756.9	11.4%
Total Operating Companies' work in hand	**33,833.1**	**92%**	**32,037.0**	**89%**	**1,796.1**	**5.6%**
Corporate work in hand	2,873.0	8%	3,972.9	11%	(1,099.9)	(27.7)%
Total work in hand	**36,706.1**	**100%**	**36,009.9**	**100%**	**696.2**	**1.9%**

CONSTRUCTION WORK IN HAND

Construction work in hand was $15.3 billion at 31 December 2018, an increase of 2.2%, or $325.3 million compared to 31 December 2017. Construction work in hand is broadly diversified across a range of markets and sectors in Australia, New Zealand and the Asia-Pacific region.

A number of significant construction projects were awarded during the year, including:

- $3.9 billion to design and construct the Westconnex Rozelle interchange project, New South Wales ($1.95 billion, CPB Contractors);
- $1.4 billion to design, construct and commission the Line-wide works package in support of the Sydney Metro City & Southwest project, New South Wales;
- $1.0 billion to design and construct rail infrastructure for Metro Trains Melbourne's Tunnel Project, Victoria ($400 million, CPB Contractors);
- $840 million to design and construct stage 1 of the Parramatta Light Rail project, New South Wales ($420 million, CPB Contractors);
- $687 million to design and construct the Waikeria Corrections and Treatments Facility PPP project, New Zealand;
- $600 million to design and construct regional water infrastructure for TasWater, Tasmania ($300 million, CPB Contractors);
- $380 million to design and construct the tunnel and infrastructure works as part of the North-South Transport Corridor project, Singapore;
- $260 million to construct infrastructure works for the South Flank project, Western Australia;
- $184 million to design, procure, construct and commission a coal handling and preparation plant (CHPP) at the Olive Downs Coking Coal project, Queensland ($92m, CPB Contractors);
- $182 million to construct the Cavite Laguna Expressway project (Cavite section), Philippines; and
- $170 million to construct the next stage of the Northern Road upgrade project, New South Wales.

[17] FY17 comparatives have been restated to include the former BICC segment within the Corporate segment.

MINING & MINERAL PROCESSING WORK IN HAND

Mining & mineral processing work in hand was $11.2 billion at 31 December 2018, an increase of 6.8%, or $713.9 million compared to 31 December 2017. Over the course of FY18, CIMIC continued to diversify its mining & mineral processing portfolio by commodity and geography.

A number of significant mining & mineral processing contracts were awarded during the year, including:

- $1.4 billion to provide mining services at the Mt Arthur Coal operation, New South Wales;
- $830 million of contract extensions at the QCoal Northern Hub, Dawson South and Curragh coal mines, Queensland;
- $670 million of contract extensions at the Wahana, Satui and Senakin coal mines, Indonesia;
- $420 million contract extension at the Encuentro Oxides open pit copper mine, Chile;
- $365 million to provide additional mining services at the Rocky's Reward nickel mine and Mt Owen coal mines, Western Australia and New South Wales respectively;
- $190 million contract extension at the Leinster Underground nickel mine, Western Australia;
- $184 million to design, procure, construct and commission a coal handling and preparation plant (CHPP) at the Olive Downs Coking Coal project, Queensland ($92m, Sedgman); and
- $155 million for the engineering, procurement and construction of the Pumpkin Hollow Copper concentrator and associated infrastructure in Nevada, United States.

SERVICES WORK IN HAND

Services work in hand was $7.4 billion at 31 December 2018, up 11.4%, or $756.9 million compared to 31 December 2017. The services work in hand is diversified across a range of markets in Australia and Asia-Pacific.

A number of significant services contracts were awarded during the year, including:

- $1.5 billion to provide asset management services to the Royal Australian Navy's Landing Helicopter Dock and Landing Craft Vessels, Western Australia ($750 million, UGL);
- $600 million to design and construct regional water infrastructure for TasWater, Tasmania ($300 million, UGL); and
- $180 million to design, build and commission high voltage substations and transmission lines at the Prominent Hill Mine, South Australia.

CORPORATE WORK IN HAND

Corporate work in hand was $2.9 billion at 31 December 2018, a decrease of 27.7%, or $1.1 billion compared to 31 December 2017. Corporate work in hand includes CIMIC's share of work in hand from investments such as Ventia and BICC.

RISK MANAGEMENT

CIMIC defines risk management as the identification, assessment and treatment of risks that have the potential to materially impact the Group's operations, people, and reputation, the environment and communities in which the Group works, and the financial prospects of the Group. The Group's risk management framework is continually monitored and there have been no material changes to the risks presented below since the 2017 Annual Report.

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. Governance of environmental performance is over seen by the Ethics, Compliance and Sustainability Committee.
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.
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.

SIGNIFICANT CHANGES

SIGNIFICANT CHANGES DURING FY18

- On 23 May 2018, Standard & Poor's upgraded CIMIC's outlook to stable and affirmed its credit rating at 'BBB/A-2'.
- On 14 December 2018, CIMIC announced 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 2018. The previous share buy-back (announced 14 December 2017) ended on 28 December 2018.

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 31 December 2018. HOCHTIEF AG is listed on the Frankfurt Stock Exchange. The largest shareholder in HOCHTIEF AG is Spanish based company Actividades de Construcción y Servicios, SA (ACS), which held 50.41% of the shares in HOCHTIEF as at 31 December 2018.

STRATEGY AND OPERATING ENVIRONMENT OUTLOOK

CIMIC is an engineering-led construction, mining, services and PPP leader with a history dating back to 1899 and around 50,000 people delivering services in 20 countries. Our mission is to generate sustainable shareholder returns by delivering innovative and competitive solutions for clients, and safe, fulfilling careers for our people. We strive to be known for our principles of Integrity, Accountability, Innovation and Delivery, underpinned by Safety.

CIMIC is well placed in geographies and markets that should continue to grow and support a broad range of opportunities for the foreseeable future.

OPERATING MODEL AND STRATEGY

CIMIC operates through activity-based businesses in construction, mining and mineral processing, operation and maintenance services, PPPs and engineering. These businesses deliver services in Australia and select markets in Asia, the near Pacific, Southern Africa, and the Americas.

CIMIC's strategy has the following key elements:

- to be an engineering-led, industry-leading group with a balanced portfolio diversified by market sector, activity, geography, type of client, contract type, volume and duration. This diversification and our scale, reduces earnings volatility, facilitates the management of risk and helps to create sustainable returns;
- to offer integrated solutions through a complementary suite of capabilities for the entire life-cycle of assets - from development and financing to engineering, construction, mining, operations and maintenance;
- to selectively export the Group's capabilities and expand in other markets which meet our governance, risk, and return requirements, either organically or through acquisition; and
- to utilise common systems and processes to facilitate the sharing of innovation and knowledge.

Underpinning the strategy is the pursuit of operational excellence in terms of:

- identifying value-adding engineering solutions;
- applying a disciplined approach to risk management;
- rigorously managing cash;
- maintaining a tight control on costs; and
- ensuring an uncompromising focus on safety.

Fundamental to the delivery of the strategy is the sustainment of a strong balance sheet, which supports organic growth and provides flexibility in capital expenditure, investments into PPPs, as well as strategic capital allocation opportunities including acquisitions.

CONSTRUCTION MARKET

Historic under-spending, growing populations, increasing urbanisation and the demands of economic development are driving governments, across Australia and the Asia-Pacific region, to invest increasingly larger amounts of capital in social and economic infrastructure projects. Those projects are aimed at driving economic growth, raising the living standards of their populations and improving the competitiveness of economies. A growing level of government spending – on infrastructure such as roads, railways, ports, airports, water, health, education and defence – is expected to be supplemented by sustained levels of private sector investment in oil and gas, mining, renewable energy generation and transmission, telecommunications and commercial property projects. These projects will underpin a range of construction opportunities that suit the Group's capabilities and experience.

In Australia, investment in infrastructure is expected to be a significant driver of the non-residential construction market over the next five years, supported primarily by substantial funding commitments from the Federal and various State Governments, and complemented by collaboration with the private sector on PPP projects[18].

In the 2018-19 Budget, the Federal Government maintained its commitment to prioritising investment in transport infrastructure, providing funding for nation-building roads, rail and other public transport projects. The Budget included $24.5 billion for major new transport projects and initiatives, including funding for further upgrades to the Bruce Highway in Queensland and a commitment to fund the Melbourne Airport Rail Link in Victoria. These initiatives form part of the Federal Government's proposal to invest $75 billion in nationally significant transport infrastructure over the next decade[19].

The State and Territory Governments are also progressing substantial infrastructure investment programs in their own right. In the most recent Victorian Budget[20], the State Government proposed the investment of $42.5 billion in infrastructure over the next four years.

The New South Wales Government remains focused on delivering its own infrastructure agenda, with the State Budget[21] outlining an infrastructure program worth $87.2 billion over the next four years. Of this planned spend, $51.2 billion is earmarked for the delivery of over 3,500 road and rail projects across the State.

In Queensland, the State Budget[22] proposes more than $45.8 billion of expenditure dedicated to essential infrastructure and capital works including road, rail, school, and hospital projects over the next four years.

The New Zealand Government remains focused on improving the nation's infrastructure and demonstrated its commitment to investing for the future in the 2018 Budget[23]. In the Budget, the Government outlined a commitment to spend NZ$42 billion of net new capital over the five years to 2022, predominantly on transport, housing and regional infrastructure projects, as well as investing in health and education.

Across the Group's international construction markets similar macroeconomic and demographic trends are continuing to provide a broad range of opportunities for the Group.

PPP MARKET

Across Australia, New Zealand and the Asia-Pacific region, governments are turning to PPPs to implement infrastructure programs as they aim to balance constrained budgets with the need to facilitate economic growth and meet the needs of their growing populations. In turning to the private sector, as an alternative additional source of funding to meet budgetary gaps, PPPs also offer other advantages to governments which can include:

- incentivising the private sector to deliver projects on time and within budget;
- imposing budgetary certainty by setting the present and future costs of infrastructure projects over time;
- introducing private sector technology and innovation to provide better public services through improved operational efficiency; and
- extracting long-term value-for-money through appropriate risk transfer to the private sector over the life of a project – from design and construction to operations and maintenance[24].

Governments in Australia, both Federal and State, have seen these advantages of PPPs and turned to them for procurement. This growing demand is reflected in the National PPP Policy Framework, agreed to by the Coalition of Australian Governments, where all projects valued at over $50 million may be considered for PPP agreements[25]. Furthermore, new PPP contracting models are enabling greater flexibility in allocating risk between the public and private sector, leading to better outcomes for all parties involved[26]. This is creating a growing pipeline of PPPs for the Group with an estimated pipeline of relevant tenders worth $130 billion to be bid in the coming years in Australia.

In New Zealand, the Government is actively pursuing non-traditional procurement options, and specifically PPP approaches involving greater private sector involvement in the provision of both infrastructure and services, where these can demonstrate greater value for money to the public sector.

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[18] Macromonitor, Australian Construction Outlook Overview, June 2018, p. 7-20.
[19] Commonwealth of Australia, Budget Statement 1: Budget Overview, May 2018, p. 1-18 to 19.
[20] Victorian State Government, Pre-Election Budget Update, November 2018, p. 10.
[21] New South Wales Budget Paper No. 2, Infrastructure Statement, 2018-19, p. 1-1 to 2, 2-9.
[22] Queensland Budget, Budget Strategy and Outlook, Budget Paper No. 2, 2018-19, May 2018, p. 5.
[23] New Zealand Treasury, Fiscal Strategy Report, 2018, May 2018, p. 22-24.
[24] World Bank Group, Government Objectives: Benefits and Risks of PPPs, 31 October, 2016 - https://ppp.worldbank.org/public-private-partnership/overview/ppp-objectives
[25] Department of Infrastructure and Regional Development, National PPP Policy Framework, October 2015, p. 7.
[26] Macromonitor, Australian Construction Outlook Overview, June 2018, p. 20.

MINING AND MINERAL PROCESSING MARKET

In the long-term, rising living standards across much of the developing world, along with continued population growth and increasing urbanisation, will continue to underpin demand for energy, metals and minerals. After a period of underinvestment by resources companies in new green-field developments, and the relative exploitation of existing brown-field assets, there is also a growing need for the sector to invest in new and expanded sources of supply[27].

The Australian Government's Resources and Energy Quarterly reported in September 2018 that exports, by volume, of metallurgical coal, thermal coal and iron ore are expected to grow by a compound annual growth rate of 5.1%, 1.2% and 1.7% per annum, respectively, from 2017-18 until 2019-20[28]. Strong levels of demand for coal and iron ore, copper and nickel, are expected to underpin a good level of mining activity for the Group for the foreseeable future. Meanwhile, an accelerating transition to renewable energy sources, such as solar and wind, as well as the need for storage in the form of batteries, is increasing demand – and therefore mining opportunities – for the metals and minerals used in this infrastructure. For more detail, see the sub-chapter 'Changes to the energy mix' in the 'Innovation' chapter of the Sustainability Report.

Looking further ahead, the fundamental elements of our positive view for our core commodity exposures in the longer-term remain in place. Population growth, continued urbanisation and industrialisation, improving living standards, and the limited ability to substitute metallurgical coal in the steel production process, should all underpin mining opportunities in the long term. Additionally, the growing demand for other minerals, driven by the transition to a lower carbon future, will necessitate substantial investments by resources companies into a range of new processing facilities. The ability to collaboratively provide construction, mining and mineral processing services means CIMIC is well placed to support clients in the future.

SERVICES MARKET

The outlook for the Group's maintenance services market continues to improve, as the market continues to grow and offer new opportunities. The Australian maintenance market, which includes the: transport; oil and gas; mining; power, utilities and other; social building and commercial building sectors, is expected to grow by more than 6% per annum from 2018 to 2023 and by almost 50% over the next seven years from an estimated $25.5 billion in 2018 to around $38 billion in 2025.

A substantial level of investment in the infrastructure and resources sectors, combined with the further ageing of existing infrastructure, is driving demand for maintenance services. In addition, an increasing number of asset owners are seeing the benefit of outsourcing their maintenance services. Currently in Australia, around 56% of the infrastructure maintenance service market is outsourced – however this number is expected to gradually increase over time.

CIMIC's strong position in the maintenance services market and ability to deliver smart management and maintenance service solutions for clients places us in a good position to capitalise on these growing opportunities.

[27] BHP. "BHP's economic and commodity outlook", August 2018, p. 2.

[28] Australian Government (Office of the Chief Economist) Department of Industry, Innovation and Science: Resources and Energy Quarterly, September 2018, p. 7.

FUTURE DEVELOPMENTS

GROUP PROSPECTS

CIMIC's core markets – in construction, PPPs, mining and mineral processing, operations and maintenance services, and engineering – continue to offer a broad range of opportunities. CIMIC's work in hand and a substantial pipeline of future project opportunities support our positive outlook.

CIMIC is currently bidding on, or has been shortlisted for, projects including:

- North East Link - Primary Package (Kempston Street to Southern Portal PPP) for North East Link Authority, Victoria;
- Inland Rail - Gowrie to Kagaru PPP for Australian Rail Track Corporation (ARTC), Queensland;
- F6 Extension Stage 1 - Arncliffe to Kogarah for Roads and Maritime Services, New South Wales;
- Auckland Light Rail Stage 1 - Main Works for NZTA (New Zealand Transport Agency), New Zealand;
- Third Runway Concourse - Main Works for Airport Authority Hong Kong, Hong Kong;
- Five Year Outage Alliance for Cs Energy Ltd, Queensland;
- Auckland CRL-C3 Stations and Tunnel for Auckland Transport, New Zealand;
- Perth Metronet Rolling Stock for Public Transport Authority, Western Australia;
- Olive Downs South and Meandu Mining Services in the coal sector together with other coal opportunities, Queensland;
- Minera Centinela Esperanza Sur copper mine, Chile;
- Suburban Roads Upgrade projects PPP, Victoria;
- Cross River Rail PPP project, Queensland;
- Cross River Rail - Rail, integration & Systems Alliance, Queensland;
- North-South Corridor, Singapore;
- Mining and processing opportunities in New South Wales, Queensland and Western Australia; and
- Various projects in Canada and Chile including additional mining works in the oil sands and AMSA Minera Centinelas as well as the Jwaneng expansion project in Botswana.

The Group has an extensive pipeline with at least $130 billion of tenders relevant to CIMIC to be bid and/or awarded in 2019, and around $300 billion of projects are coming to the market in 2020 and beyond, including about $120 billion worth of PPP projects.

CIMIC continues to consider opportunities to diversify and expand into new regions and markets by leveraging its existing capabilities. The Group is also continuing to analyse opportunities to make acquisitions which broaden the service offering.

The Group's positive outlook is founded on a disciplined focus of sustaining a strong balance sheet, generating cash, and rigorous approach to tendering and project delivery. This focus, combined with the Group's strong competitive position and the range of opportunities across the core markets, provides a solid base for the generation of sustainable returns.

GUIDANCE

CIMIC expects 2019 NPAT to be in the range of $790 million to $840 million, subject to market conditions.

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 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 2018) are set out below.

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 2018 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 2018 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. Mr Fernández Verdes has continued in his capacity as Executive Chairman.
Michael Wright	CEO and Managing Director	Appointed as Deputy CEO and became KMP on 24 August 2017. On 1 December 2017, Mr Wright was appointed as CEO and Managing Director.
Executives		
Ignacio Segura Suriñach	Deputy CEO and Chief Operating Officer	Appointed to the role of Deputy CEO and Chief Operating Officer on 1 November 2017, subject to the approval of his Temporary Work (Skilled) (subclass 457) Visa. Mr Segura Suriñach commenced employment and became KMP on 9 April 2018.
Stefan Camphausen	CFO	Appointed as CFO and became KMP on 1 June 2017.

The remuneration components described in this section apply to Mr Wright, Mr Segura Suriñach and Mr Camphausen. The remuneration arrangements applicable to Mr Fernández Verdes are described separately in the 'Remuneration – Executive Chairman' section of this Remuneration Report.

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 and other salary-sacrificed benefits as agreed from time to time.

Effective 9 April 2018, the fixed remuneration for Mr Segura Suriñach was set at $1,175,000 per annum upon his commencement as Deputy CEO and Chief Operating Officer.

Effective 1 April 2019, an increase will be made to the fixed remuneration for Mr Wright from $1,200,000 per annum to $1,320,000 per annum, Mr Segura Suriñach from $1,175,000 per annum to $1,200,000 per annum plus an allowance of $400,000 for a 12 month period starting from 1 April 2019, and Mr Camphausen from $750,000 per annum to $825,000 per annum in line with market positioning.

STI

Summary of 2018 STI

<table>
<tr><td>Senior Executive participation</td><td colspan="2">Mr Wright, Mr Segura Suriñach and Mr Camphausen participated in the 2018 STI. Mr Fernández Verdes did not participate in the STI.</td></tr>
<tr><td>How much could Senior Executives earn under the 2018 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 2018 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>36% (ie, 60% of the target STI opportunity of 60% of TFR)</td><td>60% (ie, 100% of the target STI opportunity of 60% of TFR)</td><td>90% (ie, 150% of the target STI opportunity of 60% of TFR)</td></tr>
</table></td></tr>
<tr><td>Over what period was performance measured?</td><td colspan="2">The 2018 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 2018, 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 other 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 2018 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 2018 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 2018 Financial Year

STI payments for the 2018 Financial Year were determined based on Senior Executive performance against the applicable financial and non-financial KPIs, as described above. In general, during the 2018 Financial Year, the Group focused on continuing its strong operating performance whilst maintaining a sound balance sheet to provide flexibility to pursue strategic growth initiatives, capital appreciation opportunities and to sustain shareholder returns.

The following table sets out the outcomes for the 2018 Financial Year for each Senior Executive who participated in the 2018 STI.

Percentage of available STI earned[1]

Senior Executives	STI earned (A$)	Percentage of target STI	Percentage of maximum STI
Current			
M Wright	1,000,000[2]	138.9	92.6
I Segura Suriñach	500,000[3]	96.7	64.5
S Camphausen	607,500[4]	135.0	90.0

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. Mr Wright's STI award was approved by the Board, on the recommendation of the Remuneration and Nomination Committee, on 5 February 2019 and is payable in April 2019.
3. Mr Segura Suriñach commenced as Deputy CEO and Chief Operating Officer on 9 April 2018. This amount represents the STI earned from this date. Mr Segura Suriñach's STI award was approved by the CEO, in consultation with the Executive Chairman, endorsed by the Remuneration and Nomination Committee on 5 February 2019 and is payable in April 2019.
4. Mr Camphausen's STI award was approved by the CEO, in consultation with the Executive Chairman, endorsed by the Remuneration and Nomination Committee on 5 February 2019 and is payable in April 2019.

LTI

There was no LTI grant in the 2018 Financial Year. The table below provides a summary of the 2015 LTI currently on foot.

Summary of 2015 LTI grants

Senior Executive participation	Mr Wright and Mr Camphausen participated in the 2015 LTI. Mr Fernández Verdes and Mr Segura Suriñach did not participate in the LTI.
What are the vesting conditions and why were they chosen?	Options 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 be exercised 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, vested in full in November 2017, with any vested options that remain unexercised expiring on 29 October 2020.
What are the methods of exercise?	In accordance with the terms of the award, the Company determined at vesting that all options available to be exercised in the first year after vesting (ie, up to 28 October 2018) will be paid in cash in lieu of an allocation of shares based on the current market price of shares at the date of exercise, less the exercise price and all applicable taxes and levies. In October 2018, the Company determined that the vested options available to be exercised in years 2 and 3 of the exercise window will also be settled in cash in lieu of an allocation of shares as described above.
Do the options attract dividends and voting rights?	The options do not carry any rights to dividends or voting. If the Company determines that shares are to be allocated upon the exercise of options, these will rank equally with other ordinary shares on issue.
What happens if there is a change of control?	If a change of control occurs, the Company in its discretion may determine whether, and the extent to which, any unvested options will vest or cease to be subject to restrictions (as applicable), 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, genuine redundancy or other special circumstances): - 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 current market price of shares 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 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' roles as Executive Chairman of CIMIC, Chairman of the Executive Board of HOCHTIEF AG and CEO of ACS Group 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

In accordance with the terms of Mr Fernández Verdes' Executive Service Agreement (ESA), the key components of his remuneration are:

- an annual allowance as a contribution to his living expenses. As per Mr Fernández Verdes' ESA the allowance amount is to be indexed in line with CPI changes. Prior to 2019, Mr Fernández Verdes was paid an allowance on which Fringe Benefits Tax (FBT) was payable due to his travel patterns and living away from home arrangements while in Australia. From January 2019, Pay As You Go (PAYG) withholding tax is payable rather than FBT to reflect a change in his travel patterns. This change in tax treatment results in a decrease in the gross amount payable in order to maintain the net allowance (subject to CPI changes noted above):

Year	Gross allowance amount (A$)	Reason
2017	528,920 508,855	Effective 1 January 2017 to accommodate 1.3% CPI increase Effective 1 April 2017 to accommodate a reduction in FBT
2018	518,124	Effective 1 January 2018 to accommodate 1.8% CPI increase
2019	475,243	Effective 1 January 2019 to accommodate 1.9% CPI increase to the net allowance amount and change to PAYG withholding tax payable. The change in tax treatment results in a lower gross allowance amount.

- 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.

Mr Fernández Verdes receives remuneration from HOCHTIEF AG in consideration for his employment as Chairman of the Executive Board of HOCHTIEF AG, and from ACS Group in consideration for his employment as ACS Group CEO. Details of this remuneration are available in the HOCHTIEF AG Annual Report at http://www.reports.hochtief.com and the ACS Group Annual Report at http://www.grupoacs.com/shareholders-investors/annual-report/.

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 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.

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 would have forfeited any unvested or vested but unexercised SARs if he did 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. Mr Fernández Verdes will forfeit any unvested or vested but unexercised SARs 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.

No SARs were exercised in the 2018 Financial Year.

The current position with respect to 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$)	Test date (vesting date)	Vested (%)	Forfeited (%)	Exercised (number)	Fair value per SAR[1] (A$)	Outstanding as at 31 Dec 2018 (number)	Total maximum potential value of remaining grant[2] (A$)
10 June 2014	1,200,000	17.71	13 March 2016	100	-	960,000[3]	25.26	240,000	7,749,600

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 2018. 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 is calculated as the number of outstanding SARs multiplied by the maximum payment per SAR ($32.29).
3. These SARs were exercised in the 2017 Financial Year. Refer to page 65 of the 2017 Annual Report for further information.

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 - Jan[1] (A$)	Closing share price - Dec[2] (A$)	Share price appreci-ation (%)	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 2018	51.45	43.41	(15.6)	1.45	96.2	2.41	1,075	781	37[4]	1,859	22.4
FY 2017	35.38	51.45	45.4	1.22	154.3	2.17	959	702	27[4]	1,523	26.9
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[5]	16.28	22.50	38.2	1.17	36.3	2.00	1,131	677	19	1,410	79.2

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 reported equity of $3,357.2 million as at 31 December 2017 has been reduced by $1,442.2 million to $1,915.0 million to reflect the impact of the new accounting standards AASB 9 and AASB 15 and ensure comparability in the calculation.
5. The December 2014 amounts shown above include both continuing and discontinued operations.

STATUTORY SENIOR EXECUTIVE REMUNERATION TABLE

	SHORT-TERM EMPLOYEE BENEFITS				POST-EMPLOYMENT		SUBTOTAL (A$)
	Cash salary (A$)	Cash bonuses (STI) (A$)[(a)]	Non-monetary benefits (A$)[(b)]	Other (A$)[(c)(d)(e)]	Super-annuation benefits (A$)	Termination benefits (A$)	
Senior Executives							
M Fernández Verdes							
2018 Financial Year	-	-	6,446	518,124	-	-	524,570
2017 Financial Year	-	-	6,288	517,218	-	-	523,506
M Wright*							
2018 Financial Year	1,278,172	1,000,000	46,530	72,000	20,290	-	2,416,992
2017 Financial Year[1]	538,068	363,117	-	6,000	7,119	-	914,304
I Segura Suriñach[2]*							
2018 Financial Year	866,012	500,000	-	400,000	-	-	1,766,012
2017 Financial Year	-	-	-	-	-	-	-
S Camphausen*							
2018 Financial Year	753,743	607,500	-	-	20,290	-	1,381,533
2017 Financial Year[3]	465,856	395,753	-	-	11,659	-	873,268

* This table sets out the payments and benefits to each Senior Executive from the date they were appointed as a Senior Executive.

1. Mr Wright was appointed as Deputy CEO on 24 August 2017, and then CEO and Managing Director on 1 December 2017.
2. Mr Segura Suriñach commenced as Deputy CEO and Chief Operating Officer on 9 April 2018.
3. Mr Camphausen was appointed as CFO on 1 June 2017.

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) (A$)[f]	Options fair value (A$)[f]			
(1,281,600)	-	-	(757,030)	-	-
9,845,536	-	-	10,369,042	-	-
-	-	281,514	2,698,506	37.1	10.4
-	(48,279)	104,486 (cash-settled) 12,080 (equity-settled)	982,591	37.0	7.0
-	-	-	1,766,012	28.3	-
-	-	-	-	-	-
-	-	69,607	1,451,140	41.9	4.8
-	(18,706)	35,987 (cash-settled) 4,161 (equity-settled)	894,710	44.2	2.4

(a) Amounts for the 2018 Financial Year represent cash STI payments to the Senior Executives for the 2018 Financial Year to be paid in April 2019.

(b) Non-monetary benefits included such items as fringe benefits and other salary-sacrificed benefits as agreed from time to time. For Mr Fernández Verdes and Mr Wright, these amounts pertain to transport benefits considered necessary by the Company in the execution of their duties.

(c) For Mr Fernández Verdes, the 2018 and 2017 Financial Year amounts pertain to the annual allowance amount approved for 2018 and 2017 (respectively).

(d) For Mr Wright, this amount pertains to the living away from home allowance amount for 2018 and 2017. Refer to the 'Summary of Executive Services Agreements' section of this Remuneration Report for further information.

(e) For Mr Segura Suriñach, this amount pertains to the one off relocation payment in 2018. Refer to the 'Summary of Executive Services Agreements' section of this Remuneration Report for further information.

(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 2018 Financial Year. For equity-settled awards, the fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. For cash-settled awards, the fair value is re-measured at each reporting 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 equity instruments has been determined in accordance with AASB 2. Refer to the Financial Report, 'Note 36: Employee benefits' for further information.

(g) The percentage calculation is based on the cash STI received in the 2018 Financial Year as a percentage of total payments and accruals.

(h) The percentage of each Senior Executive's remuneration for the 2018 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:

- an annual allowance as a contribution to his living expenses. Mr Fernández Verdes' ESA was re-negotiated in 2016 for 2017 and subsequent years with the same terms and conditions, but to reflect the change in his dual roles as CEO and Executive Chairman to Executive Chairman only. For 2017 and subsequent years, the allowance amount will increase in line with CPI changes;
- 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 entitlements).

Other Senior Executives

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

The key terms of the ESAs for Senior Executives are:

Key terms of the ESA	**Senior Executives**		
	M Wright	**I Segura Suriñach**	**S Camphausen**
Annual review of remuneration	Yes	Yes	Yes
Length of notice period where either party is able to terminate the ESA	6 months	3 months	3 months
Specified term of employment	No	No	No
Specified payments on termination (apart from any payments in lieu of notice and any payable statutory entitlements)	No	No	No[1]
Any additional payments/allowances (apart from any fixed or variable remuneration)	Effective from 1 December 2017, a living away from home allowance of $72,400 per annum to cease on the earlier of 1 December 2019 or upon permanent relocation to Sydney	On the commencement date of employment, a 'one off' relocation payment of $400,000 as a contribution to meeting relocation expenses	No
Restraint period to apply following termination	3 months	3 months	3 months

1. For the purposes of calculating Mr Camphausen's long service leave entitlement, his prior service at HOCHTIEF AG will be recognised.

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

The entitlement of Senior Executives to unvested 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 2018 are set out in the following table.

Non-executive Directors during 2018

Name	Title (at 31 December 2018)
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
Kathryn Spargo	Independent Non-executive Director
Alternate Directors	
Robert Seidler AM	Alternate Director for Mr del Valle Pérez
Adolfo Valderas	Alternate Director for Mr López Jiménez
Ángel Muriel	Alternate Director for Mr Sassenfeld

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.

With the exception of Mr Valderas and Mr Muriel, who continue to hold 2015 LTI options from their previous roles as Senior Executives, 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 in accordance with compulsory Superannuation Guarantee requirements under Australian legislation.

FEE LEVELS AND FEE POOL

On 6 February 2018 the Board approved an increase in all annual fees paid to Committee Chairs and members in line with the CPI increase of 1.8% (all capital cities for September quarter 2016 to September quarter 2017) effective 1 January 2018. This remained unchanged during 2018.

Board and Committee fees for 2018

Name	Chair[1] (A$)	Member (A$)
Board	nil	189,000
Audit and Risk Committee	56,375	31,000
Ethics, Compliance and Sustainability Committee	41,000	21,000
Remuneration and Nomination Committee	41,000	21,000
Board Sub-Committee[2]	4,000	4,000

1. Mr Fernández Verdes receives no additional remuneration from the fee pool for his duties as Executive Chairman. Details of his remuneration for his role as 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 Board Sub-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 2018 Financial Year and 2017 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$)	
Non-executive Directors					
R Chenu					
2018 Financial Year	287,375	-	-	20,290	307,665
2017 Financial Year	280,000	-	-	19,832	299,832
J del Valle Pérez					
2018 Financial Year	231,000	-	-	-	231,000
2017 Financial Year	225,000	-	-	-	225,000
T Gerber					
2018 Financial Year	282,000	-	-	20,290	302,290
2017 Financial Year	275,000	-	-	19,832	294,832
P López Jiménez					
2018 Financial Year	231,000	-	-	-	231,000
2017 Financial Year	225,000	-	-	-	225,000
D Robinson[2]					
2018 Financial Year	210,000	95,890[3]	-	29,060[4]	334,950
2017 Financial Year	221,667	95,890[3]	-	28,942[4]	346,499
P Sassenfeld[5]					
2018 Financial Year	220,000	-	-	-	220,000
2017 Financial Year	215,000	-	-	-	215,000
K Spargo					
2018 Financial Year	230,000	-	-	20,290	250,290
2017 Financial Year	58,609	-	-	5,553	64,162

1. These amounts represent additional service fees payable to Non-executive Directors for service on a Board Sub-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 of Devine.
4. These amounts are inclusive of $9,110 in 2018 and $9,110 in 2017 from Devine in respect of his services as non-executive director.
5. 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.

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 2018 Financial Year.

Name	Balance at 31 Dec 2017	Purchases	Received on exercise of options/rights	Sales	Closing Balance[1]
Directors					
M Fernández Verdes	2,745[2]	-	-	-	2,745[2]
M Wright	-	-	-	-	-
R Chenu	4,085	-	-	-	4,085
J del Valle Pérez	1,000[2]	-	-	-	1,000[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]
K Spargo	2,000	1,000	-	-	3,000
Alternate Directors					
R Seidler AM	2,341	600	-	-	2,941
A Valderas	31,863	-	-	29,363	2,500
Á Muriel	14,991	-	-	-	14,991
Senior Executive					
I Segura Suriñach	-[3]	-	-	-	-
S Camphausen	-	-	-	-	-

1. The closing balance is at 31 December 2018.
2. These shares are held by the relevant director on trust for HOCHTIEF Australia.
3. The opening balance is at 9 April 2018 which was Mr Segura Suriñach's date of commencement as Deputy CEO and Chief Operating Officer and KMP.

MOVEMENTS IN OPTIONS HELD BY KMP 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.

No options under the LTI were awarded for the 2018 Financial 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 2017 (number)	Vested (number)	Vested (value) (A$)	Exercised (number)	Exercised[1] (value) (A$)	Lapsed (number)	Lapsed (value) (A$)	Balance at 31 Dec 2018[2] (number)
Senior Executives									
M Wright	2015	23,537	-	-	-	-	-	-	23,537
S Camphausen	2015	4,925	-	-	3,283	63,503	-	-	1,642
Former Senior Executives, now Alternate Directors									
A Valderas	2015	62,768	-	-	41,844	809,388	-	-	20,924
Á Muriel	2015	36,377	-	-	-	-	-	-	36,377

1. The exercised value is equivalent to the cash amount received upon the exercise of options.
2. These balances consist of vested options which are unexercisable at 31 December 2018.

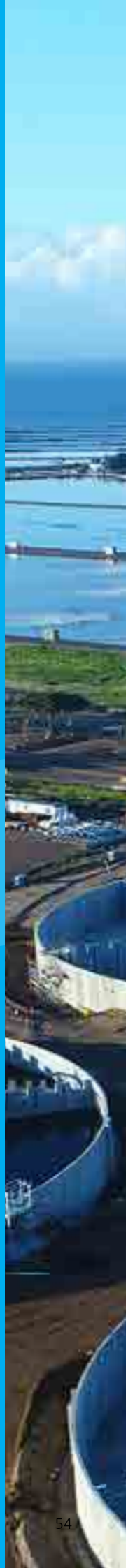
SHARES PURCHASED ON MARKET

No shares were purchased on market in the 2018 Financial Year for the purpose of satisfying vested awards under the EIP.

The CIMIC Group Limited Directors' Report for the 2018 Financial Year is signed at Sydney on 5 February 2019 in accordance with a resolution of the Directors.

Marcelino Fernández Verdes
Executive Chairman

CIMIC



innovative

Western Treatment Plant
UGL and CPB Contractors, supported by EIC Activities, Victoria, Australia

With an existing wastewater treatment plant at capacity, UGL and CPB Contractors are delivering and operating a nutrient removal plant in Victoria for Melbourne Water.

Expansion was needed to meet forecast growth in influent flows and loads, to comply with environment protection requirements and to continue to reliably supply recycled water to users.

Our clients increasingly consider commissioning and performance reliability in evaluation, so the team's tender demonstrated a whole-of-life solution, including commissioning.

The new plant includes innovative use of pre-cast concrete for the combined bioreactor and clarifier and an optimised plant feed system, and provides treatment facilities for a catchment area of 700,000 people.

Sustainability Report

CIMIC

Sustainability Report

MEASURING PERFORMANCE AGAINST OUR SUSTAINABILITY COMMITMENTS AND TARGETS

COMMITMENT Target	FY18 result	Performance Commentary	Target Date
SAFETY			
Zero work-related fatalities	○	▪ One fatality recorded	Annual
Reduce Class 1 injuries	●	▪ One Class 1 injury versus two in 2017	Annual
Reduce potential Class 1 injuries	●	▪ Reduced from 103 to 97	Annual
Reduce TRIFR[1]	○	▪ Increased from 2.64 to 2.82	Annual
Safety management systems in place	●	▪ All Operating Companies certified to ISO 18001 and/or AS/NZ 4801	Annual
INTEGRITY			
No material breaches of Code of Conduct	●	▪ No material breaches recorded	Annual
Maintain Group-wide Code training	●	▪ 80% of direct employees (23,837 people) completed Code of Conduct training, required every 2 years	Ongoing
CULTURE			
Roll out 'One' leadership program	●	▪ Frontline development program - conducted workshops all Australian key states and Hong Kong for 467 participants (1,926 participants have completed since rollout commenced in 2017) ▪ Leading Managers Program – launched pilot and commenced rollout of program with 75 leaders attending programs in Australia	Ongoing
Train and develop future leaders	●	▪ Graduate Program cohort intake increased from 174 to 208	Ongoing
Promote gender equity	●	▪ Graduate Program features an above-industry female participation rate of 25% for the 2018 cohort ▪ Conducted Group-wide pay equity review as part of the annual remuneration review and implemented remediation actions as appropriate	Ongoing
Promote diversity	●	▪ 6,755 employees undertook face-to-face Equal Employment Opportunity (EEO), Discrimination, Bullying and Harassment training during the year ▪ 744 Staff employees completed unconscious bias training in Australia	Ongoing
Foster female participation	●	▪ Female share of total workforce up to 10.3% (v 9.3% in FY17)	Ongoing
INNOVATION			
Delivering sustainable returns	●	▪ Economic value retained of $737m in 2018	Ongoing
Increase IS[2] rated projects	●	▪ 22 cumulative certifications (v 19 in FY17)	Ongoing
Further develop knowledge capture	●	▪ Interactive Project Knowledge Library (iPKL) increased to include more than 1,963 projects	Ongoing
Utilise technology in delivery of projects	●	▪ Continued to increased use of BIM and GIS[3] ▪ CPB Contractors, Leighton Asia, UGL, Sedgman, Pacific Partnerships and EIC Activities covered by BSI Kitemark certification	Ongoing
ENVIRONMENT			
No Level 1 or 2 environmental incidents	◐	▪ Zero Level 1 incidents reported ▪ 14 Level 2 incidents reported	Annual
No legal breaches, fines or penalties	○	▪ Five legal breaches resulting in fines	Annual
Environmental management systems in place	●	▪ 100% of Operating Company management systems certified to ISO 14001	Ongoing

● Achieved ◐ Partly achieved ○ Not achieved

[1] Total Recordable Injury Frequency Rate.
[2] The Infrastructure Sustainability (IS) rating scheme is Australia's only comprehensive rating system for evaluating sustainability across design, construction and operation of infrastructure. Refer to www.isca.org.au
[3] Building Information Modelling (BIM) and Geographic Information System (GIS).

ABOUT THIS SUSTAINABILITY REPORT

Sustainability is embedded in the Group's mission which is to maximise long-term value for shareholders by sustainably delivering projects for our clients while providing safe, rewarding and fulfilling careers for our people.

This Sustainability Report ("the Report") section of the Annual Report is structured around five sustainability themes:

- safety - support safe communities and provide safe, supportive and positive workplaces for our people;
- integrity - act with integrity, operate honestly and respectfully, and seek sustainable supply chain outcomes;
- culture - promote a culture that builds capability and supports opportunities for sustainability, diversity and inclusion;
- innovation - target innovation through knowledge sharing and collaboration, and seek competitive advantage with a focus on the future; and
- environment - promote environmentally responsible outcomes by using resources efficiently, minimising waste and building resilience to climate risks.

These themes provide the framework for addressing CIMIC's sustainability commitments and performance.

Our approach is derived from, and based on, our Principles – Integrity, Accountability, Innovation and Delivery – underpinned by Safety. The Principles provide a common unifying bond and set the framework for the behaviours of our people.

CIMIC's sustainability objectives are to:

- set targets and report on the Group's sustainable performance so as to promote confidence with investors, clients and other stakeholders;
- develop a culture of collaboration and knowledge sharing enabling opportunities for sustainability and innovation;
- be recognised as a leader in sustainability and contractor of choice by clients, employees and industry;
- seek environmentally and socially responsible supply chain solutions; and
- deliver safe and resilient communities and workplaces, and
- leaving a positive legacy.

These objectives help – individually and/or in combination - to deliver value by growing revenue, reducing costs, mitigating risk and building our reputation.

STRUCTURE OF THE SUSTAINABILITY REPORT

REPORTING APPROACH

CIMIC Group is committed to operating sustainably and reporting on our ESG performance and progress. This unaudited Report, integrated into our Annual Report, demonstrates both that commitment and how deeply embedded sustainability is in our business. The Report utilises a number of case studies which are highlighted as breakout boxes in the text. These case studies provide current examples of sustainability practices, to demonstrate the diversity of the Group's activities, and to reinforce that acting sustainably does create value.

For the 2018 Financial Year, we have utilised the Global Reporting Initiative (GRI) Sustainability Reporting Standards framework for the preparation of the 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 124 - 128. The Report has not been externally assured.

REPORT BOUNDARY AND SCOPE

The Report is for the 2018 Financial Year, unless otherwise noted. The scope of the Report covers CIMIC Group and its Operating Companies which include, amongst others:

- CPB Contractors;
- Leighton Asia, including Leighton India and Leighton Offshore;
- Thiess;
- Sedgman;
- UGL;
- Pacific Partnerships;
- EIC Activities; and
- Leighton Properties.

The scope of the Report does not include the operations of CIMIC Group's investments where CIMIC Group does not have 100% ownership.

RECOGNITION OF THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

CIMIC recognises the global commitment of governments and businesses to the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs). Our commitment is reflected in CIMIC's Sustainability Policy which notes that "the Group will abide by the principles of the UN Global Compact and acknowledges its role in contributing to the UN Sustainable Development Goals".

The SDGs are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The 17 'Global Goals' with their 169 identified targets[4] were reviewed in 2017, based on CIMIC's exposure to, or ability to directly or indirectly influence, these goals and targets. This review and the results were published in the Sustainability Report in the 2017 Annual Report.

In 2018, CIMIC reviewed each of its construction, mineral and mineral processing, and operations and maintenance (O&M) services contracts to determine their alignment with the SDGs. The analysis shows that around 57% of the Group's revenue is earned from contracts that are directly aligned with one (or more) of the SDG's. The relevant SDGs, and the type of CIMIC projects that align with them, are set out in the table below.

	Sustainable Development Goal
	3) Ensure healthy lives and promote well-being for all at all ages ▪ Construction and/or O&M of hospitals and health facilities.
	4) Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all ▪ Construction and/or O&M of schools and educational facilities.
	6) Ensure availability and sustainable management of water and sanitation for all ▪ Construction and/or O&M of water facilities, waste treatment plants, etc.
	7) Ensure access to affordable, reliable, sustainable and modern energy for all ▪ Construction and/or O&M of renewable energy plants such as solar, wind, etc. ▪ Construction and/or O&M of electricity transmissions lines. ▪ Mining of, and/or construction or O&M of minerals processing facilities for use in, renewables such as lithium, cobalt, manganese, rare earths, etc.
	9) Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation ▪ Construction and/or O&M of 'green rated'[5] infrastructure and buildings. ▪ Construction and/or O&M of telecommunications infrastructure that facilitates broadband or mobile network access. ▪ Construction and/or O&M of technology promoting facilities such as research facilities.
	11) Make cities and human settlements inclusive, safe, resilient and sustainable ▪ Construction and/or O&M of public transport infrastructure such as busways, and passenger and light rail projects. ▪ Construction and/or O&M of public buildings such as cultural facilities or public housing.
	13) Take urgent action to combat climate change and its impacts ▪ Construction and/or O&M of projects specifically addressing climate change, i.e. sea walls.
	16) Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels ▪ Construction and/or O&M of projects that promote the rule of law such as courts and correctional facilities.

The Report references the SDGs, with their relevant logos, when the goals and targets align with CIMIC's sustainability themes, commitments and reporting. For example, CIMIC's commitment to 'Minimising harm in workplaces' on page 66 aligns with SDG 3 – 'Ensure healthy lives and promote well-being for all ages' and SDG 8 – 'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all'.

[4] From the 'Report of the Inter-Agency and Expert Group on Sustainable Development Goal Indicators (E/CN.3/2017/2): Revised list of global Sustainable Development Goal indicators'.
[5] Includes projects with a nationally or internationally recognised sustainability rating such as Green Star, LEED, ISCA, Greenoads, etc.

MATERIAL ISSUES

DEFINING MATERIAL ISSUES

In 2015 and 2016, CIMIC undertook materiality assessments to identify and confirm the important potential economic, environmental, social and governance issues that could affect the business, both positively and negatively. The process involved 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 Dow Jones Sustainability Index (DJSI) and CDP (formerly the Carbon Disclosure Project).

The identified material issues were set out in the stand-alone 2015 Sustainability Report and updated in the Sustainability Report section of the 2016 Annual Report. The 39 material issues identified are again used in the Report as a framework for discussion of those issues that the Group believes are most material and of interest to stakeholders. The material issues, the relevant GRI Standard they refer to and section of the Annual Report or chapter of the Report (and page/s) in which they are addressed, are set out in the table below:

Material issues (by ESG factors)	Applicable GRI Standard	Section/Page number
Economic		
▪ Availability of funding for future infrastructure projects given government budget constraints and competing demands	General Disclosures	OFR[6]
▪ Changes in economic factors (regulation, government policy, new technology, availability of capital, etc.) that could impact capital productivity	General Disclosures	OFR
▪ CIMIC Group's ability to deliver projects that meet the needs of its clients	Customer Health and Safety	Innovation, 108 - 109; Safety, 72 - 73
▪ Continuing population growth, greater urbanisation, and the future growth of China and India	General Disclosures	OFR
▪ Growth in renewable energy supply potentially leading to a decline in demand for thermal coal and the impact on contract mining opportunities	General Disclosures	OFR; Environment, 120 - 121
▪ Growth in demand for renewable energy and the impact on construction opportunities	General Disclosures	Environment, 120 - 121
▪ Increased globalisation and a more competitive business environment	General Disclosures	OFR
▪ Increased sovereign/political risk and Australia's attractiveness as an investment destination	General Disclosures	OFR
Environment		
▪ Dealing with climate change threats and opportunities, developments in government's emissions policies and reducing carbon emissions	Emissions, Economic Performance	Environment, 114, 120 - 121,
▪ Ensuring legal compliance with all environmental regulations and avoiding reputational liabilities	Environmental Compliance, Effluents and Waste	Environment, 113 - 114
▪ Improving energy efficiency on projects, in the supply chain and in corporate activities	Energy	Environment, 114 - 115
▪ Minimising the use of materials (e.g. concrete, steel, packaging) and working with the supply chain to reduce environmental impacts	Materials	Environment, 118 - 119
▪ Protecting biodiversity and ecosystem health (including erosion and sediment management) when delivering projects	Biodiversity	Environment, 119 - 120
▪ Reducing the production of hazardous and non-hazardous waste	Effluents and Waste	Environment, 116
▪ Reducing the consumption and wastage of water	Water, Effluents and Waste	Environment, 117 - 118
Governance		
▪ Aligning remuneration with performance to encourage and reward the creation of shareholder value	General Disclosures, Employment	Culture, 97
▪ Balancing transparency in disclosing information for investors while not giving away commercial advantage	Public Policy, Marketing and Labelling, Customer Privacy	Integrity, 78
▪ Collaborating with industry not-for-profits to generate shared value	General Disclosures	Innovation, 106 - 107
▪ Encouraging free, fair and open competition, and complying with all applicable competition laws	Anti-competitive Behaviour	Integrity, 79

[6] OFR – Operating and Financial Review section of this Annual Report

Material issues (by ESG factors)	Applicable GRI Standard	Section/Page number
▪ Ensuring compliance in overseas markets when operating across different cultures and languages	Anti-corruption, Anti-competitive Behaviour, Socioeconomic Compliance	Integrity, 75 - 76, 79
▪ Ensuring environmentally and socially responsible sourcing and governance factors are integrated into procurement processes	Supplier Environmental Assessment, Supplier Social Assessment	Integrity, 80 - 81
▪ Impact of changes in local or regional political or regulatory regimes that may impact business development and project delivery	General Disclosures	OFR
▪ Managing risk across a diverse and complex range of markets and geographies	General Disclosures	OFR; Innovation, 108 - 109
▪ Maintain integrity of the Company's tax payment and disclosure regime	Economic Performance	OFR; Integrity, 78 - 79
Social		
▪ Application of appropriate labour standards where people are treated fairly and with respect	Non-discrimination, Freedom of Association and Collective Bargaining, Human Rights Assessment	Culture, 86 - 89
▪ Attracting, developing and retaining employees to meet the evolving needs of the business	Employment, Labour/ Management Relations, Training and Education	Culture, 86 - 97
▪ Availability of a skilled and trained workforce that can deliver projects and manage the business	Employment, Training and Education	Culture, 86; Innovation, 104
▪ Avoidance of all forms of bribery and corruption including facilitation payments	Anti-corruption, Public Policy	Integrity, 75 - 79
▪ Avoidance of all forms of child or forced labour in the supply chain	Child labour, Forced or compulsory labour, Human Rights Assessment	Culture, 87
▪ Changes in social factors (government policy, industrial relations, new technology, etc) that could impact labour productivity	General Disclosures	OFR
▪ Contributing to the development of local communities who can affect or be affected by the Group's activities	Local Communities, Indirect Economic Impacts	Integrity, 81
▪ Creating safer and healthier workplaces for the well-being of employees and all those in the Group's care	Occupational Health and Safety	Safety, 65 - 73
▪ Encouraging a culture of innovation where people are continually looking for new and better ways of doing things	Training and Education	Innovation, 99; Culture, 89 - 97
▪ Ensuring the safety of the public while delivering projects	Customer Health and Safety	Safety, 72 - 73
▪ Fostering a more diverse workforce that reflects the communities in which the Group operates	Employment, Diversity and Equal Opportunity	Culture, 92 - 97
▪ 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	General Disclosures, Procurement Practices, Indirect Economic Impacts	Integrity, 81 - 84
▪ Promoting gender equity in remuneration and promotion decisions	Employment, Diversity and Equal Opportunity	Culture, 92 - 94
▪ Respecting the rights of local communities when delivering projects for clients	Rights of Indigenous Peoples, Local Communities	Integrity, 83 - 84
▪ Supporting corporate community investment (i.e. sponsorship, donations and corporate partnerships) in local communities and society	Indirect Economic Impacts	Integrity, 81 - 83

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), 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.

Additionally, in 2016 CIMIC acquired Sedgman and, in early 2017, completed the acquisition of UGL. Information for Sedgman has been aggregated from 2016 and for UGL from 2017. In future reports, the Group expects to be able to provide more detailed operational performance measures by Operating Company.

SUMMARY OF GROUP PERFORMANCE

CREATING SHAREHOLDER VALUE		2018	2017	2016	2015	2014
Human Capital Return on Investment[7]	#	1.30	1.30	1.33	1.28	1.01
Revenue per employee	$k	381.8	355.5	380.1	475.0	459.6
Labour (revenue) productivity	$m/MhW	92.2	85.1	88.6	101.3	66.5

SAFETY						
Total fatalities	#	1	0	3	1	3
Of which: Australia	#	1	0	1	1	3
International	#	0	0	2	0	0
Total Class 1 Actual events	#	1	2	3	2	5
Of which: Australia	#	1	1	1	1	1
International	#	0	1	2	1	4
TRIFR	TRIs/MhW	2.82	2.64	2.74	3.33	3.80
Lost Time Injury Frequency Rate	LTI/MhW	1.27	1.07	1.00	0.92	1.08
Potential Class 1 incidents	#	97	103	138	192	333
Million hours worked	MhW	159.1	157.8	122.4	131.0	252.5

INTEGRITY		2018	2017	2016	2015	2014
Employees undertaking formal, on-line Code training	#	23,837	18,870	9,624	4,334	N/A
Continuous Disclosure breaches	#	0	0	0	0	0
Significant breaches of Code	#	0	0	0	0	-

CULTURE		2018	2017	2016	2015	2014
Total direct employees	#	38,423	37,779	35,394	28,078	36,512
Total employees[8]	#	46,959	51,001	50,874	-	-
Personnel costs	$m	3,634	3,530	2,432	3,059	4,363
Payroll ratio[9]	$k/emp'e	94.6	93.4	85.2	109.5	119.5
Average tenure of employment	years	3.4	3.4	3.1	3.0	3.9
Number of new hires	#	20,245	23,511	12,564	-	-
Of which: Male	#	18,584	22,324	11,816	-	-
Female	#	1,661	1,187	748	-	-
Total turnover rate[10]	%	51.3	56.0	46.0	42.7	56.5
Of which: Male staff (voluntary)	%	13.2	11.8	9.7	-	-
Female staff (voluntary)	%	4.2	4.0	3.4	-	-
Of which: Male staff (involuntary)	%	4.5	7.6	12.6	-	-
Female staff (involuntary)	%	1.2	2.0	3.0	-	-
Females on the Board	# / %	1 / 12.5	1 / 12.5	0[11] / 0	1 / 12.5	1 / 12.5
Females in the workforce	%	10.3	9.3	9.3	9.4	12.5
Females in senior management	%	12.1	10.5	9.1	14.3	10.2
Indigenous employees in Australia[12]	#	1,346	889	161	294	720[13]
Local participation in International workforce	%	94.2	93.9	97.7	96.8	-

[7] Total Revenue less Total Operating Expenses less Total Employee Related Costs (TERC) divided by TERC. As reported to DJSI.
[8] Total employees includes both direct employees of CIMIC Group and a proportion of the headcount of indirect employees from investments as follows: BICC (45%), Devine (59%) and Ventia (47%) as at 31 December 2018.
[9] 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.
[10] 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.
[11] This figure is measured at year end, CIMIC had one female for most of the 2016 year.
[12] Number for, and from, 2017 includes employees and subcontractors reflecting increased data capture.
[13] Includes Indigenous employees of the John Holland Group and Services businesses, which were divested in 2014.

INNOVATION		2018	2017	2016	2015	2014
Cumulative green buildings completed	#	76	65	63	57	46
Cumulative ISCA[14] certified and rated projects	#	22	19	16	12	6
Green Standard project registrations	#	5	5	7	14	27
Green Standard project certifications	#	8	7	19	14	29
Green Standard employee certifications	#	76	54	57	41	-

ENVIRONMENT		2018	2017	2016	2015	2014
Total Level 1 incidents	#	0	0	0	0	0
Total Level 2 incidents	#	14	10	6	4	18
Of which: Australia	#	12	8	5	2	16
International	#	2	2	1	2	2
Total Level 3 incidents	#	693	497	520	820	1787
Of which: Australia	#	567	462	493	782	1528
International	#	126	35	27	38	259
Total Breaches	#	21	15	10	4	12
Of which: Australia	#	5	9	9	2	11
International	#	16	6	1	2	1
Violations with fines >$10k	#	1	2	0	0	0
Value of fines related to above	$k	15	30	0	0	0
EIFR[15]	# / MhW	0.09	0.06	0.05	0.03	0.14
Energy consumption - Diesel	GWH	10,627	8,569	7,722	7,477	12,224
Energy consumption - Electricity	GWH	153	145	94	109	269
Energy consumption - Other	GWH	65	75	13	75	233
Total energy consumption	GWH	10,846	8,790	7,820	7,661	12,726
Energy intensity[16]	GWH / $m	0.74	0.65	0.72	0.58	0.76
Water: Withdrawals	ML	8,121	7,414	7,239	6,837	-
Discharges	ML	9,022	476	1,668	3,957	-
Water consumption	ML	(901)	6,938	5,571	2,880	-
Water reuse	ML	9,200	4,052	5,425	5,098	-
Recycled/reuse[17]	%	53.1	35.3	42.8	42.7	-
Water intensity[18]	ML / $m	-0.06	0.52	0.51	0.22	-
GHG emissions - Scope 1[19]	kt. CO2-e	2,689	2,202	1,964	1,913	3,191
GHG emissions - Scope 2	kt. CO2-e	125	128	89	93	219
GHG emissions - Scope 3[20]	kt. CO2-e	1,047	1,653	2,666	3,497	4,731
Carbon intensity[21]	kt. CO2-e / $m	0.19	0.17	0.19	0.15	0.20
Total material volumes[22]	kT	4,970	3,990	4,842	4,077	5,951

[14] Infrastructure Sustainability Council of Australia.
[15] 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 Group and Ventia for comparison.
[16] Energy intensity is 'Total energy consumption' divided by 'Total revenue from continuing operations'.
[17] Recycled/reused % equals total water recycled and reused divided by total water recycled and reused plus total water withdrawals.
[18] Water intensity is 'Total water consumption divided by 'Total revenue from continuing operations'.
[19] For 2014, period is to 30 June and includes John Holland Group 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] Scope 3 emissions have been adjusted for the 2016 year when they were previously over-stated.
[21] Carbon intensity is 'Total Scope 1' and 'Total Scope 2' emissions divided by 'Revenue from external customers'.
[22] Materials includes John Holland Group and Ventia for 2014.

SAFETY

OUR APPROACH

At CIMIC, our safety commitments include minimising harm in workplaces, promoting physical and mental health, and protecting the public. Providing a safe and healthy workplace underpins the core values of the CIMIC Group and is fundamental to, and integrated with, our operations.

We are entirely dependent on our people. For that reason, creating and supporting work environments and systems that enhance the health safety and wellbeing, both physical and mental, of our teams is at the core of everything we do. This commitment extends to our subcontractors, our suppliers and any other person who is impacted by the work we deliver.

We hold ourselves to a consistently high standard of health and safety, wherever in the world we operate, regardless of the culture, the regulatory requirements or the operating environments in which we work. In order to achieve this standard, we must strive to continually improve our performance, applying the learnings and best practice from our business – or others – to minimise harm.

Health and safety is an absolute priority for CIMIC Group's Board and Executive Leadership Team[23], and we continue to invest in the culture, systems and innovations to keep our people safe.

Minimising harm in workplaces	
Measures in place	▪ 100% of Operating Company management systems certified to ISO 18001 and/or AS/NZS 4801 ▪ Safety Essentials (or similar) in place across CPB Contractors, Leighton Asia, Thiess, Sedgman and UGL, providing the systems, procedures and knowledge to manage critical risk activities ▪ Focus on 'above-the-line' controls used to eliminate, substitute, isolate or engineer out risk ▪ Thiess' Health Safety & Security management system is available in Spanish, English, Bahasa and Mongolian representing the main languages across the global mining business ▪ Safety materials at Leighton Asia formatted to use simple illustration and diagrams to overcome different languages and relatively low levels of literacy ▪ Each Operating Company has a comprehensive rehabilitation and 'Return to Work' program
Actions taken during 2018	▪ The CIMIC One HSE Culture was introduced across the Group ▪ Quarterly Managing Director Health & Safety Reviews in which Managing Directors individually report performance in face to face meetings to the CIMIC CEO ▪ All Operating Companies maintained management system certification ▪ Thiess introduced a series of 60+ videos addressing critical controls for the Thiess Safety Essentials
Performance	▪ Lighthouse Club International Design for Safety Award for excellence in mitigating significant health and safety risks awarded to the HKZMB Passenger Clearance Building (PCB) project team ▪ Hong Kong Construction Association's Proactive Safety Contractor Award ▪ Chilean government's 'National Geology and Mining Service Award' for safety performance to the Thiess Centinela operations
Promote physical and mental health	
Measures in place	▪ Health and Safety Policy which promotes employee physical and mental well-being ▪ Employee Assistance Program is in place for all Australian based operations, and globally for Thiess ▪ International medical program implemented through International SOS to provide routine and emergency medical support to international travellers and expatriates ▪ Free health checks, influenza vaccinations and skin cancer checks provided across large parts of the business ▪ Sedgman have initiated pre-mobilisation, one-on-one discussions between employees and our EAP provider for new fly-in, fly-out (FIFO) projects
Actions taken during 2018	▪ AIA Vitality program which promotes preventative health strategies and physical fitness launched across the Australian mainland offices and projects with 3,210 eligible employees (or 42%) activating their accounts ▪ Developed a Group-wide Occupational Hygiene standard, implementation will commence in 2019

[23] Refers to CIMIC's Board and all Operating Company Boards, and all individuals holding the position of Executive General Managers within the Group.

	▪ Enhanced fatigue controls implemented over Ramadan period in Thiess Indonesia, including 100% fatigue checks day and night, fit for work campaign, and additional operators for rotations
Performance	▪ Delivered a Group-wide webinar, in collaboration with EIC Activities, on 'Looking after your mind – practical tools to support good mental health' ▪ Thiess' Mt Owen mine was awarded 'Best Health Initiative' at the NSW Mining Conference for their Positively Healthy program
Protect the public	
Measures in place	▪ Public safety integrated into Safety Essentials and at design phase of projects
Actions taken during 2018	▪ Numerous, project-by-project initiatives tailored to manage risks as appropriate
Performance	▪ A range of initiatives undertaken to protect the public

MINIMISING HARM IN WORKPLACES

CIMIC is committed to eliminating all fatalities and serious injuries at all workplaces and aims to create workplaces with a culture that focuses on safety and productivity, while also enhancing the wellbeing of our teams. This means ensuring that everyone - subcontractors, clients, suppliers and visitors - are treated with the same degree of care as our employees. All workers on our sites are treated equally – be they our own employees, sub-contractors, suppliers or representatives of our business partners - irrespective of their role.

Our focus areas are: continuing to strengthen our health and safety risk management systems, in particular our critical risk management programs; instilling a strong safety culture; and improving the health and wellbeing of our teams.

Strong risk management systems ensure that safety is paramount. Through our risk management systems, we aim to systematically identify, assess and control risks in the design, planning and implementation of the projects we deliver. Identified risks are eliminated or, where elimination is not possible, mitigated where practicable through 'hard' controls[24].

Launch of our One HSE health and safety culture

In 2018, CIMIC launched its One HSE Culture program, a common and consistent set of behaviours our employees share - across the Group - which places safety at the centre of everything we do. The program's framework guides our behaviours and defines what each of us can do to build and maintain One HSE Culture.

The behaviours are defined for three groups; managers, supervisors, and everyone, with the 'everyone' behaviours applying to all people regardless of their role. In addition, employees in leadership roles should also demonstrate the 'supervisor' or 'manager' behaviours.

The behaviours underpinning our One HSE Culture framework are grouped into four broad themes: risk management; standards; communication; and involvement. Each theme is supported by a set of positive ('I will') behaviours. Some examples of how the framework can be used include:

- Inductions – to communicate expected behaviours to staff, workforce and subcontractors ;
- Audits and reviews – to identify and close gaps in our existing culture;
- Leadership programs – to build and reinforce the skills needed to achieve our desired culture;
- Reward and recognition programs – to recognise people or projects that are demonstrating positive behaviours and making a contribution to achieving excellence; and
- Incident reviews – to ensure the behavioural aspects of our incidents are captured and addressed.

Given the changing nature of our work and the diversity of our workplaces, maintaining high safety standards and awareness is essential for our people and our business. We have a safety first culture across the Group, one that does not tolerate uncontrolled safety risk. Leadership, training and communication, in addition to rigorous risk management systems, underpin our robust safety culture. Each of our major Operating Companies maintains management systems that are certified to ISO 18001 and/or AS/NZS 4801.

If an injury or illness does occur, CIMIC works to identify the causes, prevent recurrence and provide rehabilitation opportunities to achieve the earliest safe return to work and normal daily routines.

We also monitor the potential for any occupational illnesses that the Group's activities may cause and seek to mitigate any impacts.

[24] Controls used to eliminate, substitute, isolate or engineer out the risk from causing harm.

Fatalities

The Board, management and employees of CIMIC are deeply saddened by the death of a colleague at the West Gate Tunnel (WGT) project in Melbourne. He was a long-term employee of a company sub-contracted to undertake piling operations on the site. We extend our deepest condolences to his family, friends and co-workers. The WGT project team, assisted by staff from CPB Contractors and CIMIC, has been working with the relevant authorities to investigate the cause of this tragic event.

In addition, CPB Contractors have engaged with the Piling & Foundation Specialist Federation (PFSF) to encourage an industry wide review to identify safety improvement opportunities. This included attending and presenting at a recent PFSF Safety Forum and ongoing support for a range of new initiatives designed to improve safety in piling operations.

Across the Group, we remain focussed on identification and the implementation of management strategies to deal with critical risks. This includes the use of training, education, audits, workplace inspections and the ongoing in-field verification of critical controls to ensure our teams are not exposed to uncontrolled risks.

The aforementioned fatality was also recorded as a Class 1 Actual (C1I) event.

Other injuries

The Group's preferred lag measure for reporting is Recordable Injuries (RIs)[25] and we calculate the Total Recordable Injury Frequency Rate (TRIFR)[26], which reflects the average number of recordable injuries per million hours worked (MhW). RIs capture a higher level and a wider range of injuries, including medically treated injuries (MTIs), restricted work injuries (RWIs), lost time injuries (LTIs)[27], permanent disabilities (PDs) and fatalities which impact our workers. The Group is committed to applying the same safety standards to everyone who works on one of our projects and accordingly, all our lag indicators, including TRIFR and LTIFR, reflect both direct employee and contractor performance

The Group recorded a TRIFR in 2018 of 2.82, which represents a 7% increase from the 2017 result of 2.64.

	2018	2017	2016
Group TRIFR (TRIs/MhW)	2.82	2.64	2.74

The Group also tracks the number of LTIs, a widely-recognised safety metric, and Lost Time Injury Frequency Rate (LTIFR)[28]. LTIFR is a commonly used lag indicator of both injury prevention and management performance. Like TRIFR it is often benchmarked across industries. In 2018, the Group's LTIFR increased from 1.07 to 1.27.

	2018	2017	2016
Group[29] LTIFR (accidents/MhW)	1.27	1.07	1.00
Employee LTIFR (accidents/MhW)	0.53	0.74	0.47
Contractor LTIFR (accidents/MhW)	2.46	1.72	2.04

The Group also tracks a number of other safety measures – for both employees and contractors – which are used to drive improvements in the management of safety. These measures include the total number of:

- fatalities and permanent disabilities;
- days lost to LTIs and the LTI severity rate;
- Restricted Work Injuries (RWIs), the number of days lost to RWIs, the RWI frequency rate and the RWI severity rate;
- Medical Treatment Injuries (MTIs) and the MTI frequency rate; and
- First Aid Injuries (FAIs) and the All Injury Frequency Rate (AIFR).

Compliance

During 2018, the Group recorded one fatality (Class 1 Actual) as described above. There were no other material incidents of non-compliance with regulations and/or voluntary codes.

During 2018, Leighton Asia incurred five fines totalling $22,499 for health and safety infringements that primarily related to not taking adequate steps to keep employees safe when working at heights. All of these matters were dealt with internally and no external investigations were required.

[25] Any occurrence that results in a fatality, permanent disability, lost time injury, restricted work injury, and medical treatment injuries. It does not include first aid injuries.
[26] For the purposes of this report, TRIFR is calculated on a base of 1,000,000 hours worked. It is noted that some regions, such as the USA and Canada, use a base of 200,000 hours worked for frequency rate calculations. For comparability with a 200,000 hour base, divide the rates reported by 5.
[27] An occurrence that results in a fatality, permanent disability or time lost from work of one day/shift or more.
[28] Accidents (defined as LTIs on the current page) per million hours worked (MhW).
[29] Includes employees and contractors.

Lead indicators

The Group uses a number of lead indicators of safety performance to identify and help prioritise where effort is needed in order to reduce the potential for injury to our 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, but did not, result in a fatality or a permanent disabling injury. The total number of PC1 injuries decreased by six in 2018 to 97.

	2018	2017	2016
Group PC1 (#)	97	103	138

A range of other lead indicators are used across the Operating Companies which are tailored to their specialist businesses. Some of these include:

- The number of Project Systems Audits – planned versus actual;
- The number of Critical Risk Reviews – planned versus actual;
- In field critical control verifications – planned versus actual;
- The number of Incident Actions Closed Out on time; and
- The number of Leadership Reviews/Walks completed versus scheduled.

Looking forward, the Group is investigating ways that it can use the large amounts of data that it generates to develop better predictive indicators of potential incidents. Preliminary work in this area is now complete with pilot programs planned for a number of Thiess projects in early 2019.

Safety in construction

Each of CIMIC's Operating Companies has safety management systems that, while similar in their approach, are tailored to meet each Operating Company's risks and hazards. The most commonly reported critical risks giving rise to safety incidents in the Group's construction businesses are currently: working in and around mobile plant; working near live services; working at heights; crane and lifting operations; working near live traffic; tunnelling and excavation; and temporary works.

For the Group's construction company in Australia and New Zealand - CPB Contractors - critical risks are managed through the Safety Essentials, a collection of minimum requirements focused on providing projects with the standards, procedures and knowledge to manage activities that pose the greatest risk to our people. The Group's Leighton Asia business has developed a similar set of minimum requirements, the Class One Practices (COPs). Details of the activities covered by the Safety Essentials and the COPs were set out in the 2017 Sustainability Report.

Using technology to improve safety

Taking up the challenge to make scissor lift elevating work platforms (EWPs) safer to use, EIC Activities, CPB Contractors, Thiess and UGL are leading the industry, trialling new technology to protect operators. Scissor lifts are mechanical devices that provide temporary access to work areas at height.

To make scissor lifts safer, the Group has partnered with a technology company to design and test a new type of safety device that provides a hard engineering control when using these platforms in complex construction and mining environments. With LiDAR (light detection) sensors, the solution can detect and prevent the machine from impacting obstacles, or entrapping the operator, therefore improving the safety of the operator and other workers on the platform.

The Group has acquired ten LiDAR sensor units and trialled these on CPB Contractors and Thiess sites during the year. Trials have been staggered so as to incorporate improvements and lessons learned from each site as they progress. Our goal is to develop the solution to the point where it could be successfully manufactured and improve safety for our sites and the wider industry.

With operations in countries as diverse as India, Hong Kong, Philippines, Singapore, Indonesia and Malaysia, Leighton Asia faces a significant challenge in the communication of safety standards and process controls to nationals. Employees from across these countries may communicate in different languages, including English, Chinese (Cantonese & Mandarin), Hindi, Tamil, Bahasa and Tagalog. In addition to the challenges with language, there are often relatively low literacy rates across many of the regions in which we operate.

In order to overcome this communication challenge, Leighton Asia has been active in simplifying many of the 'frontline safety tools' and the development of safety standards and process with the 'end-user focus' in mind. This has resulted in many of the traditionally text-heavy documents being reformatted and they now use simple illustrations, diagrams and more simplified wording.

Building safely in Hong Kong
Leighton Asia has been awarded the prestigious Lighthouse Club International Design for Safety Award for their excellence in mitigating significant health and safety risks through an innovative roof erection method for the internal roof at the Passenger Clearance Building (PCB) for the Hong Kong-Zhuhai-Macao Bridge (HKZMB) project. The project involved the construction of an architectural steel roof covering an area of 60,000 square metres, the size of eight soccer fields, at a height of 30 metres.

The project team modularised the roof structure into sections of up to 60m x 25m in size and weighing up to 690 tonnes. The modules were then prefabricated and assembled off site with 85% of the cladding, features and services installed in controlled factory conditions. The modules were then transported and erected on site by using strand jacking and launching methods with Building Information Modelling (BIM) used to check interfaces to avoid changes on site.

Leighton Asia operates their 'Strive for L.I.F.E.' training centres, with the objective of providing staff and workers with a world-class program of training that is interactive and dynamic, whilst also being informative. Since opening in 2010, over 140,000 Leighton Asia employees have completed training courses through the Strive for L.I.F.E. training centres.

Safety in mineral and mineral processing

The critical risks most frequently reported in the Group's mineral and mineral processing businesses are currently: mine traffic; working at heights; isolation of energy sources; geotechnical; lifting operations; explosives; and working with tyres.

Thiess has its own non-negotiable, mandatory Safety Essentials which describe clear minimum requirements, and provide critical controls and core procedures, for high-risk activities in mining. These Safety Essentials are produced in English, Spanish, Bahasa and Mongolian, reflecting Thiess' areas of operation.

Thiess' safety performance recognised in Chile
In 2018, Thiess' Encuentro open pit mine operation in Northern Chile was awarded the National Mining Service Safety Award by the Chilean government for best overall safety performance in 2017. The annual award, run by the National Geology and Mining Service Agency, singles out mine owners and service providers who excel in meeting industry safety standards in eight categories. The categories reflect company size and the number of hours worked with safety data collected over a calendar year to assess the best performing companies, with Thiess winning Category B[30].

Thiess has operated in Chile since 2015, employing over 350 people and working more than 50,000 hours worked per month. Thiess currently provides mining services at Encuentro for Antofagasta Minerals (AMSA) with a scope of works comprising drilling, load and haul, mobile equipment and mine services.

Sedgman has also adopted Safety Essentials which were rolled out in 2016. These describe clear minimum requirements for high risk activities and are mandatory for all Sedgman sites.

Good housekeeping makes for safer sites
Regular site inspections and independent internal audits are key elements of Sedgman's commitment to safe and sustainable workplaces. They fulfil two important functions, providing opportunities to highlight best practices for sharing within Sedgman and across the Group, and they identify opportunities for site and system improvements.

A health, safety, environment and quality (HSEQ) mobilisation audit of the Byerwen coal handling preparation plant (CHPP) project in Queensland achieved both of these outcomes. The audit provided the opportunity to share an example of effective materials laydown and handling practices. 160 tonnes of steel work, fabricated in China for the CHPP, was delivered to the site in shipping containers and unpacked. Every section has its own call up board with contact details and section-specific hazard identification. By ensuring the material laydown areas are setup and utilised correctly, risk to our people and plant working in the area is reduced.

The Safety Essentials of Thiess and Sedgman, identifying their materials risk activities, were described in the 2017 Sustainability Report.

Safety in services

The critical risks occurring most often in the Group's services business are currently: isolation of energy sources; working at heights; working with electricity sources; excavation and trenching; cranes and lifting operations; operation of mobile plant; and managing traffic.

[30] Working between 200 thousand and 1 million man-hours with up to 400 people.

UGL has developed the Critical Risk Control (CRC) Protocol which outlines the mandatory minimum standards required to achieve a step change across UGL's business, specifically defining how to identify, eliminate or manage critical risks. Again, CRC Protocols covering these risks were outlined in the 2017 Sustainability Report and are specific to the services that UGL delivers.

Driving safety delivers the competitive edge

In an effort to reduce manual handling risks in their rail workshop, the UGL Overhauls team at Ballarat in Victoria has simultaneously improved safety while creating a competitive new 'brake centre of excellence' for its clients. The Ballarat-based team in Victoria was experiencing an increasing number of manual handling injuries when upgrading component parts. In an effort to reduce these injuries, the team reviewed its component upgrade methods and has implemented a semi-automated process that uses waist-high benches and site-designed machinery to assemble components.

By introducing the new methodology, mechanical controls and an altered working environment, the team achieved its safety objective and has positioned itself to better compete in the very competitive field of brake cylinder repair. The team's safety initiative has significantly improved safety and greatly reduced the time required to overhaul and upgrade brake cylinders and component parts.

Occupational illnesses

CIMIC is committed to monitoring the potential for occupational illnesses[31] that Group activities may cause, and seeks to mitigate any impacts. The most common types of occupational hygiene risks experienced by the Group's major Operating Companies include hearing loss, dermatitis or other skin irritations, and musculoskeletal disorders, such as long-term back or neck conditions and dust-related diseases. In certain circumstances, Sedgman employees are required to manage the risk of exposure to heavy metals such as lead.

CIMIC Operating Companies have comprehensive occupational health and monitoring programs in place to ensure adequate assessment and control of the health hazards associated with the working environment. In addition, all Operating Companies worked with CIMIC in 2018 to develop an Occupational Hygiene standard to ensure a high level of consistency is applied across the Group, regardless of where we operate in the world. This standard will be implemented in 2019.

Each project and/or workplace is required to maintain a record of all new cases of injury or occupational illnesses that are work related. In 2018, Group Operating Companies reported 48 instances of occupational illnesses which related to issues including musculoskeletal disorders, dermatitis, hearing impairment, mental health, respiratory conditions and allergies. This generated an occupational illness frequency rate (OIFR)[32] of 0.30 for CIMIC Group.

	2018	2017
Group Occupational illnesses or injuries (#)	48[33]	15
Group OIFR (# / MhW)	0.30	0.09

Skin cancer is a potential risk for employees due to the outdoor nature of construction and mining activity. Each of the Group's Operating Companies provides personal protective equipment (PPE) aimed at reducing the risk. Based on the risk profile of the operation, PPE may include long sleeve shirts, broad-brimmed hats, UV-rated safety glasses and sunscreen. CIMIC has also worked with, and supported, the Cancer Council of Australia to promote sun awareness and maintaining a healthy lifestyle, and has provided access to free skin checks as part of the AIA Vitality program in Australia.

Rehabilitation

Each of the Group's Operating Companies has a comprehensive 'Return to Work' program which seeks to identify and provide rehabilitation opportunities for injured employees so they can be reintegrated into the workforce where possible. The program outlines our commitment to assisting injured workers remain at work, or return to work safely and as soon as possible, following a workplace injury or illness.

Getting back to work is an important step in recovering from a work-related injury and often means an employee has also returned to a normal life, reducing the financial and emotional impact on them and their family. Returning to work may mean going back to their old job, undertaking alternate duties, working reduced hours or moving into another role. All of these options will be considered as part of an injury management strategy.

[31] An occupational illness is a work-related condition or disorder caused predominantly by repeated or long-term exposure to an agent(s) or event(s).

[32] Occupational Illness Frequency Rate: the number of occupational illnesses reported per million hours worked.

[33] For 2018, this included 43 employee reported occupational illnesses and 5 for subcontractors. The requirement to disclose the number of occupational illnesses is leading to great accuracy in reporting. Some occupational illnesses were likely classified as injuries in 2017.

PROMOTE PHYSICAL AND MENTAL HEALTH

CIMIC actively supports initiatives that help employees to achieve or maintain physical and mental health. We are committed to promoting healthy activities and encouraging people to undertake regular health assessments. Our approach also provides employees and their families with free, voluntary and confidential access to an Employee Assistance Program (EAP)[34] to facilitate the resolution of personal and work related issues.

CIMIC's 'Fit for work + Fit for life' health initiative aims to promote the steps that all employees can take to:

- achieve or maintain physical and mental health;
- avoid or better manage both physical and mental health conditions such as fatigue, depression and anxiety; and
- provide care and support for ourselves and others.

CIMIC launches a range of benefits to promote employee health and wellbeing

CIMIC Group now offers salary continuance insurance (SCI) automatically, at no cost and without a medical assessment for eligible employees[35] in Australia. This provides up to 75% of an employee's Total Fixed Remuneration for up to two years, with a 90 day waiting period, if they are unable to work due to long term injury or illness. In Australia, CIMIC Group also provides all employees and their families with access to discounted private health insurance via an industry leading provider.

CIMIC has also launched the AIA Vitality program which promotes positive health and wellbeing behaviours by rewarding eligible employees in Australia with points for making healthy choices like completing a health check or nutrition assessment, or setting and following through on a physical activity target. The AIA Vitality program is designed to help employees:

- Know their health – offering a range of online and offline health assessments to help them to find out more about their health;
- Improve their health – support to set goals and maintain good health through discounts on gym memberships, fitness devices and more; and
- Enjoy the rewards – encouragement to stay motivated with ongoing rewards for all their efforts, including discounts on flights, movie tickets, shopping vouchers, spa treatments and more.

Employees in other countries also benefit from a range of health and wellbeing benefits. For example, in many of our overseas locations the Group provides medical, dental and hospital insurance in line with what is customary for the market in those countries.

'Fit for work + Fit for life' is about employees looking after themselves and looking out for others. The Group's intranet provides information on a range of physical and mental health topics and how to get support. It includes links to the Group's health related policies, the EAP, and information about specialist mental health training and support provided by organisations including Beyond Blue, Lifeline, Mates in Construction and Mates in Mining.

Also, as a part of the 2018 CIMIC Graduate Induction, all 208 graduates attended a mental health resilience program. This was designed to provide the graduates with the skills to identify early warning signals, build their resilience and to know how to seek assistance if necessary. This program was well received and is seen an essential element in their preparation, as many moved from education to their first experience with full time employment.

Thiess joins the fight against cervical cancer in Indonesia

Thiess is leading the charge in the fight against the human papillomavirus (HPV) with the team implementing an HPV vaccination program for all female employees across Indonesian projects and offices. Cervical cancer is the second leading cause of female cancer in Indonesia despite it being preventable through access to this vaccine

The HPV vaccine protects against two high-risk HPV, types 16 and 18, which cause cervical cancer in women, the most common type of cancer caused by HPV.

Across the Group in 2018, other physical and mental health initiatives have included:

- executive briefings with Beyond Blue, one of Australia's leading mental health support specialists;
- Australian managers training in physical and mental health protective factors;
- peer support training;
- Group-wide 'Looking after your Brain' mental health webinar; and
- promoting campaigns such as R U OK and White Ribbon Day.

[34] Provided to all Australian employees and all of Thiess' international employees.

[35] Eligible employees are Australian permanent salaried employees and maximum term employees with expected tenure greater than 12 months, who are working more than 15 hours per week.

Health checks save lives

A mix of teams at sites and offices at Sedgman, Thiess and CIMIC have shone a spotlight on why health and skin checks are a smart move for everyone. At Sedgman and CIMIC, 15-minute health checks measured cholesterol, blood glucose, blood pressure, body mass index (height and weight) and waist measurement – testing for risks of diabetes, stroke and cardiovascular disease. At both companies an average of 30 per cent of participants were referred to their GP when their results in any area fell outside desirable ranges, indicating a possible health risk.

At Thiess' Leinster Underground project in Western Australia, 40 people took up the opportunity to receive a full head-to-toe skin check examination by a qualified doctor. For more than 50 per cent of the participants, this was their first skin check and 20 per cent of participants had a suspicious lesion requiring urgent GP referral.

CIMIC continues to offer access to an EAP, a free, voluntary and confidential employee assistance program available 24/7 to CIMIC Group employees and their immediate families. The aim of the EAP is to assist with the resolution of personal and work related issues which may affect work performance or quality of life. An external counselling service, Gryphon Psychology (or their global affiliate in overseas markets) provides short-term personal counselling. Gryphon Psychology counsellors are recognised for their professional qualifications and experience in the provision of employee assistance programs.

Positively healthy program recognised as an industry leader

For the past five years, Thiess' team at the Mt Owen coal mine in New South Wales' Hunter Valley has been running an annual Positively Healthy program. With the support of Ethos Health, the program aims to achieve real weight loss and positive overall health outcomes across the mine's workforce. The program has continued to make in-roads such that 312 employees, or 82% of the Mt Owen team, participated in the program this year, losing over 500 kilograms collectively.

Employees and contractors began the program undertaking an InBody Composition scan which measures body fat, muscle mass, visceral fat and mineral content, and provides an overall health score out of 100. Individual and collective scores were produced with a collective baseline recorded. Once the assessment was conducted, the program introduced prevention and treatment strategies to manage modifiable health and lifestyle risks, such as nutrition and diet, physical activity, smoking, sleep, alcohol and stress. Action plans targeted high need areas and supported the participants throughout the program with one-on-one sessions, workshops and team challenges.

This year, the Positively Healthy initiative at Mt Owen was recognised with the New South Wales Mineral Councils (NSWMC) Health Excellence Award at the NSW Mining Health, Safety, Environment and Community Awards dinner which showcases innovation across the mining industry.

PROTECT THE PUBLIC

CIMIC is committed to ensuring the health and safety of anyone who may be exposed to the Group's activities. This commitment and care extends to clients, suppliers, surrounding communities and the public, which can include passing motorists, passengers of public transport and pedestrians.

Many infrastructure and building projects are being developed in densely populated urban areas. Safety is incorporated into the 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 to provide enhanced protection include variable speed signs, realigned traffic lanes, auto flaggers, physical barrier guards and truck mounted attenuators.

Making sure that Canberra is Rail Ready

The Canberra Metro consortium, which includes CPB Contractors, UGL and Pacific Partnerships, is delivering the first stage of Canberra's 12km Light Rail project as a PPP. With construction nearly completed and the start of operations fast approaching, a significant safety campaign - Rail Ready – was launched to ensure that residents of Australia's capital city were provided with helpful advice about staying safe when walking, cycling or driving near the light rail corridor.

The consortium worked with ACT Policing's Constable Kenny Koala program which aims to educate child care and primary-aged school children on a range of safety themes, including traffic and road safety. Schools were encouraged to book a traffic and road safety presentation by Constable Kenny Koala. A range of safety education-resources were provided for primary school students in conjunction with the TrackSAFE Foundation, an Australia-wide, registered harm prevention charity. Other resources included: radio commercials, posters for cyclists, drivers and pedestrians; factsheets in English and Mandarin; quizzes, crossword puzzles and colouring sheets; and safety videos and brochures.

During 2018, there was one incident resulting in an injury to a member of the public. This involved some loose fabric on a building hoarding blowing loose, resulting in a cyclist falling. The project team supported the injured cyclist, organised an ambulance, returned the bicycle to the cyclist's home and helped to transport the injured person's partner to hospital. Over time, the project team has remained in contact with the cyclist offering assistance as required.

Across the Group, projects and workplaces are required to prepare and maintain detailed 'Emergency Response Plans' to ensure that arrangements are in place to effectively respond to foreseeable emergencies. 'Emergency Response Plans' must be developed and put in place to:

- minimise injury and damage;
- minimise harm to the environment; and
- preserve the businesses operability and reputation.

The 'Emergency Response Plans' underpin more externally focused 'Crisis Management Plans' which coordinate any necessary Group crisis response, and ensure appropriate Group capabilities are in place to respond if required.

OUTLOOK AND FUTURE PLANS

We are committed to our people returning home safely at the end of a day's work. In 2019, we plan to:

- maintain a consistent and unwavering focus on critical risk management and the application of critical risk controls;
- focus on reducing the occurrence of C1 and PC1 incidents through:
  - continuously improve the quality of the C1 and PC1 investigation process;
  - developing and implementing hard controls where possible;
  - reviewing the controls put in place in response to C1 and PC1 incidents to measure their effectiveness;
- implement a CIMIC wide occupational hygiene standard to identify and manage the risk of occupational illnesses;
- continue to build functionality in the Group-wide Health & Safety Database, introducing mobile applications for inspection, observation, audit and incident modules;
- mine safety and business performance data to develop and improve lead indicators with the aim of improving business resilience;
- drive improvement to the Group's contractor management program, including increasing capacity to assist in the consistent application of contractor pre-qualifications, approvals and performance assessments; and
- continue to consolidate and simplify our safety systems across the CIMIC Group.

INTEGRITY

OUR APPROACH

One of our four Principles is integrity which is based on respect and honesty. We believe that we must respect ourselves, and our colleagues, clients, suppliers and shareholders.

Setting the foundation for the way we work every day is the Group Code of Conduct ('the Code'). The Code applies to all employees of the Group, directors, third parties engaged by the Group, and all alliances and joint ventures in all jurisdictions. The Code outlines the standards of behaviour we expect, regardless of Operating Company, role or country. Where the Code or a policy sets higher standards of behaviour than local laws, rules, customs or norms, those higher standards will apply.

We expect that everyone will:

- act in accordance with the Code and the Group's Principles;
- comply with all Group and Operating Company policies and procedures;
- comply with all applicable laws wherever we operate; and
- seek advice if they have any doubt about the right course of action.

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. 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.

While the Code provides a framework for decision-making, it 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 breaches. The Code is supported by training and the CIMIC Ethics Line, and has been translated into local languages to reflect the numerous communities in which we operate.

Zero tolerance for bribery and corruption	
Measures in place	▪ Code of Conduct available to all employees supported by Group Code of Conduct – Management, Monitoring and Reporting Policy which enshrines comprehensive protection for whistleblowers ▪ Anti-Bribery and Corruption Policy; Gifts and Hospitality Policy; Dealing with Third Parties Policy; Approval to Operate Internationally Policy ▪ Group-wide, independently operated, confidential Ethics Line available for reporting concerns
Actions taken during 2018	▪ 23,837 employees (or 80%) completed formal Code training as part of a requirement to be trained within 3 months of joining and, thereafter, every 2 years ▪ Implemented a third party due diligence solution to screen third parties
Performance	▪ No instances of significant fines or sanctions for non-compliance with Australian and international laws and regulations during the year ▪ No significant breaches of the Code ▪ 121 potential ethical issues reported to the CIMIC Board's Ethics, Compliance & Sustainability Committee (ECSC), all matters were dealt with internally by the Reportable Conduct Group, under the supervision of the ECSC
Operate honestly and transparently	
Measures in place	▪ Market Disclosure and Communications Framework; Privacy Policy; Record Retention Policy; Securities Trading Policy
Actions taken during 2018	▪ Made 74 announcements and disclosures via ASX
Performance	▪ No breaches of continuous disclosure ▪ Group is unaware of any substantial complaints regarding breaches of privacy or other matters by clients or other stakeholders
Support sustainable procurement	
Measures in place	▪ Procurement Policy which integrates the Group's commitment to sustainability; Dealing with Third Parties Procedure ▪ Sustainability Policy commits Group to integrating environmentally and socially responsible sourcing into procurement
Actions taken during 2018	▪ UGL hosted an Aboriginal and Torres Strait Supplier Showcase ▪ Thiess Supplier Diversity Strategy launched ▪ Continued roll out of Early Payment Program ▪ Thiess participated in the Upper Hunter Mining Dialogue Forum focused on procurement and rehabilitation
Performance	▪ Broad Construction awarded WA Government's Department of Finance Supplier Performance Award

Leave a positive legacy	
Measures in place	▪ Diversity & Inclusion Policy which promotes Indigenous employment and Indigenous suppliers in the supply chain, national inclusion in the workforce and gender equity ▪ Sustainability Policy which commits Group to leaving positive legacies ▪ Thiess has a 2017-2020 Reconciliation Action Plan (RAP) ▪ UGL has a RAP in place ▪ CPB Contractors' supports Career Seekers New Australian Internship Program
Actions taken during 2018	▪ Numerous, project-by-project initiatives tailored to meet the needs of local communities
Performance	▪ Thiess awarded Coal Mongolia's' prestigious Best Contractor Award

ZERO TOLERANCE FOR 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 in return for an unfair advantage to any party, directly or through an intermediary. This includes facilitation payments[36] even if allowed under local laws or customs. We are committed to the prevention, detection and initiatives to eliminate bribery and corruption in accordance with the Code.

The Code is supported by additional governance documents including: a Group Code of Conduct - Management, Monitoring and Reporting Policy; an explicit Anti-Bribery and Corruption Policy; a Dealing with Third Parties Policy; and a Third Party Anti-Bribery, Corruption and Business Integrity Declaration. Collectively, these documents:

- identify roles, responsibilities and obligations of leadership and employees;
- prescribe training requirements of various roles in the Group; and
- detail related processes, including:
  - the 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 and ensuring it is confidential, objective, independent and fair; and
  - setting out key contacts and details.

Dealing with third parties

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. We define third parties as entities and individuals outside of CIMIC Group, and they may include clients, joint venture partners, subcontractors, consultants and suppliers, agents or intermediaries (as defined by our Dealing with Third Parties Policy). In many cases, the Group's Operating Companies deliver work in joint venture or enter into alliance relationships. 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, employees will remain bound by the Code and will seek to have business 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 Policy. 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.

All contracts entered into must be approved in accordance with the Group Delegations of Authority.

Implementation of Group-wide Supplier Due Diligence solution

In 2018, CIMIC undertook a process to identify its requirements for a third party due diligence solution and the services available in the market that would best address these needs. The following criteria were identified as functional requirements for an ongoing third party due diligence solution:

- distributed access via licenses accessible across the Group as required;
- the ability to screen third parties (including vendors, suppliers and business partners) against sanctions, watch-lists, adverse litigation and Politically-Exposed-People (PEP) lists;
- adverse media (print media and social media) screening for all jurisdictions in which CIMIC operates;
- financial information including company ownership, structure, credit rating and financial strength;
- searches that address Modern Slavery, bribery and corruption due diligence requirements;
- workflow capabilities that reduce manual review and handling when on-boarding new vendors and business partners. That workflow should include electronic automated escalation and approval processes, and an electronic and automated process for distribution and risk assessment of on-boarding, pre-qualification and qualification questionnaires.

CIMIC is in the process of implementing the internationally recognised third party due diligence solution provider's platform.

[36] Facilitation payments are payments of cash or in kind made to secure or expedite a routine service, or to 'facilitate' a routine Government action.

The Group rates third parties as Low, Medium or High[37] risk to ensure that risks are appropriately assessed before entering into formal business relationships and managed during the course of those relationships. Appropriate due diligence must be carried out on all third parties prior to formal engagement.

Approving managers are free to engage with Low Risk third parties subject to appropriate procurement/ tendering standards being followed. Medium and High risk third parties may only be engaged after escalating integrity checks are completed and they have completed and executed a Third Party Anti-Bribery and Corruption Declaration.

Other third parties may only be engaged where they have completed a Third Party Anti-Bribery and Corruption Declaration.[38] Where either the Third Party Anti-Bribery and Corruption Declaration or the integrity checks are not to the satisfaction of the approving manager, further enquiries must be made.

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.

Working in other countries

CIMIC seeks to ensure that it does not operate in countries that could pose significant integrity, legal, financial, operational, reputational, security and other business risks to the Group. To this end, the Group has an Approval to Operate Internationally 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 Policy mandates a traffic lights system whereby:

- a 'Green Light' country is one that has been approved for Group entity operations. Typically, these countries are defined as retaining a low level of business risk and have either existing or potential opportunities to create a sustainable business with consistent and acceptable after tax returns;
- an 'Amber Light' country is one that has been approved for Group entities to pursue specific opportunities on a case-by-case basis. Typically, these countries are defined as retaining a medium level of political, security, corruption or other business risk. Approval will only be granted on a prospect-by-prospect basis;
- a 'Red Light' country is one that is not currently approved for operation; and
- a 'Black Light' country is one where Group entities are banned from pursuing opportunities. These countries include prohibited activities in countries sanctioned by the United Nations Security Council and/or the Australia Government (refer to the Department of Foreign Affairs and Trade's 'Sanction regimes' list).

The Policy also requires that, before operations commence in a new country, a comprehensive assessment of risks associated with operating in that country is undertaken, documented and approved. This includes the requirement for the relevant Operating Company to undertake an evaluation using a standardised risk assessment template, followed by a structured review process which involves Operating Company functional managers and functional heads from across CIMIC including the CEO. CIMIC maintains a Register of Approved Countries which is integrated with the Group Delegations of Authority and Group Tendering Policy.

Political donations

In order to avoid the potential for bribery and corruption, CIMIC does not make donations, either in kind or directly, to political organisations, political parties, politicians, or trade unions. Nor will CIMIC make or solicit payments to organisations which predominantly act as conduits to fund political parties or individuals holding or standing for elective office. Other prohibited political activities or contributions include free or discounted use of the Group's premises or equipment as a donation to a political party.

In keeping with the Code, the Group did not make any donations, either directly or in-kind, to political organisations, political parties, politicians, or trade unions between 2015 and 2018.

Supporting and protecting whistle-blowers

We encourage our employees, sub-contractors and partners to voice their concerns should they identify potentially unethical practices. People who speak up in good faith will be supported by CIMIC for doing the right thing and we are committed to providing support and protection for whistle-blowers against any reprisal for reporting a breach or potential breach of the Code.

In some circumstances, people will prefer to speak to someone other than their manager about their ethical questions or concerns. We provide access to the CIMIC Ethics Line[39], at zero cost to our employees, sub-contractors and partners, so they can raise issues and have them investigated and remain anonymous should they wish to. Matters can be reported to the Ethics Line via phone, fax, online, email or post.

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[37] The Dealing with Third Parties Policy has a detailed definition for 'High Risk'.

[38] With the exception of third parties designated as Low Risk, such as a government or state-owned enterprise ranked lower than 40 in the Corruptions Perceptions, a client who has been rated in Band A or Band B of the Defence Companies Anti-Corruption Index published by Transparency International UK (or any subsequent index published by Transparency International relating to companies), or an existing client designated as Low Risk by the CEO.

[39] http://cimic.stoplinereport.com/

The Ethics Line is an independent service operated by STOPline Pty Ltd, a leading provider of disclosure management services. It is contactable 24 hours-a-day, seven days-a-week, and the service is staffed by highly trained consultants who are able to access a comprehensive interpreter service covering all the regions in which we operate and the languages our people speak. All reports made to the Ethics Line are treated confidentially and are anonymous.

As per the Code, all business concerns raised are taken seriously and treated confidentially, and the identity of the whistleblower who has raised a business concern is only revealed on a 'need-to-know' basis. Any employee raising a genuinely held business concern has the option to do so on the basis that their identity will be known only by the individual to whom the concern was raised or the Ethics Line provider (as the case may be).

Any employee who feels they have been victimised after raising a concern should contact their Business Conduct Representative, or the Ethics Line. The Group will not tolerate victimisation of a whistleblower. Any Employee found to have victimised another will be subject to disciplinary action.

The Group Code of Conduct – Management, Monitoring and Reporting Policy requires that CIMIC and each Operating Company must maintain a Reportable Conduct Group (RCG), with membership comprising the CEO/COO or Managing Director, CFO, General Counsel and Head of HR, or as otherwise determined by the CEO. The RCG is required to: monitor and respond appropriately to matters investigated and brought before it; and to report to the ECSC on a regular basis about matters reported, actions taken, and the success or otherwise of systems in place to support compliance with the Code.

On behalf of the Board, the ECSC 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 matters considered by the RCG of each Operating Company including matters referred to those groups from all sources including calls to the Ethics Line. Any serious matters are also reported to the ECSC.

The nature of the matters considered by Operating Company RCGs in 2018 have been as follows:

Issues reported to the ECSC (#)	**2018**
Conflicts	16
Breaches of code/procedures	30
Misappropriation/theft	11
Fraud	5
Human resources related	47
Other	12
Total	**121**

Of the matters reported in 2018, all were investigated by the respective Operating Company's RCG and the ECSC apprised of the details.

Communication and training

All employees are provided with a copy of the Code and supporting documents upon induction to the Group. The Code is to be accessible in each office and project site, and available on the intranets of CIMIC and each of the Operating Companies. Any updates to the Code are promptly communicated to all employees.

It is mandatory for all decision-makers in senior management, as well as 'high risk'[40] roles, to undertake a 2 hour standardised face-to-face training session delivered by a CIMIC or Operating Company General Counsel or delegate. This training outlines the importance of the Code, and bribery and corruption prevention and control. In addition, all of these employees are required to complete an on-line training module which includes an assessment.

All other salaried employees are to complete the on-line training module (with assessment). The mode of delivery is dependent on where employees are located and their role in the organisation. Staff complete an online training module and wages employees complete a face-to-face module as part of their induction. Where on-line training is not available, training will be provided by alternative delivery methods (such as via CD or paper). Human Resources employees complete a one day face-to-face training course.

All training must be completed within three months of commencement in the role (either as a new hire or by promotion to a relevant role) and then at least once every two years. Training records must be maintained. Across the Group, 23,837 employees completed training on the Code in 2018 versus 18,870 in 2017.

[40] High Risk Employees will be determined by the Reportable Conduct Group and may include the following roles: Senior corporate management (all executives, General Managers and Group Managers); Senior project management (all Project Directors / Managers and Superintendents); Finance and Administration (including accounting, legal, finance, insurance, treasury and HR); Procurement and contract administration / management; Business development; Government relations; and Plant Managers.

OPERATE HONESTLY AND TRANSPARENTLY

We expect all of our people to operate and communicate honestly and transparently, so as to build and maintain the confidence and trust of shareholders and other stakeholders. This includes building open and transparent relationships, and seeking to work collaboratively with the communities that we impact. CIMIC is also committed to providing information to shareholders and to the market in a manner which is consistent with the meaning and intention of the ASX Listing Rules.

Continuous disclosure and insider trading

As a publicly listed company, CIMIC undertakes to comply with all of the continuous disclosure obligations set out in the ASX Listing Rules and the Corporations Act. This is essential for the maintenance of shareholder confidence and market trust. To facilitate this obligation, CIMIC's comprehensive Market Disclosure and Communications Framework[41] sets out the principles, policy and procedures which have been adopted.

CIMIC also maintains a comprehensive Securities Trading Policy which sets out the requirements and responsibilities of officers, executives and certain contractors of CIMIC Group regarding dealings in CIMIC Securities. The Policy seeks to ensure that CIMIC Group officers and executives comply with the law prohibiting insider trading. This Policy also contains obligations to keep CIMIC Group information confidential.

CIMIC Group people must comply with the law at all times when they are in possession of inside information and they must not engage in insider trading. All of those people referred to in the Securities Trading Policy may only deal in the Company's securities within designated trading windows (and providing they are not in possession of inside information) which are six-week periods commencing on the next trading day after the release of the Group's quarterly/half year/full year results. Even within these windows, employees must still obtain prior approval from the CIMIC Company Secretary before trading and a record of these approvals is maintained.

During 2018, 74 announcements and disclosures were made via ASX and there were no breaches of continuous disclosure.

Privacy and record retention

CIMIC only collects, holds, uses or discloses personal information where it is reasonably necessary to:

- enable CIMIC to deliver services or information to individuals or to an organisation;
- maintain or establish a business relationship, including as a customer, supplier, contractor, or employee;
- enable CIMIC to assist to provide services; or to improve, and
- better understand preferences in respect of CIMIC services; and fulfil legal or regulatory obligations.

Our commitments are enshrined in the Group's Privacy Policy[42] which applies to all employees, third parties engaged by the Group, and all alliances and joint ventures in all jurisdictions. This Policy is available on the Group's website.

In 2018, CIMIC was required to respond to a vendor security incident which threatened the privacy of potential employees. CIMIC Group uses a human resources technology provider to manage job applications and candidate information. During the year, that provider investigated a global security incident related to its systems. While this investigation was underway, CIMIC suspended use of their services, disabled all external users and reset all passwords.

Information from the provider, their external cybersecurity advisors and government authorities indicated there was no evidence of an active threat. The provider has informed CIMIC that the incident has been contained and the platform is secure. Based on this information, CIMIC has re-established connections with the provider. Job applicants were prompted to reset passwords upon logging into the system and all contacts in our system were sent an email from CIMIC to notify them that, regretfully, some of their personal data may have been accessed by an unauthorised third party.

The Group is unaware of any other substantiated complaints regarding breaches of privacy by employees, clients or other stakeholders.

The Group also has a Record Retention Policy which integrates with an Information Management Policy. These policies set the requirements for the identification, retention or destruction of all records containing Group Information.

Tax payment and disclosure

As per our Code, CIMIC is committed to complying with all applicable rules, laws and regulations governing business reporting. All information created and maintained, as a result of the Group's business activities, must accurately reflect the underlying transactions and events, and follow Group reporting policies and procedures. Financial officers and others responsible for the accuracy of financial reporting have an additional responsibility to ensure that adequate internal controls exist to achieve truthful, accurate, complete, consistent, timely and understandable financial and management reports that are prepared in accordance with relevant laws, accounting standards, policies and procedures.

[41] https://www.cimic.com.au/en/our-group/governance/continuous-disclosure
[42] https://www.cimic.com.au/en/our-group/governance/policies

CIMIC is committed to the integrity of the tax related disclosures contained in the financial statements and to maintaining open and transparent relationships with relevant tax authorities. In Australia, CIMIC is regarded as a 'key taxpayer' under the Australian Taxation Office's (ATO) Risk Differentiation Framework and participates in the ATO's annual Pre-lodgment Compliance Review program. The program is based on transparent and cooperative disclosure and enables CIMIC to provide increased confidence in relation to the amount and timing of tax paid.

The Group complies with the taxation laws of the jurisdictions in which it operates and does not participate in tax evasion, undertake innovative or aggressive tax planning transactions, nor enters into transactions that do not have a legitimate business purpose. CIMIC is committed to the management and payment of taxes in a sustainable manner with regard to the commercial and social imperatives of governments, our business and our stakeholders, and this commitment is supported by strong corporate governance policies.

Thiess recognised by Mongolia's mining industry
The contribution of Thiess' team to Mongolia has been recognised at the annual Coal Mongolia International Trade and Investment Conference, held in Mongolia's capital city Ulaanbaatar, where they were awarded the prestigious Best Contractor Award. The Award recognises the safety achievements, tax contribution and social responsibility demonstrated by contractors in the industry. The nominations were reviewed by a panel of industry experts and community representatives.

The Group reports an aggregate amount of tax paid in the Operating and Financial Review with more detail provided in this Annual Report. In 2018, the Group's effective tax rate was 28.0% (versus 28.0% in 2017), compared to the Australian corporate tax rate of 30%. The difference between the effective tax rate and the Australian corporate rate is primarily impacted by:

- the blend of different tax rates on profits and losses from the various jurisdictions in which the Group operates;
- entitlements under the Australian Government's Research and Development tax incentive; and
- taxes on the gains and losses of divestments[43].

The Group has continued to maintain an average effective tax rate of approximately 30% over the past four years. Our historic performance is set out in the Financial Reports in the prior Annual Reports. We note that, in addition to corporate tax payable, the Group is a substantial generator of payroll taxes, and other taxes and duties, which contribute substantially to the revenue of various State and National governments. For example, in the 2017/18 year CIMIC paid more than $123 million of State payroll tax in Australia.

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.[44]

Open and transparent relationships

As outlined in the Code, the Group is committed to the principles of free and fair competition, and avoiding any anti-competitive conduct. Our approach is always to compete vigorously but fairly, whilst always complying with all applicable competition laws.

The Group is committed to complying with all applicable national and international laws, regulations and restrictions relating to the movement of materials, goods and services. In 2018, there were no instances of significant fines or sanctions for non-compliance with Australian and international laws and regulations. Similarly, during the year, no legal actions were commenced or are outstanding with respect to anti-competitive, anti-trust or monopoly behaviour, and 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.[45, 46]

The Group does not sell banned or disputed products or services.

[43] The amounts of which are disclosed in Note 6: Income tax expense in the Financial Report within the Annual Report.
[44] Governments at local, State and National 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.
[45] 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 conclude.
[46] During 2018, ASIC brought proceedings against a former CFO of the Company relating to falsification of company records in the 2010/11 financial year. The Australian Securities and Investment Commission has not alleged that the falsification has misstated the accounts of the Company in the relevant period, nor has the Company been charged with any offence.

SUPPORT SUSTAINABLE PROCUREMENT

Procurement is a key element of the Group's operations which is crucial for project delivery, cost control, sustainability and financial performance – for the Group and for our clients.

CIMIC's Procurement Policy aims to ensure Group employees procure goods and services in a transparent, competitive, compliant and sustainable manner, and to maximise value by encouraging effective competition and employee accountability. The Policy sets out that supplier criteria should include pricing along with other factors, including the supplier's ability to meet specifications, contract conditions, warranties, total life-cycle cost, indigenous and local community involvement, and supplier ratings as per the approved supplier list.

$30 million in Indigenous and social inclusion contracts to benefit communities

During National Reconciliation Week 2018, CPB Contractors celebrated the generation, through the project supply chain, of more than $30 million in work for Indigenous and social enterprises. This includes the award of a $17 million contract for construction works and services at the Junee Correction Centre upgrade project in NSW to a 100% Indigenous-owned company.

During the Week, CPB Contractors also invited its Indigenous CareerTrackers interns to talk about their experiences. Since signing a 10-year partnership with CareerTrackers in 2010, more than 100 Indigenous university students have completed internships with CPB Contractors. The company is proud to have such a talented and growing alumni group.

We seek to encourage support for local suppliers where this makes commercial sense and they are able to meet all expectations. Locally sourced goods and services can 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 the associated greenhouse gas emissions.

Indigenous and Social Inclusion Forum fosters new opportunities

CPB Contractors has hosted its first NSW Indigenous and Social Inclusion Forum in Sydney to create stronger partnerships with local suppliers and subcontractors. The forum brought together the company's NSW-based leadership with more than 60 representatives from Aboriginal businesses and social enterprises to better connect project supply chain opportunities with high-quality providers.

There were positive interactions and 'Q&A' sessions where suppliers and subcontractors learned more about what pre-qualifications and assessments are required to work with CPB Contractors, and how they can be assisted through the process. Key stakeholders at the Forum included Supply Nation, Social Traders, the NSW Indigenous Chamber of Commerce and NSW Ombudsman's Office, and the Department of Prime Minister and Cabinet.

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 subcontractors (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.

T2T wins Australian Steel Institute Award

The Torrens Road to River Torrens Alliance (T2T) project in Adelaide, South Australia, has been awarded an Australian Steel Institute (ASI) Excellence Award (SA) for Steel Excellence in Engineering Projects. The $800 million T2T project includes a 4km non-stop roadway (incorporating a 3km lowered motorway) in Adelaide's inner western suburbs.

The ASI Awards recognise projects that have predominantly used Australian steel and steelwork manufactured/fabricated in Australia and celebrates high standards across all elements of the Australian steel supply chain. Steel from Liberty OneSteel in Whyalla, South Australia was used in the pile reinforcement, rail tracks and concrete deck reinforcement.

A steel twin through-girder bridge was used on the project to construct the Outer Harbour rail line overpass which carries the rail line's twin tracks and a shared use path. The Award recognises the team's successful delivery of a challenging and critical element of the T2T project. The rail bridge was meticulously planned, constructed, commissioned and handed back in the 21 day occupation. The grade separation of this rail line has greatly improved traffic flows on Adelaide's North-South rail corridor.

Some of the measures utilised to minimise the impact of construction materials 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.

CIMIC promotes the fair treatment of suppliers and payment within negotiated and contractually agreed terms. The Group is aware of the Federal Government's intention to develop an annual reporting framework, requiring large businesses with over $100 million of turnover to publish payment information on how they engage with small businesses[47], and will comply with the Government's initiative.

Recognising the importance of cashflow to all businesses, CIMIC's Operating Companies offer an innovative Early Payment Program (EPP) which utilises supply chain financing to enable payment of invoices within 10 business days in exchange for a small settlement discount. It is free to join the program and there are no costs other than the pre-agreed early payment discount. The EPP provides suppliers with inexpensive financing as the program is backed by CIMIC's strong credit rating. The EPP improves a supplier's cash-flow as it facilitates access to payments more quickly and, if suppliers are paid in another currency, to mitigate the impact of exchange rate fluctuations.

All suppliers must comply with the Code, as specified by our Dealing with Third Parties Policy. The Policy 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.

Supplier information	Absolute number of suppliers (#)	Share of total procurement spend (%)	Percentage of suppliers assessed for risk in the last 3 years (%)
Total Tier 1 suppliers	36,583[48]	100	75[49]

Critical suppliers are defined as major suppliers of critical equipment or consumables not available through alternate suppliers. They include major design firms, and concrete, steel, plant and equipment, telecommunications and fuel suppliers.

LEAVE A POSITIVE LEGACY

CIMIC seeks to leave positive legacies by identifying the potential impacts of projects and seeking ways to minimise harm to those potentially impacted.

Minimise community disruption

When delivering projects and services, CIMIC's Operating Companies work to minimise disruption, as much as practically possible, to those communities impacted by the Group's activities. Sometimes these activities may impinge on local communities as we deliver infrastructure, mining, services and public private partnership projects for our clients. When they do, the Group tries to minimise the effect by engaging proactively, being approachable and developing positive relationships with potentially impacted community members.

Award for community relations on Gold Coast Light Rail

CPB Contractors' community and stakeholder relations campaign for the Gold Coast Light Rail Stage 2 Project has won a state and national award from the Public Relations Institute of Australia (PRIA). The campaign received a 'Highly Commended' award in the Community Relations category at both the Queensland event and the national awards.

CPB Contractors was the only construction company selected as a state and national finalist. The PRIA Queensland President, Helen Hutchings, acknowledged this as "an extremely high achievement".

The Gold Coast Light Rail 2 Project was an 18-month project delivered for the 2018 Commonwealth Games. The project involved extensive works undertaken in the heart of the northern Gold Coast, impacting many stakeholders, which included the local community, project neighbours, Griffith University, and the Gold Coast Hospital Health and Knowledge precinct.

Mobile visitor centre helps educate at Transmission Gully

In New Zealand, CPB Contractors is constructing the 27km, 4-lane (2 in each direction) Transmission Gully project, which forms one segment of the 110km Wellington Northern Corridor Road. The new motorway will bypass the existing coastal route, increase road safety and improve network reliability while improving levels of seismic resilience.

A substantial degree of community consultation has been undertaken and one of the features has been the use of a mobile visitor centre. Using a specifically purposed 20-foot container, the visitor centre can be easily re-located to engage with different communities and address their specific issues.

[47] Joint Media Release Wed 21 Nov 2018: 'Paying Small Business in Time', The Hon Scott Morrison MP, Prime Minister and Senator The Hon Michaelia Cash, Minister for Small and Family Business, Skills and Vocational Education.

[48] Each of CIMIC's Operating Companies maintains its own supplier database and the cumulative number of suppliers is currently 36,583. However, it is acknowledged that without duplications and inactive suppliers, the total number of Tier 1 suppliers would be approximately 33,000.

[49] 75% is a conservative estimate as, although there are currently a range of processes in place across our Operating Companies that ensure suppliers are risk assessed prior to engagement, reporting metrics against these processes have not yet been adopted. The implementation of the third party due diligence solution and supporting processes across all Operating Companies, outlined on page 75, will enable the confirmation of 100% of all suppliers being assessed. The implementation started late in 2018, and will be completed mid-2019. All existing suppliers will be risk assessed as part of this implementation before July 2019.

Our Operating Companies seek to 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 Stakeholder Engagement Plans in the planning process for many projects, which include the recording and tracking of community concerns. Some of the tools used to support communities include: hosting community meetings and forums; presenting to schools; establishing information centres; providing community notice boards; mailing or emailing progress updates; offering community information lines; sending SMS updates; etc.

Project life cycle

Many of the infrastructure, building and resources projects the Group delivers have a life that will extend for many years beyond our construction involvement. This is why our Operating Companies work with clients to evaluate the lifecycle consequences of their projects and, where possible, seek to deliver solutions that add value in the long-term.

Innovative design leads to improved lifecycle costing

In Victoria, CPB Contractors successfully completed the Australian Government's new $300 million Post Entry Quarantine Facility (PEQF) where imported animals and plants are held for a specified period in a quarantined environment before release. The new PEQF plays a critical role in keeping Australia safe from exotic pests and diseases.

To ensure the PEQF design met all operational requirements, the team constructed and tested complete facility prototypes including the concept of a poured concrete structure to better withstand the intense cleaning regime of the Avian Quarantine Containment Level 3 (QC3) spaces. A number of innovative design opportunities were identified and tested through theoretical modelling, as well as a sample mock-up and a complete scaled-down prototype. The resulting Avian QC3 facilities were not only more robust and easier to clean and maintain, but saved $300,000 in capital costs and delivered improved lifecycle costing over the 30 year forecast life of the facility.

Increasingly, CIMIC Operating Companies are engaging with clients to undertake climate risk assessments which consider all the lifecycle phases of a project under a range of scenarios. We can often provide a value adding engineering solution which may well deliver a more cost effective project for clients in the long-run.

Sedgman delivers value over life of resources asset

In North Queensland, Sedgman has worked with New Century Resources on the restarting of operations at the Century zinc mine, formerly one of the largest zinc mines in the world. Although closed in 2016, substantial mineral assets remained on site in a tailings dam and other in situ deposits have proven viable.

In 2017, Sedgman completed a feasibility study on the restarting of the mine, concentrate pipeline and Karumba port. Sedgman subsequently commenced engineering, procurement and construction works for the refurbishment and reconfiguration of the plant and port, and was awarded a contract to operate and maintain the Lawn Hill processing plant, concentrate pipeline and port facility. Sedgman's work is leading to a more efficient extraction of the existing resources and will also assist New Century to deliver a significant reduction in the overall footprint of disturbance at the mining operations.

Community investment

CIMIC seeks to deliver shared value for those communities impacted by our activities. We do so by supporting local charities and community groups impacted by our projects and services, and by facilitating employee volunteering and charity support. For those communities that we interface with, we support initiatives that aim to make a tangible, genuine and lasting improvement to the quality of people's lives.

Illuminating futures, one light at a time

As part of the Graduate Program induction, EIC Activities hosted a session for the current cohort of 220 graduates, introducing the concept of social innovation. The session also demonstrated how working as a team, to put an innovative idea into action, can help to tackle a global challenge and make an important difference.

The graduates were introduced to SolarBuddy, a registered Australian charity which aims to help improve - by 2030 - the educational opportunities of 6 million children living in energy poverty throughout the South Pacific, South East Asia and Africa. The charity helps by providing children with a SolarBuddy solar light to study with after dusk. The CEO of SolarBuddy, Simon Dobble, spoke to the graduates about energy poverty and renewable energy, and joined the graduates in building 220 SolarBuddy lights which have been distributed to a community living in the Asia Pacific region.

In 2018, CIMIC directly invested $715,000 in corporate community investment programs, up from $500,000 in 2017. This figure only represents CIMIC's direct spend and does not reflect the dollar value, or extent of, the many initiatives that are undertaken by individuals and teams from across the Group.

Thiess team cycling for a worthy cause
Thiess' Mt Owen cycling team - known as the Soft Cogs - raised more than $59,000 for multiple sclerosis (MS) as part of the 82km 2018 MS Sydney Wollongong charity ride. Thiess has been a proud supporter of the team and the event for over 10 years, contributing $3,000 to the charity.

In 13 years, the Soft Cogs team has raised more than $1.2 million to support the cause.

Each Operating Company develops its own program which underpins their social licence to operate and empowers our clients to achieve their community objectives.

Leighton Asia helps communities rebuild in Hong Kong
In September, Super Typhoon Mangkhut, one of the fiercest storms on record, lashed the Hong Kong region. It caused significant damage and disruption, flooding large areas, blocking hundreds of roads and felling more than 17,000 trees.

Leighton Asia's project teams from across Hong Kong volunteered to assist the Police and Government Departments to speed up the recovery of the city. Their contributions were recognised by the Hong Kong Government and letters of appreciation were issued by the Transport and Housing Bureau and the North District Council, applauding Leighton Asia's support for the local community.

Thiess partners with Hear & Say
Nearly 1,000 students throughout Queensland's Bowen Basin have participated in the Hear & Say Centre's Hear to Learn – School Hearing Screening Program as a direct result of Thiess' 23-year partnership with the Centre. Hear to Learn seeks to identify students with hearing and ear health issues that may otherwise go undiagnosed and provides information on local referral pathway options. Thiess, as the program's founding regional partner, is taking the program directly to regional schools helping to overcome the barriers of distance many families face when accessing health services in remote areas.

In 2018, the program identified that more than 23% of students screened required referral for further medical advice highlighting the need within these communities for prevention and early intervention services.

Respect local cultures and peoples

CIMIC is committed to respecting local cultures and indigenous peoples, and supporting opportunities to aid national development in overseas markets.

Thiess helps Mongolian herders to access water
Herders in one of Mongolia's sparsely populated areas can now easily access water thanks to a partnership between Thiess, Oyu Tolgoi, local government agencies and the community. Traditionally, the herders in this region have used small, hand-made buckets to raise water from wells by hand for their animals and homes.

As one of the key contractors at Oyu Tolgoi copper-gold project in the Mongolian territory of Khanbogd Soum, Thiess installed solar-powered pumps on 10 strategically located wells that are vital sources of water for the region's pasture land and remote households. The new solar-powered pumps are making the task less labour intensive and provide a long-term, eco-friendly solution for the local community.

Thiess has developed a 2017-2020 Reconciliation Action Plan (RAP)[50] to formalise the company's support for Aboriginal and Torres Strait Islander people. The RAP includes a range of actions, some specific targets, timelines for implementation and identifies the person responsible for delivery. Thiess' RAP has received an endorsement from Reconciliation Australia, the national expert body on reconciliation in Australia.

CPB Contractors is committed to diversity and social inclusion, and to providing people experiencing disadvantage with access to employment and training opportunities in the regions where they operate. The focus is on providing employment and training opportunities to Indigenous people, unemployed youth, people with disabilities and refugees.

[50] Can be accessed at: https://www.thiess.com/files/RAP_Brochure_July%202018_Web.pdf

Partnering to help Indigenous students

UGL and Thiess have entered into a partnership with the Clontarf Foundation, a not-for-profit organisation that improves the education, self-esteem and employment prospects of young Aboriginal and Torres Strait Islander men.

The Clontarf Foundation was founded in Perth in 2000 with just 25 boys by former Fremantle AFL club coach Gerard Neesham, after he realised how many Indigenous boys were dropping out of school. Gerard launched the Clontarf Foundation with the lure of a football training program – to keep students attending school and educationally engaged. Fast-forward to 2018 and there are 6,500 boys in 97 schools across Western Australia, Northern Territory, Victoria, New South Wales and Queensland. The academies are typically one or two classrooms within a local high school.

Joining forces with the Foundation provides young Indigenous students with insights into UGL and the many career opportunities that are on offer. Currently, UGL and Thiess have 17 projects or sites close to 22 of the Clontarf Academies. These sites can offer the boys work experience, school-based apprenticeships, career and employment opportunities. The partnership also provides opportunities for UGL employees to volunteer, attend local academy activities or football training sessions, and to do their bit for reconciliation.

Thiess' partnership with the Foundation aligns with its stretch Reconciliation Action Plan and will focus on understanding student interests, building meaningful relationships and creating career pathways into the mining industry.

UGL has an innovative RAP which will be further developed into 2019-2020. UGL will focus its reconciliation efforts with Aboriginal and Torres Strait Islander people on:

- embedding existing relationships and partnerships with related organisations;
- promoting awareness of culture amongst staff;
- creating local employment opportunities in its workforce; and
- promoting procurement of goods and services from related businesses.

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

Use of local employees and businesses

CIMIC Operating Companies seek opportunities for the engagement of local employees and businesses where possible and give preference to nationals over expatriates when practical. This approach is reflected in the Sustainability Policy and the Procurement Policy which encourage Indigenous and local community involvement.

Supporting local businesses in Mackay

Efforts by CPB Contractors' team constructing the Mackay Ring Road project to allocate work to local subcontractors have been recognised in the local community and media. Mackay's Daily Mercury newspaper featured a story focused on work won by local company Dog Gone Fencing to build 12km of fencing on the Mackay Ring Road Stage 1 project.

The owner of the company, Jack Mclean, said his work on the project was 'quite vital for us… it is a link to get into bigger jobs. It means we are continuing to work with big tier one companies which obviously is a stepping stone to bigger and better jobs'.

Work on the $215 million Mackay Ring Road Stage 1 project began in October 2017 and is scheduled to be complete in early 2020. The 11.3km road will connect the existing Bruce Highway, bypassing the city of Mackay, improving safety and travel times by avoiding 10 signalised intersections. CPB Contractors has worked closely with their client, Queensland's Department of Transport and Main Roads, and the business community to provide real opportunities for local companies.

OUTLOOK AND FUTURE PLANS

We are committed to acting with integrity and doing the right thing, regardless of where we operate. In 2019, we plan to:

- continue to reinforce the Code through senior management roadshows and presentations;
- implement legislative requirements relating to Whistleblowers and Modern Slavery to ensure CIMIC Group's policies and procedures meet all requirements and are fit for purpose; and
- maintain our focus on Code training for all employees.

CULTURE

OUR APPROACH

As a service organisation, our success is dependent on the quality of the services we deliver which are driven largely by the skills, passion and expertise of our people. We aspire to build a culture that encourages a can-do attitude, and harnesses the talents of our people to deliver results for our clients.

At CIMIC, we are committed to: providing supportive workplaces; training and developing our people; encouraging diversity; and rewarding performance. 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 approach fosters a culture of high performance.

Provide supportive workplaces	
Measures in place	▪ Workplace Behaviour Policy; Anti-Bullying, Harassment and Discrimination Policy; Diversity & Inclusion Policy; Flexible Working Policy; Parental Leave Policy ▪ Strong safety management commitment which is embedded in the Group's principles ▪ Employee value proposition that aims to provide safe, rewarding and fulfilling careers for our people ▪ Measuring employee experience through onboarding, engagement and exit surveys
Actions taken during 2018	▪ Conducted a Neuro-diversity program on inclusion of people on the Autism Spectrum in our workforce ▪ Continued focus and work around ensuring pay equity ▪ Implemented onboarding and exit surveys to understand the end to end employee experience ▪ Conducted a wages engagement survey in Leighton Asia's Hong Kong operations and selected UGL sites
Performance	▪ CIMIC Group recognised by LinkedIn as the 6th best place to work in Australia
Train and develop people	
Measures in place	▪ Comprehensive learning and development plans in place across all Operating Companies ▪ Professional Development Policy
Actions taken during 2018	▪ Provided 222 (128 in 2017) intern/vacation positions which placed students into short-term programs with CPB Contractors, Thiess, Sedgman, EIC Activities and UGL ▪ Regularly cooperated with schools and universities through active scholarships with universities, student presentation and technical lectures, career support ▪ Presented at a number of university career fairs ▪ Utilised GradConnection and Grad Australia online social media platforms, via Facebook and Instagram, to promote the CIMIC Group Graduate program ▪ Graduate and intern roles advertised on university Career Hub pages ▪ Foundation training topics (for graduates) run in 2018: Financial Management and Business Acumen completed by 183 graduates, 100 graduates completed Client Engagement and Risk Management and Self Leadership. Graduates also completed webinars on a variety of technical topics to support the development within their chosen discipline ▪ Established a graduate committee run by six graduate volunteers ▪ Developed and commenced roll out of senior leadership program as part of the Program One leadership development curriculum ▪ Contract management training delivered to 1,269 employees
Performance	▪ Increased the number of graduates to 208 (174 in 2017) ▪ Ranked 44 in a survey of Top 100 Graduate Employer of 2018 by GradConnection[51] / Financial Review (versus 52 in 2017) ▪ Recognised by AAGE[52] as a top graduate employer 2018 ▪ Recognised as an Endorsed employer for Women by Work180
Encourage diversity	
Measures in place	▪ Diversity and Inclusion Policy; Anti-Bullying, Harassment and Discrimination Policy ▪ Diversity & Inclusion Executive Council, chaired by CEO and with all Operating Company Managing Directors, Chief Financial Officer and Chief HR Officer as members ▪ Group's Operating Companies are supporters of and registered employers on Work180[53]
Actions taken during 2018	▪ Launched WINTR[54], a women's network on LinkedIn ▪ Continued to deliver Equal Employment Opportunity (EEO), Discrimination, Anti-Bullying & Harassment training

[51] GradConnection is a platform linking students and graduates to employment opportunities annually, in conjunction with The Australian Financial Review, GradConnection announces the Top100 most popular graduate employers.
[52] Australian Association of Graduate Employers - the peak industry body representing organisations that recruit and develop Australian graduates.
[53] WORK180 is an international jobs network that connects employers with talented women.
[54] Women In Non-traditional Roles and Industries.

	▪ Acknowledged International Women's Day across Australian and overseas businesses to raise awareness of gender diversity issues ▪ Continued to report workforce composition under the Workplace Gender Equality Act 2012 (Cth) ▪ Rolled out Unconscious Bias training to 744 employees with priority given to those involved in recruitment and human resources ▪ Conducted Human Rights Impact Assessment in Indonesia
Performance	▪ 6,755 employees undertook EEO, Discrimination, Anti-Bullying & Harassment training ▪ Sedgman supported programs such as METS STEM Career Pathways[55] program supporting women studying engineering and connecting them with work placements and experience
Reward performance	
Measures in place	▪ Remuneration Policy – promoted individual accountability and aims to fairly motivate, recognise and fairly compensate without bias ▪ Incentive schemes linked to creation of sustainable returns for shareholders
Actions taken during 2018	▪ Conducted Group-wide pay equity review as part of the annual remuneration review and implemented remediation actions as appropriate ▪ Undertook external benchmarking of remuneration approach to attract and retain talent ▪ Continued to review performance management approach by focusing on areas such as unconscious bias
Performance	▪ All remuneration increases and bonuses have a recent performance review rating of 'meets expectations or above' as a key input ▪ Ensure gender pay equity issues are considered during any decisions made regarding appointments, remuneration increases and bonus awards ▪ Group Executive leadership team (CEO & Managing Directors) announced as WGEA[56] Pay Ambassadors promoting pay equity

Employee details

As at 31 December 2018, the Group directly employed 38,423 people, 17,373 in Australia and 21,050 in international operations, up from 37,779 last year (14,904 in Australia and 22,875 in international operations).

	2018	2017	2016
Direct Group employees (#)	38,423	37,779	35,394
Total Group employees (#)	46,959	51,001	50,874

Based on a share of the employees in our investments as follows – BIC Contracting (45%), Ventia (46.96%) and Devine (59.11%) - our Total Group employees is 46,959, down from 51,001 last year.

PROVIDE SUPPORTIVE WORKPLACES

CIMIC aspires to provide workplaces where people are supported, encouraged to reach their potential, and are free from harassment and bullying. We encourage and seek to foster the innovation of our people and provide support for new initiatives. At CIMIC, we promote a culture where, rather than punish any failures, we learn from them.

In 2018, the CIMIC Group was again named as one of the top 10 best companies in Australia for attracting and keeping top talent, ranking sixth overall in LinkedIn's Top Companies list[57]. This ranking is up from seven in 2017.The Top Companies list is based on the actions taken by LinkedIn's more than 500 million members and looks at three main pillars: interest in a company's jobs; interest in a company's brand and employees; and employee retention.

Visible leadership

We encourage all of our leaders across the Group to provide open, honest, visible leadership and to demonstrate alignment with our mission and principles.

CIMIC continued to build on its Group-wide leadership framework 'Program One' which was launched in 2016. A senior leadership development program was launched in Australia. 75 participants from across the Australian operations commenced the program which included undertaking a 180 degree assessment based on CIMIC's leadership behaviours. The Group Frontline Leadership program was implemented in Australia, Asia, Canada and Chile and has now trained 1,926 leaders.

[55] METS – Mining Equipment Technology Services, STEM - science, technology, engineering and maths.
[56] Australian Government's Workplace Gender Equality Agency.
[57] https://www.linkedin.com/pulse/linkedin-top-companies-2018-where-australia-wants-work-cayla-dengate/

Frontline leadership workshops building skills
Frontline leaders in Leighton Asia are getting out of their offices and project sites to enhance their skills to manage, lead and coordinate teamwork in the Group's Frontline Leadership Workshop. The Frontline Leadership Workshop is part of CIMIC's 'One' Leadership program series designed to support our people across the business to reach new levels of performance.

Further to the 'One' Leadership program for Leighton Asia's senior leaders last year, the workshop focuses on the development of our frontline leaders based on our Group-wide leadership framework. The workshop provides practical tools and techniques for participants to develop the appropriate approach to engage, delegate, make better decisions and manage change within their team.

Over 260 frontline leaders across Leighton Asia's project in India attended the workshop and are currently developing action plans with their managers. In Hong Kong and Singapore, around 240 and 24 participants took part respectively. The workshop will progressively be rolled out in Leighton Asia's Philippines operation.

An important tool of visible leadership is the Group's internal newsletter 'Pulse' which was launched in 2016. Pulse is used to engage our global workforce and to deliver consistent messaging and communication. Pulse is a forum for bringing news to our nearly 47,000 employees across 20 countries, to share ideas and information, and is a means of communication for our leaders. Pulse is an important initiative in building and solidifying a unified culture across the Group.

In 2017, CIMIC introduced an anonymous, Group-wide employee survey of staff to better understand the experience of our people in the workplace. A summary of the participation details and results were outlined in the 2017 Sustainability Report. In 2018, the Group expanded the measurement of employee's satisfaction with the implementation of on-boarding and exit surveys to better understand the employee experience across CIMIC.

Human rights and forced/child labour

CIMIC is committed to abiding by the ten principles of the United Nations Global Compact which explicitly identify, amongst other things that business should:

- Principle 1 - support and respect the protection of internationally proclaimed human rights;
- Principle 2 - make sure that they are not complicit in human rights abuses;
- Principle 4 - uphold the elimination of all forms of forced and compulsory labour;
- Principle 5 - uphold the effective abolition of child labour; and
- Principle 6 - uphold the elimination of discrimination in respect of employment and occupation.

CIMIC explicitly rejects all forms of forced labour and will not tolerate child labour or any form of exploitation of children or young people. The Group is committed to complying with the International Labour Organisation (ILO) with respect to under-age workers. In addition, "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"[58].

These commitments are enshrined in the Code and supported by the Group's Dealing with Third Parties Procedure which requires, amongst other things, for specific due diligence to be undertaken regarding slavery, forced or child labour. Third parties are required to sign a declaration asking whether "slavery, forced or child labour [has] 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?"

In 2017, CIMIC conducted a pilot Human Rights Impact Assessment (HRIA) in our construction business in India. In 2018, a HRIA was undertaken across the Group's mining operations in Indonesia. With its more than 14,800 direct employees in India and Indonesia as at 31 December 2018, these HRIAs represent more than 38% of the Group's direct workforce.

The aim of the HRIAs was to develop greater awareness around human rights and to assess the impact of our operations on a range of areas relating to human rights. These areas included: engagement of employees; conditions of employment, including worker accommodation; relations with suppliers and contractors; workplace health and safety; and management of risks around forced labour, child labour and young workers, non-discrimination and freedom of association.

The HRIAs have identified a number of areas where the Group is providing employment conditions beyond what is common industry practice and/or required by local legislation, including safety, training of unskilled workers and worker medical services. The HRIA also identified initiatives that will assist in the prevention of employment of workers under the age of 18, improvement in site security, and accuracy of employee payments, such as facial recognition technology linked to site entry.

CIMIC is closely monitoring and preparing to comply with the Modern Slavery new reporting frameworks being introduced by the Australian Federal Government and, separately, the New South Wales State Government.

CIMIC notes that, while undertaking the design and construction of correctional facilities, the Group does not operate or provide custodial or corrective services for those facilities or for immigration detention centres.

[58] CIMIC Group Code of Conduct.

Freedom from harassment

CIMIC is committed to a workplace free from harassment, one with a supportive and positive working environment where employees are treated fairly and with respect. Our commitment is enshrined in the Code of Conduct, the Diversity & Inclusion Policy, the Anti-Bullying, Harassment and Discrimination Policy, and our Workplace Behaviour Policy. The Code and Policies explicitly state that 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.

CIMIC Group is committed to raising awareness of family and domestic violence, and supporting our people and their families experiencing family and domestic violence. Across CIMIC Group our commitment to safety, health and wellbeing includes rejecting violence in all of its forms and supporting our people and their families. Our support to eligible employees and their families experiencing family and domestic violence includes:

- access to leave including five days of unpaid leave. All employees may be eligible to access paid or further unpaid leave including annual leave, personal leave or long service leave to attend to matters arising from family and domestic violence in accordance with Group policies;
- the right to request flexible working arrangements or to change working arrangements such as days, hours of work or their work location; and
- access to counselling and referral services for employees and their families who are experiencing family and domestic violence. This support is also available to those who are providing care or support to a colleague or family member.

Support for White Ribbon Day

To raise awareness of family and domestic violence in 2018, the Group supported a range of activities to mark Australia's White Ribbon Day (23 November) and the United Nations International Day for the Elimination of Violence against Women (25 November).

Safety and Human Resources leads from across CPB Contractors, Thiess, Sedgman, UGL, Pacific Partnerships and EIC Activities also worked with CIMIC's Human Resources team to trial a new training program. The training session was led by Australia's CEO Challenge[59], an award-winning charity that supports the business sector to help break the silence surrounding family and domestic violence. The session provided employees with the tools to recognise, respond and refer colleagues to appropriate support.

Freedom of association and collective bargaining

As per Principle 3 of the UN Global Compact, CIMIC is committed to upholding the rights of employees to the freedom of association and the effective recognition of the right to collective bargaining. We aim to fairly, consultatively and constructively engage with workers, union representatives and regulators.

Given the diverse nature of our market focused Operating Companies, responsibility for managing workplace relations is delegated to these Companies. Managing employee relations in this way helps to ensure that any industrial relations matters that arise on a project - be they construction, mining or operations and maintenance - can be quickly identified and resolved in the field by our dedicated teams in a way that is appropriate for those projects, Companies and industries.

Of the Group's Australian employees, approximately 53% are covered by collective bargaining agreements; 25% at CPB Contractors, 71% at Thiess, 23% at Sedgman and 67% at UGL. In overseas markets, CIMIC complies with all of the industrial relations laws and obligations of the jurisdictions in which our Companies operate.

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.

Encourage innovation and support new initiatives

The CIMIC Group's Operating Companies are undertaking some of the largest and most complex projects across the region. The bespoke nature of these projects means that, to be successful – both in tendering and delivery - we need to encourage innovation and provide support for new initiatives.

Innovation is one of the Group's Principles and more detail is provided on our approach in the 'Innovation' chapter of this Sustainability Report on pages 99 to 111.

[59] Australia's CEO Challenge is a recognised, award-winning charity that supports the business sector to help break the silence surrounding domestic violence.

Use Methods and Lean for continuous improvement and innovation

Construction, mining and services projects are teaming up with EIC Activities' Methods and Lean experts for training and services to eliminate waste and make sure every step in their workflow is adding value. 'Methods' study is the process of subjecting work to systematic, critical scrutiny to make it more effective and/or more efficient. It is one of the keys to achieving productivity improvement. 'Lean' is an improvement and problem solving methodology that strives to reduce or eliminate activities that don't add value to the customer.

The Methods and Lean team consulted with UGL's Utilities and Resource business on process improvement using Lean and robotic solutions. Together they built a better business process model for solar field assembly by removing bottle necks, managing supply variation and improving resource management. Now they are working together on two new innovations using field automation to increase the safety, efficiency and reliability of execution.

EIC Activities has also been assisting Thiess to continue improving scheduled servicing, sharing Lean techniques to minimise variation in service delivery and improve resource utilisation in a safer working environment. As part of the initiative the Methods and Lean team delivered practical training to Thiess maintenance fitters and workshop managers. The training helps participants to identify and remove waste, and understand how flow and variability are related to overall performance.

TRAIN AND DEVELOP PEOPLE

We invest significantly in the training and development of our people, so as to equip our workforce for the future, and so that we can 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 as this is critical for our success.

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, all of which ensures that we have the skills to execute on our strategy.

Investing in training

CIMIC invests in a range of different types of training – including skills-based, vocational and technical. This training supports our business requirements and the development of our employees. CIMIC values its employees and aims to contribute on an ongoing basis to each employee's learning and development journey.

CIMIC has developed a Group-wide 'Capability Framework' based on the core capabilities that are a priority for our business. The 'Capability Framework' is designed to deliver consistent training across the Group. Each of our Operating Companies conducts regular skills-based training and programs, designed to support each businesses market specific requirements, and includes technical and vocational training, as well as dedicated health and safety programs.

In 2018, we delivered 810,015 hours of training across the Group, which equates to more than 21 hours per annum for each direct employee. The average amount spent per FTE[60] on training and development was $337,300 (up from $179,500 in 2017). Training courses included:

- anti-bullying, harassment & discrimination;
- unconscious bias training;
- equal employment opportunity discrimination;
- foundation topics (for Graduates) which included applied technical and engineering training across a range of disciplines;
- contract management;
- online financial management (EIS[61]) training modules; and
- Program One leadership training.

Unpacking your natural bias for better results

CIMIC Group is committed to achieving an inclusive workplace and is running unconscious bias training workshops across the Group. By definition, a bias is an inclination or prejudice for or against a person or group. By being aware of inherent biases, managers can make clearer decisions that yield better results for teams and projects.

The information we accumulate and process unconsciously has a significant impact on the decisions we make. The more we are aware of these unconscious biases, the more we can optimise their influence and make better decisions to ensure safe, high performing work environments, free of harassment, bullying and discrimination.

Sessions have been run across the Group's operating companies with more than 928 leaders completing the training throughout the business. These people are acting as important cultural ambassadors across offices and projects. Looking forward, training will be progressively delivered to a broader range of people to further the Group's commitment to diversity and inclusion.

[60] Full time equivalent.

[61] EIS is a set of processes, business rules, tools and standardised reports for the management, control, and reporting of key project activities, revenue, cost, margin and working capital.

Invest in future leaders

CIMIC is dedicated to developing its workforce for the future and continues to invest in creating future leaders by recruiting our own graduates. CIMIC has created and offers a Group-wide, two-year Graduate Program during which graduates participate in structured development days providing in-depth information on key areas of the business. This program provides graduates with exposure to a global organisation across multiple industries.

The 2018 graduate intake commenced in February, with an induction held in Sydney. This year, 208 graduates (up from 174 in 2017), 157 males and 51 females, commenced with CPB Contractors, Leighton Asia, Broad, Thiess, Sedgman, UGL and EIC Activities, with opportunity for exposure to Pacific Partnerships and CIMIC.

Total graduates, trainees and apprentices employed at end of 2018 (#)	Male	Female
Graduates	255	87
Trainees and apprentices	474	137

This is a global program that currently involves graduates from Australia, New Zealand, Indonesia, Hong Kong, Chile, Canada, Botswana, Mongolia and we will be expanding to include the rest of the countries in which we operate over the coming 12 months.

Welcoming our new graduate intake

The induction program had a focus on culture – understanding the culture of CIMIC Group and the Operating Companies, as well as Australian Indigenous culture – with graduates participating in a traditional ochre ceremony, welcome to country, and cultural dancing ceremony. There was an educative focus on safety and wellbeing, with insights provided on the Group's safety culture and practices, including the importance of personal resilience and how to be 'fit for work and fit for life'. We also started work on building an innovation mindset in our graduates, and expanding how they can positively impact the communities in which we operate.

The graduate group move through 3 eight-month rotations, with placements in roles and projects across the business. Through on-the-job training, structured learning, technical training, and day-to-day interaction with our people, the graduates experience first-hand the Group's culture. With encouragement, they will achieve technical, professional and personal growth and develop into the next wave of the Group's future leaders.

CIMIC also engages with a number of other university focused programs that aim to develop skills and equip our workforce for the future. Some of the programs that CIMIC promotes include:

- regularly cooperating with schools and universities through active scholarships with universities, student presentation and technical lectures, career support;
- participating in a number of university career fairs during 2018 including: University of Technology Sydney, Monash University, University of Queensland, University of Newcastle, James Cook University, University of NSW, Queensland University of Technology, as well as the large multi-university career fairs 'Big Meet' – in Sydney, Brisbane, Melbourne and Perth;
- participation in the WiSE (Women in Science and Engineering) Program with University of Western Sydney in a mentoring capacity offering advice, information and networking opportunities for students;
- utilising the GradConnection online social media platforms, via Facebook and Instagram, to promote the CIMIC Group Graduate program; and
- advertising graduate and intern roles on university Career Hub pages.

Thiess continued to offer scholarship opportunities to university students in Australia in mining engineering, women in engineering, and to Aboriginal and Torres Strait Islanders. These scholarships support students through their studies and offer them an opportunity to launch their mining career.

Thiess also offers a two-week vacation program aimed at providing real, on-the-job experience in a structured working environment. Vacation students have the opportunity to work on site and to experience living in remote locations, while building relationships and network with industry contacts early in their career, and they also receive the opportunity to be fast-tracked into the CIMIC Group Graduate Program.

Joining forces to create the leaders of the future

When industry associations and businesses join forces the outcomes benefit our people, our company and the wider industry. A good example is UGL's support for the Future Leaders program, run by the Australasian Railway Association (ARA).

The 2018 ARA Future Leaders Program commenced in Melbourne, bringing 37 emerging leaders from throughout the Australasian rail industry together to develop their leadership skills and build networks across the sector. In 2018, the Group had 2 participants: Ryan Kumar, Service Delivery Manager on the UGL Unipart Joint Venture and Ryan Cush, a Project Engineer with CPB Contractors.

The six month program provides a holistic view of the rail industry and its future direction, develops leadership and management skills of the participants and sees group projects completed with assistance from industry mentors.

In 2018, the Australian Association of Graduate Employers survey of over 2,500 graduates ranked CIMIC as the 75th top graduate employer[62]. The survey recognises those organisations – including public and private companies, as well as government departments – that provide the most positive experience for their new graduates as determined by the graduates themselves.

CIMIC also placed 44th in GradConnection's Top100 Graduate Employers which is conducted annually in conjunction with the Financial Review. GradConnection is the biggest and most popular student and graduate careers website in Australia[63].

During 2018, CIMIC continued to conduct 'Program One' workshops for members of frontline leadership across all Australian key states and Hong Kong. Training was provided for 1,926 participants and was also across other countries in Asia, as well as in Canada and Chile.

The Group continued to conducted talent reviews and succession planning for critical roles across all Operating Companies in 2018. The outcomes of these reviews will be used for development planning in 2019.

Recruit internally

The CIMIC Group's preference to recruit internal candidates, and to provide existing staff with opportunities to fill vacancies before looking externally, is enshrined in our Recruitment Policy. This commitment is premised on our belief that we have an obligation to develop opportunities for our own people before looking at external recruitment. We hope that our commitment engenders loyalty and we believe that it makes good commercial sense.

Selection for those roles to be filled should be based on competency, experience and qualifications, and assessed against bona fide and defined job requirements. Employment processes and decisions should be free from bias and discrimination, and in line with our Code and other policies.

Advancing female nationals through mentorship

More women are moving into senior roles in PNG thanks to informal career pathways and strong support networks. Fundamental to this environment is the respect and promotion of the traditional culture of PNG's national workforce, while also creating a strong desire to safely deliver world-class construction projects.

The success of these networks means we are at a stage where the women who were mentored some years ago are now coaching new female employees. Safety Coordinator Catherine Malangen had been mentored by a senior manager while working on the Permanent Facilities Compound, and most recently, began mentoring Environmental Officer Nathleen Bangi on the successful APEC Haus project. Working with CPB Contractors since 2014, Administration Manager, Bevelyn Urulu began her career managing payroll. Through internal up-skilling and the support of informal mentoring, Bevelyn was promoted to Administration Manager for the PNG office.

In 2017, we launched a Group-wide CIMIC 'Jobs Board' where employees can search for job opportunities across all of our companies, in one place. The Jobs Board allows employees to search by company, location and job category, and to set up a targeted job alert which will send employees an e-mail when a position becomes available that matches their search criteria. The Jobs Board is promoted through Pulse and each Operating Companies intranet.

In 2018, the Group recruited 20,245 new employees, 18,584 male and 1,661 female. The relatively short term duration of many of the Group's construction projects, and the fixed term employment model of trades and manual workers, means that comparisons of turnover rates with many other industries are not relevant. CIMIC believes that a more appropriate turnover rate to use should reflect the departures of white collar employees (staff).

Voluntary and involuntary departures (%) – staff only[64]	**2018**	**2017**
Overall	23.2	25.5
Male	17.7	19.5
Female	5.5	6.0

The turnover rate, across most of the Group's entities, has remained static or declined markedly since 2016.

The relatively short duration of many of the Group's projects also manifests itself in the length of service - or tenure - of employees. The average tenure of our employees is 3.4 years (unchanged versus 3.4 years in 2017) with men having an annual tenure of 3.4 years and women of 4.0 years. However, as the table below shows, the Group has many experienced and long serving employees, many with management experience, which includes key operational roles such as project managers, foremen and site superintendents.

[62] https://www.topgraduateemployers.com/
[63] https://au.gradconnection.com/
[64] Percentages are based on total voluntary and involuntary departures for the year divided by the total number of employees at the start of the year.

Length of service with the Group in years (% of workforce)	Male	Female
Less than 1 year	35.5	3.4
Greater than or equal to 1 year and less than 3 years	28.0	2.9
Greater than or equal to 3 years and less than 5 years	5.4	1.0
Greater than or equal to 5 years and less than 10 years	12.9	1.9
Greater than or equal to 10 years and less than 15 years	5.1	0.7
Greater than or equal to 15 years	2.7	0.4

ENCOURAGE DIVERSITY

CIMIC understands that diversity – of employees and teams - helps to promote innovation, performance and productivity. We also believe that our workforces should be inclusive and reflect the diverse communities in which we work.

Our goal is to be a diverse and socially inclusive employer of choice where all employees are able to bring and deliver their best to achieve our mission of generating sustainable returns for our shareholders by delivering projects to our clients. The Group's 2020 Strategy is guided by our commitment to human rights and the belief that diversity and social inclusion are achieved through living our Principles.

The CIMIC Group Diversity & Social Inclusion strategy includes the following strategic priorities:

- Gender Equality: Promote equal opportunity for women in the CIMIC Group including remuneration, attraction, retention and promotion;
- Indigenous Participation: Value and recognise Indigenous nations, peoples and cultures and to create equitable opportunity for participation in employment and business supply chain;:
- National Inclusion: Invest in local employment, leadership development and succession planning to ensure the future of work is reflective of the country in which we operate;
- Inclusive workplace culture: Embed and progress a socially inclusive workplace through the elimination of discrimination, bias, harassment and violence in the workplace; and
- Accountable Leadership: Lead and advocate for a diverse and inclusive culture with a focus on leadership to set expectations, drive and be accountable for progress.

Our workforce is predominantly composed of permanently employed full time and fixed term employees. This structure reflects the bespoke project nature of much of the Group's work. Many of the Group's construction projects utilise employees with specialist skills that are recruited for defined roles, and therefore fixed periods of time, on a project. These skills encompass trades such as excavator and crane operators, scaffolders, surveyors, shotcreters, electricians, glaziers, plumbers and more.

It should also be noted that reliance on 'trades' to deliver many of the Group's projects has historically skewed employment towards men rather than women. Despite the historic skew, which is evident in the table below, the Group is committed to greater female participation and diversity.

Workforce composition (%)	Male	Female
Permanent full time	59.7	7.9
Permanent part time	0.2	0.5
Fixed term	21.6	1.2
Casual	8.2	0.7

Female participation and gender equity

CIMIC is committed to, and actively promotes and seeks to improve, female participation and to achieve gender equity, including pay equity. While we understand that it takes time, a key objective of the CIMIC Group is to increase the number of females employed at all levels of the business.

CIMIC has a Diversity & Inclusion Executive Council which provides leadership to the Group on fostering a diverse and inclusive culture. The Council has supported initiatives including:

- supporting and endorsing the CIMIC Group 2020 Diversity & Social Inclusion strategy;
- focusing on understanding the issues faced by women in operational/project based roles, and addressing opportunities and barriers to attraction and retention raised;
- focusing on gaining an understanding of cultural differences when mobilising and operating globally; and
- seeking continual improvement of workforce reporting to track diversity participation.

Diversity indicators (%)[65]	**2018**	**2017**
Female share of total workforce	10.3	9.3
Females in management positions (as % of total management workforce)	12.8	13.3
Females in junior management positions (as % of total junior management positions)	13.0	14.0
Females in top management positions (as % of total top management positions)	12.1	11.9

New women's network launched to encourage career development
CIMIC Group has launched a women's network on LinkedIn named WINTR – Women In Non-traditional Roles and Industries. The network provides opportunities for women in non-traditional roles and industries (and the men and women who support them) to network, share experiences and encourage one another in their career development.

WINTR was originally founded in 2017 by two senior women working in non-traditional roles at tunnelling sites across the WestConnex New M5 project in Sydney. The women used the group to promote diversity and to encourage women to be involved in construction. Today, our concept is broader: providing opportunities to women across all our businesses and operations. Women and men everywhere, who want to support the success of women in our industries, are encouraged to join.

A key challenge for the industry is to overcome the relatively small numbers of women entering the engineering trades and profession. CIMIC understands the limitation this imposes and supports groups like The National Association of Women in Construction to empower women in the construction and related industries to reach their full potential.

CPB Contractors' employees win Victorian Government scholarships
The Victorian Government, as part of its gender equality strategy, is delivering a Women in Transport program which aims to increase the number of women working in the sector from 16 per cent to 25 per cent by 2020. The achievements of 2 of CPB Contractors' women has been recognised with their acceptance into the program. Marielle Salom was part of the engineering team on the Blackburn Road Level Crossing Project and is now working with the Early Investigations team on the West Gate Tunnel Project. Dominique Carydias is currently working on the Caulfield to Dandenong Level Crossing Removal Project.

The program includes scholarships for women to enter transport-related university degrees, access to mentors to provide guidance and motivation, and the chance to connect with and learn from senior female role models in the transport sector of construction.

One way that CIMIC can directly influence the participation rate is via recruitment into our Graduate Program. For the 2018 graduate cohort, the female participation rate was 25%, which is above the average participation rate of the industry.

Another key focus of female participation is retention. CIMIC understands that, once we have attracted women to the Group, we need to make sure that – where possible – we retain them. In some cases, this involves preparing professional development plans so that we can build a career for these women.

Leighton Asia promotes opportunities for women in construction
Tam Kit Choi is a building engineer on the Hong Kong Zhuhai Macao Bridge – Remaining Ancillary Buildings and Facilities project in Hong Kong but her first career was as a wedding gown maker. This change was promoted by Tam's desire to work in a more stable profession and to be able to spend more time with her family.

Tam responded to an advertisement and enrolled in the Construction Industry Council's (CIC) Apprentice Program. She joined Leighton Asia as a technician after graduating from the Program five years ago, completed her Higher Diploma in Building Studies, and a top-up degree in construction management to strengthen her skills and knowledge in different aspects of construction work.

Leighton Asia has been a long-term supporter of CIC's apprentice program, which nurtures new talent for the construction industry. The program equips apprentices with skills and knowledge through a structured curriculum with a combination of classroom learning and on-site practice.

CIMIC and each of its Operating Companies have an obligation to report certain gender related information to the Australian Government's Workplace Gender Equality Agency (WGEA) each year[66]. These comprehensive submissions provide a substantial amount of gender related data, segmented by occupational types, graduates and apprentices, full-time and part-time, parental leave accessed, etc. They also include details of and policies for: employer action on pay equity; gender equality strategies and consultation; flexible working arrangements; support for carers and paid parental leave; sex-based harassment; and family and domestic violence.

[65] As per disclosure requirements of DJSI.
[66] https://www.wgea.gov.au/report/public-reports

The 2017/18 WGEA submissions show that, for the larger contracting entities of CPB Contractors, Thiess, Sedgman and UGL, which have substantial employee numbers, females accounted for around 11.6% - 17.2% of management positions and 10.4% - 19.7% of non-management positions.

Female participation (% of each Operating Company's workforce)	**2017/18**	**2016/17**
All managers	13.2	13.5
All non-managers	15.3	15.1

Although these results are relatively low by the standards of many other industries, they do reflect the traditionally male dominated nature of the construction and mining industries. It is pleasing to note that, over time, the WGEA submissions are demonstrating gradual improvements in female participation across the Group's Operating Companies. Importantly, the Group is focused on ensuring that the increased participation rates are broadly based – including in trade, engineering and leadership roles - and not limited to administrative and professional service roles.

Breaking down gender barriers in Chile

In Chile, Valeria Millacaris Salinas is breaking down gender barriers as Thiess' first female truck operator at the Encuentro Oxides open pit copper mine in northern Chile. Valeria's first role in mining was an administration role with Thiess, where she quickly set her goals on moving into operations. She joined the operations team at Centinela in January 2018 and works a 7x7 shift allowing her to spend quality time at home with her children.

Located at an altitude of 2,300 meters above sea level, the Encuentro Oxides project will contribute to the production of 50,000 tonnes of copper cathode per year and has a planned mine life of approximately 15 years.

CIMIC is committed to work diligently to close any pay gaps and making efforts to ensure gender equity to produce positive change. In 2018, CIMIC's Operating Companies used an in-house developed gender pay equity tool to review gender pay equity issues at any point in time. The Companies were specifically encouraged to apply the tool prior to the annual remuneration review and with respect to bonus proposals, and then as a follow up to review any issues and to ensure that any gaps were being addressed.

Sedgman support for families

Part of Sedgman's commitment to greater gender equity is ensuring that all employees know they are supported when their circumstances change. As a tangible reminder of this support, Sedgman now sends all employees and their families a Sedgman bib to welcome new additions to the Sedgman family.

Sedgman hopes this encourages all employees to have more conversations about the flexible options available to them. By providing flexible options for men and women, Sedgman seeks to break down the barriers for everyone, regardless of gender or the stage in their life or career. This support is reflected in Sedgman's committed to #TackleFlexism.[67]

Analysis post the 2018 remuneration review showed the Group total fixed remuneration pay gap has reduced by 2.9% compared to the 2017 review, and each Operating Company has decreased their overall pay gap by between 1 - 5%. Looking into the data in greater detail we also found decreases in some specifically male dominated job families; for example, in our Engineering job family, there was a decrease of 4.6% in the overall pay gap.

We aspire to have an inclusive culture that values and sustains diversity and a work-life balance. One of the ways we make our workplace more attractive to women is to offer a paid parental leave scheme to eligible employees of the Group, in Australia. This 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. We provide 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 other countries, paid parental leave is provided in accordance with current local legislation.

[67] http://www.flexibleworkingday.com/flexism/

Indigenous employment

A fundamental diversity objective is to increase indigenous employment. The Group is committed to offering employment, training and enterprise opportunities for Australian Indigenous people including internship opportunities for Aboriginal and Torres Strait Islander university students through our partnership with CareerTrackers.

CPB Contractors' partnership with CareerTrackers continues to deliver

For the second year running, CPB Contractors partnership with non-profit Indigenous internship organisation, CareerTrackers, has been formally recognised for excellence. Jasmine Ryan, a human resources (HR) undergraduate based in NSW, was named the CareerTrackers 2018 Mark of Excellence winner for her contribution to the partnership, our Indigenous and Social Inclusion strategy, and the broader CareerTrackers program.

CareerTrackers is a national non-profit with the goal of creating pathways and support systems for Indigenous young adults to attend and graduate from university, with high marks, industry experience and bright professional futures. CareerTrackers students complete university at higher rates than their non-Indigenous peers, and 95% of Alumni are in full-time employment in their field within three months of graduation.

Since signing our 10-year partnership with CareerTrackers in 2010, more than 100 Indigenous university students have completed internships with CPB Contractors. Over the summer vacation (2017-2018), CPB Contractors placed two pre-university and 19 university students into Indigenous internships at projects and in the corporate office, across disciplines including engineering, HR, legal and finance.

Our Indigenous employment including sub-contractors, are as follows:

Indigenous employment in Australia (total # in the workforce)	2018	2017
Group	1,346	889

The overall number and rate of Indigenous employees have fallen from a peak in 2013/14 which coincided with the delivery of some large and remote oil and gas projects. Since their completion, construction opportunities have been skewed more towards urban transport infrastructure. Given that Indigenous populations are more heavily weighted towards those remote areas, there have not been as many opportunities for Indigenous employees.

Despite the aforementioned demographic changes, a range of initiatives are being pursued to improve Indigenous employment and participation in the workforce.

Indigenous skills building Canberra's Light Rail project

In Canberra, a team made up of CIMIC Group companies including Pacific Partnerships, CPB Contractors and UGL are part of the Canberra Metro consortium delivering the new Light Rail project and creating a legacy by building the skills of local Indigenous people.

The team has supported an Indigenous jobs initiative, originally partnering with Habitat Personnel and, more recently, connected with CareerTrackers. These networks have seen the project employ nine Indigenous team members so far in traineeship, apprenticeship and undergraduate roles.

Sisters in mining program provides Indigenous employment opportunities

For almost a decade, Emma Richards worked with high school indigenous students encouraging them to achieve the most from their lives. She has now taken her own advice, swapping the school grounds for a mining site as a trainee truck operator in the Sisters in Mining program.

Sisters in Mining is a program providing long-term employment opportunities for Indigenous women in Queensland's mining sector. The program has helped Emma transition from her job as a Community Education Counsellor to a trainee haul truck driver. She has already completed her Certificate III in Surface Extraction Operations and hopes to continue with Thiess at the Curragh mine at the completion of the 18-month program.

CIMIC appreciates that 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. Numerous initiatives are undertaken across the Operating Companies to foster cultural sensitivity and understanding.

Celebrating Indigenous female leaders and trailblazers

NAIDOC week has been celebrated across the country by CPB Contractors' employees at a number of locations. In Sydney, a panel paid tribute to CPB Contractors' Indigenous female leaders and trailblazers. Speaking to the NSW/ACT business unit in North Sydney, attendees heard about the invaluable contributions Indigenous and Torres Strait Islander women have made – and continue to make – to the lives of our panellists, their communities and our nation's rich history.

Celebrations also extended to other project sites, including Sydney's M4 East WestConnex and Melbourne's West Gate Tunnel projects. In Sydney, the team invited local Aboriginal Elder and Founding Member of Boomalli Aboriginal Artists Co-operative Euphemia Bostock to the Homebush Bay Drive and Burwood sites. Euphemia spoke about the history, culture and achievements of Aboriginal and Torres Strait Islander peoples.

In Melbourne, employees warmly welcomed Aboriginal artist Emma Bamblett to the West Gate Tunnel where she told stories about Aboriginal culture while teaching participants the different indigenous art techniques. The CPB Contractors team also had the opportunity to put their newly learnt art skills to work on a shared canvas which has been displayed on site.

NAIDOC Week was created from the acronym representing the National Aborigines and Islanders Day Observance Committee, evolving to represent a week of celebrations held across Australia each July to celebrate the history, culture and achievements of Aboriginal and Torres Strait Islander peoples.

Local employment

As an international company, operating as a guest in a number of countries, CIMIC understands the importance of investing in local employment to ensure that our workforce is, or will be, reflective of the countries in which we operate. Exporting skills to some countries is important for their economic development while developing a local workforce benefits the local economy by ensuring that wages are retained in the country and not remitted elsewhere.

Engaging a local workforce in Papua New Guinea

In Port Moresby, PNG, CPB Contractors successfully delivered the landmark development, APEC Haus, a world-leading conference facility used to host the Asia Pacific Economic Cooperation (APEC) Leaders' Summit in November 2018.

Constructed in under 12 months by a diverse workforce consisting of 80% PNG Nationals, the impressive APEC Haus was built to the highest standards on reclaimed land with a complex design. This achievement was even more impressive considering the additional language and cultural challenges that were brought to the project.

We aspire 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 as seen in the table below:

Nationals (as a % of workforce)	2018	2017
Group	94	94

Walking the talk with a diverse local workforce

Near Auckland, New Zealand, CPB Contractors is designing and constructing approximately 11km of additional lanes, upgrading 16 existing bridges and constructing 6 new bridges as part of the NZ$192 million Southern Corridor Improvements project on State Highway 1.

On entering the team's office, visitors can't help but notice the many flags hung up around the wall. Empowering individuals is an integral part of the project's culture and the flags are just one way the culturally diverse team celebrates difference. The project's management are working closely with the team to empower a diverse workforce that includes 25% Māori, 10.9% Tongan, 7.8% Samoan, 6.7% Indian and 5.6% Filipino. Individuals are encouraged to share their traditions with the group and Karakia (Māori incantations or prayers) are frequently said onsite along with regular discussions about what such practices mean.

The project's location is of particular cultural significance as works will be delivered in an area covering eight different iwi, or Māori tribes, that have been occupied for more than 1,000 years. By attending regular iwi liaison meetings, integrating iwi artwork on site, and giving open invitations for community representatives to attend project meetings, the project has created strong and respectful relationships, reflecting successfully on the project.

Inclusive workplaces

We aim to cultivate inclusive workplaces, where fairness and equity are embedded, and which foster the unique skills and talent of our people. A key element of this inclusiveness is ensuring that we have the right balance of age groups in our workforce with the advantage that older workers can mentor younger employees.

Mentoring helps to develop young engineers

Earlier in 2018, three projects - WestConnex M4 East and New M5, and the Sydney Metro - joined forces for a combined Young Engineers Networking event. Over 100 young engineers attended and took advantage of the networking opportunities that promote relationship building, collaboration and knowledge sharing across the business.

Each of the three Project Directors presented on key topics such as their personal experiences as a young engineer, career development and the important role mentors play during an engineer's career. The session was followed by both a formal and informal Q&A session where our young engineers had the opportunity to interact with members of the Senior Leadership Teams from all three projects.

Retaining the experience that mature age workers have gained from working in our industry and our Companies for long periods is important in mitigating risk. We seek to leverage this experience and work actively to ensure that our younger workers can learn from what others might have already done on earlier projects.

Age distribution of the Group's workforce (%) – staff only	Male	Female
<30	21.3	2.8
30-40	34.4	3.7
41-50	20.9	2.2
51-60	10.2	1.4
>60	2.8	0.2

Celebrating the differences people bring to an organisation is key to building diverse and inclusive work environments. Retaining a broad mix of people also enriches our companies and fosters greater creativity, performance and business growth.

Embracing the differences of neurodiversity

Recognising the diversity of its workforce is driving a new hiring approach being trialled at UGL. In partnership with Autism Spectrum Australia, UGL is leading the drive for inclusion by recruiting a neurodiverse workforce. CPB Contractors also piloted the program in early 2017, employing neurodiverse candidates on the Furlong Main Blackburn Heatherdale level crossing removal project, and providing recruitment and disability awareness training.

Adopting this hiring approach provides multiple benefits. By doing so, our Operating Companies are able to attract talented individuals to roles, raise greater awareness around diversity and provide our people with additional training on autism awareness that will enhance our inclusive team culture and benefit all employees.

The teams in UGL's Melbourne office have been participating in Autism Spectrum Australia's specialist training. This is key to the hiring and onboarding process as it is designed to help UGL employees learn how to best support their new colleagues. Also built into this approach is ongoing mentoring for the newly onboarded employees, upskilling training for line managers, and awareness training for other UGL teams as the program expands to other areas across the UGL business.

REWARD PERFORMANCE

CIMIC encourages individual accountability and the rewarding of performance against clearly defined roles and goals. We believe that the role of remuneration is to motivate, recognise and fairly compensate employees to achieve the Group's business objectives, for the benefit of shareholders. CIMIC encourages individuals to take responsibility for their role and to make decisions aligned with the Group's mission, principles and strategies.

The Remuneration Report in this Annual Report sets out the components and the Group's approach to the remuneration of senior and other executives.

CIMIC has no defined benefit superannuation plans and carries no pension liability as investors might find in many other countries.

Individual responsibility

At CIMIC, we encourage accountability which is about taking responsibility for achieving outcomes and focusing on finding solutions. 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.

Accountability is one of our 4 Principles and we encourage individuals to take responsibility for their role and to make decisions aligned with the Group's mission, principles and strategies. This assists us to foster a culture of high performance.

Measurable goals

At CIMIC, performance management aims to develop and evaluate the individual in line with the organisation's strategic plans and objectives. We set clearly defined and measurable goals aligned with the Group's principles and objectives.

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 facilitate the transparent discussion of employee achievement against key performance indicators and expectations. Performance management is not an annual event but an ongoing process that allows employees to develop, deliver value to the organisation and meet their aspirations.

We continued to review our 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.

We note the reporting requirement of DJSI to disclose the median or mean annual compensation for all employees except the CEO. For the 2017 year, the median employee compensation was $113,095 and the mean compensation was $121,836, generating a compensation ratio of 32.6 and 30.5 respectively. The mean ratio[68] has decreased from 34.3 since 2016.

We also note that the management ownership of the CEO represents a multiple[69] of his base salary of 0.31 times. The management ownership average multiple of the other Key Management Personnel member is 0.03 times.

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 2019, we plan to:

- continue focus on talent and succession planning across the Group to build bench strength and deliver employee career opportunities;
- further improve and expand the graduate program, including inducting 233 employees in 2019;
- continue to provide Human Rights assurance;
- continue to undertake Group-wide employee engagement survey of employees to improve employee experience, and attract and retain employees;
- improve outcomes of our diversity and social inclusion programs;
- continue to refine our performance management approach to provide more focus on setting objectives and targets that deliver company performance, and seeking and giving effective feedback;
- building the knowledge and expertise of our people through targeted training and development; and
- upskilling leaders to provide support to employees experiencing family and domestic violence.

[68] The median compensation ratio was not calculated or provided to DJSI in 2016.

[69] Based on value of options held at 31 Dec 2018 (closing price of $43.41 less issue price of $27.53 multiplied by number of options) divided by Fixed Remuneration, as per the disclosure provided in the 2018 Remuneration Report.

INNOVATION

OUR APPROACH

Innovation is one of the Group's Principles and is key to a sustainable business. We define innovations as repeatable, new and better ways of doing things that create value for the Group.

We aim to foster innovation, promoting a culture where employees are encouraged to adapt, innovate and be self-critical, and to learn from, rather than punish failures.

The Group delivers bespoke projects, each one is unique and often requires a pioneering solution to overcome challenges. By working closely with clients, partners, suppliers and subcontractors, we can solve tomorrow's problems today through bringing together world-class expertise, management and quality

Foster innovation	
Measures in place	▪ Innovation embedded in Group's Principles, Sustainability Policy and the mission of EIC Activities ▪ Dedicated engineering and technical services business – EIC Activities – leads Group's commitment to innovation ▪ EIC Activities employees commit to spend 10% of their time on innovation projects ▪ Spigit software platform to capture innovations
Actions taken during 2018	▪ Launched innovation program campaign to systematically identify ways to make our operations safer and more efficient or effective and expand our operations with new products and services ▪ Trained 659 employees in the use of Building Information Modelling (BIM) and Geographic Information System (GIS)
Performance	▪ In 2018 there was a 168% increase in the application of BIM and 300% increase in the use of GIS ▪ EIC Activities' employees achieved innovation time of 12.1% and spent 19,498 hours on innovation
Capture knowledge	
Measures in place	▪ Interactive Project Knowledge Library (iPKL)
Actions taken during 2018	▪ EIC Activities provided training and webinars to over 4,846 participants during 2018 ▪ EIC Activities hosted fortnightly best practice 'Webinar Wednesdays' watched by 2,556 people, up from 1,449 in 2017 ▪ EIC Activities hosted Webinars for 1,083 Graduates and provided on-demand training for 1,207 employees across the Group
Performance	▪ iPKL expanded to capturing details of over 1,963 projects with over 37,983 documents, including 292 EIC Activities case studies
Encourage collaboration	
Measures in place	▪ 21 communities of practice established in iPKL to promote collaboration across the Group
Actions taken during 2018	▪ Five green standard projects registered in 2018 and eight certifications received ▪ Building projects have received 91 Green Star[70] certifications since 2006 ▪ 76 employees accredited to 'green project' standards
Performance	▪ CPB Contractors is Australia's leading sustainability contractor having 23 registrations or certifications from Infrastructure Sustainability Council of Australia (ISCA) ▪ $4.9 billion of revenue generated from CPB Contractors' sustainably rated or 'green' projects
Manage risk	
Measures in place	▪ Risk Policy; Risk Management Policy; Business Resilience Policy; and Quality Management Policy ▪ Risk management framework based on ISO 31000 ▪ Quality management systems based on ISO 9001
Actions taken during 2018	▪ Relevant aspects of the Risk Policy and procedures included in the Tender Policy to ensure a more rigorous approach to risk management at tender stage. ▪ Around 100 tender review management committee meetings were held across the Group to assess tenders submitted to clients to ensure they complied with Policy and were measured against the work being tendered.
Performance	▪ Risk management framework embedded within existing processes and aligned to the Group's objectives, both short and longer term

[70] Launched by the Green Building Council of Australia in 2003, Green Star is Australia's only national and voluntary rating system for buildings and communities.

Focus on the future	
Measures in place	▪ Risk Policy; Risk Management Policy; Group Strategy Policy; annual strategic plan
Actions taken during 2018	▪ Undertaken systematic review of potential longer-term risks and opportunities for the business
Performance	▪ Identified risks and opportunities captured in Group's risk matrix

Creating value

The innovation practised by the Company helps to deliver solutions for the client and to generate sustainable cash-backed profits which creates value for shareholders. The direct economic value, as defined by the GRI, generated and distributed by CIMIC over the past 3 years is set out in the table below.

Economic value created (A$m)[71]	**2018**	**2017**	**2016**
Economic value generated: Revenue	14,670	13,429	10,847
Economic value distributed	(13,933)	(12,650)	(10,494)
Of which: Operating costs	(9,404)	(8,341)	(7,462)
Employee wages and benefits	(3,634)	(3,530)	(2,432)
Payments to providers of capital	(593)	(510)	(412)
Payments to governments	(301)	(269)	(188)
Community investments	(0.7)	(0.5)	(0.3)
Economic value retained	737	779	353

Other shareholder return metrics can be found in the Operating and Financial Review and Remuneration Report sections of this Annual Report.

For CIMIC, 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.

Our companies construct, operate and maintain infrastructure and property projects (such as roads, railways, hospitals, schools, offices, gas plants, wind farms, power stations, transmission lines, water recycling plants, telecommunications cables and towers, etc.) which are fundamental to improving the productivity of economies and the quality of people's lives. We undertake the mining of resources (such as coal, iron ore, nickel, copper, gold, diamonds) which are critical for economic development and prosperity, and often construct the supporting mine infrastructure such as the processing plants. The resources that we help produce generate royalties and tax income for governments, and income for local communities.

The projects that we deliver provide well paid and secure employment for people and, by engaging many thousands of subcontractors to provide services to our projects, we provide employment opportunities and foster local suppliers, many of them in regional and remote communities. Additionally, by generating profits and paying tax, or collecting value-added, payroll or other taxes, we aid governments in their efforts to raise revenue which contributes to the provision of necessary services and supports investment in infrastructure. Finally, by encouraging the innovation of our people, we contribute to the development of safer construction techniques for the industry and new services which can be exported to other markets, ultimately earning income for the country.

FOSTER INNOVATION

At CIMIC, we promote a culture where employees are encouraged to adapt, innovate and be self-critical, and to learn from failures. This approach also means that we have developed a structured approach to investing in, and supporting, research and development and incubators that will promote innovation and help improve the business.

EIC Activities is CIMIC Group's engineering and technical services business. Innovation is embedded in the EIC Activities name which stands for Engineering, Innovation and Capability. EIC Activities partners with all of the Operating Companies to ensure the Group's collective experience, technical capabilities, innovations and leading edge technology applications are leveraged to deliver our client's objectives.

EIC Activities works with teams from the earliest pre-bid, tender and project establishment phases where opportunities to innovate, mitigate risk and add value are strongest. Their diverse team of subject matter experts are some of the industry's most respected engineers, academics and practitioners. The team has extensive project experience across different geographies, markets, clients and contract types – including construct only and design and construct, managing contractor and early contractor involvement, to participating in alliances, public-private-partnerships (PPPs) and build-own-operate-transfer (BOOT) projects.

[71] As set out in GRI 201: Economic Performance, where the creation and distribution of economic value provides a basic indication of how an organisation has created wealth for stakeholders.

EIC Activities challenges and improves concept designs, construction methods and operations and maintenance practices, increases self-performance and helps deliver competitive solutions. EIC Activities' involvement in tenders and projects consistently results in projects achieving significant cost and program savings, and delivering valued outcomes for clients.

Australian first minimises disruption to communities

CPB Contractors has utilised a giant straddle carrier on Melbourne's $1.6 billion Caulfield to Dandenong rail line to deliver a new elevated rail structure. It is the first such use of a straddle carrier and gantry crane in Australia, and the large-scale equipment has travelled 260km back and forth along the route to safely deliver the project.

CPB Contractors sourced the equipment from Italy which allowed the project to overcome the challenge of construction in a narrow, inner-city rail corridor. The carrier built 3.2km of the elevated rail structure, consisting of 174 bridge spans weighing as much as 420 tonnes each. This approach enabled Melbourne's trains to run uninterrupted while the final section of the elevated rail structure was built above live train lines and roads.

By employing the straddle carrier and gantry crane, CPB Contractors minimised disruption to local communities. The elevated design will create 22.5 hectares of open space which will now be transformed into landscaped parks, paths and recreation facilities for the community to enjoy.

EIC Activities employees are actively encouraged to spend 10% of their time on innovation projects. In 2018, this meant that over 19,498 hours were spent on innovation with 66 approved innovation projects receiving $1.03 million of funding from EIC. This investment, geared with co-funding from other Operating Companies and external partners, leveraged the funding to more than $2 million of total project investments. EIC Activities supports its capability through other technical groups within the ACS Group, including HOCHTIEF AG, Dragados and Turner.

Nexplore to drive digital processes

CIMIC is collaborating with HOCHTIEF AG, and its major shareholder ACS, to harness the potential presented by digitalisation, where fields such as artificial intelligence, virtual reality, machine learning, the Internet of Things, and Industry 4.0 are opening up new opportunities and perspectives. A specialist organisation – Nexplore – has been established to focus on promoting digitalisation in our core business.

Nexplore plans to establish several innovation centres worldwide that will collaborate on a range of initiatives. In addition to the existing locations in Essen and Frankfurt/ Darmstadt, centres will be set up in Madrid, Minneapolis, and Sydney. An IT work platform providing information for everyone involved in the initiative will support the ongoing, systematic transfer of expertise. That way, project results and best practices can be shared all over the world.

CIMIC has a Group-wide Innovation Program - launched in 2017 - to further enhance the idea generation and implementation of repeatable, new and better ways that increase value for the Group. The Program encourages employees to submit their ideas and utilises campaigns to drive targeted idea generation, collaboration, selection and innovation implementation in areas that are important to the Group. A dedicated management software package - Spigit - enables employees to tap into the collective intelligence of colleagues, partners and customers to find the best ideas and make the right decisions.

In 2017, Thiess adopted an innovation framework which allows employees to add ideas into an innovation portal. Within this portal, Thiess has captured over 150 ideas to date. These ideas cover broad areas across the business including mining, assets management, and health and safety. The innovative initiatives have resulted in efficiency gains and cost savings across the business and demonstrate a strong commitment to the principle of innovation. Thiess also utilises the CIMIC Innovation Program and successfully ran a number of Australian based campaigns during the year.

Installing wold-class signalling on the Melbourne Metro Tunnel project

CPB Contractors, in partnership with Bombardier Transportation, is installing a new high-capacity signalling system - the first roll-out of its kind on an existing network anywhere in Australia - as part of the part of the $11 billion Metro Tunnel Project.

Used extensively in Europe and Asia, the highly specialised signalling system (Communications-Based Train Control - CBTC) will allow trains to run every two to three minutes while also creating a safer environment for transport operators and commuters. For commuters, it will mean a true 'turn-up-and-go' train network for Melbourne that requires no timetable, within a safer and less congested environment.

Massive lid lift an Australian record

In Victoria, a major milestone has been reached on the Craigieburn Sewage Transfer Hub for Yarra Valley Water, with lids lifted into place on the biggest glass-infused steel sewage tanks in Australia. CPB Contractors is delivering the Transfer Hub and the project will improve Yarra Valley Water's capacity to collect, store and transfer sewage flows from future developments in Melbourne's northern suburbs.

The project included the installation of two 16 mega-litre, 50-metre diameter glass-infused steel sewage tanks. It took two hours for a 350 tonne crane to lift the first of two tank roofs into place weighing around 23 tonnes – the same as 16 family passenger cars.

Glass infused steel tanks are common in Europe and some have been installed in other parts of Australia, but they haven't been used in a sewage storage application before. Sewage is typically stored in a lined concrete tank, or a steel tank with an epoxy coating. Glass infusion was selected on this project for its excellent corrosive resistance, cost effectiveness, quick construction time on site and improved maintainability. The glass infused steel tanks also delivered important safety benefits. Construction of typical in-situ concrete tank take a long time and involves a significant amount of working at height. Constructing the tank roof on the ground reduced working at height requirement by more than 50% and significantly reduced exposure to wind.

Committed to doing things differently at UGL

Employee survey results have inspired a Unipart Joint Venture team to kick off an innovative program that is delivering improvements in safety, quality and productivity onsite. The team, which maintains Sydney's passenger trains, calls the continuous improvement program 'Customer Kaizen'[72] which is targeting incremental improvement projects aligned around key areas of safety, quality, cost and delivery.

Individual teams took ownership and brainstormed ideas for projects to drive improvements in people and culture, cost savings, delivering value to customers, quality and asset management. They developed 131 improvement initiatives which are owned and being driven by the frontline teams.

Recognition is a key element and a wall onsite has been dedicated to track each initiative's status and bi-monthly project forums are being run where teams present their milestones to the broader team onsite. These forums also provide the opportunity for teams to share ideas, recognise good work and celebrate successes and achievements.

Innovation and 3D laser scanners powering projects

The increasing sophistication and adaption of Building Information Modelling (BIM) has driven a step change, not only in the design and construction processes, but also in the survey space. Powerful 3D scanners with multiple applications across the life cycle of a project - from design to delivery, operations and maintenance – are being utilised. The scanners quickly and comprehensively capture all visible features in a dense cloud of millions of points, which can be used by design, survey and project teams. Integrated internal cameras provide imagery for colourised reality models of both existing and built environments.

The point cloud information delivered by the scanners, in combination with BIM, equips design, survey and project teams to make more informed decisions, helping to improve safety, reduce the risk of rework, capture time and cost savings, and to leverage improved quality and progress reporting.

CAPTURE KNOWLEDGE

Systematically and rigorously capturing knowledge is a core element of innovation. It allows our people to leverage learnings and to avoid 'reinventing the wheel'. A key tool in this knowledge capture has been the creation of a custom-built, intellectual property database in the form of our interactive Project Knowledge Library (iPKL) which was launched in 2016. EIC Activities built, and continues to develop, this library which holds key data from over 1,963 diverse projects.

iPKL holds project resources such as; pre-contract documents, workpack/execution resources, project data sheets, images, case studies, lessons learned, final project reports, innovations, technical papers, award submissions and awards received, capability statements, and more. iPKL provides tender and project teams access to technical and operational knowledge from successful projects. It supports the efficient preparation of tenders and supports project delivery. By using iPKL to access and store key information resources, our people can fast track learning, repeat successes, avoid mistakes and innovate to win challenging projects.

The iPKL platform also includes 21 communities of practice which bring together engineering expertise, technical solutions, lean practices, new technologies and advanced industry developments – equipping the Group with more levers to innovate, mitigate risk, add value and drive performance. These communities are designed to facilitate knowledge sharing, informal discussions, question and answer sessions, and the sharing of best practice examples and lessons. The communities of practice include topics such as: applied technical knowledge; asset management; building; concrete and quarry materials; digital engineering; environment; geotechnical; heavy lift; innovation and lean; knowledge management; mechanical and electrical engineering;

[72] Kaizen is the Japanese word for improvement.

procurement; project planning; rail; roads and civil works; structural engineering; survey; sustainability; temporary works; utility management; and water and waste water.

Thiess has established an innovation framework with an intranet portal 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.

Digital engineering

Digital engineering technologies – Building Information Modelling (BIM) and Geographic Information Systems (GIS) – enable project teams to collaborate in virtual environments. BIM is used for generating and managing digital information with virtual models representing the project scope and existing interfaces.

Teams build digitally first using integrated data and technologies to measure, map, visualise and control project delivery and outcomes with added dimensions beyond the traditional 2D (two dimensional) that include:

- visualisation and coordination of the project scope (3D);
- improving schedule integrity through simulation (4D);
- quantification of project scope elements such as cost (5D);
- providing accessible asset data for operations and maintenance (6D); and
- allowing analysis and improved data access and linkages (XD).

Virtual reality - a new tool for the workshop

Digital technologies such as virtual reality (VR) are increasingly at home on sites and projects, and are now proving their worth in the workshop – with some help from EIC Activities. One such initiative has supported Thiess' services efficiency program and the team's continuing focus on streamlining the servicing of mining trucks.

Thiess wanted to further improve their patented modular Service Efficiency Structure which is a key tool for service efficiency. When a truck rolls into a workshop, a specially designed structure - or mobile platform - supports the team in their efforts to streamline servicing and make the work environment safer.

EIC Activities helped to improve the structure and increase its flexibility so it can service everything from the smallest to the largest haul trucks in the fleet, in any location in the world, in any set of conditions, in less time than it takes in the current structure. VR was used to test the solution, providing the opportunity to put the people who will use the structure into it - before it is built - to test the solution. This then allowed elements such as spatial layout, visibility and sight lines to be fine-tuned in the design phase, helping to make the structure a safer, and more efficient, high performance tool.

Digital engineering is increasingly being mandated by clients and is becoming the norm for tenders and projects in construction, mining, mineral processing and services. EIC Activities is leading the Group's innovation in the use of these technologies. CIMIC's expertise in, and, application of, BIM for design and construction was recognised in 2017 by the global market leader in business standards, the British Standards Institution (BSI). CIMIC is currently the only company in Australia to have received the acknowledgment of BSI Kitemark for Design and Construction - BSI PAS 1192-2, BS 1192 and BS 1192-4.

Implementing GIS enables projects to integrate, store and analyse geographic information to improve the effectiveness of project design, planning and delivery. Digital workflows support information transfer throughout the project team and eventually to the end user.

New on-line platform delivers integrated view

EIC Activities is collaborating with project teams in CPB Contractors and Leighton Asia to continue developing a new online platform, GeoView. This in-house designed system provides an integrated view of critical project data in one place, delivering time and cost savings.

GeoView provides a user-friendly interface for different parties, including design teams, consultants, sub-contractors and clients to input and present data systematically and efficiently. Previously, monitoring data was recorded in excel spreadsheets and saved in different locations. Now, users can view the latest monitoring data, tabulated graphically or geographically in GeoView, which reduces time spent processing data and creating reports.

In 2016, our projects and sites across the Group were accessing 250,000 maps per week on our GIS platform; by the end of 2017, that figure was three million maps per week and, by the end of 2018, it was six million maps per week.

In 2018, there was a 168% increase in the application of BIM and a 300% increase in the use of GIS on CIMIC projects. Since attainment of Kitemark certification in 2017, we have been progressively implementing Digital Engineering best practices on all of the Group's infrastructure projects. In 2018, we trained more than 659 people in the use of BIM and GIS,

Technical training

During the year, EIC Activities continued to deliver its 'Webinar Wednesday' program. Held every second Wednesday, and watched by more than 2,556 employees in 2018, EIC Activities hosted 24 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 roughly 40-minute webinars are interactive, with a question and answer session at the end of each presentation. For those who miss the live session, the webinars are available on the intranet for viewing later. Some of the subjects covered in 2018 included:

- Technical training in 2018
- Goonyella Riverside to South Walker Creek dragline walk
- Ground heat exchangers
- Digital engineering: why, what and how
- International Women's Day special panel discussion
- Safety innovation projects
- Battery energy storage systems
- Arc flash (and mitigation measures)
- A conversation on misbehaving soils, part 1
- Whole-of-life asset management
- Piling engineering: lifting the veil of the dark art
- Change management and the impact on projects
- Temporary pavement design: public roads, haul roads and trafficking shoulders
- Straddle carrier: procurement, commissioning and operation
- Autodesk enterprise agreement
- Knowledge management (featuring iPKL and Communities of Practice)
- BSI Kitemark certification
- Importance of technology delivery in major civil infrastructure projects
- Developing construction and traffic staging arrangements – a case study
- A conversation on misbehaving soils, part 2: reactive clays
- The future of rail in Australia: high speed or hyperloop
- Innovations in asphalt: the new black
- Looking after your mind – practical tools to help mental health

ENCOURAGE COLLABORATION

At CIMIC, we are supportive of collaborating with industry and other related entities that may provide opportunities to benefit the Group. We also promote and support research and development projects that have the potential to improve the safety, efficiency or sustainability of the industry

The Group is committed to maintaining a position as an industry leader in the delivery of 'green' rated infrastructure and building projects, and actively encourages clients to mandate the use of these rating systems.

Online collaboration tools more broadly used

In Perth, Western Australia, CPB Contractors' Broad Construction successfully delivered the residential Claremont on the Park development. Set on the perimeter of a suburban football ground, the Claremont development consists of 233 apartments set over two buildings which span a 24,000m2 double basement, varying in height to a maximum of six storeys.

During the planning stages the project team adapted the online system, Aconex, to streamline the existing processes used to manage building defects prior to handover. Bespoke features were included in the system to open up new avenues of collaboration between Broad and the many subcontractors employed to complete the job. By creating an easy-to-access online channel, Broad substantially reduced the volume of hard copy reports being shared across the project and improved relationships with the subcontractors.

Green rated projects

Increasingly the Group's clients are seeking to integrate sustainability considerations into the projects they are delivering. In New South Wales, for example, the government "seek[s] to deliver sustainable development practices by embedding sustainability initiatives into the planning, design, construction, operations and maintenance of transport infrastructure projects."[73]
In many cases, this is manifest in the requirement to deliver against well established, third-party sustainability ratings systems. For example:

Government area	Agency	IS Rating mandate[74]
NSW	Department of Planning	▪ Critical state significant infrastructure
	Transport for NSW	▪ All projects >$50m ▪ High risk projects <$50m
	Sydney Metro	▪ All projects in program
	Queanbeyan Council	▪ All project >$2m
QLD	Department of Transport and Main Roads	▪ All projects >$100m
WA	Main Roads WA	▪ All projects >$100m
VIC	Vic Roads	▪ All projects >$100m
	Level Crossings Removal Authority	▪ All projects in program
	Melbourne Metro	▪ All projects in program
	City of Casey	▪ Capital works projects
New Zealand	City Rail Link Ltd	▪ All projects in program

Governments are striving to integrate sustainability into their procurement in a way that achieves value for money and generates benefits, not only for the project, but also for society and the economy, while minimising damage to the environment. CIMIC is supportive of this approach by governments as the ratings provide a mechanism to deliver project solutions that deliver environmental and social benefits while reducing life cycle costs.

CPB Contractors' ability to deliver quality, reliable and resilient buildings and infrastructure that serves the short and long-term needs of people and communities positions the company well for the future.

Sustainable ratings for Level Crossing Removal Project

An alliance including CPB Contractors, delivering Victoria's Caulfield to Dandenong Level Crossing Removal Project, has been recognised as a leader in sustainability by being awarded the Victorian Premier's Sustainability Award for the Built Environment. Through hard work and innovation, the project team also achieved a 5-Star Green Star Design Rating for Murrumbeena Station and is on track to achieve this rating for all stations at the 'As-Built' milestone (denoting Australian Excellence[75]). This will be a first for a rail project nationally.

Some of the key sustainability initiatives in relation to the Project's concrete precast facility included:

- use of over 17,000 tonnes of recycled concrete in the construction of the facility foundation, reducing the need to import fill material;
- installation of LED lighting throughout the precast facility, reducing demand for energy by over 60%;
- using a concrete mix in the precast segments that replaced 21% of the cement with fly-ash, thereby reducing the embodied energy content;
- using a 20% biodiesel mix to power the generators for the gantry cranes which, combined with technology to optimise power output, saved approximately 51,600 litres of diesel (a 23% reduction) and reduced CO2-e by some 174 tonnes (a 28% reduction); and
- accessing the facility's 13,000m2 roof to capture rainwater via 3 x 20,000L tanks, enabling the reuse of approximately 10 million litres of water.

[73] Transport for NSW, Sustainable Design Guidelines Version 4.0, May 2017.
[74] Detail provided by ISCA, 6 Dec 2018.
[75] Refer to the Scale of green star ratings diagram where a 5 Star Green Star rating denotes a standard of Australian Excellence.

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 23 IS registered or certified projects worth more than A$24 billion in total.

Green standard construction projects (#)	New registrations during 2018	Cumulative certifications since 2006
IS	1	22
Green Star	2	91
BEAM Plus	1	8
LEED[76]	1	10
Green Roads[77]	0	2

In 2018, CPB Contractors generated revenue of $4.9 billion from sustainably rated or 'green' projects.

CPB Contractors' green project revenue ($m)	2018	2017	2016
Total	4,932	2,703	2,083

Setting an example, CIMIC and its Operating Companies are headquartered in a number of green rated offices including:

Office address	Companies based in this office	Green rating
177 Pacific Hwy, North Sydney, NSW	CIMIC, CPB Contractors, Broad, EIC Activities, Pacific Partnerships, Leighton Properties	▪ 5 Star Green Star – Office As Built rating ▪ 5½ Star NABERS Energy rating
567 Collins St, Melbourne, VIC	CPB Contractors, EIC Activities, Pacific Partnerships	▪ 5 Star Green Star – Office As Built rating ▪ 5-star NABERS Energy and Water ratings
HQ South Tower, 520 Wickham Street, Brisbane, QLD	CPB Contractors, Broad, EIC Activities, Pacific Partnerships	▪ 6 Star Green Star - Office Interiors ▪ 6 Star Green Star - Office As Built
202 Pier Street, Perth WA	CPB Contractors, Broad, EIC Activities	▪ 5.5 Star NABERS Energy rating, ▪ 3.5 Star NABERS Water Rating
179 Grey Street, South Bank QLD	Thiess	▪ 3.5 Star NABERS Energy rating
40 Miller Street, North Sydney, NSW	UGL	▪ 5 Star NABERS Energy rating
Sun Hung Kai Centre, 30 Harbour Road, Hong Kong	Leighton Asia	▪ LEED Silver certification

Collaboration with industry associations and NGOs

The Group seeks to support and leverage opportunities for external industry collaboration that may benefit the Group and/or our industries. Any collaboration is undertaken within the boundaries of the Code of Conduct.

The Group's Operating Companies have been encouraged to build 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. The Group does maintain membership in a number of trade and industry associations and groups. We recognise that such memberships can provide networking opportunities, support professional development and help to drive improvements in industry practices, to the benefit of employees, shareholders and society.

We understand the increasing level of stakeholder interest in membership of industry associations and their potential to play a lobbying or advocacy role on behalf of the business. CIMIC's membership participation is restricted to the payment of annual subscription fees and we do not provide additional funding to support campaigns or other activities.

[76] 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.
[77] Greenroads is an independent non-profit that advances sustainability performance management and education for transportation capital projects.

The Group partners with and/or is a member of organisations such as:

Australia
- Austmine
- Australian Association of Graduate Employers
- Australian Chamber of Commerce and Industry
- Australian Coal Preparation Society
- Australian Constructors Association
- Australian Industry Defence Network
- Australian Industry Group
- Australian Institute of Building
- Australian Institute of Company Directors
- Australia Japan Business Co-operation Committee
- Australia-Latin America Business Council
- Australian Mines & Metals Association
- Australian Railway Association
- Australian Shareholders' Association
- Australian Ship Building & Repair Group
- Australian Society for Concrete Pavements
- Australian Water Association
- Australian Women in Resources Alliance
- buildingSMART Australasia
- Business Council of Australia
- Chamber of Commerce (local industry networks)
- Chamber of Minerals and Energy of Western Australia
- Civil Contractors Federation
- Clean Energy Council
- Committee of Economic Development of Australia (CEDA)
- Consult Australia
- Corporate Tax Association (of Australia)
- Curtin University's Advanced Technologies Research and Innovation Alliance (CATRINA)
- Diversity Council of Australia
- Engineers Australia
- Infrastructure Association of Queensland
- Infrastructure Partnerships Australia
- Infrastructure Sustainability Council of Australia
- Institute of Railway Signal Engineers Australasia
- Institute of Water Administration
- International Project Finance Association
- International Road Federation
- International Society of Explosive Engineers
- Master Builders Association (various state branches)
- Minerals Council of Australia
- National Association of Women in Construction
- New South Wales Minerals Council
- Permanent Way Institution
- Property Council of Australia
- Queensland Major Contractors Association
- Queensland Natural Gas Exploration & Production Industry Safety Forum
- Queensland Resources Council
- Roads Australia
- Safety Institute of Australia
- South Australian Chamber of Mines and Energy
- Spanish-Australian Chamber of Commerce
- Supply Nation
- Sydney Business Chamber
- The Association for Payroll Specialists
- Women in Mining

New Zealand
- Business Leaders' Health and Safety Forum (NZ)
- Civil Contractors New Zealand
- Infrastructure New Zealand

Indonesia
- Asosiasi Kontraktor Indonesia (Indonesian Contractors Association)
- Asosiasi Pertambangan Batubara Indonesia (Indonesian Coal Mining Association)
- Indonesian Chamber of Commerce and Industry
- Indonesian Mining Services Association (IMSA – ASPINDO)
- Indonesian Mining Association

Hong Kong/Macau
- Hong Kong Construction Association
- Hong Kong Construction Industry Council
- Hong Kong Federation of Electrical and Mechanical Contractors
- The Australian Chamber of Commerce Hong Kong and Macau (AustCham)

Philippines
- The Lighthouse Club (Hong Kong and the Philippines)
- Employers Confederation of the Philippines
- Makati Business Club (Philippines)

Singapore/Malaysia/India
- Singapore Business Federation
- Singapore Contractors Association Ltd
- Tunnelling and Underground Construction Society (Singapore)
- Masters Builders Association Malaysia
- Confederation of Indian Industry

The Americas
- Alberta Mine Safety Association
- Canadian Institute of Mining, Metallurgy and Petroleum
- Cámara Chilena Australiana de Comercio (Chile Australia Chamber of Commerce)

Africa
- Botswana Chamber of Mines

All corporate memberships of industry bodies relevant to the Group's business require CEO approval and membership is coordinated by CIMIC.

Research and development

CIMIC actively promotes and supports R&D projects that have the potential to improve the safety, efficiency or sustainability of the industry.

Sustainable on the Logan Enhancement Project

In Brisbane, Queensland, CPB Contractors is constructing the $512 million Logan Enhancement Project, upgrading and widening a number of roads and interchanges. The project team has adopted a significant innovation that will reduce the total amount of asphalt required, namely, using the new product Enrobé à Module Élevé (EME2) asphalt for part of the paving requirements. EME2 was developed in France in the 1980s and was intended to reduce the thickness of pavements while still providing sound performance as well as superior fatigue, deformation and moisture resistance.

The Logan Enhancement Project will be among the first major road projects in Australia to lay the innovative EME2 product at a commercial scale, not as a trial. It will use approximately 206,000 tonnes on the Gateway Extension Motorway, over approximately 8-10 kilometres of heavily trafficked road, representing a landmark in construction of EME2 pavements in Australia.

MANAGING RISK

CIMIC is committed to having a risk management framework in place to identify, assess and treat risks that have the potential to materially impact the operations, people, and reputation, environment and communities in which the Group works, and the financial prospects of the Group.

The CIMIC 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. The Framework is based on International Standard ISO 31000:2009 'Risk management – principles and guidelines', and forms the basis for CIMIC's risk management activities. 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.

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. 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.

The Group's Governance System includes a broadly encompassing set of Charters, Codes, Policies, Procedures and supporting documents (i.e. tools, reference material, forms, etc.) which are the foundation to drive a systematic, planned and consistent approach to meet the requirements of the business, clients and other stakeholders, and to ensure compliance with all regulatory obligations.

The Board has established three Board Committees to help discharge its governance responsibilities, the:

- Audit and Risk Committee (ARC);
- Ethics, Compliance and Sustainability Committee (ECSC); and
- Remuneration and Nomination Committee;

and each has a formal charter setting out the matters relevant to the composition and operation of such Committees.

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, environment, reputation, regulation, contracts, human resources, finance, information and strategy.

The Group utilises its Pre-contracts Information Management System (PIMS) to assess prospects, manage tenders and coordinate approvals. Feeding into this process, the Group uses its proprietary tender software including Computer Aided Tendering System (CATS) and SAS to prepare accurate estimates for tenders. CATS and SAS help to provide a standardised approach to estimating, ensuring that quantities, prices and other variables are accounted for so as to produce clear and accurate forecasts.

Quality

Delivering quality projects that meet the requirements of client's and other stakeholder is the result of good planning and skilful execution. A quality outcome is a function of how we manage risk and everyone has accountabilities in this regard.

Royal Australian Air Force recognises CPB Contractors

CPB Contractors was awarded an appreciation medallion by the Chief of Air Force, Air Marshal Leo Davis (AO, CSC), while he was visiting the $274 million Royal Australian Air Force (RAAF) Williamtown redevelopment project in New South Wales earlier in the year. Works include building new office accommodation for more than 950 personnel over five levels, a new auditorium for 250 personnel, a new Army and Air Force Canteen Service facility and commercial precinct, upgrades to base entries and new road alignments inside the base, new on-grade car parks and landscaping, and adaptive reuse of existing buildings.

While touring the site, the Air Marshal and Australian Defence Force VIPs were impressed with the development and discussed the site's positive safety culture site with CPB Contractors representatives. The on-site team has a commendable safety record and has achieved a Lost Time Injury (LTI) free milestone of 500,000 workhours.

RAAF Williamtown is the latest project awarded to CPB Contractors in a 20-year history of delivering world-class aircraft infrastructure and service facility construction for the Australian Defence Force.

Across the Group, we have people in pure quality and systems roles with direct accountability for ensuring compliance with ISO 9001 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 (SGS Quality System Certification);
- Leighton Asia – ISO 9001 (India, Singapore, Malaysia, Indonesia - Lloyd's Quality System Certification, Hong Kong – HKQAA Quality System Certification, Philippines – Bureau Veritas Quality System Verification);
- UGL – AS/NZS ISO 9001 (Bureau Veritas Quality System Verification); and
- Sedgman – ISO 9001 (SAI Global)[78].

T2T Alliance wins prestigious Engineering Excellence Award

CPB Contractors, and their alliance partners, were recognised for their expertise and contribution to the Torrens Road to River Torrens Alliance (T2T) with the 2018 Australian Engineering Excellence Award (South Australia). The award recognises the innovative approach to the design and construction of the rail-bridge and earth retention, as well as the setting of new industry benchmarks in safety and culture, traffic and services management, community engagement, and local industry workforce participation.

The T2T project was targeting an 'Excellent' IS Rating, however, the project exceeded this by achieving a 'Leading' rating. Some of the sustainability features included: 97% of waste was diverted away from landfill; an innovative design reduced the amount of concrete being used in the lowered motorway by 75%; and more than 50% of the asphalt used on the project is reclaimed, saving 147 tonnes of carbon dioxide from being released into the atmosphere.

Thiess' quality recognised as the gold standard by Timken

The quality of the work of Thiess' team at the Darra Component Rebuild Centre (CRC) in Brisbane has been acknowledged with their achievement of gold Timken bearing certification. Timken is one of the world's largest bearing manufacturers and its certification recognises that the CRC's bearing maintenance practices are of the highest standard.

The Darra CRC is one of three Thiess component rebuild centres, alongside Perth and Balikpapan, which remanufactures vital components to keep Thiess' fleet and operations working safely and efficiently.

FOCUS ON THE FUTURE

CIMIC actively monitors its existing and potential markets for disruptions, trends or changes that may present risk or opportunities, and actively looks to capitalise on opportunities. Some of these potential disruptions, trends or changes that could impact on the Group include the impact of new technologies on construction techniques, automation in mining, demographic changes and ageing of the population, and changes in the energy mix with greater use of renewables.

[78] Sedgman's HSEQ management system is certified to this standard, the projects business has been externally audited for compliance and operational sites are internally audited for compliance.

New technologies

As a constructor of transport infrastructure, CIMIC will potentially be impacted by the transition to both electric and autonomous vehicles. CIMIC addressed this in the 2017 Sustainability Report.

CIMIC is monitoring the evolution and potential impact that 3D printing could have on construction. "3D printing could potentially erase significant amounts of money in bringing construction projects to market, through shorter project times and fewer wasted resources."[79] Potentially, "3D printing can produce up to 30% less material waste, use less energy and fewer resources, enable in-situ production (which in turn cuts transport costs), grant greater architectural freedom and generate fewer CO_2 emissions over the entire lifecycle of the product."[80]

Automation in mining

Companies that implement automation technologies are gaining a significant increase in productivity and a decrease in expenditures. Some companies have seen productivity rise by 15-20 percent as they adopted new technologies.[81] The industry also will benefit from considerable increases in safety. Since implementing autonomous technologies in several of its African mines, Randgold Resources has seen a 29 percent quarter-on-quarter injury rate improvement.[82]

During 2018, Thiess secured a contract from Fortescue Metals Group to install autonomous haulage system technology at its Christmas Creek operations in Western Australia's Pilbara region. Under the 18-month contract, Thiess will convert a minimum of 65 conventional haul trucks to the system, along with various sub-component installs of the system on ancillary equipment to allow the machinery to autonomously operate at Fortescue's Chichester Hubs.

Thiess' contract with Fortescue strengthens its position as a leading provider of autonomous services and is an acknowledgment of where the mining industry is headed.

Demographic and population changes

CIMIC is a leading provider of contract mineral and mineral processing services to the resources industry through its Thiess and Sedgman brands respectively. The market for the provision of these resources related services remains positive for the foreseeable future supported, ultimately, by the growth in and urbanisation of the global population.

Meanwhile, sustained levels of population growth in Australia, which has doubled since 1970[83], are likely to underpin substantial investments in infrastructure into the future. Coupled with historic underinvestment, an ageing stock, and evolving technologies, the outlook for infrastructure investment remains positive in the long term. The Global Infrastructure Hub[84] forecasts that $1.7 billion worth of infrastructure investment will be required over the period to 2040 which supports construction, PPP and operations and maintenance opportunities.

Changes to the energy mix

The International Energy Agency (IEA), in the 'New Policies Scenario'[85] from their World Energy Outlook 2018 (WEO 2018)[86] forecast that "rising incomes and an extra 1.7 billion people, mostly added to urban areas in developing economies, push up global energy demand by more than a quarter to 2040. The increase would be around twice as large if it were not for continued improvements in energy efficiency, a powerful policy tool to address energy security and sustainability concerns. All the growth comes from developing economies, led by India. As recently as 2000, Europe and North America accounted for more than 40% of global energy demand and developing economies in Asia for around 20%. By 2040, this situation is completely reversed."

CIMIC expects that demand for thermal coal, and the resultant contract mining services in this particular market, while not growing, will remain substantial for at least the medium-term. Contract mining of thermal coal, used in power generation, currently accounts for approximately 43% of the Group's mining revenue and around 11% of total revenue[87]. Over time however, CIMIC expects to increasingly diversify its mining services activities to pursue the opportunities presented by the extraction and processing of other minerals for use in alternative technologies such as solar and batteries. Underpinning the mining business and positive outlook is a sustained demand for other minerals and resources including metallurgical coal, iron ore, copper, gold and nickel.

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[79] http://www.digitalinnovation.pwc.com.au/3d-printing-revolutionise-construction/
[80] http://theconversation.com/how-to-print-a-building-the-science-behind-3d-printing-in-construction-98490
[81] Eric Onstad, Robots Under Swedish Forest Breathe Life into Ancient Mines, Reuters (Oct. 4, 2017)
[82] Martin Creamer, Kibali Africa's Most Mechanised Gold Mine—Randgold, Creamer Media's Mining Weekly (Nov. 2, 2017)
[83] http://www.abs.gov.au/websitedbs/D3310114.nsf/home/Interesting+Facts+about+Australia%E2%80%99s+population
[84] https://outlook.gihub.org/countries/Australia
[85] It should be noted that the 'New Policies Scenario' reflects the IEA's view. CIMIC's use of this scenario should not be read as endorsement of their views but, rather, to provide an external frame of reference for others to consider potential outcomes. The New Policies Scenario as drafted is insufficient to meet the objectives of the Paris Agreement to limit global temperatures increases to <2 degrees Celsius.
[86] International Energy Agency (IEA), World Energy Outlook 2018 Executive Summary.
[87] For the year ended 31 December 2018.

A 2017 World Bank report[88] notes that: "Minerals and metals will play a key role in the transition to a significantly lower carbon future, with potentially significant changes for the minerals and metals market. Metals are crucial to the way in which energy is generated and used. The future move to a low carbon economy, based on low carbon electricity generation and energy-efficient energy-using technologies, has huge potential to shift both the scale and composition of the demand for minerals and metals."

The report goes on to say that, "Using wind, solar, and energy storage batteries as proxies, the study examines which metals will likely rise in demand to be able to deliver on a carbon-constrained future. Metals which could see a growing market include aluminium (including its key constituent, bauxite), cobalt, copper, iron ore, lead, lithium, nickel, manganese, the platinum group of metals, rare earth metals including cadmium, molybdenum, neodymium, and indium-silver, steel, titanium and zinc."

CIMIC foresees the growth in demand for renewable energy generating substantial opportunities for construction and operations and maintenance activities where both CPB Contractors, UGL and Sedgman have significant experience. A reduction in the use of coal may lead to opportunities in the decommissioning and cleaning up of coal-fired power stations, as well as the rehabilitation of old coal mines. Similarly, the rehabilitation of older mines with tailings dams containing economically recoverable minerals, as described in the New Century case study on page 82, may create additional opportunities. Furthermore, the upgrading of existing processing facilities to reduce their water footprints, such as the use of tailings filtration and dry stacking - as opposed to dams, offer further prospects for the Group.

At a policy level, we understand that energy reliability and affordability, and greenhouse gas emissions, are inseparable and need to be dealt with holistically by Government. We support a market-based approach based on rigorous cost-benefit analysis, aimed at driving efficient, fuel and technology neutral outcomes.

OUTLOOK AND FUTURE PLANS

We are committed to bringing an innovative approach to the successful delivery of projects. In 2019, we plan to:

- continue to work with ISCA to maintain our industry-leading position as a constructor of sustainable infrastructure;
- 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;
- roll out targeted sustainability training sessions in CPB Contractors to senior leaders, pre-contracts and estimators staff, project managers, procurement and project related sustainability and environmental employees on subjects including integrating sustainability into the design, the value of ISCA and Green Star ratings, sustainable procurement and, supplier evaluation, amongst others;
- further encourage, through EIC Activities, the sharing of technical engineering excellence across the Group;
- scale the Thiess Innovation framework to provide transparency of ideas for collaboration across geographical boundaries;
- unlock the value of innovation through the delivery of the Innovation and Technology road map to define Thiess' digital landscape for our business strategy;
- continued use of crowd sourcing innovation campaigns using Spigit to identify challenges and deliver innovation;
- leverage the engineering expertise and experience of our major shareholder, HOCHTIEF, and its related entities; and
- review and, if necessary, re-publish our response to the TCFD[89] recommendations.

[88] World Bank report, "The Growing Role of Minerals and Metals for a Low-Carbon Future", 18 July 2017.
[89] Task Force on Climate related Financial Disclosures

ENVIRONMENT

OUR APPROACH

Respect for the environment is a demonstration of the CIMIC Group's core values of integrity, accountability, innovation and delivery. Our environmental sustainability commitments are to:

- prevent the incidence, and mitigate the impact, of any pollution to air, water or land;
- use energy efficiently, reduce energy intensity, utilise renewables when efficient to do so and minimise greenhouse gas emissions;
- use resources efficiently, encourage recycling and take a lifecycle approach to reducing waste;
- minimise water usage and implement opportunities for water efficiency and recycling;
- continually innovate to improve the efficiency of resources used and reduce their impact on the environment and society;
- minimise disturbances and avoid impacts on habitats and ecology, and promote biodiversity; and
- increase resilience to climate risks by undertaking risk assessments, and by designing and adapting activities to respond to potential and actual impacts.

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 benefitting the environment. The Group manages its environmental footprint using consistent processes and methods that reflect best practice so as to mitigate environmental risk.

Prevent pollution	
Measures in place	▪ Code of Conduct; Environmental Policy supplemented by Operating Company Policies and systems ▪ Quarterly review of performance of Operating Companies by ECSC ▪ 100% of Operating Company management systems certified to ISO 14001
Actions taken during 2018	▪ Maintained rigorous approach to environmental management ▪ Numerous, project-by-project initiatives tailored to manage risks as appropriate
Performance	▪ Solid environmental result with zero Level 1 incidents and 14 Level 2 incidents recorded ▪ 21 breaches resulted in 5 fines totalling $21,379
Use energy efficiently and reduce emissions	
Measures in place	▪ Sustainability Policy; Environmental Policy supplemented by Operating Company Policies and systems
Actions taken during 2018	▪ Reported Australian energy use and Scope 1 and Scope 2 emissions to the Clean Energy Regulator as per the Group's NGER obligations ▪ Submitted a comprehensive response to CDP's 2017 Climate Change survey ▪ Reviewed and drafted response to TCFD ▪ Energy Management System (EnMS) (in accordance with ISO 50001) implemented on selected Hong Kong projects ▪ Numerous, project-by-project initiatives tailored to energy efficiency and reducing emissions as appropriate
Performance	▪ EY under took a Limited Assurance audit of the Group's NGER submission and signed off on the Energy and Emissions Report ▪ Received a 'C' rating from CDP
Reduce waste	
Measures in place	▪ Sustainability Policy; Environmental Policy supplemented by Operating Company Policies and systems
Actions taken during 2018	▪ Conducted waste management reviews on all new Hong Kong contracts and waste management plans and implemented on all projects ▪ Numerous, project-by-project initiatives tailored to reduce waste as appropriate
Performance	▪ Each Operating Company has a range of programs in place to actively reduce waste and encourage recycling
Conserve water	
Measures in place	▪ Sustainability Policy; Environmental Policy supplemented by Operating Company Policies and systems
Actions taken during 2018	▪ Submitted a comprehensive response to CDP's 2017 Water survey ▪ Numerous, project-by-project initiatives tailored to conserve water as appropriate
Performance	▪ Received a 'B-' rating from CDP
Use materials efficiently and reduce impact	
Measures in place	▪ Sustainability Policy; Environmental Policy supplemented by Operating Company Policies and systems
Actions taken during 2018	▪ Numerous, project-by-project initiatives tailored to use materials efficiently as appropriate
Performance	▪ Aggregate water usage reduced with a reduction in water intensity

Protect biodiversity	
Measures in place	▪ Sustainability Policy; Environmental Policy supplemented by Operating Company Policies and systems
Actions taken during 2018	▪ Numerous, project-by-project initiatives tailored to protect diversity as appropriate
Performance	▪ Reshaped 335ha, top-soiled 271ha and seeded eight ha of mining projects
Build resilience to climate risks	
Measures in place	▪ Sustainability Policy; Environmental Policy supplemented by Operating Company Policies and systems ▪ Comprehensive 'Assessing Climate Risk' guidance in place to support the development of Climate Resilience Plans on CPB Contractors' construction projects
Actions taken during 2018	▪ Published response to TCFD on CIMIC website ▪ Numerous, project-by-project initiatives tailored to build resilience as appropriate
Performance	▪ Climate change resilience initiatives integrated into project plans and lifecycle assessments

PREVENT POLLUTION

CIMIC is committed to preventing the incidence, and mitigating the impact, of any pollution to air, water or land. We understand that, by doing so, we avoid potential operational delays, remediation costs, fines and legal fees, and enhance our relationships with the communities and markets in which we operate. As per Principle 7 of the UN Global Compact, CIMIC supports a precautionary approach to environmental challenges.

We recognise that good environmental performance helps to gain the confidence of the markets and communities in which we operate. We also understand that by delivering on the specifications and standards set by clients, regulators and other stakeholders, we can also avoid the potential of litigation and the resultant increase in insurance premiums.

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

The Group's 2018 environmental performance was positive: zero Level 1 incidents were recorded (zero also recorded in 2017) and 14 Level 2 incidents recorded (versus 10 in 2017).

Environmental incidents	**2018**	**2017**	**2016**
Level 1 (#)	0	0	0
Level 2 (#)	14	10	6
Level 3 (#)	693	497	520
Environmental incident frequency rate (#/MhW)	0.09	0.06	0.05
Number of breaches (#)	21	15	10
Number of violations of legal obligations/regulations resulting in fines	5	4	2
Value of fines incurred ($)	21,379	38,200	9,800

CPB Contractors recorded 11 Level 2 incidents which related to mud tracking, dust management, out-of-hours working and off-site water discharges.

CPB Contractors recorded 13 legal breaches for environmental incidents. For three of these incidents, CPB Contractors received fines of $750 (totalling $2,250). These incidents related to water discharges (related to rainfall events) on the Transmission Gully project in New Zealand. In New South Wales, the Environmental Protection Authority NSW issued CPB Contractors a fine of $15,000 for the tracking of mud from the New M5 project. The incidents were investigated in accordance with environmental management processes and corrective actions were implemented.

On 5 October 2018, CPB Contractors entered a plea of guilty in the NSW Land & Environment Court to four charges of causing the emission of an offensive odour under the Protection of the Environment Operations Act 1997 (POEO Act). Sentencing has been stood over to the first quarter of 2019. No decision has been made as to the result, nor penalties applied at time of writing.

In Leighton Asia, four legal breaches were recorded for: loose soil found on the road in the vicinity of a work area in the Philippines, incorrect loading of material onto a barge in Hong Kong, incorrect dumping of marine deposit under an old permit in Hong Kong (classified as a Level 2 incident), and a case of mosquito larvae breeding on a project site in Singapore (also classified as Level 2). A fine of $4,129 was imposed by the regulator for the Singapore breach. The incidents were investigated in accordance with Leighton Asia's environmental management processes and corrective actions were implemented to prevent a reoccurrence

Thiess recorded one Level 2 incident relating to the discharge of turbid water from a sediment pond into a river in Indonesia and three other licence breaches (classified as Level 3 incidents). The breaches related to: dust exceeding air quality license limits,

breach of planning approvals relating to blasting and painting at a work yard, and a blast monitor not registering an event due to quarterly servicing.

No Level 1 or Level 2 environmental incidents were reported at Sedgman or UGL.

The number of Level 3 incidents across the Group has risen from 497 in 2017 to 693 in 2018. This relates to an increasingly stringent reporting criteria which aims to capture any adverse impacts and encourages self-reporting.

USE ENERGY EFFICIENTLY AND REDUCE EMISSIONS

A key environmental commitment of the Group is to use energy efficiently, reduce our energy intensity, utilise renewables when efficient to do so and to minimise the emission of greenhouse gases. Managing the earth's scarce resources more effectively is not only the right thing to do but it also creates value by reducing operating costs.

The mining activities of Thiess utilise substantial quantities of diesel in the operation of haul trucks, excavators and ancillary equipment. Thiess continually seeks to innovate to find more efficient ways to deliver its services through optimising mine planning and operations, as well as equipment utilisation.

The Group's energy consumption for 2018 was as follows:

Energy consumption	**2018**	**2017**
Total Gigawatt hours (GWH)	10,846	8,790
Of which: Liquid, gas and solid fuel (%)	98.6	98.4
Electricity (%)	1.4	1.6
Energy spend ($m)	266	225

The Group is actively pursuing a range of energy efficiency initiatives that promote the delivery of energy efficient, environmentally and socially responsible projects.

Solar system helps to deliver a sustainable Sydney Metro

UGL and CPB Contractors are members of the Northwest Rapid Transit Consortium (NRT) delivering the Sydney Metro Northwest project. The NRT will procure rolling stock and design, build, finance and then operate the 36km rapid transit train service for 15 years.

The Sydney Metro Northwest project is Australia's first driverless metro-style rail line and the introduction of this new technology requires innovation such as the incorporation of a large solar array on maintenance building rooftops at the depot. The solar array - as large as a football field – features 3,287 panels and is one of the biggest solar power systems mounted on a building in Australia. It also includes information systems to inform the public about the quantities of locally-generated solar energy on a daily basis.

The solar array is expected to generate approximately 1.5 million kilowatt hours of electricity annually – enough to power about 270 average-sized homes for a year. The electricity generated by the panels will be used to power some of the Sydney Metro railway stations as well as the maintenance facility, where Sydney's new metro trains will be serviced. The trains themselves use high voltage power not related to the solar array. However, the trains use regenerative braking – this means extra energy from a slowing train can be recycled back into the power system and used by nearby trains.

CIMIC is committed to reducing greenhouse gas emissions in response to the threat of climate change and adopts a number of approaches to do so including; seeking to boost energy productivity, reducing waste, rehabilitating degraded land, increasing the use of renewable energy and by driving innovation. Wherever possible, we work together with our clients and business partners on each of our bespoke projects to develop tailored solutions for the circumstances of the individual project.

Our Operating Companies use a range of systems to track and report on our energy use and calculate our greenhouse gas (GHG) emissions. For CIMIC, while absolute emissions generated are important, these are a function of activity levels and the work that is delivered on behalf of clients. We continue to try and find ways to operate more effectively and efficiently to reduce the emissions from each individual project.

Scope 1 greenhouse gas emissions	**2018**	**2017**	**2016**
Total (kt.CO2-e)	2,689	2,202	1,964
Intensity (kt.CO2-e/$m)	0.18	0.16	0.18

The majority (~91%) of the Group's Scope 1 emissions were generated by the consumption of diesel in the contract mining activities of Thiess. In 2018, while total emission rose by 22%, this was less than the growth in revenue from mineral and mineral processing, which grew by more than 25%.

CIMIC's Scope 2 GHG emissions are almost entirely derived from the consumption of purchased electricity. These electricity purchases are primarily used to:

- power some construction equipment, (i.e. tunnel boring machines and cranes);
- provide outdoor lighting on construction, mining, and operations and maintenance projects; and
- illuminate workshops, site sheds and other project related facilities.

Scope 2 greenhouse gas emissions	2018	2017	2016
Total (kt.CO2-e)	125	128	89
Intensity (kt.CO2-e/$m)	0.01	0.01	0.01

Scope 3 includes other indirect emissions, generated from activities 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 2;
- outsourced activities; and
- waste disposal.

Scope 3 greenhouse gas emissions (kt.CO2-e)	2018	2017	2016
Total (kt.CO2-e)	1,047	1,653	2,666
Intensity (kt.CO2-e/$m)	0.07	0.12	0.25

In 2018, CIMIC's Scope 3 emission reduced by 37%, reflecting substantially lower materials usage in Leighton Asia, updated materials emission emissions factors in CPB Contractors [90] and an overstatement of emission generated by landfill, waste and steel in 2017 by UGL.[91]

As a substantial energy user and greenhouse gas emitter, CIMIC is registered to report under the NGER[92] scheme. Energy use and emissions data is collected for all of its projects and sites irrespective of the operational control status and reported as required. The Group has comprehensive measures in place to manage its NGER obligations including:

- having established legal review processes to identify operational control status at the tender and contract stages;
- utilising Group-wide reporting 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 aggregated emissions and energy usage data under the NGER Scheme based on its Australian operations and for those facilities where the Group has operational control.

Greenhouse gas emissions and energy consumption	Total Scope 1 emissions (t CO2-e)	Total Scope 2 emissions (t CO2-e	Total Net energy consumed (GJ)
2017/18	128,057	113,591	2,336,472
2016/17	68,295	53,534	1,233,835
2015/16	50,639	32,910	884,558
2014/15	77,412	72,142	1,434,467

CIMIC's Scope 1 emissions increased substantially in 2017/18, mainly due to increased diesel usage in CPB Contractors as activity levels ramped up on a number of large construction projects. Scope 2 emissions also increased significantly, driven by the use of electricity for large tunnelling equipment on the same construction projects. These increases were reflected in the increase in the consumption of energy.

EY signed off on the preparation of CIMIC's Energy and Emissions Report, again providing a limited assurance audit for the 2017/2018 NGER data as requested.

Renewables energy increasingly being used in construction

In CPB Contractors, employees across the business are being encouraged to consider using renewables on green energy where they can. This approach is gaining ground as, in 2018, 18% of all electricity used in CPB Contractors' offices and projects was sourced from renewables and/or green power. This is the equivalent to 5 times the construction energy that was used to build the new 488-bed, Northern Beaches Hospital in Sydney.

[90] In 2018, CPB Contractors applied updated emissions factors in line with accepted infrastructure standard estimates (based on IS Materials calculator V1.2) for upstream material emissions.

[91] In 2017, UGL reported emissions for the first time under CIMIC, following their acquisition. Some of the calculations used overstated UGL's Scope 3 emissions for landfill, waste and steel. The accuracy and completeness of the 2018 data has significantly improved compared to 2017.

[92] 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.

REDUCE WASTE

CIMIC is committed to reducing waste by using resources efficiently, encouraging recycling and taking a lifecycle approach to waste management on projects. This often means reducing waste through smarter design and procurement, and seeking opportunities for recycling or reuse.

Creating a legacy for Sydney's koalas

The koalas of Taronga Zoo are set to make themselves a home among gum trees donated by the Homebush Bay Drive site on the 7km, $2.7 billion WestConnexM4 East project, where a number of eucalypt trees were being removed to accommodate the Sydney Olympic Park cycleway.

Thanks to a sustainability initiative from the project team, a Taronga Zookeeper visited the Homebush Bay Drive site and left with two Ironbark eucalyptus trunks that have been used to upgrade the koala habitat enclosure. The collaboration is a great result for the Zoo as it is often difficult to obtain undamaged vegetation to create a more natural environment for the Koalas. Other vegetation from the site, deemed unsuitable for the animals, was supplied as mulch for use around the zoo.

In recent years, the Group has generated a significant amount of waste due to an increase in tunnelling activity which generates spoil – or waste earth and rock - that needs to be disposed of. Much of the spoil generated from the large tunnelling projects being undertaken in Sydney and Melbourne is transported to other infrastructure and construction projects where it is re-used as fill – to create level areas.

In 2018, generated a total of 13,126,968 tonnes of waste was generated, of which more than 95% was diverted for – mainly for reuse - and only ~1.4% was disposed of in landfill.

Waste generation (tonnes)	**2018**	**2017**
Disposed – landfill	188,121	726,887
Disposed - other	440,653	-
Diverted - reuse	10,677,213	1,526,012
Diverted - recycling	1,820,119	5,569,579
Diverted – other	862	405,365
Total	**13,126,968**	**8,227,742**

During the year, the Group generated 12,380 thousand tonnes of hazardous waste. The Group's Operating Companies generated relatively small amounts of hazardous waste which are diverted for reuse/recycling where possible and, if this is not possible, disposed of as per regulatory requirements. These waste streams typically include:

- oily water from workshop facilities, and oils and grease from construction sites;
- used lubricating oils and contaminated soil from the clean-up of small spills; and
- sewerage, batteries and grease.

Hazardous waste generated (tonnes)	**2018**	**2017**
Group	12,380	109,755[93]

Sustainability award for Victorian rail project

An alliance including CPB Contractors, has been recognised by the Victorian Government as a leader in sustainability for their work in delivering the Caulfield to Dandenong Level Crossing Removal Project. The $1.6 billion project (worth approximately $500 million to CPB Contractors) involves removing nine dangerous and congested level crossings by using an elevated rail design, the rebuilding of five new stations, and upgrading of signalling and power along the corridor.

The team were recognised at the awarding of the Victorian Premier's Sustainability Awards where the alliance won the top prize in the Built Environment category. The innovative elevated rail design has transformed the previous brownfield rail corridor into 22.5 hectares of new linear park beneath the structure, and embraces holistic sustainability from design through to construction and operation. The material use and reuse has seen the project set exceptionally high standards for waste and emissions reduction.

This is also the largest re-giving of land in Melbourne since the opening of the Botanic Gardens and provides a significant opportunity to maximise ecological outcomes and reconnect communities. Previously communities along the corridor have long been split in half by the rail but, with the creation of the linear park and a redeveloped station precinct, the suburbs will be reconnected.

[93] As noted in the 2017 Sustainability Report, of the significantly higher figure reported for 2017, more than 90% was generated from construction projects in Australia which related to spoil removed from client's sites where land has previously been contaminated. Approximately half of this waste generated related to a major defence facility project in Queensland and the balance from projects across the country. As part of wide ranging and extensive earthworks undertaken to deliver projects, spoil with the potential for contamination, i.e. from asbestos or PFOS, is dealt with using specific processes and controls, and in line with all regulatory guidelines and requirements, and industry best practice.

Beating plastic pollution
The theme for World Environment Day 2018 was 'Beat Plastic Pollution'. It was a call to action for all of us to come together to combat one of the great environmental challenges of our time.

Thiess' environment team celebrated World Environment Day by launching an internal global photo competition, calling on people to submit photos of why and how they are taking on plastic pollution at home, on site and at play. The response has showcased the many different ways people are reusing plastic and avoiding polluting the environment. From staging massive clean-ups on site to running recycling initiatives and repurposing plastic into fashion bags, slippers and even tools for housekeeping.

Around Australia and New Zealand, the environment teams of CPB Contractors committed to minimising, recycling and reusing plastic to help ensure the sustainability of its operations – and our planet. CPB Contractors produced a range of communication tools, including video, to educate their workmates and provide a range of tips on how everyone can contribute to better environmental management.

Re-purposing used tyres to reduce erosion
In Indonesia, haul truck tyres that are beyond their useful life are being put to good use to build drainage channels in rehabilitated land at Thiess mining projects. The tyres help to prevent erosion, providing stability to the channels in a region which receives up to 3 metres of rainfall on average per annum.

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

CONSERVE WATER

CIMIC understands the importance of, and is committed to, minimising water usage and implementing opportunities for water efficiency and recycling. The Group's projects - be they construction, mining or services – can often be substantial users of water. Some of these uses of water include for dust suppression on construction and mining projects, in the operation of minerals processing plants (such as coal handling preparation plants) and for the washing down and cleaning of different types of equipment.

Opportunities to conserve or reduce water use, and to increase the use of recycled water, are positive for the environment but also help save on costs when water must be procured.

Melbourne Water's Western Treatment Plant
With an existing wastewater treatment plant at capacity, UGL and CPB Contractors are delivering and operating a nutrient removal plant in Victoria for Melbourne Water. Expansion was needed to meet forecast growth in influent flows and loads, to comply with environment protection requirements and to continue to reliably supply recycled water to users.

Our clients increasingly consider commissioning and performance reliability in evaluation, so the team's tender demonstrated a whole-of-life solution, including commissioning. The new plant includes innovative use of pre-cast concrete for the combined bioreactor and clarifier and an optimised plant feed system, and provides treatment facilities for a catchment area of 700,000 people.

Each project develops an environmental management plan which integrates specific water management plans. The plans recognise the unique conditions of that project so they can be effectively managed. Water management plans address:

- the environmental values of the surrounding environment,
- potential water requirements and sources, and
- the regulatory commitments and landholder obligations that a particular project must meet.

The plans systematically address all of the risks associated with water management on the project and identify the 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.

Sustainable water re-use to suppress dust
Dust sometimes presents an environmental risk associated with construction activities. If not suitably managed, dust can cause a nuisance for local residents, as well as construction teams. To effectively manage dust on the Westconnex M4 East projects, the construction team – including CPB Contractors - utilise several water carts to apply approximately 10,000L of water (per load), routinely circulating the construction site spraying a fine mist of water on exposed soils to suppress dust. Water is a highly valued limited resource and hiring water carts can become expensive. The M4 East project therefore often stores and uses rainwater captured on site. For example, between June and September 2018, the Concord site re-used approximately 350,000L of rainwater.

The tunnel support site has also gone a step further and eliminated water cart hire by modifying some equipment to include a pressurised pump and spray nozzle that disperses water from two recycled pallet tanks. This initiative not only reuses site water and reduces the costs associated with hiring a water cart, but also reduces fuel use and carbon emissions.

During 2018, the Group withdrew 8.1 million kilolitres of water and discharged more than 9.0 million kilolitres which led to negative consumption of 0.9 million litres, an substantial reduction on 2017. The significant increase in the amount of water discharged relates to pit dewatering activities at the Senakin coal mine in Indonesia where mining recommenced in 2018. This meant that the open cut pits, which were holding a significant amount of water, had to be pumped out resulting in significant discharge volumes.

Water usage and consumption[94]	**2018**	**2017**
Withdrawals (ML)	8,121	7,414
Discharge (ML)	(9,022)	(476)
Consumption (ML)	**(901)**	**6,938**
Recycled-reused (ML)	9,200	4,052
Recycled-reused (%)	53.1	35.3

The Group will seek opportunities where possible to recycle or reuse water and, in 2018, 9.2 million kilolitres was sourced in this way. This generated recycling-reuse percentage of 53.1% which was a substantial improvement on the prior year.

The Group's withdrawals were primarily sourced from rainwater and rivers, wastewater from other organisations, renewable groundwater and mains supply.

Withdrawals sources (%)	**2018**	**2017**
Fresh surface water, including rainwater, water from wetlands, rivers and lakes	44	44
Brackish surface water/seawater	3	0
Groundwater – renewable	17	20
Groundwater – non-renewable	9	1
Third-party sources	27	35

Discharges were primarily made to rivers, marine environments, and industrial wastewater treatment plants and public utilities.

Discharge destinations (%)	**2018**	**2017**
Fresh surface water, including rainwater, water from wetlands, rivers and lakes	86	55
Groundwater – renewable	6	0
Brackish surface water/seawater	7	23
Third-party destinations	1	21

USE MATERIALS EFFICIENTLY AND REDUCE IMPACT

Innovation is one of the Group's principles and, by continually seeking to innovate to improve the efficiency of resources used, CIMIC can reduce its impact on the environment and society while also lowering costs. This can be a win for clients who are increasingly seeking sustainable solutions and provides an opportunity for CIMIC to improve its value proposition.

In 2018, the Group's Operating Companies procured more than 4.9 million tonnes of construction materials.

Material use (kilotonnes) and spend ($m)	**2018**	**2017**
Quantity	4,970	3,990

The quantities of construction materials purchased – the bulk of which are concrete, steel, asphalt and to a lesser extent timber, is split as follows:

Quantities (%)	**2018**	**2017**
Concrete	76	86
Steel	16	9
Asphalt	7	5
Timber	<1	<1

[94] These water disclosures for withdrawals, discharges and consumption align with the 'CDP Technical Note on Water Accounting', CDP Water Security 2018.

Materials made up approximately 21% of the Group's total expenses in 2018 (versus 20% in 2017). This compares with the Group's other major expense segments as per the table below.

Total expenses (%)[95]	**2018**	**2017**
Sub-contractors	32	32
Personnel costs	27	29
Materials	21	20
Plant costs (including depreciation and lease payments)	15	14
Other	5	6

Recycling in action

The $1.1 billion Rail Systems Alliance (RSA) is being delivered by a consortium comprising CPB Contractors, Bombardier Transportation and Metro Trains Melbourne. The RSA will roll out 58 kilometres of high capacity signalling on an existing train network for the first time in Australia and install platform screen doors at the five new underground stations. On this project, which has registered for a Design v1.2 IS Rating, significant recycling targets must be achieved to satisfy client, contractual, and ISCA requirements.

The RSA team has put in place co-mingle, paper/cardboard, organic food waste, battery and mobile phone recycling bins. They are also evaluating the use of recycled materials as substitutes for traditional construction materials and the reuse of contaminated soil in accordance with environmental regulations. As of November 2018, RSA has recycled a combined total of 5.5 tonnes of waste, averaging around 70% of waste diverted from landfill each month. This exceeds the target of diverting 60% of office waste from landfill.

PROTECT BIODIVERSITY

CIMIC's construction, mineral and mineral processing, and operations and maintenance activities have the potential to impact on the natural habitat and its biodiversity. CIMIC is committed to minimising any disturbances and avoiding impacts on habitats and ecology where possible, and to promoting biodiversity.

We plan activities to avoid environmental impacts to habitats, especially 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. A range of measures to manage and mitigate potential impacts are implemented including the development of biodiversity management plans that consider local contexts, baseline surveys, monitoring results and specialist advice.

Lizards welcomed home to Transmission Gully

The 27km, four-lane Transmission Gully motorway project is a champion for sustainability, creating an enduring corridor where biodiversity and ecological connections will help local flora and fauna thrive, including bird, lizard and native fish populations.

In an example of the team's best practice approach, three species of lizard, gathered before construction began in 2015, were released into newly created habitats, located outside of the active construction site. The lizards were given special whakapainga (blessings) by Kaumātua (elders) of two iwi (tribes), before being released to a pest-protected home outside of the active construction site in the hills near Paekākāriki, overlooking Kāpiti Island.

A key focus of the project is leaving the environment in better shape than it was before works started. To that end, one of the largest planting programmes ever seen in the lower North Island is underway on the project. More than 530 hectares are being retired from grazing, and areas planted with around 2 million native trees and shrubs. Pest control efforts are also being carried out throughout the 27km route, and this work will continue after the new motorway has been completed.

The rehabilitation of disturbed areas remains an integral element of dealing with biodiversity on our construction, mining projects and services. This is especially important in mining and typically involves progressively reshaping disturbed areas, establishing erosion control structures, and topsoiling and seeding. We seek to ensure that disturbed areas are rehabilitated so that they are safe, stable and suitable for agreed land uses, such as agriculture, grazing or natural habitats.

Rehabilitation of mining area (ha)	**Reshaped**	**Top-soiled**	**Seeded**
Australia/Pacific	105.9	90.6	7.8
Asia/Africa/Americas	229.5	180.4	0
Total	**335.4**	**271.0**	**7.8**

[95] Figures might not add exactly to 100% due to rounding.

Pre-production rehabilitation at Mt Pleasant

Thiess has been delivering total mining operations since 2017 at the greenfield Mt Pleasant coal mine in Australia's Hunter Valley in New South Wales. In doing so, Thiess has worked closely with their client to ensure that obligations around dust and noise mitigation are managed above and beyond regulatory requirements. Thiess' team has commenced rehabilitation works early in the life of the mine to mitigate the visual and noise impacts for the local community.

Building an effective visual and noise barrier at Mount Pleasant has been a priority to minimise dust and work is well underway with a natural landform approach including contours, peaks and valley. Thiess has also delivered an open grassy woodland with native grasses, trees and shrubs, as well as a cover crop to stabilise the soil and minimise dust impacts. Rock piles, log piles and tree hollows have also been incorporated to promote habitat for local fauna.

BUILD RESILIENCE TO CLIMATE RISKS

Warming of the planet, caused by greenhouse gas emissions, is widely acknowledged to pose serious risks to the global economy and will have an impact across many economic sectors. CIMIC recognises the increasing international commitment of governments, communities and others in creating a low-carbon, climate resilient future. Within that environment, CIMIC understands the need to reduce emissions by boosting energy productivity, reducing waste, rehabilitating degraded land, increasing the use of renewable energy and driving innovation.

Sustainability in construction of new Northern Beaches Hospital

CPB successfully delivered the new Northern Beaches Hospital in Sydney, some of the features of which included 488-beds, a 50-space emergency department, 14 operating theatres, state-of-the-art intensive care and 6 surgical suites, a 1,400-space car park and a helipad.

This the first Green Star hospital constructed in NSW, with the project achieving a '4 Star Green Star-Healthcare Design v1' rating. The hospital includes an integrated Energy Management System (EMS) which provides billing and energy management for the commercial operating phase of the hospital and flexibility to accommodate future changes to hospital functions. A co-generation baseload plant was installed and sized for maximum efficiency baseload, with modular expansion of cogeneration plant possible, should demand increase.

To help identify the information needed by investors, lenders, and insurance underwriters to appropriately assess and price climate-related risks and opportunities, CIMIC has used the Task Force on Climate related Financial Disclosures (the 'TCFD') to provide a disclosure framework regarding our various approaches to dealing with climate change. CIMIC's TCFD Discussion paper, which is available on the Group's website, considers the Group's risks and opportunities across each of its three major activities: construction, mineral and mineral and processing, and operations and maintenance services.

CIMIC Group is largely a construction, mining, and operations and maintenance service contractor, and not the long-term owner of infrastructure, resources or property assets (with the exception of investments in some Public Private Partnership (PPP) type projects). As a result, CIMIC Group has a different exposure to climate-change to many other companies in the industrials sector, due to the relatively short term nature of the services it provides to the owners of those infrastructure, resources or property assets who will hold them for the long term. This exposure may vary depending on the extent of any performance warranties provided and by CIMIC, potentially, on the input of the Group in the design phase of a project.

Climate change is driving a move away from fossil fuels and towards renewable energy, potentially leading to renewable energy construction opportunities. Climate change impacts may also necessitate the rehabilitation of infrastructure damaged by potential weather extremes. This could mean that substantial investments will need to be made in new and more resilient infrastructure to cope with the impacts of climate change.

Some of the important points that are relevant to investors, lenders, insurance underwriters, and other stakeholders when considering the impact of climate change on CIMIC include:

- the Group has a robust governance and management system in place to oversee climate-related risks and opportunities;
- the Group's strategy is built around being a provider of construction, mining, mineral processing, operations and maintenance, PPP and engineering services, and it is not generally the long term owner of infrastructure, property or resources assets, and therefore has only a relatively limited exposure to the risks of climate change over the longer term compared to many other companies;
- the relatively short-term duration of the contracting services provided by the Group means that both the transition and physical risks, and their associated costs, can reasonably be identified and factored into tenders and contracts, thereby reducing their potential financial impact;
- climate risk assessments are regularly undertaken with or on behalf of clients however the Group's exposure to the long-term performance of client's asset is largely limited to what clients are prepared to consider in their life-cycle assessments and to pay for;
- increasing levels of acute and chronic weather related risks (i.e. from rising sea levels or sustained higher temperatures) are likely to lead to a range of construction opportunities (and increased revenues) from remediation work and investments by clients to create greater resilience to the potential effects of climate change;

- the Group has developed a strong competitive position in delivering sustainably rated infrastructure and building projects, which now account for more than 20% of revenue, and demand for these type of projects is expected to expand;
- while the contract mining of thermal coal is unlikely to see growth in the mid-to-longer term, it is forecast to remain a relatively stable market for the foreseeable future (to 2040[96]);
- contract mining activity will be supplemented by opportunities to apply these mining services to the extraction of other resources and minerals, such as lithium, cobalt, manganese, nickel, graphite and rare earths, for use in alternative technologies such as solar and batteries;
- the bespoke, short-term nature of the Group's diverse portfolio of construction projects creates challenges in developing meaningful carbon reduction metrics and targets, both at an aggregate level and on an intensity basis; and
- the Group aims to reduce emissions by working together with clients and business partners, and continually tries to find ways to operate more effectively and efficiently in delivering construction, mining, or operations and maintenance services so as to reduce the emissions generated by each individual project.

A conclusion that can be drawn from this discussion paper is that CIMIC, while exposed to the impacts of climate change, has significant resilience due to the nature of the contracting services it provides. Some of the risks will likely impact the Group, but these can be readily identified, priced and mitigated, limiting their financial impact relative to companies in many other industries.

OUTLOOK AND FUTURE PLANS

We are committed to, wherever possible, preventing or otherwise mitigating and remediating any harmful effects from our operations. In 2019, we plan to:

- continue to focus on initiatives to report on and reduce GHG emissions;
- review and update as appropriate the recommended disclosures of the TCFD which will be available on our website;
- continue to participate in DJSI and CDP (formerly the Carbon Disclosure Project) surveys as a means of demonstrating the Group's sustainability performance to a broad range of stakeholders;
- further develop and improve support tools and processes to integrate sustainability on infrastructure projects; and
- participate again in the bi-annual CIMIC HOCHTIEF Innovation Awards, using these identify and communicate worthwhile initiatives.

[96] As per the International Energy Agency's World Energy Outlook 2018, https://www.iea.org/weo2018/scenarios/

OUR AWARDS

SUSTAINABILITY

CIMIC

- FTSE Russell again commended CIMIC's sustainability by including the company 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.
- DJSI again recognised CIMIC with inclusion in the DJSI Australia Index, the only construction and engineering company to be included. CIMIC was identified as the construction and engineering sector global leader in four categories; 1. Risk & Crisis Management, 2. Building Materials, 3. Environmental Policy and Management System, 3. Resource Conservation and Resource Efficiency, and 4. Labor Practice Indicators.
- CDP acknowledged CIMIC again with a 'C' rating for its 'Climate Change' submission which indicates that CIMIC has "Knowledge of impacts on, and of, climate change issues"[97].
- CDP again recognised CIMIC with a 'B-' rating for its 'Water Security' submission which indicates that CIMIC has provided "evidence of actions associated with good environmental management"[98].

SAFETY

CPB Contractors

- 2018 South Australian Civil Contractors Federation (CCF) industry awards for the Best Individual Contribution to Workplace Health & Safety to Gavin Wright, Health & Safety Manager.

Leighton Asia

- Hong Kong Construction Association's Proactive Safety Contractor Award 2017.
- Lighthouse Club International Design for Safety Award for excellence in mitigating significant health and safety risks awarded to the HKZMB Passenger Clearance Building (PCB) project team.
- Hong Kong Construction Association (HKCA) Safe Person-in-charge Award to Roger Wong, Project Director.
- HKCA Safe Supervisors Award to Tam Kit Choi, Building Engineer.

Thiess

- Chilean government's 'National Geology and Mining Service Award' for safety performance to the Thiess Centinela operations.
- New South Wales Mineral Councils (NSWMC) Health Excellence Award to the Mt Owen team for their Positively Healthy initiative.

INTEGRITY

CPB Contractors

- Western Australian Government's Department of Finance Supplier Performance Award to Broad Construction.
- Public Relations Institute of Australia's Highly Commended award in the Community Relations category for the Gold Coast Light Rail Stage 2 Project.

Thiess

- Coal Mongolia's Best Contractor Award at the annual International Trade and Investment Conference.

CULTURE

CIMIC

- LinkedIn ranked CIMIC Group as number six on its 'Top Companies 2017: Where Australia wants to work now' list.
- Financial Review's Top 100 Graduate Employers survey ranked CIMIC as number 44 in their list of most popular firms for graduates.
- CIMIC's CEO and all Australian-based Operating Company Managing Directors recognised as WGEA Pay Equity Ambassadors.

CPB Contractors

- 2018 Civil Contractors New Zealand (CCNZ) Excellence Awards in the Young Engineer of the Year category awarded to Amy O'Donnell.
- 2018 South Australian Civil Contractors Federation (CCF) industry awards for the Next Generation Civil Future Leader, to Nicola Howlett, Project Engineer
- 2018 South CCF industry awards for the Training Coordinator of the Year, to Sally Faraguna, Human Resources Advisor
- 2018 Australasian Rail Industry Frank Franklyn Young Rail Specialist Award to Andrew Kelly.
- National Association of Women in Construction (NAWC) Young Achiever Award to Christine Larbi-Bram, Graduate Electrical Engineer on the Caval Ridge Southern Circuit (CRSC) project.
- New Zealand National Association for Women in Construction (NAIWC) Helen Tippett Award for work to empower and support women in construction award to Gabby Bush, Transmission Gully Project Engineer.
- NAIWC Rising Star Award to Jemma Dutton, Environmental Advisor on the Transmission Gully project.

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[97] CDP's 2018' Climate Change Basic Performance Review Report', 22 Jan 2019.
[98] CDP's '2018 Company response status and score' and CDP's 'Scoring introduction 2016'.

- NAIWC highly commended acknowledgment to Papua Taumate, Graduate Engineer on the Southern Corridor Improvements project.
- NAWIC Western Australian chapter Young Achiever of the Year award to Jessica Corica, HR Manager for Western Australia and the Northern Territory.
- CareerTrackers 2018 Mark of Excellence winner was Jasmine Ryan, a human resources undergraduate.
- NSW Training Awards Trainee of the Year awarded to Tara Proberts-Roberts, a skilled labourer on the WestConnex New M5 project.

INNOVATION

CPB Contractors

- 2018 Australian Engineering Excellence Award (South Australia) for the Torrens Road to River Torrens Alliance (T2T).
- National Infrastructure Awards (NIA) winner of the 'Government Partnership Excellence' category to the GoldLinQ consortium (including CPB Contractors, UGL and Ventia) for delivery of the Gold Coast Light Rail Stage 2 project.
- Finalist in the NIA in the 'Contractor Excellence' category for the CityLink Tulla Widening in Victoria and Moreton Bay Rail in Queensland.
- Australian Construction Achievement Award (ACAA) finalist to the Northern Beaches Hospital in New South Wales and Post Entry Quarantine Facility in Victoria.
- Western Australian Institute in Building (WAIB) Professional Excellence Award – High Commendation Award for Commercial Construction $5 million to $25 million to Siljan Stojkovski, Senior Project Manager for the WASSF Upgrade project.
- WAIB Professional Excellence Award - High Commendation Award for Commercial Construction up to $5 million to David McNichol, Project Manager on the Highgate Primary School – Teaching Block project.

EIC Activities

- Consult Australia's 2018 FutureNet Business Leaders Course People's Choice Award and the Judges Overall Winner Award to Idy Li, Associate Principal – Geotechnical.

UGL

- Infrastructure Partnerships Australia's 'Operator and Service Provider Excellence' award for delivery of the MR4 Melbourne Rail Franchise project.
- 2018 Australasian Rail Industry Innovation and Technology Award to Metro Trains Melbourne (a consortium which includes UGL) for its uninterruptible power supply for the Melbourne signalling network.
- National Infrastructure Awards (NIA) winner of the 'Government Partnership Excellence' category to the GoldLinQ consortium (including CPB Contractors, UGL and Ventia) for delivery of the Gold Coast Light Rail Stage 2 project

Thiess

- Darra Component Rebuild Centre achieved gold Timken bearing certification.

ENVIRONMENT

CPB Contractors

- International Erosion Control Association Australasia Environmental Excellence Award to the Transmission Gully project.

Leighton Asia

- Hong Kong Awards for Environmental Excellence Gold Award to the Sha Tin to Central Link – Exhibition Station and Western Approach Tunnel project.
- Singapore's Building and Construction Authority's Green and Gracious Builder Merit Award.

GRI INDEX

Legend

● Covered in full ◕ Covered for the most part ◑ Covered in part ◎ Not covered

Code = Covered in the Code of Conduct

	GRI Standard	Annual Report section, Page number/s and/or URL	Application level / omission
	Universal standards		
	General Disclosures		
102-1	Name of the organisation	Cover	●
102-2	Activities, brands, products, and services	Operating and Financial Review (OFR), www.cimic.com.au	●
102-3	Location of headquarters	Shareholder information (SI), www.cimic.com.au	●
102-4	Location of operations	Introduction (intro), www.cimic.com.au	●
102-5	Ownership and legal form	Financial Report (FR), www.cimic.com.au	●
102-6	Markets served	OFR, www.cimic.com.au	●
102-7	Scale of the organization	OFR, FR, 63 - 64, 86	●
102-8	Information on employees and other workers	63, 86 - 97	●
102-9	Supply chain	80	◑
102-10	Significant changes to the organization and its supply chain	OFR, 80	◑
102-11	Precautionary Principle or approach	Code[99], Sustainability Policy, Environmental Policy, 113	●
102-12	External initiatives	60, 87, Group Policies[100]	●
102-13	Membership of associations	106 - 107	●
	Strategy		
102-14	Statement from senior decision-maker	Executive Chairman's review, CEO's review	●
102-15	Key impacts, risks, and opportunities	OFR, 60 - 62	●
	Ethics and integrity		●
102-16	Values, principles, standards, and norms of behaviour	59, Group Policies, Code	●
102-17	Mechanisms for advice and concerns about ethics	76 - 77, Code, Ethics-line[101]	●
	Governance		
102-18	Governance structure	2018 Governance Statement,[102] Corporate Governance[103]	●
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	60 - 62	●
102-22	Composition of the highest governance body and its committees	Directors' Report, 2018 Governance Statement	●
102-23	Chair of the highest governance body	Directors' Report, 2018 Governance Statement, www.cimic.com.au	●
102-24	Nominating and selecting the highest governance body	2018 Governance Statement	●
102-25	Conflicts of interest	Directors' Report, 2018 Governance Statement, www.cimic.com.au	●
102-26	Role of highest governance body in setting purpose, values, and strategy	2018 Governance Statement, Board & committee charters[104]	●
102-27	Collective knowledge of highest governance body	2018 Governance Statement	●
102-28	Evaluating the highest governance body's performance	2018 Governance Statement	●

[99] The CIMIC Group Code of Conduct can be accessed at: http://www.cimic.com.au/our-approach/corporate-governance/group-policies.
[100] The CIMIC Group Policies can be accessed at: http://www.cimic.com.au/our-approach/corporate-governance/group-policies.
[101] The CIMIC Group Ethics Line can be accessed at: http://www.cimic.com.au/ethics-line.
[102] The 2017 Corporate Governance Statements can be accessed at: http://www.cimic.com.au/our-approach/corporate-governance.
[103] The Group's approach to Corporate Governance can be accessed at: http://www.cimic.com.au/our-approach/corporate-governance.
[104] The Board and Committee Charters can be accessed at: http://www.cimic.com.au/our-approach/corporate-governance.

	GRI Standard	Annual Report section, Page number/s and/or URL	Application level / omission
102-29	Identifying and managing economic, environmental, and social impacts	2018 Governance Statement, Board & committee charters	●
102-30	Effectiveness of risk management processes	2018 Governance Statement, Board & committee charters	●
102-31	Review of economic, environmental, and social topics	65 - 121, 2018 Governance Statement, Board & committee charters	●
102-32	Highest governance body's role in sustainability reporting	59, Director's Report, 2018 Governance Statement, Board & committee charters	●
102-33	Communicating critical concerns	77, 2018 Governance Statement, Board & committee charters	●
102-34	Nature and total number of critical concerns	77, 2017 Governance Statement, Board & committee charters	●
102-35	Remuneration policies	Remuneration Report	●
102-36	Process for determining remuneration	Remuneration Report	●
102-37	Stakeholders' involvement in remuneration	Remuneration Report, 2018 AGM Results[105]	●
102-38	Annual total compensation ratio	98	●
102-39	Percentage increase in annual total compensation ratio	98	●
	Stakeholder engagement		
102-40	List of stakeholder groups	60 - 62	●
102-41	Collective bargaining agreements	88	●
102-42	Identifying and selecting stakeholders	60 - 62	●
102-43	Approach to stakeholder engagement	60 - 62	●
102-44	Key topics and concerns raised	60 - 62	●
	Reporting practice		
102-45	Entities included in the consolidated financial statements	59, Financial Report	●
102-46	Defining report content and topic Boundaries	59	●
102-47	List of material topics	60 - 62	●
102-48	Restatements of information	62, 63 - 64, Operating and Financial Review, Financial Report	●
102-49	Changes in reporting	59, Operating and Financial Review, Financial Report	●
102-50	Reporting period	59, Operating and Financial Review, Financial Report	●
102-51	Date of most recent report	Operating and Financial Review, Financial Report	●
102-52	Reporting cycle	59, 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	59	●
102-55	GRI content index	124 - 128	●
102-56	External assurance	Not externally assured	◎
	Management Approach		
103-1	Explanation of the material topic and its Boundary	60 - 62 (see references to sections of Annual Report)	●
103-2	The management approach and its components	60 - 62 (see references to sections of Annual Report)	●
103-3	Evaluation of the management approach	59 - 62 (see references to sections of Annual Report)	●
	Economic Topic-specific Disclosures		
	Economic performance		
201-1	Direct economic value generated and distributed	100	●
201-2	Financial implications and other risks and opportunities due to climate change	120 - 121, 2015 Sustainability Report, 2016 Sustainability	◕

[105] The 2017 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	Annual Report section, Page number/s and/or URL	Application level / omission
		Report, 2017 Sustainability Report	
201-3	Defined benefit plan obligations and other retirement plans	97	●
201-4	Financial assistance received from government	78 - 79	●
	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	96	◕
	Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	60, 100	●
203-2	Significant indirect economic impacts	100	●
	Procurement Practices		
204-1	Proportion of spending on local suppliers	Not disclosed	◎
	Anti-corruption		
205-1	Operations assessed for risks related to corruption	75 - 76	●
205-2	Communication and training about anti-corruption policies and procedures	63, 77	●
205-3	Confirmed incidents of corruption and actions taken	77	●
	Anti-competitive Behaviour		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	79	●
	Environmental Topic-specific Disclosures		
	Materials		
301-1	Materials used by weight or volume	118 - 119	●
301-2	Recycled input materials used	118 - 119	◑
301-3	Reclaimed products and their packaging materials	116, 118	◑
	Energy		
302-1	Energy consumption within the organization	64, 114	●
302-2	Energy consumption outside of the organization	64, 114	●
302-3	Energy intensity	64, 114	●
302-4	Reduction of energy consumption	64, 114	●
302-5	Reductions in energy requirements of products and services	64, 114	●
	Water and Effluents		
303-1	Interactions with water as a shared resource	117 - 118	●
303-2	Management of water discharge-related impacts	117 - 118	●
303-3	Water withdrawal	64, 117 - 118	●
303-4	Water discharge	64, 117 - 118	●
303-5	Water consumption	64, 117 - 118	●
	Biodiversity		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	119 - 120	◑
304-2	Significant impacts of activities, products, and services on biodiversity	119 - 120	◕
304-3	Habitats protected or restored	119 - 120	●
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	64, 114 - 115	●
305-2	Energy indirect (Scope 2) GHG emissions	64, 114 - 115	●
305-3	Other indirect (Scope 3) GHG emissions	64, 114 - 115	●
305-4	GHG emissions intensity	64, 114 - 115	●
305-5	Reduction of GHG emissions	64, 114 - 115	●
305-6	Emissions of ozone-depleting substances (ODS)	64, 114 - 115	◑
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	117 - 118	◑

	GRI Standard	Annual Report section, Page number/s and/or URL	Application level / omission
306-2	Waste by type and disposal method	116 - 117	●
306-3	Significant spills	64, 113 - 114, Directors' Report	●
306-4	Transport of hazardous waste	116	●
306-5	Water bodies affected by water discharges and/or runoff	113 - 114	●
	Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	64, 113 - 114, Directors' Report	●
	Supplier Environmental Assessment		
308-1	New suppliers that were screened using environmental criteria	80	◑
308-2	Negative environmental impacts in the supply chain and actions taken	113 - 114	◑
	Social Topic-specific Disclosures		
	Employment		
401-1	New employee hires and employee turnover	63, 91	●
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Not disclosed	◎
401-3	Parental leave	94	●
	Labor/Management Relations		
402-1	Minimum notice periods regarding operational changes	As per statutory obligations	◎
	Occupational Health and Safety		
403-1	Occupational health and safety management system	65 - 72	●
403-2	Hazard identification, risk assessment, and incident investigation	65 - 72	●
403-3	Occupational health services	70	●
403-4	Worker participation, consultation, and communication on occupational health and safety	As per statutory obligations	◎
403-5	Worker training on occupational health and safety	65 - 72	●
403-6	Promotion of worker health	65 - 72	●
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	65 - 72	●
403-8	Workers covered by an occupational health and safety management system	65 - 72	●
403-9	Work-related injuries	58, 63, 66 - 67	●
403-10	Work-related ill health	70	●
	Training and Education		
404-1	Average hours of training per year per employee	89 - 91	●
404-2	Programs for upgrading employee skills and transition assistance programs	89 - 91	●
404-3	Percentage of employees receiving regular performance and career development reviews	98	●
	Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	63, 92 - 97, Directors' Report, 2018 Governance Statement	●
405-2	Ratio of basic salary and remuneration of women to men	94	◑
	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	87 - 88	●
	Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	87	●
	Forced or Compulsory Labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	87	●
	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	83	●
	Human Rights Assessment		
412-1	Operations that have been subject to human rights reviews or impact assessments	87	●

	GRI Standard	Annual Report section, Page number/s and/or URL	Application level / omission
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	87	◑
	Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	81 - 82	●
413-2	Operations with significant actual and potential negative impacts on local communities	81 - 82	●
	Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	80 - 81	◑
414-2	Negative social impacts in the supply chain and actions taken	80 - 81	◑
	Public Policy		
415-1	Political contributions	76	●
	Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	72 - 73	●
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	72 - 73	●
	Marketing and Labelling		
417-1	Requirements for product and service information and labelling	72 - 73	●
417-2	Incidents of non-compliance concerning product and service information and labelling	72 - 73, 79	●
417-3	Incidents of non-compliance concerning marketing communications	79	●
	Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	78	●
	Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	78, 79	●

CIMIC

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collaborative

Third New Zealand Schools PPP
Pacific Partnerships and CPB Contractors, New Zealand

Pacific Partnerships and CPB Contractors are delivering five schools, as part of a consortium, under the third New Zealand Schools PPP.

In Christchurch, the project includes a state of the art education precinct that will co-locate two single sex public high schools – a first for New Zealand. The shared campus will serve more than 2,000 students attending the local girls' and boys' high schools.

Working with our client, New Zealand's Ministry of Education, and leaders at each school, the team is ensuring the campus is responsive to student and curriculum priorities, cultural protocols, the area's history and involvement of local iwi.

Operating the campus for 25 years means we'll be part of this community for a long time.

CIMIC

Financial Report

TABLE OF CONTENTS

Consolidated Statement of Profit or Loss

for the 12 months to 31 December 2018

	Note	12 months to December 2018 $m	12 months to December 2017 $m
Revenue	2	14,670.2	13,429.5
Expenses	3	(13,586.1)	(12,377.2)
Share of profit / (loss) of associates and joint venture entities	25, 26	58.5	(49.9)
Earnings before interest and tax ("EBIT")		1,142.6	1,002.4
Finance income	4	55.3	71.6
Finance costs	4	(123.2)	(114.8)
Net finance income / (costs)		(67.9)	(43.2)
Profit before tax		1,074.7	959.2
Income tax (expense) / benefit	6	(300.9)	(268.6)
Profit for the year		773.8	690.6
(Profit) / loss for the year attributable to non-controlling interests		6.8	11.5
Profit for the year attributable to shareholders of the parent entity		780.6	702.1
Dividends per share - Final	23	86.0¢	75.0¢
Dividends per share - Interim	23	70.0¢	60.0¢
Basic earnings per share	24	240.7¢	216.5¢
Diluted earnings per share	24	240.7¢	216.5¢

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 2018

	Note	12 months to December 2018 $m	12 months to December 2017 $m
Profit for the year attributable to shareholders of the parent entity		780.6	702.1
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	124.6	(222.0)
- Effective portion of changes in fair value of cash flow hedges (net of tax)	21	0.5	4.4
Other comprehensive income / (expense) for the year		125.1	(217.6)
Total comprehensive income / (expense) for the year attributable to shareholders of the parent entity		905.7	484.5
Total comprehensive income / (expense) for the year attributable to shareholders of the parent entity:			
Total comprehensive income / (expense) for the year		898.9	473.0
Total comprehensive (income) / expense for the year attributable to non-controlling interests		6.8	11.5
Total comprehensive income / (expense) for the year attributable to shareholders of the parent entity		905.7	484.5

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 2018

	Note	31 December 2018 $m	31 December 2017 $m
Assets			
Cash and cash equivalents	7	2,141.7	1,813.8
Trade and other receivables	8	3,125.4	3,216.3
Current tax assets	9	-	29.0
Inventories: consumables and development properties	10	315.1	210.8
Assets held for sale	30	1.5	32.2
Total current assets		5,583.7	5,302.1
Trade and other receivables	8	777.4	1,090.8
Inventories: development properties	10	111.1	167.6
Investments accounted for using the equity method	11	136.6	382.7
Other investments	12	105.4	169.2
Deferred tax assets	13	49.8	145.4
Property, plant and equipment	14	1,292.7	1,224.0
Intangibles	15	1,093.5	1,089.7
Total non-current assets		3,566.5	4,269.4
Total assets		9,150.2	9,571.5
Liabilities			
Trade and other payables	16	5,701.0	4,737.4
Current tax liabilities	17	68.4	40.4
Provisions	18	326.0	311.8
Interest bearing liabilities	19	50.7	265.6
Total current liabilities		6,146.1	5,355.2
Trade and other payables	16	113.4	152.0
Provisions	18	62.4	69.3
Interest bearing liabilities	19	472.1	637.8
Deferred tax liabilities	13	19.4	-
Total non-current liabilities		667.3	859.1
Total liabilities		6,813.4	6,214.3
Net assets		2,336.8	3,357.2
Equity			
Share capital	20	1,750.3	1,750.3
Reserves	21	(514.3)	(554.3)
Retained earnings	22	1,145.2	2,183.0
Total equity attributable to equity holders of the parent		2,381.2	3,379.0
Non-controlling interests		(44.4)	(21.8)
Total equity		2,336.8	3,357.2

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 2018

		Share capital	Reserves	Retained earnings	Attributable to equity holders	Non-controlling interests	Total equity
		$m	$m	$m	$m	$m	$m
Total equity at 1 January 2017		1,750.3	(325.6)	1,876.5	3,301.2	(9.8)	3,291.4
Profit for the year		-	-	702.1	702.1	(11.5)	690.6
Other comprehensive income		-	(217.6)	-	(217.6)	-	(217.6)
Transactions with shareholders in their capacity as shareholders:							
- Dividends	23	-	-	(395.6)	(395.6)	-	(395.6)
- Share based payments	21	-	(11.1)	-	(11.1)	-	(11.1)
- Other		-	-	-	-	(0.5)	(0.5)
Total transactions with shareholders		-	(11.1)	(395.6)	(406.7)	(0.5)	(407.2)
Total equity at 31 December 2017		1,750.3	(554.3)	2,183.0	3,379.0	(21.8)	3,357.2
Opening balance adjustment on application of AASB 15[1]		-	(7.2)	(932.2)	(939.4)	(13.9)	(953.3)
Opening balance adjustment on application of AASB 9[1]		-	(72.9)	(416.0)	(488.9)	-	(488.9)
Total equity at 1 January 2018		1,750.3	(634.4)	834.8	1,950.7	(35.7)	1,915.0
Profit for the year		-	-	780.6	780.6	(6.8)	773.8
Other comprehensive income		-	125.1	-	125.1	-	125.1
Transactions with shareholders in their capacity as shareholders:							
- Dividends	23	-	-	(470.2)	(470.2)	-	(470.2)
- Share based payments	21	-	(5.0)	-	(5.0)	-	(5.0)
- Other		-	-	-	-	(1.9)	(1.9)
Total transactions with shareholders		-	(5.0)	(470.2)	(475.2)	(1.9)	(477.1)
Total equity at 31 December 2018		1,750.3	(514.3)	1,145.2	2,381.2	(44.4)	2,336.8

[1] *Refer to* Note 1: *Summary of significant accounting policies – basis of preparation for details on opening balance adjustments made on application of new accounting standards.*

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 2018

	Note	12 months to December 2018 $m	12 months to December 2017 $m
Cash flows from operating activities			
Cash receipts in the course of operations (including GST)		16,040.8	14,089.9
Cash payments in the course of operations (including GST)		(14,181.9)	(12,566.5)
Cash flows from operating activities		1,858.9	1,523.4
Interest received		28.0	26.0
Finance costs paid		(119.5)	(106.2)
Income taxes (paid) / received		(58.9)	(80.8)
Net cash from operating activities	28 (a)	1,708.5	1,362.4
Cash flows from investing activities			
Payments for intangibles		(5.4)	(14.2)
Payments for property, plant and equipment		(547.4)	(424.1)
Payments for investments in controlled entities and businesses	29	(22.7)	-
Proceeds from sale of property, plant and equipment		82.6	118.6
Proceeds from sale of investments		1.2	46.9
Cash acquired from acquisition of investments in controlled entities and businesses		0.7	-
Income tax paid in relation to proceeds from sale of investments in controlled entities and businesses		-	(59.0)
Payments for investments		(53.1)	(60.1)
Loans to associates and joint ventures		(1.1)	(40.9)
Net cash from investing activities		(545.2)	(432.8)
Cash flows from financing activities			
Cash payments in relation to employee share plans		-	(8.6)
Proceeds from borrowings	28 (b)	407.7	1,517.0
Repayment of borrowings	28 (b)	(835.6)	(1,705.9)
Repayment of finance leases	28 (b)	-	(21.2)
Dividends paid to shareholders of the Company	23	(470.2)	(395.6)
Payments to acquire non-controlling interests		-	(29.3)
Net cash from financing activities		(898.1)	(643.6)
Net increase / (decrease) in cash held		265.2	286.0
Cash and cash equivalents at the beginning of the period		1,813.8	1,576.5
Effects of exchange rate fluctuations on cash held		62.7	(48.7)
Cash and cash equivalents at reporting date	7	2,141.7	1,813.8

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

for the 12 months to 31 December 2018

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 financial instruments that have been 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* 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 Group has applied new accounting standards and their impact is disclosed below. In accordance with elections available under the relevant accounting standards, new accounting policies are only effective from 1 January 2018 and comparative information is still prepared under policies disclosed in the 31 December 2017 CIMIC Financial Report, although as set out below certain comparables have been re-presented to be consistent with the current period.

New and amended standards adopted by the Company

New and amended accounting standards relevant to the Group that are effective for the period are as follows:

AASB 15: Revenue from Contracts with Customers

In the current year, the Group has applied AASB 15 *Revenue from Contracts with Customers* (as amended in April 2016) which has come into effect 1 January 2018. Details of the new requirements of AASB 15 as well as their impact on the Group's consolidated financial statements are described below.

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* and related interpretations. The core principle of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer.

CIMIC Group has operations across different industry sectors and geographical locations which are subject to different legal and contractual frameworks. Significant judgements and estimates are used in determining the impact of AASB 15, such as the assessment of the probability of customer approval of variations and acceptance of claims, estimation of project completion date and assumed levels of project productivity. In making this assessment we have considered, for applicable contracts, the individual status of legal proceedings, including arbitration and litigation.

The Group's accounting policies for its revenue streams are disclosed in detail in Note 1: *Summary of significant accounting policies – a) Revenue recognition*.

AASB 9: Financial instruments

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 de-recognition of financial instruments from AASB 139.

To assess for any expected credit losses under AASB 9, there is consideration around the probability of default upon initial recognition of the asset, and subsequent consideration as to whether there have been any significant increases in credit risk on an ongoing basis at each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of preparation continued

In making this assessment, as far as available, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations. In particular, as far as available, the following information is taken into account when assessing significant movements in credit risk:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- external credit rating;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower; and
- macroeconomic information such as market interest rates and growth rates.

AASB 9 also introduces new hedge accounting requirements, however these have had no impact on the results of the Group.

Impact on application

The Group has applied AASB 15 and AASB 9 retrospectively with the cumulative effect of initially applying the standards as an adjustment to the opening balance of equity and comparative figures are therefore not restated, however some comparative disclosure notes have been restated where appropriate. The opening equity adjustment due to the application of the new standards is analysed by financial statement line item below.

Impact on assets, liabilities and equity at 1 January 2018

		As reported 31 December 2017 $m	AASB 9 Transition Adjustments $m	AASB 15 Transition Adjustments $m	Opening Balance 1 January 2018 $m
Current trade and other receivables	(1)	3,216.3	-	(753.1)	2,463.2
Non-current trade and other receivables	(2)	1,090.8	(488.9)	-	601.9
Investments accounted using the equity method	(3)	382.7	-	(263.3)	119.4
Deferred tax assets	(1)	145.4	-	88.8	234.2
Total assets impact			(488.9)	(927.6)	
Current trade and other payables	(1)	4,737.4	-	25.7	4,763.1
Total liabilities impact			-	25.7	
Net asset impact			(488.9)	(953.3)	
Retained earnings		2,183.0	(416.0)	(932.2)	834.8
Foreign currency translation reserve		162.3	(72.9)	(7.2)	82.2
Non-controlling interests		(21.8)	-	(13.9)	(35.7)
Total equity impact	(4)		(488.9)	(953.3)	

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of preparation continued

(1) Revenue recognition
The contracted terms and the way in which the Group operates its construction and services contracts results in revenue predominantly being derived from projects containing one performance obligation. Construction and services revenue will continue to be recognised over time, however the new standard provides new requirements for variable consideration such as incentives, as well as accounting for claims and variations as contract modifications which all impart a higher threshold of probability for recognition. Revenue was previously recognised when it is probable that work performed will result in revenue whereas under the new standard, revenue is recognised when it is highly probable that a significant reversal of revenue will not occur.

Tender costs & contract costs
Under AASB 111 *Construction Contracts*, costs incurred during the tender process were 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 the project.

Tax
Adjustments under the new standards are subject to tax effect accounting and therefore the net deferred tax position has been impacted.

(2) The change in method from recognition of incurred losses to recognition of expected credit losses for impairment of financial assets under AASB 9 has led to an adjustment reducing non-current receivables by $487.4 million with regards to the non-current loan receivables from a joint venture, BIC Contracting LLC (BICC) (formerly HLG Contracting LLC). In determining the estimated expected credit loss on application of AASB 9, CIMIC engaged an independent advisory expert to obtain a credit rating and applied the relevant expected credit loss rate to the loan in line with rating agency published rates and methodology.

An additional $1.5 million expected credit loss has been recognised in relation to other non-current receivables.

(3) As BICC is accounted for as an equity method joint venture, the book carrying value of CIMIC's investment in BICC reflects the Group's share of BICC's operating results, including BICC's recognition of construction revenue. The adjustment reflects the consistent application of CIMIC Group revenue recognition criteria as outlined in (1) Revenue recognition. The higher recognition threshold and constraint criteria in the new standard has led to a reduction in the investment of $245.6 million. As BICC is a jointly controlled investment, CIMIC does not exert the same degree of control over BICC's implementation project as it does over its own and therefore the impact is subject to a higher degree of estimation uncertainty.

Other equity investments under AASB 15 have also been adjusted through the same process reducing investments by $17.7 million.

(4) The total of adjustments (1) to (3) above have been recognised in opening equity. These have been recognised between retained earnings, foreign currency translation reserve, which is a result of the cumulative effect of foreign currency fluctuations, and those balances attributable to non-controlling interests.

There has been no material impact on cash flow or other financial statement items on transition.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of preparation continued

Classification of financials instruments on transition to AASB 9
All recognised financial assets that are within the scope of AASB 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVOCI); and
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVPL).

Despite the aforegoing, the Group may make the following irrevocable designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch.

The Group has not made any irrevocable elections or designations in respect of financial assets acquired during the year. Furthermore the Group did not designate any financial assets as being measured at FVPL or investments in equity instruments as FVOCI on initial application.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of preparation continued

Based on the facts and circumstances that existed on 1 January 2018, the initial application of AASB 9 has had the following impact on the Group's financial assets as regards to their classification and measurement:

Financial assets		31 December 2017 AASB 139 Classification	Balance at 31 December 2017 $m	1 January 2018 AASB 9 Classification	1 January 2018 Adjusted amounts $m
Financial assets at amortised cost					
Cash and cash equivalents		Amortised cost	1,813.8	Amortised cost	1,813.8
Contract debtors		Amortised cost	2,495.9	Amortised cost	2,495.9
Trade debtors		Amortised cost	180.7	Amortised cost	180.7
Amounts receivable from related parties	(2)	Amortised cost	1,087.8	Amortised cost	600.4
Other amounts receivable	(2)	Amortised cost	531.2	Amortised cost	529.7
Available-for-sale financial assets	(1)	Available for sale	7.3	FVPL	-
Financial assets at fair value through profit or loss	(1)	FVPL	161.9	FVPL	100.0
Financial assets at fair value through other comprehensive income		FVOCI	-	FVOCI	-
Derivative financial instruments					
Used for hedging		Derivative	11.5	Derivative	11.5
Held for trading at fair value through profit or loss	(1)	Derivative	-	Derivative	69.2
Balance at reporting date			6,290.1		5,801.2

(1) Classification transfers
Under AASB 9, available-for-sale classification is no longer permitted. CIMIC's financial assets under this category have been transferred to fair value through profit or loss on transition at 1 January 2018. These are all equity instruments and there has been no impact on the carrying amount. The BICC option has also been re-classified from financial assets at FVPL to derivative financial instruments as required by AASB 9.

(2) Impairment of assets
The carrying amount of financial assets receivable from related parties has been adjusted for impairment on transition as outlined in the above notes.

There has been no change in classifications for any financial liabilities under the transition from AASB 139 to AASB 9. The carrying amounts and classifications at 31 December 2017 and 31 December 2018 have been outlined in Note 35(a): *Financial instruments – Classification of financial assets and financial liabilities.*

Other new and amended accounting standards

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions; and
- AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

While these standards introduce 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

for the 12 months to 31 December 2018

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, services and mining contracting projects:
  - determination of stage of completion;
  - estimation of total contract costs;
  - estimation of total contract revenue, including recognising revenue on contract variations and claims only to the extent it is highly probable that a significant reversal in the amount recognised will not occur in the future;
  - estimation of project completion date; and
  - assumed levels of project execution productivity.
- Estimation of allowance for expected credit losses on financial assets.

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 contract assets, contract liabilities 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 financial instruments; 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 re-measured to its fair value with the change in carrying amount recognised in profit or loss.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

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 fair value through profit and loss financial assets.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

a) Revenue recognition

Policies applied from 1 January 2018

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

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

Generally, contracts identify various inter-linked activities required in the construction process. Revenue is recognised on the measured output of each process based on appraisals that are agreed with the customer on a regular basis.

Revenue earned is typically invoiced monthly or in some cases on achievement of milestones or to match major capital outlay. Invoices are paid on normal commercial terms, which may include the customer withholding a retention amount until finalisation of the construction. Certain construction projects entered into receive payment prior to work being performed in which case revenue is deferred on the balance sheet.

Mining and mineral processing revenue
The Group generates revenue from the provision of mining services, mineral processing from various mine sites, dry hire and plant sales within Australia, Asia, the Americas and Africa. Contracts often include multiple obligations for the processes required to enable mine site development, extraction, processing and remediation. These processes can include the design and construction of mine infrastructure, construction, operation and maintenance of processing facilities, topsoil stripping, drill and blast, excavation, processing, rehabilitation and mine closure. In addition, processes may be performed by the Group or by other contractors employed by the customer and as such are accounted for as separate obligations. The transaction price is allocated to each performance obligation based on the stand-alone selling price. The total transaction price may include a variable pricing element which is accounted for in accordance with the policy on variable consideration.

Performance obligations are fulfilled over time with revenue recognised in the accounting period in which the mining or mineral processes are rendered based on the amount of the expected transaction price allocated to each performance obligation as the customer continues to control the asset as it is enhanced.

Customers are typically invoiced on a monthly basis for an amount that is calculated on a schedule of rates that is aligned with the stand alone selling prices for each performance obligation. Payment is received following invoice on normal commercial terms.

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

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

a) Revenue recognition continued

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

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

Contract assets and liabilities
AASB 15 uses the terms 'contract asset' and 'contract liability' to describe what is commonly known as 'accrued revenue' and 'deferred revenue'. Contract receivables represent receivables in respect of which the Group's right to consideration is unconditional subject only to the passage of time. Contract receivables are non-derivative financial assets accounted for in accordance with the Group's accounting policy for non-derivative financial assets set out in Note 1(e): *Non-derivative financial instruments*. Contract assets represent the Group's right to consideration for services provided to customers for which the Group's right remains conditional on something other than the passage of time. Contract liabilities arise where payment is received prior to work being performed. Contract assets and contract liabilities are recognised and measured in accordance with this accounting policy.

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

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

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

Loss making contracts
A provision is made for the difference between the expected cost of fulfilling a contract and the expected unearned portion of the transaction price where the forecast costs are greater than the forecast revenue.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

a) Revenue recognition continued

Other revenue
Property revenue is recognised when control over the property has been transferred to the customer. This is generally at the point when legal title has transferred to the customer as properties are not developed based on the specific needs of individual customers. The revenue is measured at the transaction price agreed under the contract.

Rental income is recognised on a straight line basis over the term of the operating lease.

Government grant income when recognised relates to incentives received by the Group as allowed under AASB 120: *Accounting for Government grants and disclosure of Government assistance*.

Interest revenue is recognised on an accruals basis, other than related party interest which is calculated using the effective interest rate method.

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

for the 12 months to 31 December 2018

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

Policies applied from 1 January 2018

Non-derivative financial assets

(i) Classification
From 1 January 2018, the Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through other comprehensive income, or profit or loss), and
- those to be measured at amortised cost.

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

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

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

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments as follows.
- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collecting contractual cash flows and through sale on specified dates. A gain or loss on a debt investment that is subsequently measured at FVOCI is recognised in other comprehensive income. None are currently held by the Group or at any point during the year.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises. None are currently held by the Group or at any point during the year.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

e) Non-derivative financial instruments continued

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

(iii) Impairment
The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.
For trade receivables, contract debtors and lease receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The methodology and basis for credit risk evaluation and impairment is detailed in Note 35(b): *Financial instruments – Financial risk management.*

Non-derivative financial liabilities

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

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.

Policies applied prior to 1 January 2018
Refer to the 2017 CIMIC Annual Report for the accounting policies applied to non-derivative financial assets and financial liabilities prior to the adoption of AASB 9.

f) Derivative financial instruments

Policies applied from 1 January 2018

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

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

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

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

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

f) Derivative financial instruments continued

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

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

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

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

Policies applied prior to 1 January 2018
Refer to the 2017 CIMIC Annual Report for the accounting policies applied to non-derivative financial assets and financial liabilities prior to the adoption of AASB 9.

g) Inventories

Inventories are carried at the lower of cost and net realisable value and comprise of the following.

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

for the 12 months to 31 December 2018

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.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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 8 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 life 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 asset's 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 FVOCI instruments, 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 is given to estimated future increases in wage 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

for the 12 months to 31 December 2018

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 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 to the Consolidated Financial Statements

for the 12 months to 31 December 2018

2. REVENUE

	Note	12 months to December 2018 $m	12 months to December 2017 $m
Construction revenue		7,965.2	7,599.1
Mining and mineral processing revenue		3,966.9	3,164.4
Services revenue		2,676.5	2,607.2
Other revenue		61.6	58.8
Total revenue	31	14,670.2	13,429.5

3. EXPENSES

	Note	12 months to December 2018 $m	12 months to December 2017 $m
Materials		(2,846.7)	(2,455.1)
Subcontractors		(4,391.5)	(3,928.5)
Plant costs		(1,222.8)	(1,061.3)
Personnel costs		(3,634.0)	(3,530.2)
Depreciation and impairment of property, plant and equipment	14	(518.4)	(463.7)
Amortisation of intangibles	15	(40.8)	(47.6)
Impairment of intangibles	15	(2.7)	(8.0)
Net gain / (loss) on sale of assets		13.8	12.9
Foreign exchange gains / (losses)		3.4	3.3
Operating lease payments		(401.4)	(380.3)
Design, engineering and technical consulting fees		(64.7)	(51.6)
Other expenses		(480.3)	(467.1)
Total expenses		(13,586.1)	(12,377.2)

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

4. NET FINANCE INCOME / (COSTS)

	Note	12 months to December 2018 $m	12 months to December 2017 $m
Finance income			
Interest income			
- Related parties	37 (b)	25.0	34.1
- Other parties		27.4	27.6
Unwinding of discounts on non-current receivables			
- Related parties	37 (b)	2.8	9.7
- Other parties		0.1	0.2
Total finance income		55.3	71.6
Finance costs			
Debt interest expense		(73.1)	(80.9)
Finance charge for finance leases		-	(0.9)
Facility fees, bonding and other finance costs		(46.1)	(24.8)
Impact of discounting			
- Related parties	37 (b)	-	(0.2)
- Other		(4.0)	(8.0)
Total finance costs		(123.2)	(114.8)
Net finance income / (costs)		(67.9)	(43.2)

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

5. AUDITORS' REMUNERATION

	12 months to December 2018 $'000	12 months to December 2017 $'000
Audit and review services		
Deloitte Touche Tohmatsu ("Deloitte")		
- Audit and review of financial statements – Deloitte Australia	3,457	3,582
- Audit and review of financial statements – related overseas firms	765	1,270
Other auditors		
- Audit and review of financial statements – other auditors	342	447
Audit and review services	4,564	5,299
Other assurance services		
Deloitte		
- Other assurance services – Deloitte Australia	92	363
- Other assurance services – related overseas firms	-	3
Other auditors		
- Other assurance services – other auditors	14	20
Other assurance services	106	386
Other services		
Other auditors		
- Other services – other auditors	21	29
Other services	21	29

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 to the Consolidated Financial Statements

for the 12 months to 31 December 2018

6. INCOME TAX EXPENSE

	12 months to December 2018 $m	12 months to December 2017 $m
Income tax expense recognised in the statement of profit or loss		
Current tax expense	(111.6)	(104.9)
Deferred tax expense	(187.8)	(164.6)
Over provision in prior periods	(1.5)	0.9
Total income tax expense in statement of profit or loss	(300.9)	(268.6)
Deferred tax recognised directly in equity		
Revaluation of cash flow and net investment hedges	(2.8)	(1.8)
Total deferred tax (expense) / benefit recognised in equity	(2.8)	(1.8)
Reconciliation of prima facie tax to income tax expense		
Profit from continuing operations	1,074.7	959.2
Profit before tax	1,074.7	959.2
Prima facie income tax expense at 30% (31 December 2017: 30%)	(322.4)	(287.8)
The following items have affected income tax (expense) / benefit for the year:		
Tax losses not recognised	(23.1)	(14.9)
Overseas income tax differential and foreign exchange	29.0	10.6
Research and development credit	1.6	2.0
Movement in provision for taxes on retained earnings of controlled entities	(20.9)	(12.2)
Equity accounted and joint venture income tax differential	16.0	(27.2)
Loss on sale of investment	-	37.7
Other	20.4	22.3
Current period income tax expense	(299.4)	(269.5)
(Under) / Over provision in prior periods	(1.5)	0.9
Income tax expense	(300.9)	(268.6)

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

7. CASH AND CASH EQUIVALENTS

	December 2018 $m	December 2017 $m
Funds on deposit	966.9	663.3
Cash at bank and on hand	1,174.8	1,150.5
Cash and cash equivalents	2,141.7	1,813.8

As at 31 December 2018: $580.4 million (31 December 2017: $267.7 million) of cash at bank in relation to the sale of receivables and contract milestone receipts during the reporting period and $nil (31 December 2017: $33.7 million) of cash reserved for warranties is classified as restricted cash.

8. TRADE AND OTHER RECEIVABLES

	Note	December 2018 $m	December 2017[1] $m
Contract receivables		415.0	337.5
Contract assets[2,5]		1,714.5	2,006.9
Retentions and capitalised costs to fulfil contracts		167.6	151.5
Total contract debtors		2,297.1	2,495.9
Trade debtors		167.6	180.7
Other amounts receivable		571.3	479.9
Prepayments		67.1	46.2
Derivative financial assets	26, 35	89.8	11.5
Amounts receivable from related parties[3]	37 (b)	675.6	1,087.8
Non-current tax asset[4]		34.3	5.1
Total trade and other receivables		3,902.8	4,307.1
Current[2]		3,125.4	3,216.3
Non-current[3,4]		777.4	1,090.8
Total trade and other receivables		3,902.8	4,307.1

[1]*Comparative disclosure notes have been restated where appropriate as discussed in* Note 1: *Summary of significant accounting policies - basis of preparation.*

[2]*Contract assets includes an amount equal to $1.15 billion (31 December 2017: $1.15 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 (Saipem and CPB together referred to as 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.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

8. TRADE AND OTHER RECEIVABLES CONTINUED

- *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.*
- *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 (Chevron Arbitration).*
- *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 arbitration.*
- *Since December 2016, the Chevron Arbitration has continued in accordance with the contractual terms. The arbitrators have been appointed and have made orders for the conduct of the proceedings and it is anticipated that the hearings will be in 2019 with a determination thereafter.*

In addition there is an arbitration procedure against Saipem pursuant to the Consortium Agreement seeking recovery of outstanding amounts. The Consortium Arbitration continues in accordance with the contractual processes; arbitrators have been appointed, orders for the conduct of the arbitration have been made, and it is anticipated that hearings will occur in 2020 with a determination thereafter.

[3]The Group has trade and other receivables relating to BICC totalling US$454.9 million (31 December 2017: US$816.1 million) equivalent to $640.7 million (31 December 2017: $1,046.3 million) with an expected repayment date of 30 September 2021. Refer to Note 1: *Summary of significant policies – basis of preparation on impact of ECL on the loan balance at 1 January 2018.*

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 BICC, such as its syndicated loan facility. Repayment of these amounts can be subject to prior written consent from the financier, or where a permitted payment under the financing arrangement occurs.

[4]The non-current tax asset of $34.3 million (31 December 2017: $5.1 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.

[5]Contract assets are net of $675.0 million (31 December 2017: $675.0 million) revenue constraint on a portfolio basis.

		December 2018 $m	December 2017 $m
Additional information on contract debtors			
Total contract debtors	- trade and other receivables	2,297.1	2,495.9
Total contract liabilities	- trade and other payables	(1,198.2)	(1,112.1)
Net contract debtors		1,098.9	1,383.8

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

8. TRADE AND OTHER RECEIVABLES CONTINUED

Significant changes in contract assets and liabilities

Contract assets are balances due from customers under long term contracts as work is performed and therefore a contract asset is recognised over the period in which the performance obligation is fulfilled. This represents the entity's right to consideration for the services transferred to date. Amounts are generally reclassified to contract receivables when these have been certified or invoiced to a customer.

There has been a significant change in contract assets in the period due to the initial application of AASB 15. Amounts were de-recognised due to the higher threshold required under AASB 15. While the CIMIC Group continues to believe it probable the amounts will be received, the new threshold for recognition is stated as highly probable to be received. Refer to Note 1: *Summary of significant accounting policies – basis of preparation,* where the effects of the initial application of AASB 15 have been detailed.

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was $910.8 million (31 December 2017: $921.3 million). Revenue recognised in the reporting period from performance obligations satisfied or partially satisfied in previous periods was $152.7 million (31 December 2017: $141.1 million). Partially satisfied performance obligations continue to incur revenue and costs in the period.

Remaining performance obligations (Work in hand)

Contracts which have remaining performance obligations as at 31 December 2018 are set out below. As permitted under the transitional provisions in AASB 15, the transaction price allocated to remaining performance obligations as of 31 December 2017 is not disclosed.

	December 2018 $m
Construction	15,254
Mining & mineral processing	11,159
Services	7,420
Corporate	2,873
Work in hand[1]	36,706

[1]*Includes $5,954 million of CIMIC's share of work in hand from joint venture and associates equity accounted investments.*

Contracts in the different sectors have different lengths. The average duration of contracts is given below, however some contracts will vary from these typical lengths. Revenue is typically earned over these varying timeframes, however more of the revenue noted above is expected to be earned in the short-term.

Construction	1-4 years
Mining and mineral processing	3-6 years
Services	4-10 years

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

9. CURRENT TAX ASSETS

The current tax asset of $nil (31 December 2017: $29.0 million) represents the amount of income taxes recoverable from the payment of tax in excess of the amounts due to the relevant tax authority.

10. INVENTORIES

	December 2018 $m	December 2017 $m
Property developments		
Cost of acquisition	21.5	60.2
Development expenses capitalised	98.8	134.5
Rates, taxes, finance and other costs capitalised	29.2	34.6
Total property developments	149.5	229.3
Other inventories		
Raw materials and consumables at cost	276.7	149.1
Total other inventories	276.7	149.1
Total inventories	426.2	378.4
Current	315.1	210.8
Non-current	111.1	167.6
Total inventories	426.2	378.4

Finance costs capitalised to property developments during the period were $2.6 million (31 December 2017: $2.2 million).
Property developments pledged as security for interest bearing liabilities - refer to Note 35(e): *Financial instruments - Assets pledged as security*.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	December 2018 $m	December 2017 $m
Associates	25	72.5	38.9
Joint venture entities	26	64.1	343.8
Total investments accounted for using the equity method		136.6	382.7

12. OTHER INVESTMENTS

	Note	December 2018 $m	December 2017 $m
Equity and stapled securities available-for-sale			
Listed investments		-	1.5
Unlisted investments		-	5.8
Total equity and stapled securities available-for-sale	35 (c)	-	7.3
Other financial assets at fair value through profit or loss			
Unlisted investments		105.4	92.7
Call option to acquire shares[1]		-	69.2
Total other financial assets at fair value through profit or loss	35 (c)	105.4	161.9
Current		-	-
Non-current		105.4	169.2
Total other investments		105.4	169.2

[1]*Call option has been transferred to derivative assets as outlined in* Note 1*: Significant accounting policies - basis of preparation.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

13. DEFERRED TAXES

	December 2018 $m	December 2017 $m
Recognised deferred tax assets / (liabilities)		
Deferred tax assets are attributed to the following:		
Contract debtors	335.8	357.4
Property developments	11.1	15.6
Other inventories	6.1	6.5
Property, plant and equipment	39.5	19.8
Employee benefits	98.5	99.2
Contract profit differential	(476.4)	(391.3)
Withholding tax on retained earnings of non-resident and controlled entities	(104.0)	(83.1)
Investment revaluations	40.4	42.5
Controlled entities	(76.4)	(98.9)
Foreign exchange	15.5	27.5
Tax losses	90.3	126.5
Other	50.0	23.7
Total deferred taxes	30.4	145.4
Comprising of:		
Deferred tax assets	49.8	145.4
Deferred tax (liabilities)	(19.4)	-
Total deferred taxes	30.4	145.4
Unrecognised deferred tax assets		
Deferred tax assets which have not been recognised in respect of tax losses	165.7	127.7

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

14. PROPERTY, PLANT AND EQUIPMENT

	Land $m	Buildings $m	Leasehold land, buildings and improvements $m	Plant and equipment $m	Total property, plant and equipment $m
At 1 January 2017					
Cost or fair value	2.9	2.4	109.6	3,415.6	3,530.5
Accumulated depreciation	-	(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
Year ended 31 December 2017					
Opening net book amount	2.9	1.9	51.4	1,299.5	1,355.7
Additions	-	-	2.5	421.6	424.1
Disposals	(2.9)	(1.6)	(0.4)	(100.8)	(105.7)
Transfers[1]	-	-	0.1	100.4	100.5
Depreciation	-	(0.3)	(9.2)	(454.2)	(463.7)
Effects of exchange rate fluctuations	-	-	(0.1)	(86.8)	(86.9)
Closing net book amount	-	-	44.3	1,179.7	1,224.0
Year ended 31 December 2017					
Cost or fair value	-	0.2	85.5	3,222.6	3,308.3
Accumulated depreciation and impairment	-	(0.2)	(41.2)	(2,042.9)	(2,084.3)
Net book amount	-	-	44.3	1,179.7	1,224.0
Year ended 31 December 2018					
Opening net book amount	-	-	44.3	1,179.7	1,224.0
Additions	-	0.1	0.8	560.3	561.2
Acquisitions	-	-	-	0.3	0.3
Disposals	-	-	-	(68.4)	(68.4)
Transfers	-	-	-	12.6	12.6
Depreciation	-	-	(8.1)	(510.3)	(518.4)
Effects of exchange rate fluctuations	-	-	-	81.4	81.4
Closing net book amount	-	0.1	37.0	1,255.6	1,292.7
Year ended 31 December 2018					
Cost or fair value	-	0.1	87.4	3,434.8	3,522.3
Accumulated depreciation and impairment	-	-	(50.4)	(2,179.2)	(2,229.6)
Net book amount	-	0.1	37.0	1,255.6	1,292.7

[1]*This balance includes amounts for assets re-acquired by the Group following the restructuring of certain leasing agreements.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

15. INTANGIBLES

	Goodwill $m	Other intangibles[1] $m	Total intangibles $m
At 1 January 2017			
Cost or fair value	948.6	369.2	1,317.8
Accumulated amortisation and impairment	(13.6)	(157.3)	(170.9)
Net book amount	935.0	211.9	1,146.9
Year ended 31 December 2017			
Opening net book amount	935.0	211.9	1,146.9
Additions	-	14.2	14.2
Disposals	-	(2.8)	(2.8)
Impairment	-	(8.0)	(8.0)
Amortisation	-	(47.6)	(47.6)
Effects of exchange rate fluctuations	(12.5)	(0.5)	(13.0)
Closing net book amount	922.5	167.2	1,089.7
Year ended 31 December 2017			
Cost or fair value	936.1	378.2	1,314.3
Accumulated amortisation and impairment	(13.6)	(211.0)	(224.6)
Net book amount	922.5	167.2	1,089.7
Year ended 31 December 2018			
Opening net book amount	922.5	167.2	1,089.7
Additions	21.7	28.3	50.0
Transfers	-	(6.8)	(6.8)
Impairment	-	(2.7)	(2.7)
Amortisation	-	(40.8)	(40.8)
Effects of exchange rate fluctuations	4.0	0.1	4.1
Closing net book amount	948.2	145.3	1,093.5
Year ended 31 December 2018			
Cost or fair value	961.8	384.7	1,346.5
Accumulated amortisation and impairment	(13.6)	(239.4)	(253.0)
Net book amount	948.2	145.3	1,093.5

[1]*Other intangibles include:*

- *IT software systems of $74.1 million with a useful life of up to 8 years (31 December 2017: $105.6 million up to 8 years);*
- *Customer contracts, concessions and other intangibles with useful lives of:*
  - *1 to 5 years $11.3 million (31 December 2017: $17.4 million);*
  - *6 to 15 years $54.4 million (31 December 2017: $36.2 million); and*
  - *Indefinite useful life $5.5 million (31 December 2017: $8.0 million).*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

15. INTANGIBLES CONTINUED

	December 2018 $m	December 2017 $m
Impairment tests for cash-generating units containing goodwill		
Goodwill is attributable to cash generating units in the following segments:		
Construction	452.1	448.1
Mining & mineral processing	98.1	98.1
Services	398.0	376.3
Balance at reporting date	948.2	922.5

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 & mineral processing	8–18%	3%
Services	11%	3%

Sensitivity to changes in assumptions
The recoverable amount of intangible assets exceeds their carrying values at 31 December 2018. 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.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

16. TRADE AND OTHER PAYABLES

	Note	December 2018 $m	December 2017 $m
Trade creditors and accruals		5,207.3	4,334.4
Other creditors		585.9	525.0
Amounts payable to related parties	37 (b)	20.2	27.8
Trade and other payables	35 (a,b)	5,813.4	4,887.2
Derivative financial liabilities	35 (a,b)	1.0	2.2
Total trade and other payables		5,814.4	4,889.4
Current		5,701.0	4,737.4
Non-current		113.4	152.0
Total trade and other payables		5,814.4	4,889.4

17. CURRENT TAX LIABILITIES

The current tax liability of $68.4 million (31 December 2017: $40.4 million) represents the amounts payable in respect of current and prior periods.

18. PROVISIONS

	December 2018 $m	December 2017 $m
Employee Benefits		
Current	326.0	311.8
Non-current	62.4	69.3
Total provisions	388.4	381.1

The provision for employee benefits relates to wages and salaries, annual leave, long service leave, retirement benefits and deferred bonuses.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

19. INTEREST BEARING LIABILITIES

	Note	December 2018 $m	December 2017 $m
Current			
Interest bearing loans		50.7	219.0
Interest bearing liabilities - limited recourse loans		-	46.6
Total current liabilities		50.7	265.6
Non-current			
Interest bearing loans		472.1	637.8
Total non-current liabilities		472.1	637.8
Total interest bearing liabilities	28 (b), 35 (d)	522.8	903.4

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

20. SHARE CAPITAL

	Company	
	December 2018 No. of shares	December 2017 No. of shares
Issued and fully paid share capital		
Balance at beginning of reporting period	324,254,097	324,254,097
Shares bought back	-	-
Balance at reporting date	324,254,097	324,254,097

	Company	
	12 months to December 2018 $m	12 months to December 2017 $m
Share capital		
Balance at beginning of reporting period	1,750.3	1,750.3
Par value of shares bought back[1]	-	-
Balance at reporting date	1,750.3	1,750.3

[1]On 12 December 2016, the CIMIC Group Board approved an 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. No shares were bought back under this scheme.

On 14 December 2017, the CIMIC Group Board approved an 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 2017. No shares were bought back under this scheme.

On 14 December 2018, 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 2018. As at 31 December 2018 no shares have been bought back under this scheme.

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.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

21. RESERVES

	Note	12 months to December 2018 $m	12 months to December 2017 $m
Foreign currency translation reserve			
Balance at beginning of reporting period		162.3	384.3
Adjustment on implementation of new accounting standards	1	(80.1)	-
Included in statement of other comprehensive income		124.6	(222.0)
Balance at reporting date		206.8	162.3
Hedging reserve			
Balance at beginning of reporting period		(7.1)	(11.5)
Included in statement of other comprehensive income		0.5	4.4
Balance at reporting date		(6.6)	(7.1)
Equity reserve			
Balance at beginning of reporting period		(619.6)	(619.6)
Acquisition of non-controlling interests		-	-
Balance at reporting date		(619.6)	(619.6)
Share buy-back reserve			
Balance at beginning of reporting period		(123.7)	(123.7)
Premium paid over par on share buy-back		-	-
Balance at reporting date		(123.7)	(123.7)
Share based payments reserve			
Balance at beginning of reporting period		33.8	44.9
Included in statement of profit or loss		0.1	(2.5)
Transferred to liability	36	(5.1)	-
Share based payments		-	(8.6)
Balance at reporting date		28.8	33.8
Total reserves at reporting date		(514.3)	(554.3)

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

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.

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 2018 $m	12 months to December 2017 $m
Closing balance of previous reporting period		2,183.0	1,876.5
Adjustment on implementation of new accounting standards	1	(1,348.2)	-
Balance at beginning of reporting period		834.8	1,876.5
Included in statement of profit or loss		780.6	702.1
Dividends paid	23	(470.2)	(395.6)
Balance at reporting date		1,145.2	2,183.0

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

23. DIVIDENDS

	Cents per share	$m
2018 final dividend		
Subsequent to reporting date the Company announced a 100% franked final dividend in respect of the year ended 31 December 2018. The dividend is payable on 4 July 2019. This dividend has not been provided for in the statement of financial position[1]	86.0	278.9
Dividends recognised in the reporting period to 31 December 2018		
30 June 2018 interim ordinary dividend 100% franked paid on 4 October 2018	70.0	227.0
31 December 2017 final dividend 100% franked paid on 4 July 2018	75.0	243.2
Total dividends recognised in reporting period to 31 December 2018		470.2
Dividends recognised in the reporting period to 31 December 2017		
30 June 2017 interim ordinary dividend 100% franked paid on 4 October 2017	60.0	194.6
31 December 2016 final dividend 100% franked paid on 4 July 2017	62.0	201.0
Total dividends recognised in reporting period to 31 December 2017		395.6

[1]*The Board has determined a final dividend of 86 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 14 December 2018, which commenced on 29 December 2018, 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. The final payable amount is based on the number of shares on issue at the record date.*

	Company	
	December 2018 $m	December 2017 $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	43.7	224.6

The impact of the 2018 final dividend, determined after the reporting date, on the dividend franking account will be a reduction of $119.5 million (2017: $104.2 million).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

24. EARNINGS PER SHARE

	12 months to December 2018	12 months to December 2017
Basic earnings per share	240.7¢	216.5¢
Diluted earnings per share	240.7¢	216.5¢
Profit / (loss) attributable to shareholders of the parent entity used in the calculation of basic and diluted earnings per share ($m)	780.6	702.1
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	324,254,097	324,254,097
Contingently issuable shares[1]	-	102,170
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	324,254,097	324,356,267

[1]*Contingently issuable shares relate to share rights under plans disclosed in* Note 36*: Employee benefits.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

25. ASSOCIATES

The Group has the following investments in associates:

			Ownership interest	
Name of entity	Principal activity	Country	December 2018 %	December 2017 %
A.C.N. 630 634 507 Pty Ltd (Momentum Trains Pty Ltd)	Investment	Australia	49	-
Canberra Metro Holdings Trust[1]	Construction	Australia	30	30
Canberra Metro Holdings Pty Ltd[1]	Construction	Australia	30	30
Canberra Metro Pty Ltd	Construction	Australia	30	30
CIP Holdings General Partner Limited	Investment	New Zealand	40	-
CIP Project General Partner Limited	Investment	New Zealand	40	-
Cornerstone Infrastructure Partners LP	Investment	New Zealand	40	-
Cornerstone Infrastructure Partners Holdings LP	Investment	New Zealand	40	-
Dunsborough Lakes Village Syndicate[1]	Development	Australia	20	20
LCIP Co-Investment Unit Trust[2]	Investment	Australia	11	11
Metro Trains Australia Pty Ltd[1]	Services	Australia	20	20
Metro Trains Melbourne Pty Ltd[1]	Services	Australia	20	20
Metro Trains Sydney Pty Ltd[1]	Services	Australia	20	20
Momentum Trains Holding Pty Ltd	Investment	Australia	49	-
Momentum Trains Holding Trust	Investment	Australia	49	-
Momentum Trains Trust	Investment	Australia	49	-
On Talent Pty Ltd	Recruitment	Australia	30	30
Wellington Gateway General Partner No.1 Limited[2]	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] *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.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

25. ASSOCIATES CONTINUED

The Group's share of associates' results, assets and liabilities are as follows:

	12 months to December 2018 $m	12 months to December 2017 $m
Revenue	528.8	478.1
Expenses	(503.9)	(460.7)
Earnings before interest and tax (EBIT)	24.9	17.4
Finance income	1.2	0.5
Finance costs	(6.1)	(8.8)
Net finance income / (costs)	(4.9)	(8.3)
Profit / (loss) before tax	20.0	9.1
Income tax (expense) / benefit	(4.5)	(3.0)
Profit / (loss) for the period	15.5	6.1

	December 2018 $m	December 2017 $m
Current assets	135.7	113.9
Non-current assets	349.6	182.3
Total assets	485.3	296.2
Current liabilities	124.7	90.4
Non-current liabilities	288.1	166.9
Total liabilities	412.8	257.3
Equity accounted associates at reporting date[1]	72.5	38.9

[1]*The Group's shareholding in listed associates for which there are published quotations had a market value at reporting date of: $nil (31 December 2017: $nil).*

There were no impairments of equity accounted associates during the reporting period (31 December 2017: $nil).

In the opinion of the directors, there are no individually material associates as at 31 December 2018.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

26. JOINT VENTURE ENTITIES

The Group has the following joint venture entities:

			Ownership interest	
Name of entity	Principal activity	Country	December 2018 %	December 2017 %
Australian Terminal Operations Management Pty Ltd	Services	Australia	50	50
BIC Contracting LLC (formerly HLG Contracting LLC)	Construction	United Arab Emirates	45	45
Canberra Metro Operations Pty Ltd	Services	Australia	50	50
City West Property Holding Trust (Section 63 Trust)	Development	Australia	-	50
City West Property Holdings Pty Limited	Development	Australia	50	50
City West Property Investment (No.1) Trust	Development	Australia	-	50
City West Property Investment (No.2) Trust	Development	Australia	-	50
City West Property Investment (No.3) Trust	Development	Australia	-	50
City West Property Investment (No.4) Trust	Development	Australia	-	50
City West Property Investment (No.5) Trust	Development	Australia	-	50
City West Property Investment (No.6) Trust	Development	Australia	-	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 Mining Pty Ltd	Contract Mining	Australia	50	50
Erskineville Residential Project Pty Ltd	Construction	Australia	-	50
Great Eastern Highway Upgrade	Construction	Australia	75	75
GSJV Guyana Inc[1]	Contract Mining	Guyana	50	50
GSJV Limited (Barbados)[1]	Contract Mining	Barbados	50	50
Kings Square No.4 Unit Trust	Development	Australia	50	50
Kings Square Pty Ltd	Development	Australia	50	50
Leighton Abigroup Joint Venture[1]	Construction	Australia	50	50
Leighton BMD JV[1]	Construction	Australia	-	50
Leighton Kumagai Joint Venture (Metrorail)[1]	Construction	Australia	55	55
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
Mode Apartments Pty Ltd	Development	Australia	30	30
Mode Apartments Unit Trust	Development	Australia	30	30
Moonee Ponds Pty Ltd	Development	Australia	-	50
Mosaic Apartments Holdings Pty Ltd[1]	Development	Australia	-	50
Mosaic Apartments Pty Ltd[1]	Development	Australia	-	50
Mosaic Apartments Unit Trust	Development	Australia	-	50
Mpeet Pty Limited	Services	Australia	50	50

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

26. JOINT VENTURE ENTITIES CONTINUED

Name of entity	Principal activity	Country	Ownership interest December 2018 %	Ownership interest December 2017 %
Mulba Mia Leighton Broad Joint Venture[1]	Construction	Australia	50	50
Naval Ship Management (Australia) Pty Ltd[2]	Services	Australia	50	50
New Future Alliance (SIHIP)	Construction	Australia	-	80
Ngarda Civil and Mining Pty Limited[1]	Contract Mining	Australia	50	50
Northern Gateway Alliance	Construction	New Zealand	50	50
RTL JV[1]	Contract Mining	Australia	44	44
RTL Mining and Earthworks Pty Ltd[1]	Construction	Australia	44	44
Sedgman Civmec JV[1]	Construction	Australia	50	50
Smartreo Pty Ltd	Construction	Australia	50	50
Southern Gateway Alliance (Mandurah)	Construction	Australia	69	69
Thiess Hochtief Joint Venture[1]	Construction	Australia	50	50
Thiess United Group Joint Venture[1]	Construction	Australia	50	50
Ventia Services Group Pty Limited	Investment	Australia	47	47
Viridian Noosa Pty Ltd[1]	Development	Australia	50	50
Viridian Noosa Trust[1]	Development	Australia	50	50
Wallan Project Pty Ltd[1]	Investment	Australia	30	30
Wallan Project Trust	Investment	Australia	30	30
Wedgewood Road Hallam No. 1 Pty Ltd	Development	Australia	-	50
WSO M7 Stage 3 JV	Construction	Australia	50	50

All joint venture entities have a statutory reporting date of 31 December with the following exceptions as they are aligned with the joint venture partners' reporting date and / or the reporting date is prescribed by local statutory requirements:
[1]*Entities have a 30 June statutory reporting date.*
[2]*Entities have a 31 March statutory reporting date.*

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.

BICC

As described in Note 1: *Summary of significant accounting policies – basis of preparation*, CIMIC's investment in BICC is now held at nil value due to the impact of applying AASB 15 and is therefore no longer material to the Group.

The Group continues to hold a call option to purchase the remaining 55% shareholding in BICC. This option has no current impact on the control of the company. As at 31 December 2018 the fair value of the call option was determined to be US$54.0 million (31 December 2017: US$54.0 million), equivalent to $76.1 million (31 December 2017: $69.2 million). In accordance with AASB 9 the option has been classified as a derivative asset. No gain or loss was recognised in the period.

The Group also holds shareholder loans as outlined in Note 8: *Trade and other receivables.*

CIMIC continues to guarantee the BICC facilities with a secured and drawn amount of US$631.4 million as at 31 December 2018 (equivalent to $889.2 million) compared to US$326.1 million as at 31 December 2017 (equivalent to $418.1 million).

No amounts have been recognised in relation to these facilities at 31 December 2018 or 31 December 2017.

In the opinion of the directors, there are no other individually material joint ventures as at 31 December 2018.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

26. JOINT VENTURE ENTITIES CONTINUED

The Group's share of joint venture entities' results, assets and liabilities are as follows:

	12 months to December 2018 $m	12 months to December 2017 $m
Revenue	2,053.8	2,203.1
Expenses	(1,897.7)	(2,169.4)
Earnings before interest and tax (EBIT)	156.1	33.7
Finance income	0.8	0.4
Finance costs	(93.3)	(70.1)
Net finance income / (costs)	(92.5)	(69.7)
Profit / (loss) before tax	63.6	(36.0)
Income tax (expense) / benefit	(20.6)	(20.0)
Profit / (loss) for the period	43.0	(56.0)

	December 2018 $m	December 2017 $m
Current assets	1,865.4	2,086.2
Non-current assets	1,309.5	1,257.6
Total assets	3,174.9	3,343.8
Current liabilities	1,819.4	1,837.1
Non-current liabilities	1,291.4	1,162.9
Total liabilities	3,110.8	3,000.0
The Group's share of joint venture entities' net assets at reporting date	64.1	343.8

There were no impairments of investments in joint ventures during the reporting period (31 December 2017: $nil).

Refer to Note 1: *Summary of significant accounting policies – basis of preparation* for details on opening balance adjustments made on application of new accounting standards that have an impact on joint venture balances at 1 January 2018.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

27. JOINT OPERATIONS

The Group has the following interest in joint operations:

			Ownership interest	
Name of arrangement	Principal activity	Country	December 2018 %	December 2017 %
Baulderstone Leighton Joint Venture	Construction	Australia	50	50
Casey Fields Joint Venture[1]	Development	Australia	33	33
CH2-UGL JV	Construction	Australia	50	50
China State - Leighton Joint Venture	Construction	Hong Kong	50	50
CHT Joint Venture	Construction	Australia	50	50
CPB & BMD JV	Construction	Australia	50	50
CPB & Bombardier JV	Construction	Australia	50	50
CPB & JHG JV	Construction	Australia	50	50
CPB Black & Veatch Joint Venture[1]	Construction	Australia	50	50
CPB Dragados Samsung Joint Venture	Construction	Australia	40	40
CPB John Holland Dragados Joint Venture	Construction	Australia	50	50
CPB Samsung John Holland Joint Venture	Construction	Australia	33	33
CPB Seymour Whyte JV	Construction	Australia	50	-
CPB Southbase JV	Construction	New Zealand	60	60
Erskineville Residential Project	Development	Australia	-	50
EV LNG Australia Pty Ltd & Thiess Pty Ltd (EVT JV)	Construction	Australia	50	50
Gammon - Leighton Joint Venture	Construction	Hong Kong	50	50
Gateway WA	Construction	Australia	68	68
Henry Road Edenbrook Joint Venture[1]	Development	Australia	30	30
HYLC Joint Venture[1]	Construction	Australia	50	50
JH & CPB & Ghella JV	Construction	Australia	45	45
JHCPB JV	Construction	Australia	50	50
John Holland - Leighton (South East Asia) Joint Venture	Services	Hong Kong	50	50
John Holland Pty Ltd, UGL Engineering Pty Ltd and GHD Pty Ltd Trading as Malabar Alliance	Construction	Australia	50	50
Leighton - China State-Van Oord Joint Venture	Construction	Hong Kong	45	45
Leighton - China State Joint Venture	Construction	Hong Kong	51	51
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 - Chun Wo Joint Venture	Construction	Hong Kong	70	70
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)	Construction	Macau	40	40
Leighton China State Joint Venture (Wynn Resort)	Construction	Macau	50	50
Leighton Contractors Downer Joint Venture[1]	Construction	Australia	50	50
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

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

27. JOINT OPERATIONS CONTINUED

			Ownership interest	
Name of arrangement	Principal activity	Country	December 2018 %	December 2017 %
Leighton John Holland Joint Venture (formerly Leighton John Holland Joint Venture (Thomson Line))	Construction	Singapore	50	50
Leighton M&E – Southa Joint Venture	Construction	Hong Kong	50	50
Leighton Yongnam Joint Venture	Construction	Singapore	70	-
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	67	67
LLECPB Crossing Removal JV	Construction	Australia	50	50
Metropolitan Road Improvement Alliance	Construction	Australia	71	71
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	25	25
NRT - Infrastructure Joint Venture	Construction	Australia	50	50
NRT Systems JV	Services	Australia	40	40
OWP Joint Venture (Optus Wireless JV)	Services	Australia	50	50
Rizzani CPB Joint Venture	Construction	Australia	50	50
Swietelsky CPB Rail 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 Degremont JV	Construction	Australia	65	65
Thiess Degremont Nacap Joint Venture[1]	Construction	Australia	33	33
Thiess John Holland Joint Venture (Airport Link)	Construction	Australia	50	50
Thiess John Holland Joint Venture (Eastlink)	Construction	Australia	50	50
Thiess KMC JV	Contract Mining	Canada	51	51
Thiess Macdow Joint Venture[1]	Construction	Australia	50	50
Thiess Wirlu-Murra Joint Venture	Contract Mining	Australia	50	50
UGL Cape	Services	Australia	50	50
UGL Kentz	Construction	Australia	50	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.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

28. NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of profit / (loss) for the year to net cash from operating activities

	12 months to December 2018 $m	12 months to December 2017 $m
Profit / (loss) for the year	773.8	690.6
Adjustments for:		
- Depreciation of property, plant and equipment	518.4	463.7
- Amortisation of intangibles	40.8	47.6
- Net (gain) / loss on fair value of investments	-	(36.6)
- Net (gain) / loss on sale of assets	(13.8)	(12.9)
- Impairment of intangibles	2.7	8.0
- Foreign exchange (gain) / loss	(3.4)	(0.6)
- Net amounts set aside to provisions	236.1	227.2
- Share of (profits) / losses of associates	(15.5)	(6.1)
- Share based payments	-	(2.5)
Net changes in assets / liabilities:		
- Decrease / (increase) in receivables	(590.7)	(149.7)
- Decrease / (increase) in joint ventures	16.7	180.1
- Decrease / (increase) in inventories	(34.8)	(4.2)
- Increase / (decrease) in payables	777.4	49.6
- Increase / (decrease) in provisions	(234.5)	(247.9)
- Current and deferred income tax movement	235.3	156.1
Net cash from operating activities	1,708.5	1,362.4

b) Reconciliation of liabilities arising from financing activities

	December 2017 $m	Cash flows $m	Non – cash changes $m				December 2018 $m
			Acquisition	Transfer	Amortisation of borrowing costs	Foreign Exchange Movement	
Interest bearing loans	856.8	(427.9)	-	46.6	3.6	43.7	522.8
Interest bearing liabilities – limited recourse loans	46.6	-	-	(46.6)	-	-	-
Total liabilities from financing activities	903.4	(427.9)	-	-	3.6	43.7	522.8

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

29. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES

2018 Acquisitions

Leighton Services UAE Co. LLC

On 1 October 2018, CIMIC through its wholly owned subsidiary LMENA Pty Ltd fully acquired an incorporated company Leighton Services UAE Co. LLC. This company was a 50/50 joint venture between BICC and CIMIC that owns and operates a construction and demolition waste recycling plant, Al Dhafra Recycling Industries LLC (ADRI), under an exclusive concession agreement with Abu Dhabi Centre for Waste Management. The purchase consideration was $22.7 million cash.

The acquisition has been accounted for under AASB 3 Business Combinations.

The contribution by the acquired company to the Group from the acquisition date to the end of the period ended 31 December 2018 was immaterial. Had the acquisition occurred on 1 January 2018, the acquired joint operation's contribution to the Group for the year ended 31 December 2018 would have been immaterial. The business is now reported within the Services segment (refer to Note 31: *Segment information*).

2017 Acquisitions

Bacchus Marsh JV

On 6 July 2017, Townsville City Project Trust acquired an unincorporated joint operation which is a planned residential land development project located in Bacchus Marsh Victoria. Townsville City Project Trust is 50% owned by Leighton Properties Pty Ltd and 50% by Devine Limited, controlled entities of CIMIC Group.

Devine Limited held a 50% interest in the previous unincorporated joint operation. Devine Limited's interest in the joint operation is unchanged via a 50% interest in the acquiring company Townsville City Project Trust but the CIMIC Group interest has increased from 50% to 100% interest in the joint operation. The purchase consideration was $21.3 million cash with deferred consideration of $9.2 million.

The acquisition has been accounted for under AASB 3 Business Combinations.

The contribution by the acquired joint operation to the Group from the acquisition date to the end of the period ended 31 December 2017 was immaterial. Had the acquisition occurred on 1 January 2017, the acquired joint operation's contribution to the Group for the year ended 31 December 2017 would have been immaterial. The business is now reported within the Corporate segment (refer to Note 31: *Segment information*).

Disposals

There were no significant disposals of controlled entities or businesses during the 12 months to 31 December 2018 (31 December 2017: $nil).

30. HELD FOR SALE

Assets and liabilities held for sale include marine fleet of $0.6 million (31 December 2017: $31.2 million), development properties of $0.8 million (31 December 2017: $0.9 million) and plant & equipment of $0.1 million (31 December 2017: $0.1 million) actively marketed for sale.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

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
- Corporate
- Public Private Partnerships (PPPs)
- Engineering
- Commercial & Residential
- BICC

The performance of each segment forms the primary basis for all management reporting to the CODM.

The BICC segment does not meet the size threshold of a reportable segment at 31 December 2018. The 2017 comparatives have been restated to include the results of the BICC segment within the Corporate segment results. Consistent with prior years, PPPs, Engineering and Commercial & Residential segments are also included within the Corporate segment results.

The types of activities from which segments derive revenue, are included in Note 1(a): *Significant accounting policies – revenue recognition*. 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 2018 $m	12 months to December 2017 $m	December 2018 $m	December 2017 $m
Australia Pacific	10,873.2	10,053.8	1,195.9	1,203.5
Asia, Middle East, Americas & Africa	3,797.0	3,375.7	1,301.4	1,277.8
Total	14,670.2	13,429.5	2,497.3	2,481.3

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.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

31. SEGMENT INFORMATION CONTINUED

12 months to December 2018	Construction $m	Mining & Mineral Processing $m	Services $m	Corporate $m	Eliminations $m	Total $m
Revenue						
Segment revenue	7,972.6	4,125.7	3,152.9	2,001.6	-	17,252.8
Inter-segment revenue	-	-	-	-	-	-
Segment associates and joint venture revenue	(7.4)	(158.8)	(476.4)	(1,940.0)	-	(2,582.6)
Revenue	7,965.2	3,966.9	2,676.5	61.6	-	14,670.2
Result						
Segment EBIT	635.2	453.0	162.0	(107.6)	-	1,142.6
Net finance income / (costs)	(9.1)	(22.1)	(2.5)	(34.2)	-	(67.9)
Segment result	626.1	430.9	159.5	(141.8)	-	1,074.7
Income tax (expense) / benefit						(300.9)
Profit / (loss) for the year						773.8
(Profit) / loss for the year attributable to non-controlling interests						6.8
Profit / (loss) for the year attributable to shareholders of the parent entity						780.6
Other						
Share of profit / (loss) of associates and joint venture entities	3.6	16.3	17.1	21.5	-	58.5
Depreciation & amortisation	(149.9)	(374.3)	(30.0)	(5.0)	-	(559.2)
Other material non-cash income / (expenses)	-	-	-	4.2	-	4.2

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

31. SEGMENT INFORMATION CONTINUED

12 months to December 2017	Construction	Mining & Mineral Processing	Services	Corporate	Eliminations	Total
	$m	$m	$m	$m	$m	$m
Revenue						
Segment revenue	7,611.1	3,312.0	2,983.0	2,205.2	(0.6)	16,110.7
Inter-segment revenue	(0.6)	-	-	-	0.6	-
Segment associates and joint venture revenue	(11.4)	(147.6)	(375.8)	(2,146.4)	-	(2,681.2)
Revenue	7,599.1	3,164.4	2,607.2	58.8	-	13,429.5
Result						
Segment EBIT	626.5	352.4	166.0	(142.5)	-	1,002.4
Net finance income / (costs)	(2.8)	(13.6)	(1.2)	(25.6)	-	(43.2)
Segment result	623.7	338.8	164.8	(168.1)	-	959.2
Income tax (expense) / benefit						(268.6)
Profit / (loss) for the year						690.6
(Profit) / loss for the year attributable to non-controlling interests						11.5
Profit / (loss) for the year attributable to shareholders of the parent entity						702.1
Other						
Share of profit / (loss) of associates and joint venture entities	(0.6)	9.7	10.2	(69.2)	-	(49.9)
Depreciation & amortisation	(156.9)	(314.5)	(35.0)	(4.9)	-	(511.3)
Other material non-cash income / (expenses)	-	-	-	30.1	-	30.1

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

32. COMMITMENTS

	December 2018 $m	December 2017 $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	340.9	286.2
- later than one year but not later than five years	618.0	531.8
- later than five years	108.0	179.1
Total	1,066.9	997.1
Representing:		
Cancellable operating leases		
Plant and equipment	6.4	29.8
Property	8.1	16.4
Other	-	0.1
Non-cancellable operating leases		
Plant and equipment		
- within one year	225.4	144.6
- later than one year but not later than five years	361.4	191.0
- later than five years	0.4	-
Property		
- within one year	101.8	113.9
- later than one year but not later than five years	251.5	321.4
- later than five years	106.8	179.1
Other		
- within one year	2.2	0.8
- later than one year but not later than five years	2.1	-
- later than five years	0.8	-
Total operating lease commitments	1,066.9	997.1

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.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

32. COMMITMENTS CONTINUED

Capital commitments

Capital expenditure contracted for at reporting date but not recognised as liabilities is as follows:

	December 2018 $m	December 2017 $m
Property, plant and equipment		
Payable:		
- within one year	157.1	120.1
- later than one year but not later than five years	13.1	13.0
- later than five years	-	-
Total	170.2	133.1
Investments		
Payable:		
- within one year	15.3	15.5
- later than one year but not later than five years	-	-
- later than five years	-	-
Total	15.3	15.5
Share of Joint Ventures' commitments - property, plant and equipment		
Payable:		
- within one year	1.9	7.1
- later than one year but not later than five years	-	-
- later than five years	-	-
Total	1.9	7.1
Share of Associates' commitments - property, plant and equipment		
Payable:		
- within one year	0.3	0.8
- later than one year but not later than five years	-	-
- later than five years	-	-
Total	0.3	0.8

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

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 2018 $m	December 2017 $m
Bank guarantees	2,771.8	2,411.3
Insurance, performance and payment bonds	1,579.3	1,077.5
Letters of credit	129.0	106.9

Included in the table above are amounts where the Group has indemnified bank guarantees and performance and payment bonds in respect of all of the Group's joint ventures and associates in the normal course of business totalling $598.1 million (31 December 2017: $620.9 million).

Other contingencies

i) The Company gives, 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. ASIC has now advised CIMIC that its investigation has concluded and it will take no further action.

The Company has become aware that the UK Serious Fraud Office (SFO) and the US Department of Justice are inquiring into related matters. The SFO has announced it has charged individuals, neither of whom are employees of the Company, and a company, which is not a member of the CIMIC Group, with offences. Those matters will be tried in the UK Crown Court commencing 6 January 2020.

The Company continues to cooperate with the AFP investigation. The Company does not know when the investigation will be concluded.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

33. CONTINGENT LIABILITIES CONTINUED

Other contingencies continued

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 had 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. On 23 July 2017 the plaintiff filed a notice seeking to discontinue the proceeding. The discontinuance is subject to Court approval.

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 reported to the Senate on 28 March 2018.

x) On 20 December 2017, the Company announced to the ASX that it had been made aware of additional proceedings relating to an alleged failure by UGL to disclose its true financial position in the period 8 August – 5 November 2014 (prior to the purchase of UGL by the Company). The Company denies the claim and will defend the proceedings.

xi) During 2018, ASIC brought proceedings against a former CFO of the Company relating to falsification of company records in the 2010/11 financial year. During the proceedings, ASIC stated that there was no misstatement of the accounts of the Company. The Company has not been charged with any offence.

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.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

35. FINANCIAL INSTRUMENTS

a) Classification of financial assets and financial liabilities

Financial assets	12 months to December 2018 $m	12 months to December 2017 $m
Financial assets at amortised cost:		
Cash and cash equivalents	2,141.7	1,813.8
Contract debtors	2,297.1	2,495.9
Trade debtors	167.6	180.7
Amounts receivable from related parties	675.6	1,087.8
Other amounts receivable	672.7	531.2
Available-for-sale financial assets	-	7.3
Financial assets at fair value through profit or loss	105.4	161.9
Derivative financial instruments:		
Used for hedging	13.7	11.5
Held for trading at fair value through profit or loss	76.1	-
Balance at reporting date	6,149.9	6,290.1

Financial liabilities	12 months to December 2018 $m	12 months to December 2017 $m
Financial liabilities at amortised cost:		
Trade and other payables	5,813.4	4,887.2
Interest bearing liabilities	522.8	903.4
Derivative financial instruments:		
Used for hedging	1.0	2.2
Balance at reporting date	6,337.2	5,792.8

The Group's exposure to various risks associated with the financial instruments is discussed in Note 35(b): *Financial risk management – Credit risk*. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset mentioned above.

Where carrying amounts differ from fair value, these amounts are shown in Note 35(c): *Financial instruments – Fair value hierarchy.* All other assets and liabilities in the Group's consolidated statement of financial position approximate fair values.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

35. FINANCIAL INSTRUMENTS CONTINUED

a) Classification of financial asset and financial liabilities continued

The Group's financial instruments resulted in the following income, expenses and gains and losses recognised in the consolidated statement of profit or loss:

Income, expenses and gains and losses recognised in the statement of profit or loss:	12 months to December 2018 $m	12 months to December 2017 $m
Interest from assets held at amortised cost	55.3	71.6
Net fair value gain (loss) on equity investments mandatorily measured at FVPL	6.9	38.1
Total net foreign exchange (losses) recognised in profit before income tax for the period	3.4	3.3

b) Financial risk management

The activities of the Group result in exposure to credit, liquidity and market risk (equity price, foreign currency and interest rate). To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts, are used to hedge certain foreign currency risk exposures. These instruments reduce the uncertainty of foreign currency transactions.

Risk management is predominately controlled by a central treasury department under policies approved by the Board. The central treasury department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. The effective portion of the change in the fair value of the hedging instrument is deferred into the cash flow hedge reserve through OCI and will be recognised in profit or loss when the hedged item affects profit or loss. This will effectively result in recognising non-financial assets at the fixed foreign currency rate for the hedged purchases.

Derivatives used for hedging

The Group has the following derivative financial instruments used for hedging:

	12 months to December 2018 $m	12 months to December 2017 $m
Current and non-current assets		
Forward foreign exchange contracts – cash flow hedges	13.7	11.5
Current and non-current liabilities		
Forward foreign exchange contracts – cash flow hedges	1.0	2.2

The Group's accounting policy for its cash flow hedges is set out in Note 1(f): *Derivative financial instruments*. For hedged forecast transactions that result in the recognition of a non-financial asset, the related hedging gains and losses are included in the initial measurement of the cost of the asset.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

35. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

i) 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.

The ageing of the Group's receivables at the reporting date was: not past due: $400.0 million (31 December 2017: $314.0 million); past due: $261.8 million (31 December 2017: $264.9 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: 5% (31 December 2017: 6%).

Impairment of financial assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In particular, AASB 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk of that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. AASB 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances. The Group has elected to apply this simplified approach, applying the accounting policy set out in Note 1(e)(iii): *Non-derivative financial instruments – impairment*.

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, lease receivables, amounts due from customers, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Low credit risk financial instruments

Some financial instruments are considered low credit risk due to contracts held with certain counterparties, including government organisations with strong capacity to meet contractual cash flow obligations in the near term and not expected to be affected by changes in economic and business conditions.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

35. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

i) Credit risk continued

Measuring movements in credit risk

A summary of the categories used to measure credit risk are as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default, no past due amounts.	12 month expected losses or Lifetime expected losses (simplified approach) where asset life is less than 12 months
Underperforming	Amount is initially past due (unless there is reasonable and supportable information to prove otherwise) or there has been a significant increase in credit risk since initial recognition.	Lifetime expected losses – not credit impaired
Non-performing	Amount is significantly past due (unless there is reasonable and supportable information to prove otherwise) and there is evidence indicating the asset is credit impaired.	Lifetime expected losses – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Asset is written off

The Company considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations. In particular, the following information is taken into account when assessing significant movements in credit risk:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower; and
- macroeconomic information such as market interest rates and growth rates.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

35. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

i) Credit risk continued

Definition of default
The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- if there is a material breach of financial covenants by the counterparty and this is not expected to be remedied in the foreseeable future; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is significantly past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy
The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

35. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

i) Credit risk continued

Credit risk exposure
The information below details the credit quality of the Group's financial assets and other items, as well as the Group's maximum exposure to credit risk by categories.

Contract debtors, trade and other receivables
The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. Other than trade receivables relating to the Gorgon Contract disclosed in Note 8: *Trade and other receivables*, there were no other significant concentrations of credit risk. The Group's maximum exposure to credit risk for receivables at the reporting date by geographic region was: Australia Pacific $1,623.5 million (31 December 2017: $1,262.4 million) and Asia, Middle East, Americas & Africa $2,279.3 million (31 December 2017: $3,044.7 million).

Contract debtors, trade and other receivables are rated performing, assessed under the lifetime ECL simplified method and have a net carrying amount of $3,137.5 million (31 December 2017: $3,207.6 million). The loss allowance recognised is less than 3% of the total balance. Related party receivables and loans to joint ventures and associates excluding BICC are rated performing, assessed under the 12 month ECL and have a carrying amount of $34.9 million (31 December 2017: $41.5 million). The loss allowance recognised is less than 3% of the total balance.

Loans to BICC are rated as non-performing, assessed under lifetime ECL – credit impaired with a net carrying amount of $640.7 million (31 December 2017: $1,046.3 million). The loss allowance is detailed in the following table.

Shareholder loans and interest receivable from BICC are assessed on a collective basis and are considered credit impaired hence the impairment provision is based on lifetime expected credit losses and the effective interest is calculated on the net book value of the shareholder loan.

	12 months to December 2018 $m
At 1 January – calculated under AASB 139	-
Amounts restated through opening retained earnings	487.4
Opening loss allowance as at 1 January 2018 – calculated under AASB 9	487.4
Increase in loss allowance recognised in profit or loss during the period	23.1
Foreign exchange movement	48.1
Receivables written off during the year as uncollectible	-
At 31 December 2018	558.6

The significant loss allowance recognised above is solely for BICC shareholder loans and is recognised due to the status of the business performance. There has been no default during the period and the Group did not obtain financial or non-financial assets as collateral during the period (31 December 2017: $nil). The Group is still entitled to the gross value of the receivable.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

35. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

ii) 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 2018 the Group had undrawn bank facilities of $2,775.0 million (31 December 2017: $2,531.0 million), and undrawn guarantee facilities of $1,089.0 million (31 December 2017: $875.0 million).

Contractual maturities are outlined below however we are not currently aware of any circumstances where the outflows could be significantly different or occur earlier than indicated.

Contractual maturities of financial liabilities and cash flow hedge contracts as at 31 December 2018 are as follows:

December 2018	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	522.8	(618.9)	(77.5)	(541.4)	-
Total interest bearing liabilities	522.8	(618.9)	(77.5)	(541.4)	-
Trade and other payables	5,813.4	(5,813.4)	(5,700.0)	(113.4)	-
Derivative financial liabilities / (assets)					
Forward exchange contracts used for foreign currency hedging:					
Net derivative financial liabilities / (assets)[1]	(7.5)				
Inflow		534.7	533.5	1.0	0.2
Outflow		(527.2)	(526.0)	(1.0)	(0.2)
Other cashflow hedges:					
Net derivative financial (assets)	(5.2)				
Inflow		5.2	5.2	-	-
Outflow		-	-	-	-
Total net derivative financial liabilities / (assets)	(12.7)	12.7	12.7	-	-

[1]Net derivative financial liabilities / (assets) relating to foreign currency hedging includes $8.6 million (31 December 2017: $4.4 million) of derivatives in an asset position and $1.0 million (31 December 2017: $2.2 million) of derivatives in a liability position.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

35. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

ii) Liquidity risk continued

Contractual maturities of financial liabilities and cash flow hedge contracts as at 31 December 2017:

December 2017	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	856.8	(980.8)	(251.8)	(729.0)	-
Finance lease liabilities	-	-	-	-	-
Limited recourse loans	46.6	(47.0)	(47.0)	-	-
Total interest bearing liabilities	903.4	(1,027.8)	(298.8)	(729.0)	-
Trade and other payables	4,887.2	(4,887.2)	(4,735.5)	(151.7)	-
Derivative financial liabilities / (assets)					
Forward exchange contracts used for foreign currency hedging:					
Net derivative financial liabilities / (assets)[1]	(2.2)				
Inflow		128.9	127.4	1.5	-
Outflow		(133.6)	(118.7)	(14.9)	-
Other cashflow hedges:					
Net derivative financial liabilities / (assets)[1]	(7.1)				
Inflow		5.2	5.2	-	-
Outflow		-	-	-	-
Total net derivative financial liabilities / (assets)	(9.3)	0.5	13.9	(13.4)	-

[1]*Net derivative financial liabilities / (assets) relating to foreign currency hedging includes $8.6 million (31 December 2017: $4.4 million) of derivatives in an asset position and $1.0 million (31 December 2017: $2.2 million) of derivatives in a liability position.*

Trade finance arrangements

The Group enters into various factoring agreements with banks and financial institutions to sell its receivables. The factoring of these receivables is done on a non-recourse basis for which the Group may incur a fee in certain instances. The amounts are de-recognised where the risks and rewards of the receivables have been transferred.

The Group also enters into supply chain factoring arrangements with financial institutions for suppliers which may elect to receive early payment for goods and services to improve their liquidity. The terms of the arrangements mirror normal credit terms and do not modify the original liability, therefore the amounts continue to be classified within trade and other payables.

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 2017: $nil), are disclosed in Note 26: *Joint Venture Entities*.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

35. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

iii) 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 (c) 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.

iv) 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 $7.5 million (31 December 2017: $2.0 million). It is expected that the current hedged forecast transactions will occur during the periods outlined in section (b(ii)) 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 US$ exchange rates during or at the end of the relevant reporting period, were as follows:

	Assets and liabilities		Statement of Profit or Loss	
	December 2018	December 2017	12 months to December 2018	12 months to December 2017
US$ United States dollar	0.71	0.78	0.74	0.76

At 31 December 2018, the share of the Group's assets and liabilities denominated in US$ was: assets US$3,298.6 million (31 December 2017: US$4,238.3 million); liabilities US$1,434.4 million (31 December 2017: US$1,795.6 million). The majority of these US$ balances are held in entities with a US$ functional currency.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

35. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

iv) Foreign currency risk continued

Sensitivity analysis

A movement in the US$ against the Australian dollar 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 2017.

	Equity		Statement of Profit or Loss	
	December 2018 $m	December 2017 $m	12 months to December 2018 $m	12 months to December 2017 $m
US$ depreciates by 5% against AU$ (AU$ appreciates)	(125.0)	(144.3)	(3.5)	(2.1)
US$ appreciates by 5% against AU$ (AU$ depreciates)	125.0	144.3	3.2	1.9

v) 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 $12.6 million (31 December 2017: increased by $14.9 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 2018 $m	December 2017 $m
Fixed rate instruments		
Financial liabilities	(445.5)	(506.8)
Total fixed rate instruments	(445.5)	(506.8)
Variable rate instruments		
Financial assets	2,141.7	1,813.8
Financial liabilities	(77.3)	(396.6)
Total variable rate instruments	2,064.4	1,417.2

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

35. FINANCIAL INSTRUMENTS CONTINUED

c) 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 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 2018	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Financial assets at fair value through profit or loss				
- Unlisted	-	-	105.4	105.4
Derivatives				
- Used for hedging	-	13.7	-	13.7
- Held for trading at fair value through profit or loss[1]	-	-	76.1	76.1
Total assets	-	13.7	181.5	195.2
Liabilities				
Derivatives	-	(1.0)	-	(1.0)
Total liabilities	-	(1.0)	-	(1.0)

31 December 2017	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Equity and stapled securities available-for-sale				
- Listed	1.5	-	-	1.5
- Unlisted	-	-	5.8	5.8
Financial assets at fair value through profit or loss				
- Unlisted	-	-	92.7	92.7
- Option to acquire shares[1]	-	-	69.2	69.2
Derivatives	-	11.5	-	11.5
Total assets	1.5	11.5	167.7	180.7
Liabilities				
Derivatives	-	(2.2)	-	(2.2)
Total liabilities	-	(2.2)	-	(2.2)

[1]*Option to acquire shares has been reclassed to derivatives as disclosed in* Note 1*: Significant accounting policies – basis of preparation on transition to AASB 9*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

35. FINANCIAL INSTRUMENTS CONTINUED

c) 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 2018 $m	12 months to December 2017 $m
Unlisted equity and stapled securities available-for-sale		
Balance at beginning of reporting period	7.3	7.3
Transfer to fair value through profit or loss on transition to AASB 9 on 1 January 2018	(7.3)	-
Additions	-	0.8
Disposals	-	(0.8)
Balance at reporting date	-	7.3

	12 months to December 2018 $m	12 months to December 2017 $m
Financial assets at fair value through profit or loss		
Balance at beginning of reporting period	161.9	128.1
Transfer from available-for-sale on transition to AASB 9 on 1 January 2018	7.3	-
Transfer to derivative financial assets on transition to AASB 9 on 1 January 2018	(69.2)	-
Additions	0.1	2.0
Disposals	(1.5)	-
Gains recognised through profit or loss	6.9	37.6
Foreign exchange recognised in other comprehensive income	(0.1)	(5.8)
Balance at reporting date	105.4	161.9

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.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

35. FINANCIAL INSTRUMENTS CONTINUED

c) 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$208.3 million, equivalent to $293.4 million; carrying value US$201.3 million, equivalent to $283.5 million (31 December 2017: fair value US$214.3 million, equivalent to $274.8 million; carrying value US $201.3 million, equivalent to $258.1 million).
- *Unlisted debt*: Guaranteed Senior Notes fair value US$123.9 million, equivalent to $174.6 million; carrying value US$115.0 million, equivalent to $162.0 million (31 December 2017: fair value US$210.5 million, equivalent to $269.9 million; carrying value US$194.0 million, equivalent to $248.7 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.

The carrying amounts of other financial assets and liabilities in the Group's statement of financial position approximate fair values.

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.

Financial assets/ financial liabilities	Significant unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Unlisted investments	Growth rates	2.5% - 3.0%	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
	Internal rate of return	9%	
	Discount rates	10% - 15%	
Option to acquire shares	Expected exercise period	1 – 10 years	
	EBITDA multiple	6 - 12 times	
	Discount rates	15%	

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

35. FINANCIAL INSTRUMENTS CONTINUED

d) Interest bearing loans

Syndicated loans

On 18 September 2017, CIMIC Finance Limited, a wholly owned subsidiary of the Company, refinanced and expanded the core syndicated bank facility for $2,600.0 million, maturing across two tranches on 18 September 2020 and 18 September 2022. Carrying amount at 31 December 2018: $nil (carrying amount at 31 December 2017: $245.0 million). There are $9.4 million of capitalised borrowing costs recognised against the loan facility (31 December 2017: $12.7 million).

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% which matured 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 2018: US$nil (31 December 2017: US$79.0 million) equivalent to $nil (31 December 2017: $101.3 million) as the remaining amount has matured and been paid in the period.

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% which matured 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 2018: US$115.0 million (31 December 2017: US$115.0 million) equivalent to $162.0 million (31 December 2017: $147.4 million), of which none 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 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 2018: US$201.3 million (31 December 2017: US$201.3 million) equivalent to $283.5 million (31 December 2017: $258.1 million).

Bilateral loans

At 31 December 2018, bilateral and other unsecured loan facilities outstanding were $86.7 million (31 December 2017: $112.0 million).

Limited recourse loans

The Group has limited recourse property development loans secured against certain property development assets of the Group and borrowings by subsidiaries secured against the assets of the subsidiaries. Carrying amount as at 31 December 2018: $nil (31 December 2017: $46.6 million).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

35. FINANCIAL INSTRUMENTS CONTINUED

e) Assets pledged as security

The total carrying value of financial assets pledged as security at the reporting date is as follows:

	December 2018 $m	December 2017 $m
Assets pledged as security		
Property development - mortgaged	-	158.9
Other assets - fixed and floating charge	-	78.4
Total pledged assets	-	237.3

Loans relating to development properties were secured by mortgages over the Group's development property inventories. At the reporting date, these loans were no longer secured by mortgages.

f) 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)	Gross amounts of bank accounts with a credit balance (financial liability)	Net cash amount	Amounts subject to master netting arrangements	Net amount
	$m	$m	$m	$m	$m
December 2018					
Cash[1]	84.3	(31.3)	53.0	-	-
December 2017					
Cash[1]	48.6	(4.9)	43.7	-	-

[1]*The Group has transactional banking facilities that notionally pool grouped bank accounts with credit and debit balances.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

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, 2013 and 2014 Awards
At 31 December 2017 the 2012, 2013 and 2014 awards had been fully vested or lapsed. Therefore, there has been no movement recognised in the current year profit or loss or reserves for these schemes which were disclosed in the 2016 and 2017 CIMIC Annual Report as these were fully complete at that date.

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.

At 31 December 2017 the 2012, 2013 and 2014 awards had been fully vested or lapsed. Therefore, there has been no movement recognised in the current year profit or loss or reserves for these schemes which were disclosed in the 2017 CIMIC Annual Report as these were fully complete at that date.

One-Off Awards
One-off awards of Deferred Share Rights were granted under the 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.

At 31 December 2017 the 2012, 2013 and 2014 awards had been fully vested or lapsed. Therefore, there has been no movement recognised in the current year profit or loss or reserves for these schemes which were disclosed in the 2017 CIMIC Annual Report as these were fully complete at that date.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

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 (SARs) to Mr Fernández Verdes subject to a two year vesting period. The SARs 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 SAR is exercised, with a maximum payment per SAR 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 SARs are subject to forfeiture if Mr Fernández Verdes had ceased to be the CEO of CIMIC before 31 December 2014 or if he did not remain a member of either the Executive Board or the Supervisory Board of HOCHTIEF AG for the period up to and including 13 March 2017. The SARs vested in full on 13 March 2016 and are exercisable for three years from the date of vesting. No more than 40% of the SARs can be exercised each year for the first two years after vesting, and any remaining SARs can be exercised in the final year of the exercise period. On 18 October 2016 Mr Valderas was appointed as CEO however Mr Fernández Verdes continues in his capacity as Executive Chairman.

Amount recognised during the reporting period: Gain $1.3 million (31 December 2017: Expense $9.8 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]	$25.26
Original grant	1,200,000
Unexercised rights	
Unexercised rights at 31 December 2016	1,200,000
- Granted	-
- Exercised[2]	(960,000)
- Forfeited/Lapsed	-
Unexercised rights at 31 December 2017	240,000
- Granted	-
- Exercised	-
- Forfeited/Lapsed	-
Unexercised rights at 31 December 2018	240,000
Exercisable rights	
- At 31 December 2017	-
- At 31 December 2018[3]	240,000
Non-exercisable rights	
- At 31 December 2017	240,000
- At 31 December 2018	-

[1] The fair value was re-evaluated on 31 December 2018 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] The closing market share price on 8 February 2017 and 25 July 2017 were $38.85 and $42.03 respectively. Refer to 'Remuneration – Executive Chairman' in the Remuneration Report within the 2017 CIMIC Annual Report.

[3] This represents the remaining vested share appreciation rights which became available to exercise in the final year of the exercise period.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

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. 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.

The performance hurdles were met in full at the test date in October 2017 and as a result 100% of outstanding options vested in November 2017.

In accordance with the terms of the award, the Company determined on 31 October 2017 that all options available to be exercised in the first year (year 1 options) after vesting to 28 October 2018 will be paid in cash in lieu of an allocation of shares. In accordance with AASB 2 Share-based payment, this decision to cash settle is considered a modification of these year 1 options from equity-settled to cash-settled.

On 23 October 2018, the Company determined that all options available to be exercised in years 2 and 3 of the exercise window will be paid in cash in lieu of an allocation of shares. In accordance with AASB 2 Share-based payment, this decision to cash settle is considered a modification of the year 2 and 3 options from equity-settled to cash-settled.

Accordingly, a liability was recognised for cash settlement at each of the dates of modification, with a corresponding adjustment to equity. There was no incremental fair value granted to option holders as a result of this modification.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

36. EMPLOYEE BENEFITS CONTINUED

c) Options continued

Amount recognised during the reporting period: Expense $0.1 million (31 December 2017: Expense $1.0 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	
Unexercised options at 31 December 2016	552,231
- Granted	-
- Exercised[2]	(191,282)
- Lapsed	(49,861)
Unexercised options at 31 December 2017	311,088
- Granted	-
- Exercised[3]	(121,131)
- Lapsed	(11,444)
Unexercised options at 31 December 2018	178,513
Exercisable options	
- At 31 December 2017	9,656
- At 31 December 2018[4]	81,390
Non-exercisable options	
- At 31 December 2017	301,432
- At 31 December 2018[5]	97,123

[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 2017 was $40.99.
[3] The volume weighted average share price during the reporting period to 31 December 2018 was $45.83.
[4] This represents the unexercised vested options in year 2 of the exercise window.
[5] This represents the unexercised vested options available to exercise in the final year of the exercise window.

Other information

No further offers will be made under the Short-Term Incentive Plan (STI) Deferral.

d) Defined contribution superannuation funds

During the period, the Group recognised $205.3 million (31 December 2017: $192.8 million) of defined contribution expenses.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

37. RELATED PARTY DISCLOSURES

a) Key management personnel (KMP)

KMP compensation:

	12 months to December 2018 $'000	12 months to December 2017 $'000
Short-term employee benefits	7,836	8,145
Post-employment benefits	131	93
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	(930)	10,773
Total KMP compensation	7,037	19,011

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 and Principal of Harveys Consulting, both of 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 KMP

There were no loans to KMP in the current or prior reporting period.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

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 2018 $'000	December 2017 $'000
Aggregate amounts receivable from related parties at reporting date		
Associates[1]	13,927	12,261
Joint venture entities[1]	661,663	1,075,520
Aggregate amounts payable to related parties at reporting date		
Associates	(3,389)	(2,124)
Joint venture entities	(16,793)	(25,649)

[1]Refer to Note 8: Trade and other receivables, which contains the disclosure of interest free and interest bearing loan receivables from BICC.

	12 months to December 2018 $'000	12 months to December 2017 $'000
Revenue – income from related parties		
Associates	4,075	3,600
Joint venture entities	7,947	3,224
Revenue - interest received / receivable from related parties		
Associates	1,074	-
Joint venture entities	23,891	34,066
Revenue - unwinding of discounts on non-current receivables - related parties		
Associates	-	-
Joint venture entities	2,808	9,678
Finance costs - impact of discounting - related parties		
Associates	(49)	(197)

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

37. RELATED PARTY DISCLOSURES CONTINUED

b) Transactions with other related parties continued

	December 2018 Number of employees	December 2017 Number of employees
Number of employees		
Number of employees at reporting date[1]	47,000	51,000

[1]*Includes a proportional share of employees of Ventia and BICC.*

c) Company information

CIMIC Group is domiciled in Australia and is a company listed on the ASX. 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: 7 (31 December 2017: 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 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 and alternate director Mr R Seidler were directors of HOCHTIEF Australia Holdings Limited during the period.

CIMIC Directors Messrs Fernández Verdes, del Valle Pérez and López Jiménez were officers of ACS during the period.

At the date of this financial report, being 5 February 2019, HOCHTIEF Australia Holdings Limited held 235,661,965 shares in the Company.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES

a) Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2018 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 2018 is set out below:

	Company	
	12 months to December 2018 $m	12 months to December 2017 $m
Comprehensive income		
Profit / (loss) for the period	(11.9)	22.9
Other comprehensive income	-	-
Total comprehensive income for the period	(11.9)	22.9

	December 2018 $m	December 2017 $m
Statement of Financial Position		
Current assets	68.6	64.9
Non-current assets	4,446.3	4,814.5
Total assets	4,514.9	4,879.4
Current liabilities	30.9	29.1
Non-current liabilities	1,348.4	1,227.7
Total liabilities	1,379.3	1,256.8
Net assets	3,135.6	3,622.6
Equity		
Share capital	1,750.3	1,750.3
Reserves	(91.9)	(87.0)
Retained earnings	1,477.2	1,959.3
Total equity	3,135.6	3,622.6

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities

Name of entity		Interest held	Place of incorporation
512 Wickham Street Pty Ltd	(B)	100%	NSW
512 Wickham Street Trust	(B)	100%	NSW
A.C.N. 126 130 738 PTY LTD	(B)	100%	VIC
A.C.N. 151 868 601 PTY. LTD.	(B)	100%	VIC
Arus Tenang SND BHD		100%	Malaysia
Ashmore Developments Pty Limited	(B)	100%	NSW
Ausindo Holdings Pte Ltd		100%	Singapore
BCJHG Nominees Pty Ltd	(B)	100%	VIC
BCJHG Trust	(B)	100%	VIC
BKP Electrical Limited[3]		100%	Fiji
Boggo Road Project Pty Limited	(B)	100%	QLD
Boggo Road Project Trust	(B)	100%	QLD
Broad Construction Pty Ltd[1]	(B)	100%	QLD
Broad Construction Services (NSW/VIC) Pty Ltd	(B)	100%	WA
Broad Construction Services (WA) Pty Ltd[1]	(B)	100%	WA
Broad Group Holdings Pty Ltd[1]	(B)	100%	WA
CIMIC Admin Services Pty Limited[1]	(B)	100%	NSW
CIMIC Finance (USA) Pty Ltd	(B)	100%	NSW
CIMIC Finance Limited[1]	(B)	100%	NSW
CIMIC Group Investments No. 2 Pty Limited[1]	(B)	100%	VIC
CIMIC Group Investments Pty Limited	(B)	100%	VIC
CIMIC Group Limited[5]	(B)		VIC
CIMIC Residential Investments Pty Ltd	(B)	100%	VIC
CMENA No. 1 Pty Limited	(A)(B)	100%	VIC
CMENA Pty Limited	(A)(B)	100%	VIC
CPB Contractors (PNG) Limited		100%	Papua New Guinea
CPB Contractors Pty Ltd[1]	(B)	100%	NSW
CPB Contractors UGL Engineering Joint Venture	(B)	100%	VIC
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%	QLD

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Devine Homes Pty Ltd		59%	QLD
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	(B)	100%	VIC
EIC Activities Pty Ltd (NZ)		100%	New Zealand
Fleetco Canada Rentals Ltd		100%	Canada
Fleetco Chile SPA		100%	Chile
Fleetco Holdings Pty Limited	(B)	100%	VIC
Fleetco Management Pty Limited	(B)	100%	VIC
Fleetco Rentals 2017 Pty. Limited	(B)	100%	VIC
Fleetco Rentals AN Pty. Limited	(B)	100%	VIC
Fleetco Rentals CT Pty. Limited	(B)	100%	VIC
Fleetco Rentals HD Pty. Limited	(B)	100%	VIC
Fleetco Rentals No. 1 Pty Limited	(B)	100%	VIC
Fleetco Rentals Omega Pty Limited (formerly known as Fleetco Finance Pty Limited)	(B)	100%	VIC
Fleetco Rentals OO Pty. Limited	(B)	100%	VIC
Fleetco Rentals Pty Limited	(B)	100%	VIC
Fleetco Rentals RR Pty. Limited	(B)	100%	VIC
Fleetco Rentals UG Pty. Limited	(B)	100%	VIC
Fleetco Services Pty Limited	(B)	100%	VIC
Giddens Investment Limited		100%	Hong Kong
Hamilton Harbour Developments Pty Ltd		80%	QLD
Hamilton Harbour Unit Trust (Devine Hamilton Unit Trust)		80%	VIC
Hunter Valley Earthmoving Co Pty Ltd	(B)	100%	NSW

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
HWE Cockatoo Pty Ltd	(B)	100%	NT
HWE Mining Pty Limited	(B)	100%	VIC
Inspection Testing & Certification Pty Ltd	(B)	100%	WA
Jarrah Wood Pty Ltd	(B)	100%	WA
JH ServicesCo Pty Ltd	(B)	100%	VIC
JHAS Pty Ltd	(B)	100%	VIC
JHI Investment Pty Ltd	(B)	100%	VIC
Kings Square Developments Pty Ltd	(B)	100%	QLD
Kings Square Developments Unit Trust	(B)	100%	QLD
Legacy JHI Pty Ltd	(B)	100%	VIC
Leighton (PNG) Limited		100%	Papua New Guinea
Leighton Asia (Hong Kong) Holdings (No. 2) Limited		100%	Hong Kong
Leighton Asia Limited		100%	Hong Kong
Leighton Asia Southern Pte. Ltd.		100%	Singapore
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) Sdn Bhd		100%	Malaysia
Leighton Contractors (Philippines), Inc.		40%	Philippines
Leighton Contractors Asia (Cambodia) Co., Ltd		100%	Cambodia
Leighton Contractors Asia (Vietnam) Limited		100%	Vietnam
Leighton Contractors Inc		100%	United States
Leighton Contractors Infrastructure Nominees Pty Ltd	(B)	100%	VIC
Leighton Contractors Infrastructure Pty Ltd	(B)	100%	VIC
Leighton Contractors Infrastructure Trust	(B)	100%	VIC
Leighton Contractors Lanka (Private) Limited		100%	Sri Lanka
Leighton Contractors Pty Ltd	(B)	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 Group Property Services Pty Ltd	(B)	100%	VIC

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Leighton Harbour Trust	(B)	100%	QLD
Leighton Holdings Infrastructure Nominees Pty Ltd	(B)	100%	VIC
Leighton Holdings Infrastructure Pty Ltd	(B)	100%	VIC
Leighton Holdings Infrastructure Trust	(B)	100%	VIC
Leighton India Contractors Private Limited[4]		100%	India
Leighton Infrastructure Investments Pty Limited	(B)	100%	NSW
Leighton International Limited		100%	Cayman Islands
Leighton International Mauritius Holdings Limited No. 4		100%	Mauritius
Leighton Investments Mauritius Limited No. 4		100%	Mauritius
Leighton Joint Venture		100%	Hong Kong
Leighton M&E Limited		100%	Hong Kong
Leighton Middle East & Africa (Holding) Limited		100%	Cayman Islands
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 Portfolio Services Pty Limited	(B)	100%	ACT
Leighton Projects Consulting (Shanghai) Limited		100%	China
Leighton Properties (Brisbane) Pty Limited	(B)	100%	QLD
Leighton Properties (VIC) Pty Ltd[1]	(B)	100%	VIC
Leighton Properties (WA) Pty Limited	(B)	100%	NSW
Leighton Properties Pty Limited[1]	(B)	100%	QLD
Leighton Services UAE Co LLC		100%	United Arab Emirates
Leighton U.S.A. Inc.		100%	United States
Leighton-LNS Joint Venture		80%	Hong Kong
LH Holdings Co Pty Ltd	(B)	100%	VIC
LMENA No. 1 Pty Limited	(B)	100%	VIC
LMENA Pty Limited	(B)	100%	VIC
LNWR Pty Limited	(B)	100%	VIC
LNWR Trust	(B)	100%	NSW
Momentum Trains Finance Pty Limited	(A)(B)	100%	VIC
Moorookyle Devine Pty Ltd		59%	VIC

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
MTCT Services Pty Ltd[1]	(B)	100%	WA
Nexus Point Solutions Pty Ltd	(B)	100%	NSW
Oil Sands Employment Ltd		100%	Canada
Olympic Dam Maintenance Pty Ltd	(B)	100%	SA
Opal Insurance (Singapore) Pte Ltd		100%	Singapore
Optima Activities Pty Ltd	(B)	100%	NSW
Pacific Partnerships Holdings Pty Ltd	(B)	100%	VIC
Pacific Partnerships Investments Pty Ltd	(B)	100%	VIC
Pacific Partnerships Investments Trust	(B)	100%	VIC
Pacific Partnerships Pty Ltd	(B)	100%	VIC
Pacific Partnerships Services NZ Limited		100%	New Zealand
Pioneer Homes Australia Pty Ltd		59%	QLD
PT Leighton Contractors Indonesia		95%	Indonesia
PT Thiess Contractors Indonesia		99%	Indonesia
Pulse Partners Finance Pty Limited	(A)	100%	VIC
RailFleet Maintenance Services Pty Ltd	(B)	100%	NSW
Regional Trading Limited		100%	Hong Kong
Riverstone Rise Gladstone Pty Ltd		59%	QLD
Riverstone Rise Gladstone Unit Trust		59%	QLD
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	(B)	100%	QLD
Sedgman Employment Services Pty Ltd	(B)	100%	QLD
Sedgman Engineering Technology (Beijing) Company Limited		100%	China
Sedgman International Employment Services Pty Ltd	(B)	100%	QLD
Sedgman LLC		100%	Mongolia
Sedgman Malaysia SND BHD		100%	Malaysia
Sedgman Mozambique Limitada		100%	Mozambique
Sedgman Operations Employment Services Pty Ltd	(B)	100%	QLD
Sedgman Operations Pty Ltd	(B)	100%	QLD
Sedgman Pty Ltd	(B)	100%	QLD
Sedgman SAS (Colombia)		100%	Colombia

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Sedgman South Africa (Proprietary) Ltd		100%	South Africa
Sedgman South Africa Holdings (Proprietary) Ltd		100%	South Africa
Sedgman USA Inc	(A)	100%	United States
Silverton Group Pty Ltd	(B)	100%	WA
Sustaining Works Pty Limited	(B)	100%	QLD
Talcliff Pty Ltd		59%	QLD
Tambala Pty Ltd		100%	Mauritius
Telecommunication Infrastructure Pty Ltd	(B)	100%	VIC
Thai Leighton Limited		49%	Thailand
Thiess (Mauritius) Pty Ltd		100%	Mauritius
Thiess Africa Investments (Pty) Ltd		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 Contractors Canada Oil Sands No. 1 Ltd		100%	Canada
Thiess India Pvt Ltd[4]		100%	India
Thiess Infrastructure Nominees Pty Ltd	(B)	100%	VIC
Thiess Infrastructure Pty Ltd	(B)	100%	VIC
Thiess Infrastructure Trust	(B)	100%	VIC
Thiess Khishig Arvin JV LLC		80%	Mongolia
Thiess Minecs India Pvt Ltd[4]		90%	India
Thiess Mining Maintenance Pty Ltd	(B)	100%	QLD
Thiess Mongolia LLC		100%	Mongolia
Thiess Mozambique Limitada		100%	Mozambique
Thiess NZ Limited		100%	New Zealand
Thiess Pty Ltd	(B)	100%	QLD
Thiess South Africa (Pty) Ltd		100%	South Africa
Think Consulting Group Pty Ltd	(B)	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

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Tribune SB Pty Ltd		59%	QLD
Tribune SB Unit Trust		59%	QLD
UGL (Asia) Snd Bhd		100%	Malaysia
UGL (NZ) Limited		100%	New Zealand
UGL (Singapore) Pte Ltd		100%	Singapore
UGL Canada Inc[3]		100%	Canada
UGL Engineering Private Limited		100%	India
UGL Engineering Pty Ltd[1]	(B)	100%	NSW
UGL Operations and Maintenance (Services) Pty Limited[1]	(B)	100%	QLD
UGL Operations and Maintenance Pty Ltd[1]	(B)	100%	VIC
UGL Pty Limited[1]	(B)	100%	WA
UGL Rail (North Queensland) Pty Ltd	(B)	100%	QLD
UGL Rail Fleet Services Pty Limited	(B)	100%	NSW
UGL Rail Pty Ltd	(B)	100%	NSW
UGL Rail Services Pty Limited[1]	(B)	100%	NSW
UGL Resources (Contracting) Pty Ltd	(B)	100%	VIC
UGL Resources (Malaysia) Snd Bhd		100%	Malaysia
UGL Unipart Rail Services Pty Ltd		70%	VIC
UGL Utilities Pty Ltd (Formerly known as Newcastle Engineering Pty Ltd)	(B)	100%	NSW
United Goninan Construction Pty Ltd	(B)	100%	NSW
United Group Infrastructure (NZ) Limited		100%	New Zealand
United Group Infrastructure (Services) Pty Ltd	(B)	100%	NSW
United Group International Pty Ltd	(B)	100%	NSW
United Group Investment Partnership[3]		100%	USA
United Group Melbourne Transport Pty Ltd	(B)	100%	VIC
United Group Water Projects (Victoria) Pty Ltd	(B)	100%	NSW
United Group Water Projects Pty Ltd	(B)	100%	VIC
United KG (No. 1) Pty Ltd	(B)	100%	NSW
United KG (No. 2) Pty Ltd	(B)	100%	VIC
United KG Construction Pty Ltd	(B)	100%	ACT
United KG Engineering Services Pty Ltd	(B)	100%	VIC

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
United KG Maintenance Pty Ltd	(B)	100%	WA
Western Port Highway Trust	(B)	100%	VIC
Wood Buffalo Employment Ltd	(A)	100%	Canada

[1]*These companies have the benefit of ASIC Instrument 2016/785 as at 31 December 2018.*

[2]*These companies are parties to the Deed of Cross Guarantee but do not have the benefit of the ASIC Instrument 2016/785 as at 31 December 2018.*

[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) *Incorporated / established in the 2018 reporting period.*

(B) *Entities included in the tax-consolidated Group.*

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.

c) Acquisition and disposal of controlled entities

Refer to Note 29: *Acquisitions and disposals of controlled entities and businesses* for further details.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

d) Liquidation of controlled entities

The following controlled entities have been liquidated during the period to 31 December 2018 as they are no longer required by the Group in the ordinary course of business:

- Contrelec Engineering Pty Ltd
- Ganu Puri Sdn Bhd
- Intermet Engineering Pty Ltd
- JH AD Holdings Pty Ltd
- JH AD Investments Pty Ltd
- JH AD Operations Pty Ltd
- JH Rail Holdings Pty Ltd
- JH Rail Investments Pty Ltd
- JH Rail Operations Pty Ltd
- Joetel Pty. Limited
- Leighton Investments Mauritius Limited No. 2
- Leighton Investments Mauritius Limited
- LPWRAP Pty Ltd
- Martox Pty. Limited
- Moving Melbourne Together Finance Pty Limited
- Pacific Partnerships Services Pty Limited
- Ruby Equation Sdn Bhd
- Sedgman Consulting Unit Trust
- Thiess NC
- Western Improvement Network Finance Pty Limited
- Yoltax Pty. Limited
- Zelmex Pty. Limited

e) Parent entity commitments and contingent liabilities

Contingent liabilities under indemnities given on behalf of controlled entities in respect of the parent: bank guarantees: $2,699.8 million (31 December 2017: $2,307.1 million); insurance bonds: $1,566.4 million (31 December 2017: $1,060.3 million); letters of credit: $128.9 million (31 December 2017: $102.4 million).

During the reporting period, the parent was released from bank guarantees totalling $nil (31 December 2017: $nil), insurance, performance and payments bonds totalling $nil (31 December 2017: $nil) and letters of credit totalling $nil (31 December 2017: $nil) 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 2017: $nil).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

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 2018. 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 2018 %	December 2017 %	December 2018 %	December 2017 %
CPB Contractors Pty Limited[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 Pty Limited[1]	Services	Australia	100	100	-	-

[1]*CPB Contractors Pty Limited and UGL Pty Limited have the benefit of ASIC Instrument 2016/785 as at 31 December 2018. For further information, refer to section (i).*

Non-controlling interests
There were no material non-controlling interests relating to the Company's material subsidiaries disclosed above as at 31 December 2018. There were no material transactions with non-controlling interests during the period to 31 December 2018.

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 2018 $m	December 2017 $m
Finance lease liabilities	-	-
Total on balance sheet liabilities	-	-
Operating lease commitments	309.4	189.5
Total liabilities due to unconsolidated structured entities	309.4	189.5

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

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: $1,318.1 million (31 December 2017: 1,698.4 million); aggregate amounts payable: $1,347.3 million (31 December 2017: $1,226.5 million); interest received / receivable: $36.1 million (31 December 2017: $37.4 million); interest paid / payable: $24.2 million (31 December 2017: $19.3 million); fees charged: $nil (31 December 2017: $nil); dividends received: $nil (31 December 2017: $nil); fees paid: $118.0 million (31 December 2017: $105.0 million).

i) Deed of Cross Guarantee

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 (ASIC Instrument). The ASIC Instrument applies in relation to a financial year ending on or after 1 January 2017.

Pursuant to the ASIC Instrument the Company and certain wholly owned subsidiaries entered into the Deed of Cross Guarantee dated 19 December 2016 (CIMIC Deed) for the principal purpose of enabling these entities to take advantage of relief from the requirements of the Corporations Act to prepare and lodge a financial report, directors' report and auditor's report (Financial Reporting Relief) available under the ASIC Instrument for financial years ending 31 December 2016 onwards. The effect of the CIMIC Deed is that the Company guarantees to each creditor payment in full of any debt in the event of the winding up of any of the subsidiaries which are party to the CIMIC Deed under certain provisions of the Corporations Act. 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 subsidiaries have given similar guarantees in the event the Company or any other subsidiary party to the CIMIC Deed is wound up.

The following entities lodged with ASIC an Assumption Deed dated 17 December 2018 pursuant to the ASIC Instrument in order to become party to the CIMIC Deed for the purposes of enabling these entities to obtain financial reporting relief under the ASIC Instrument for the financial year ended 31 December 2018:

- MTCT Services Pty Limited (ACN 070 140 251); and
- CIMIC Group Investments No.2 Pty Ltd (ACN 610 264 189).

As at 31 December 2018, the following entities are party to the CIMIC Deed and seek to rely on financial reporting relief in respect of the financial year ended 31 December 2018:

- CIMIC Group Limited (ACN 004 482 982) (as trustee);
- CIMIC Finance Limited (ACN 002 323 373) (as alternative trustee);
- CIMIC Admin Services Pty Limited (ACN 086 383 977);
- CIMIC Group Investments No.2 Pty Ltd (ACN 610 264 189);
- CPB Contractors Pty Limited (ACN 000 893 667);
- Broad Group Holdings Pty Ltd (ACN 052 046 518);
- Broad Construction Services (WA) Pty Ltd (ACN 106 101 893);
- Broad Construction Pty Ltd (ACN 089 532 061);
- Leighton Properties Pty Limited (ACN 009 765 379);
- Leighton Properties (VIC) Pty Limited (ACN 086 206 813);
- MTCT Services Pty Ltd) (ACN 070 140 251)
- UGL Pty Limited (ACN 009 180 287);
- UGL Engineering Pty Ltd (ACN 096 365 972);
- UGL Rail Services Pty Ltd (ACN 000 003 136);
- UGL Operations and Maintenance Pty Ltd (ACN 114 888 201); and
- UGL Operations and Maintenance (Services) Pty Ltd (ACN 010 045 299).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

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 CIMIC Deed, after eliminating all transactions between parties to the CIMIC Deed, at 31 December 2018 is set out below:

Deed of Cross Guarantee	12 months to December 2018 $m	12 months to December 2017 $m
Statement of Profit or Loss		
Profit / (loss) before tax	707.4	678.1
Income tax (expense) / benefit	(167.9)	(194.8)
Profit / (loss) for the period	539.5	483.3
Retained earnings brought forward	4,187.6	4,102.3
Adjustments for entities added/removed and new accounting standards	(159.3)	(2.4)
Dividends paid	(470.2)	(395.6)
Retained earnings at reporting date	4,097.6	4,187.6

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

i) Deed of Cross Guarantee continued

Deed of Cross Guarantee	December 2018 $m	December 2017 $m
Statement of Financial Position		
Assets		
Cash and cash equivalents	1,363.0	1,018.4
Trade and other receivables	2,360.4	2,559.4
Inventories: consumables and development properties	109.2	40.1
Assets held for sale	-	31.2
Total current assets	3,832.6	3,649.1
Trade and other receivables	3,706.8	4,039.7
Investments	1,518.7	1,537.7
Property, plant and equipment	287.0	170.0
Intangibles	613.3	413.7
Total non-current assets	6,125.8	6,161.1
Total assets	9,958.4	9,810.2
Liabilities		
Trade and other payables	4,365.2	3,181.4
Current tax liabilities	8.8	31.0
Provisions	144.3	151.4
Interest bearing liabilities	50.7	219.0
Total current liabilities	4,569.0	3,582.8
Trade and other payables	757.8	746.9
Provisions	36.2	45.7
Interest bearing liabilities	-	232.3
Deferred tax liabilities	249.9	252.2
Total non-current liabilities	1,043.9	1,277.1
Total liabilities	5,612.9	4,859.9
Net assets	4,345.5	4,950.3
Equity		
Share capital	1,750.3	1,750.3
Reserves	(1,502.4)	(987.6)
Retained earnings	4,097.6	4,187.6
Total equity	4,345.5	4,950.3

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

39. NEW ACCOUNTING STANDARDS

AASB 15 Revenue

Had AASB 15 *Revenue from Contracts with Customers* not been applied and the financial statements were still produced under previous guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations, the financial report for the year ended 31 December 2018 would have been impacted as follows:

- the consolidated statement of financial position as at 31 December 2018 would be impacted by adding back $953.3 million of transition adjustments to both net assets and equity. Refer to Note 1: *Summary of significant accounting policies – basis of preparation* for the impact on each balance sheet line item; and
- the impact on all line items reported in the consolidated statement of profit or loss and the consolidated statement of other comprehensive income for the 12 months to 31 December 2018 would not be material. Accordingly there would be no additional material impact on the consolidated statement of financial position as at 31 December 2018 after adding back the transition adjustments noted above.

Standards in issue but not yet effective

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. The Group is required to disclose known or reasonably estimable information relevant to assessing the possible impact that the application of the new accounting standard will have on the Group's financial statements.

The Group's preliminary assessment of the impact of new standards and interpretations is set out below.

a) AASB 16 Leases

AASB 16 replaces AASB 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

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

From a lessee perspective, at the commencement date of a lease, a lessee will recognise a liability to make lease payments ('lease liability') and an asset representing the right to use the underlying asset during the lease term ('right-of-use asset'). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (such as a change in the lease term or lease payments). The amount of the re-measurement of the lease liability is recognised as an adjustment to the right-of-use asset.

The Group plans to adopt AASB 16 using the full retrospective method, with the effect of initially applying this standard recognised at the date of 1 January 2019. As a result, the Group will apply the requirements of AASB 16 to the financial year ended 31 December 2019 and the comparative period presented.

Based on the current assessment, upon adoption of AASB 16 the net cash / debt after leases is expected to include lease liabilities of approximately $900 million as at 31 December 2018.

CIMIC did apply the practical expedient not to reassess whether a contract is, or contains, a lease at the date of initial application. It will apply the definition of a lease requirement only to contracts entered into (or changed) on or after the date of initial application.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2018

39. NEW ACCOUNTING STANDARDS continued

b) Other new accounting standards

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- AASB 2014-10 *Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture;*
- *Annual Improvements to IFRS Standards 2015-2017 Cycle - Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs;*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long term interests in joint ventures and associates; and*
- AASB *Interpretation 23 Uncertainty Over Income Tax Treatments*, AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*.

40. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to reporting date:

- The Group determined a 100% franked dividend of 86 cents per share to be paid on 4 July 2019.
- The Directors approved the financial report on 5 February 2019.

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 132-229, 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 2018 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.

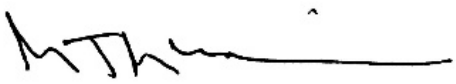
2. There are reasonable grounds to believe that the Company and the controlled entities identified in Note 38 to the financial statements will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Instrument 2016/785.

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 2018.

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 5th day of February 2019.

Signed for and on behalf of the Board in accordance with a resolution of the Directors:



Michael Wright
Chief Executive Officer and Managing Director

Russell Chenu
Chairman Audit and Risk Committee

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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 2018, 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 2018 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 our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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 for the current period. 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.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recognition of construction revenue and recovery of related contract receivables and contract assets including recovery of Gorgon LNG Jetty and Marine Structures Project contract assets **Refer to Note 1(a) 'Revenue recognition', Note 2 'Revenue' and Note 8 'Trade and other receivables'.** As disclosed in Note 1(a), construction revenues are recognised over time as performance obligations are fulfilled over time. 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 and measurement of progress towards satisfaction of performance obligations; • 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 changes in scope and/or price; and • Estimation of project completion date. The Group recognises in contract asset and contract receivables progressive measurement of the value to customers of goods and services transferred and 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 Saipem SA and Saipem Portugal Comercio Maritime LDA ("Saipem") (together "the Consortium"), was announced as the preferred contractor to construct the Gorgon LNG Jetty and Marine 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 2018, contract assets include an amount of $1.15 billion in relation to the Gorgon Contract being revenue CIMIC has recognised in prior reporting periods for which is highly probable that a significant reversal of	Our procedures included, amongst others: • Evaluating management's processes and controls in respect of the recognition of construction revenue. 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. • Visiting a sample of sites 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 contract modifications resulting in 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. • For the contracts selected the following procedures were performed as appropriate, amongst others: - obtaining an understanding of the contract terms and conditions to evaluate whether these were reflected in management's estimate of forecast costs and revenue; - testing a sample of costs incurred to date and agreeing these to supporting documentation; - assessing the measurement of the value to customers of goods and services transferred, and evaluating evidence of such transfer; - assessing the forecast costs to complete through discussion and challenging of project managers and finance personnel; - testing contractual entitlement relating to contract modifications, variations and claims recognised within contract

revenue will not occur in respect of the Gorgon Contract in accordance with the relevant accounting standards.

On 9 February 2016, although negotiations continued, the Consortium formally issued a Notice of Dispute to Chevron pursuant to the relevant provisions of the Gorgon Contract and moved into an arbitration prescribed by the contract.

Since December 2016 the arbitration has continued in accordance with the contractual terms. The Arbitrators have been appointed and have made orders for the conduct of the proceedings and it is anticipated that the hearings will be in 2019 with a determination thereafter.

In order to further pursue its entitlement under the Gorgon Contract, on 20 August 2016 CIMIC announced that it had also commenced proceedings in the United States against Chevron Corporation Inc., KBR Inc. and related companies.

Additionally, there is an arbitration procedure against Saipem pursuant to the Consortium Agreement seeking recovery of outstanding amounts. The arbitration continues in accordance with the contractual processes; arbitrators have been appointed, orders for the conduct of the arbitration have been made, and it is anticipated that hearings will commence in 2020 with a determination thereafter.

We focused on recognition of construction revenue and recovery of related contract assets and contract receivables including recovery of Gorgon LNG Jetty and Marine Structures Project contract assets 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 receivables and contract assets.

revenue to supporting documentation and by reference to the underlying contract;
- evaluating significant exposures to liquidated damages for late delivery of contract works;
- evaluating contract performance in the period since year end to audit opinion date to confirm management's year end revenue recognition judgements; and
- evaluating 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:
  - evaluating the probability and timing of recovery of outstanding amounts by reference to the status of contract negotiations, the status of the arbitration process, the status of legal proceedings and other supporting documentation;
  - enquiring of management and internal legal counsel in respect of the current status of negotiations;
  - enquiring of internal legal counsel of status of proceedings in the United States courts against Chevron Corporation and KBR Inc.;
  - reading documents submitted into the arbitration process and enquiring of management, internal legal counsel and management appointed external legal counsel in respect of the current status of the arbitration process; and
  - assessing the appropriateness of the relevant disclosures in the financial statements.

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Recoverability of loans receivable from BIC Contracting LLC (Formerly Habtoor Leighton Group "HLG")

Refer to Note 26 'Joint Venture Entities – BICC' and Note 8 'Trade and other receivables'.

Included in the Group's consolidated statement of financial position at 31 December 2018 are the loans (including interest) receivable from BICC totalling $641 million.

As disclosed in Note 1, following the adoption of AASB 9: *Financial instruments*, the Group's loans receivable from BICC is $559 million as at 1 January 2018 as a result of moving from an incurred loss to an expected credit loss model.

The recoverability of the loans receivable from BICC as at 31 December 2018 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.

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, as well as the impact of the adoption of AASB 9.

In conjunction with valuation experts, our procedures included, amongst others:

- Assessing in respect of the expected credit loss for calculating impairment the following assumptions:
  - probability of default upon initial recognition of the loans receivable; and
  - significant increases in credit risk, including assessing a risk of default, both as at 1 January 2018 and 31 December 2018.
- Assessing the credit rating and expected credit loss rate used by management to calculate the expected credit loss by:
  - Evaluating the report prepared by a management appointed independent advisory expert to determine a credit rating; and
  - Agreeing the expected credit loss rate to third party rating agency published rates.
- Evaluating the discounted cash flow model developed by management to assess the recoverable amount of the loans receivable and its expected repayment date, including critically assessing the discount rate, the forecast cash flows and capital expenditure, the forecast recoverability of certain legacy contract receivables and contract assets, the terminal growth rate and the foreign currency exchange rates.

We corroborated market related assumptions in respect of discount rate and foreign currency exchange rates by reference to external data.

- Testing on a sample basis the mathematical accuracy of the cash flow models.
- Comparing the BICC prepared business plan to forecasts in the cash flow models.
- Performing sensitivity analysis on a number of assumptions, including the deferral of cash receipts on certain legacy contract receivables and contract assets and on revenue assumptions.
- Assessing the appropriateness of the relevant disclosures in the financial statements.

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Carrying value of construction goodwill

Refer to Note 15 'Intangibles'.

Included in the Group's consolidated statement of financial position at 31 December 2018 is goodwill relating to the Construction segment of $452 million.

Management has assessed the recoverable amount of the goodwill relating to the Construction segment 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 models 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.

We corroborated market related assumptions in respect of the discount rate by reference to external data.

- Testing on a sample basis the mathematical accuracy of the cash flow model
- 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 rate and forecast profitability.
- Assessing the appropriateness of the relevant disclosures in the financial statements.

Other Information

The directors are responsible for the other information within the Company's annual report for the year ended 31 December 2018, but does not include the financial report and our 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.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 has 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's 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.

Deloitte.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 42 to 53 of the Directors' Report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of CIMIC Group Limited, for the year ended 31 December 2018, 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, 5 February 2019

CIMIC

disciplined

Sonoma Coal Project and Operations
Thiess and Sedgman, Queensland, Australia

Through a partnership that has lasted more than a decade, our teams at Thiess and Sedgman have provided expert solutions for our client, QCoal, at the Sonoma Mine in Queensland's Bowen Basin.

Sedgman undertook the engineering design, construction and commissioning of the coal handling and preparation plant and has operated it since commissioning in 2007. The facility produces thermal and metallurgical quality coal products.

At the same site, Thiess provides mining services, including mine planning, drill and blast, overburden removal and coal mining, having commenced operations at the QCoal Northern Hub (which comprises four mines including Sonoma) in 2007.

Throughout the projects, both Thiess and Sedgman have been disciplined in the pursuit of continual improvement for our client.

CIMIC

Shareholdings

The information below is current as at 21 January 2019.

TWENTY LARGEST SHAREHOLDERS

The 20 largest shareholders on the Company's register of members held 93.46% 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	31,842,356	9.82
JP MORGAN NOMINEES AUSTRALIA PTY LIMITED	15,297,604	4.72
CITICORP NOMINEES PTY LIMITED	10,089,044	3.11
NATIONAL NOMINEES LIMITED	3,108,051	0.96
BNP PARIBAS NOMS PTY LTD <DRP>	1,551,289	0.48
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,376,413	0.42
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	831,507	0.26
MILTON CORPORATION LIMITED	791,239	0.24
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	573,302	0.18
GWYNVILL INVESTMENTS PTY LIMITED	427,188	0.13
AMP LIFE LIMITED	344,942	0.11
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	320,132	0.10
GWYNVILL TRADING PTY LIMITED	244,791	0.08
MR JONATHAN LEIGHTON STANLEY ELLIS	138,150	0.04
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	100,071	0.03
BNP PARIBAS NOMS (NZ) LTD <DRP>	92,019	0.03
NATIONAL NOMINEES LIMITED <DB A/C>	90,138	0.03
DAVILIAN INVESTMENTS PTY LTD	85,094	0.03
MRS ELIZABETH APRIESKA <TAP MONEY FAMILY A/C>	74,638	0.02
Total	**303,039,933**	**93.46**
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	24,883	6,291,672	1.94
1,001 – 5,000	4,202	8,556,287	2.64
5,001 – 10,000	398	2,801,170	0.86
10,001 – 100,000	183	3,906,924	1.20
100,001 and over	16	302,698,044	93.35
Total	**29,682**	**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 596 shareholders with less than a marketable parcel (12 shares), based on the closing market price of $44.72 on 21 January 2019.

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.

On 29 October 2018, Atlantia S.p.A. became a substantial holder as reflected in the substantial shareholding notice given to the Company on 6 November 2018.

SHARE RIGHTS

The Company has zero share rights on issue.

OPTIONS

The Company has 178,513 options on issue. The distribution is as follows:

Size of holding	No. of holders	Options
1 – 1,000	-	-
1,001 – 5,000	12	30,827
5,001 – 10,000	8	52,891
10,001 – 100,000	4	94,795
100,001 and over	-	-
Total	**24**	**178,513**

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)
- Online: 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/corporate-governance).

ANNUAL GENERAL MEETING

The 58th 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 11 April 2019. 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/en/contact-us.

Glossary

Term	Description
2Q18	Second quarter of the 2018 Financial Year
3Q18	Third quarter of the 2018 Financial Year
4Q18	Fourth quarter of the 2018 Financial Year
2017 Financial Year or FY17	Financial year ending 31 December 2017
2018 Financial Year or FY18	Financial year ending 31 December 2018
FY19	Financial year ending 31 December 2019
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
Alternate Director	Alternate Director of CIMIC
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)
Atlantia	Atlantia S.p.A.
Australian Accounting Standards	Australian Accounting Standards developed, issued and maintained by the AASB
BIC Contracting or BICC	BIC Contracting LLC (formerly HLG Contracting LLC)
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
CEO and Managing Director	CEO and Managing Director of CIMIC
CFO	Chief Financial Officer of CIMIC
Class 1 Injury / C1I	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
Code of Conduct	CIMIC Group Code of Conduct
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"
CPB Contractors or CPB	CPB Contractors Pty Ltd
Deferred Right	An entitlement to a Share subject to satisfaction of applicable conditions (including service based vesting conditions)
Deputy CEO	Deputy Chief Executive Officer of CIMIC
Deloitte	Deloitte Touche Tohmatsu
Devine	Devine Limited
Director	Director of CIMIC
DJSI	Dow Jones Sustainability Index
DJSI Australia Index	Dow Jones Sustainability Australia Index
Dragados	Is an international contractor established in 1941 and is the construction arm of the ACS Group specialising in major infrastructure projects

Term	Description
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EIC Activities	EIC Activities Pty Ltd
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
Former Director	Former Director of CIMIC
FTSE4Good Index	The FTSE4Good Index measures the performance of companies demonstrating strong environmental, social and governance practices.
FY	Financial year
GIS	Geographic Information Systems capture, store, manipulate, analyse, manage, and present spatial or geographical data
Graduate	A member of the Graduate Program
Graduate Program	CIMIC Group Graduate Program
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
HLG Contracting or HLG	HLG Contracting LLC
HOCHTIEF Australia	HOCHTIEF Australia Holdings Limited, a wholly owned subsidiary of HOCHTIEF AG
HOCHTIEF or HOCHTIEF AG	HOCHTIEF Aktiengesellschaft
Independent Non-executive Director	Independent Non-executive Director of CIMIC
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 Asia	Leighton Asia Limited
Leighton India	Leighton India Contractors Private Limited
Leighton International	A controlled entity of CIMIC that is responsible for the Group's offshore oil and gas business
Leighton Properties	Leighton Properties Pty Limited
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
Non-executive Director	Non-executive Director of CIMIC
Operating Companies	CPB Contractors Pty Limited & Leighton Asia Limited, Leighton India Contractors Private Limited, Leighton Offshore, Thiess Pty Ltd, Sedgman Pty Limited, UGL Pty Limited, Pacific Partnerships Pty Ltd, EIC Activities Pty Ltd and Leighton Properties Pty Limited
Pacific Partnerships or PP	Pacific Partnerships Pty Ltd
PBT	Profit before tax

Term	Description
Performance Right	An entitlement to a Share subject to satisfaction of applicable conditions (including performance based vesting conditions)
Potential Class 1 Injury or PC1	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
Principles	The CIMIC Group Limited Principles of integrity, accountability, innovation underpinned by safety.
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
Special Committee	Any special committee of the Company from time to time
S&P	Standard & Poor's
STI	Short-term incentive
Subsidiary	Subsidiary of the Company as defined in the Corporations Act
SDG	2030 Agenda for Sustainable Development and the Sustainable Development Goals
TFR	Total Fixed Remuneration
Thiess	Thiess Pty Ltd
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
UGL or Services	UGL Pty 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

CIMIC


CIMIC
Trusted experience.
Integrated solutions.
CIMIC GROUP INCLUDES
CPB CONTRACTORS
LEIGHTON
BROAD CONSTRUCTION
THIESS


CPB
SEDGMAN
UGL
PACIFIC
partnerships
EIC
ACTIVITIES

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