



CIMIC Group Limited
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28 February 2024

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CIMIC Group Limited Financial Statements for the 12 month period to 31 December 2023

Please find attached a copy of a media release issued by CIMIC Group Limited, parent company of CIMIC Finance Limited and CIMIC Finance (USA) Pty Limited.

Yours faithfully
CIMIC GROUP LIMITED

Company Secretary

ANNUAL REPORT 2023



Directors' Report

The Directors present their report for the 2023 Financial Year (FY23) in respect of the Company and certain entities it controlled ('the Group' or "CIMIC"). This Directors' report has been prepared in accordance with the requirements of the Corporations Act and is dated 13 February 2024.

DIRECTORS

The directors of the Company at any time during or since the end of the financial year were:

DIRECTORS	
Juan Santamaria Executive Chairman since November 2020, CEO and Managing Director from February 2020 to May 2022.	Russell Chenu Independent Non-executive Director since June 2014.
José-Luis del Valle Pérez Non-executive Director since March 2014.	Pedro López Jiménez Non-executive Director since March 2014.
David P Robinson Non-executive Director since December 1990.	Peter W Sassenfeld Non-executive Director since November 2011.
Kathryn Spargo Independent Non-executive Director since September 2017.	Robert L Seidler AM Non-executive Director appointed 23 October 2023.

COMPANY SECRETARY

Kate Glennon was appointed secretary of the Company on 22 June 2022.

Priti Pasupuleti was appointed secretary of the Company on 20 July 2023.

FORMER PARTNERS OF THE AUDIT FIRM

No person who was an officer of the Company during the 2023 financial year was a director or partner of the Company's external auditor at a time the Company's external auditor conducted the audit.

PRINCIPAL ACTIVITIES

The Group is an engineering-led construction, mining, services and public private partnerships leader working across the lifecycle of assets, infrastructure and resources projects.

REVIEW OF OPERATIONS

The Company reported a profit for the year after tax of \$438.7 million (2022: \$426.2 million). Further information on the Group's operations is included in CIMIC's 2023 Annual Review available at <https://www.cimic.com.au/our-group/financial-information/annual-review-and-sustainability-report>.

CHANGES IN STATE OF AFFAIRS

There was no significant change in the state of affairs of the Company during the financial year.

SUBSEQUENT EVENTS

Refer to Note 39: *Events subsequent to reporting date*.

FUTURE DEVELOPMENTS

The Group will continue to concentrate on the significant opportunities in the engineering-led construction, mining, services and public private partnerships sectors in Australia, and international markets including Asia and North and South America.

DIVIDENDS

A final dividend of 19.0 cents per share in respect of the year ended 31 December 2022 was announced and paid during the year ended 31 December 2023. The interim dividend of 39.0 cents per share was announced and paid during the year ended 31 December 2023.

Directors' Report continued

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 FY23:

- the Company submitted its NGER Scheme report with EY, our NGER Scheme external auditor, providing limited assurance; and
- across the 92.7 million hours worked on projects there were no material breaches of legislation or conditions of approval (i.e., those resulting in prosecution, significant financial penalties or contractual action against the Company, executive officers or individuals). However, there were six breaches (FY22: nine breaches) which involved written warnings from environmental regulators and one fine totalling \$3,400 (FY22: one fine totalling \$2,192) the detail of which is set out in the Sustainability Report available at: www.cimic.com.au/sustainability

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

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Information about the remuneration of key management personnel is included in Note 36(a): *Key management personnel (KMP) and Directors*.

INDEMNITY FOR COMPANY 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 or 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, Company 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.

Directors' Report continued

INDEMNITY FOR COMPANY OFFICERS AND AUDITORS CONTINUED

INSURANCE FOR GROUP OFFICERS

During and since the end of FY23, the Company has paid or agreed to pay premiums in respect of contracts insuring individuals 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.

AUDITOR'S INDEPENDENCE DECLARATION

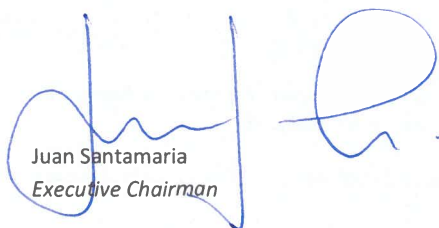
The auditor's independence declaration is included on page 4.

ROUNDING OF AMOUNTS

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.

This Directors' report is signed in accordance with a resolution of the directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors



Juan Santamaria
Executive Chairman

Sydney, 13 February 2024.

The Directors
CIMIC Group Limited
25/177 Pacific Highway
NORTH SYDNEY NSW 2060

13 February 2024

Dear Directors

Auditor's Independence Declaration to CIMIC Group Limited

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

As lead audit partner for the audit of the financial report of CIMIC Group Limited for the year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Jason Thorne
Partner
Chartered Accountants

Financial Report

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Consolidated Statement of Profit or Loss

for the 12 months to 31 December 2023

	Note	12 months to December 2023 \$m	12 months to December 2022 \$m
Revenue	2	13,279.3	11,086.9
Expenses	3	(12,753.0)	(11,088.3)
Finance income	4	78.2	35.2
Finance costs	4	(263.5)	(183.7)
Share of profits of associates and joint ventures	25, 26	153.3	169.0
Other gains	12	-	531.7
Profit before tax		494.3	550.8
Income tax expense	6	(55.6)	(124.6)
Profit for the year		438.7	426.2
(Profit) / loss for the year attributable to non-controlling interests		(3.5)	(0.6)
Profit for the year attributable to shareholders of the parent entity		435.2	425.6
Dividends per share - Final	24	-	19.0¢
Dividends per share - Interim	24	39.0¢	39.0¢

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 2023

	Note	12 months to December 2023 \$m	12 months to December 2022 \$m
Profit for the year attributable to shareholders of the parent entity		435.2	425.6
Other comprehensive income attributable to shareholders of the parent entity:			
<i>Items that may be reclassified to profit or loss:</i>			
- Foreign exchange translation differences	22	3.4	50.4
- Effective portion of changes in fair value of cash flow hedges (net of tax)	22	(36.2)	131.9
<i>Items that will not be reclassified to profit or loss:</i>			
- Fair value gain / (loss) on investments designated as fair value through other comprehensive income (net of tax)	22	7.4	(14.0)
Other comprehensive (loss) / income for the year		(25.4)	168.3
Total comprehensive income for the year attributable to shareholders of the parent entity		409.8	593.9
<i>Total comprehensive income for the year attributable to shareholders of the parent entity:</i>			
Total comprehensive income for the year		413.3	594.5
Total comprehensive income for the year attributable to non-controlling interests		(3.5)	(0.6)
Total comprehensive income for the year attributable to shareholders of the parent entity		409.8	593.9

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 2023

	Note	31 December 2023 \$m	31 December 2022 \$m
Assets			
Cash and cash equivalents	7	2,498.9	2,569.0
Trade and other receivables	8	3,135.8	2,806.5
Current tax assets	9	156.6	154.2
Inventories: consumables and development properties	10	259.0	269.4
Asset held for sale	30	-	44.1
<i>Total current assets</i>		6,050.3	5,843.2
Trade and other receivables	8	339.1	414.1
Inventories: development properties	10	67.3	68.4
Investments accounted for using the equity method	11	1,893.4	1,817.3
Other investments	12	320.1	915.8
Deferred tax assets	13	297.1	234.1
Property, plant and equipment	14	535.4	566.7
Intangibles	15	971.3	941.4
<i>Total non-current assets</i>		4,423.7	4,957.8
Total assets		10,474.0	10,801.0
Liabilities			
Trade and other payables	16	5,007.4	5,203.7
Current tax liabilities	17	24.4	14.1
Provisions	18	294.1	268.9
Financial liability	28	-	33.7
Interest bearing liabilities	19	-	110.1
Lease liabilities	20	82.6	75.3
<i>Total current liabilities</i>		5,408.5	5,705.8
Trade and other payables	16	179.0	216.1
Provisions	18	19.7	18.2
Interest bearing liabilities	19	3,045.0	3,235.2
Lease liabilities	20	154.8	189.3
<i>Total non-current liabilities</i>		3,398.5	3,658.8
Total liabilities		8,807.0	9,364.6
Net assets		1,667.0	1,436.4
Equity			
Share capital	21	1,458.7	1,458.7
Reserves	22	(469.5)	(448.9)
Retained earnings	23	683.2	433.1
<i>Total equity attributable to equity holders of the parent</i>		1,672.4	1,442.9
Non-controlling interests		(5.4)	(6.5)
Total equity		1,667.0	1,436.4

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 2023

	Note	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 2022		1,458.7	(617.2)	241.0	1,082.5	(3.3)	1,079.2
Profit for the year		-	-	425.6	425.6	0.6	426.2
Other comprehensive income		-	168.3	-	168.3	-	168.3
Transactions with shareholders in their capacity as shareholders:							
- Dividends	24	-	-	(233.5)	(233.5)	(3.8)	(237.3)
Total transactions with shareholders		-	-	(233.5)	(233.5)	(3.8)	(237.3)
Total equity at 31 December 2022		1,458.7	(448.9)	433.1	1,442.9	(6.5)	1,436.4
		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 2023		1,458.7	(448.9)	433.1	1,442.9	(6.5)	1,436.4
Profit for the year		-	-	435.2	435.2	3.5	438.7
Other comprehensive loss		-	(25.4)	-	(25.4)	-	(25.4)
Transactions with shareholders in their capacity as shareholders:							
- Dividends	24	-	-	(180.5)	(180.5)	(2.4)	(182.9)
Total transactions with shareholders		-	-	(180.5)	(180.5)	(2.4)	(182.9)
Other equity movements:							
- Transfer of reserve on disposal of investment	22	-	4.6	(4.6)	-	-	-
- Other	22	-	0.2	-	0.2	-	0.2
Total other equity movements		-	4.8	(4.6)	0.2	-	0.2
Total equity at 31 December 2023		1,458.7	(469.5)	683.2	1,672.4	(5.4)	1,667.0

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 2023

	Note	12 months to December 2023 \$m	12 months to December 2022 \$m
Cash flows from operating activities			
Cash receipts in the course of operations (including GST)		13,908.7	11,888.9
Cash payments in the course of operations (including GST)		(13,634.8)	(11,225.3)
Operating cash flow		273.9	663.6
Interest received		80.3	32.0
Finance costs paid		(214.2)	(148.3)
Income taxes paid		(17.9)	(73.1)
Net cash inflow / (outflow) from operating activities	28 (a)	122.1	474.2
Cash flows from investing activities			
Payments for intangibles		(9.9)	(16.0)
Payments for property, plant and equipment		(253.1)	(178.1)
Proceeds from sale of property, plant and equipment		18.0	17.4
Proceeds from sale of investments		682.3	60.9
Cash acquired from acquisition of investments		1.3	0.7
Cash disposed from sale of investments		(1.3)	(14.9)
Dividends from investments		33.6	20.9
Loans to associates and joint ventures		(8.0)	-
Payments for investments		(86.4)	(244.3)
Net cash inflow / (outflow) from investing activities		376.5	(353.4)
Cash flows from financing activities			
Repayment of financial liability	28 (b)	(34.0)	(38.9)
Proceeds from borrowings	28 (b)	2,617.1	2,678.8
Repayment of borrowings	28 (b)	(2,872.6)	(1,815.7)
Repayment of leases	28 (b)	(98.0)	(91.8)
Dividends paid to shareholders of the Company	24	(180.5)	(233.5)
Net cash (outflow) / inflow from financing activities		(568.0)	498.9
Net (decrease) / increase in cash held		(69.4)	619.7
Cash and cash equivalents at the beginning of the period		2,569.0	1,939.7
Effects of exchange rate fluctuations on cash held		(0.7)	9.6
Cash and cash equivalents at reporting date	7	2,498.9	2,569.0

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 2023

1. SUMMARY OF 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 38: *New accounting standards*.

The consolidated financial report was authorised for issue by the Directors on 13 February 2024.

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 and investment properties that have been measured at fair value. These financial statements have been prepared on a going concern basis, after taking into consideration all drawn and undrawn facilities.

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.

Market conditions

The industry continues to experience inflationary pressures as a whole. The Group is managing this exposure through contractual mechanisms, leveraging its existing supply chain, upfront procurement contracts and financial hedging strategies.

In the industries in which we operate we are experiencing a skills shortage which is driving a demand for labour. This demand, when combined with inflationary pressures, is putting upward pressure on wages. The Group continues to monitor remuneration benchmarks and has in place long standing staff retention strategies.

Notwithstanding possible future uncertainties, the outlook across the Group's core markets remains positive with strong levels of work in hand. The Group continues to monitor macro-economic and other risk factors. It considers the possible impacts that these uncertainties may have on liquidity assessments, asset valuation and contract cost forecasts.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

1. SUMMARY OF 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.

CIMIC integrates environmental, social and governance (ESG) factors, and specifically the risks and opportunities of climate change, into its business operations. ESG is integrated into the group governance, strategy, risk management, and the setting of - and measuring against - metrics and targets. The possible impacts of ESG factors have been considered in the financial report. CIMIC is committed to operating sustainably and detailed reporting on its ESG performance and progress is set out in the Group's Sustainability Report available at: www.cimic.com.au/sustainability.

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

- Construction and services 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.

- Determination of control or joint control:

We continually reassess facts and circumstances based on currently available information to consider, under Australian Accounting Standards, if changes are required to previous conclusions regarding control or joint control determinations.

Investment in Thiess

On 31 December 2020 CIMIC and Elliott Advisors (UK) Ltd ("Elliott") entered into an agreement whereby funds advised by Elliott acquired a 50% equity interest in Thiess, with CIMIC retaining the other 50% equity interest. The transaction agreements contemplate future share transfer options including a potential initial public offering or sale to a third party, and an option ("Put Option") for Elliott to sell all or part of its interest in Class A preference shares or ordinary shares in Thiess to CIMIC between three and six years from completion. The Shareholders Agreement also prescribes a minimum distribution to each shareholder of \$180.0 million for the first six years, with Elliott receiving preferential payment. CIMIC provided business warranties and indemnities as part of the transaction which are subject to customary limitations.

Judgement was required in determining that Thiess is a jointly controlled entity of the Group. CIMIC and Elliott are exposed to the variable returns of Thiess. Elliott is exposed to equity risks and rewards while it holds the equity interest including during the period that the Put Option is exercisable. The pricing of the Put Option does not provide Elliott the ability to take advantage of any positive changes in the fair value of Thiess. Any changes in the fair value of the Put Option are recognised in CIMIC's statement of profit or loss.

As CIMIC does not have the ability to direct Thiess' relevant activities, and given Elliott is exposed to variable returns, it is determined that CIMIC and Elliott jointly control Thiess. In the year ended 31 December 2023, the Group continues to account for Thiess as a joint venture.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Accounting estimates and judgements continued

■ Change in tax consolidation group:

As previously reported, upon CIMIC's entry into the HOCHTIEF Australia Holdings Limited tax group on 10 June 2022, the Income Tax Assessment Act 1997 required the tax values of CIMIC Group's assets to be reset in accordance with the tax cost resetting principles. Final submission has now been made to the Australian Tax Office (ATO) in respect of the tax resetting process. The accounting impact of the change in tax group is disclosed in Note 6: *Income tax expense*. The net impact results from a number of offsetting adjustments to reset various tax cost bases predominantly related to financial investments, inventories and property, plant and equipment.

■ Estimation of allowance for expected credit losses:

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: *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Refer to Note 8: *Trade and other receivables* and Note 36: *Related party disclosures*.

■ Leasing:

- Determination of the existence of leases;
- Estimation of residual value guarantees and buy out options of lease liabilities; and
- Estimation of lease extension options, refer to Note 20: *Lease liabilities*.

■ Asset disposals:

- Other assets: determination as to whether the significant risks and rewards of ownership have transferred, refer to Note 1: *Summary of accounting policies*.

■ Estimation of the economic life of property, plant and equipment and intangibles, refer to Note 14: *Property, plant and equipment* and Note 15: *Intangibles*.

■ Asset impairment testing, including assumptions in value in use calculations, refer to Note 15: *Intangibles*.

■ Assessment of measurement and classification of financial instruments including fair values and trade finance arrangements, refer to Note 34: *Financial instruments*.

■ Determination of the fair value of assets and liabilities arising from business combinations.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

New and amended standards adopted by the Company

New and amended standards adopted by the Company

In the current year, the Company has applied a number of new and revised accounting standards and amendments that are mandatorily effective for an accounting period that begins on or after 1 January 2023, as follows:

- AASB 17 *Insurance Contracts*
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*
- AASB 2022-8 *Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments*
- AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules*

The group has adopted the amendments to AASB 112 for the first time in the current year. The IASB amends the scope of AASB 112 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ('OECD'), including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in AASB 112, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

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

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.

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at cost less impairment.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Basis of consolidation continued

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 these entities. 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.

Where a joint venture held by the Group has outstanding cumulative preference shares, which are held by parties other than the Group and are classified as equity by the joint venture, the Group computes its share of profit or loss from the joint venture after adjusting for the dividends on the cumulative preference shares, whether or not the dividends have been declared. 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 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 or other comprehensive income financial assets on a case by case basis.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

a) Revenue recognition

Construction revenue

The Group derives revenue from the long-term construction of major infrastructure projects, including roads, railways, tunnels, airports, buildings, social infrastructure, water, renewable energy, energy transmission and storage, 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 contracts with clients are under various risk appropriate commercial models, including lump sum, cost plus, alliance and incentivised target costs. 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.

Services revenue

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

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

Variable consideration

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

Contract assets and liabilities

AASB 15: *Revenue from Contract with Customers* 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(d): *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.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

a) Revenue recognition continued

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 the associated costs are estimated and included in the total costs of the contracts. Where required, amounts are recognised in accordance with AASB 137: *Provisions, contingent liabilities and contingent assets*.

Loss making contracts

Loss making contracts are recognised in accordance with AASB 137: *Provisions, contingent liabilities and contingent assets* as onerous contracts.

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, lease liability charges and certain exchange differences arising from foreign currency borrowings.

c) Income tax

Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences. The Group forms part of a tax consolidated group of which HOCHTIEF Australia Holdings Limited, the ultimate Australian parent, is the head entity. The head entity recognises all of the current tax assets and liabilities and deferred tax assets in respect of Australian 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 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

d) Non-derivative financial instruments

Non-derivative financial assets

(i) Classification

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

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

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

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Measurement of cash and cash equivalents and 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 on specific dates and through sales. 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 the net gain or loss is presented 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.

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. 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: *Financial Instruments*, 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 34(b): *Financial instruments – Financial risk management*.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

d) Non-derivative financial instruments continued

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.

e) Derivative financial instruments

Derivative financial instruments are stated at fair value, with changes in fair value recognised in the 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.

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

When cross-currency contracts are used to hedge cross-currency risk for both principal and interest for the life of the exposure, the Group typically uses cross currency interest rate swaps to convert long term foreign currency borrowings into AUD to meet the principal and interest obligations under the swaps. The change in the currency basis spread element of the contract that relates to the hedged item is recognised within other comprehensive income in the costs of hedging reserve within equity.

When cross-currency contracts are used to hedge forecast transactions, the Group typically will designate the change in fair value of the cross-currency 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 cross-currency contracts are recognised in the cash flow hedge reserve in equity. The change in the currency basis spread element of the contract that relates to the hedged item is recognised within other comprehensive income in the costs of hedging reserve within equity.

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

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

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

e) Derivative financial instruments continued

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.

Put and call options to acquire assets

Put and call options are accounted for as derivatives in accordance with AASB 9 and are therefore held at fair value through profit and loss in the financial statements each period.

f) 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.

g) 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.

Interest and other expenses attributable to the liabilities associated with assets held for sale continue to be recognised.

h) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. The balance includes right of use assets as discussed in i) *Leases* below.

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.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

i) Leases

The Group as Lessee

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

The Group has a significant lease portfolio, comprising predominately property, plant, mining equipment and fleet vehicle rentals. The Group's operational involvement includes construction and services for which leased equipment is an important component of the business.

Measurement and presentation of lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The following items are also included in the measurement of the lease liability:

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

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

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

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

- the term of the lease has been modified or there has been a change in the Group's assessment of the purchase option being exercised, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; and
- the lease payments are adjusted due to changes in the index or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate. However, if a change in lease payments is due to a change in a floating interest rate, a revised discount rate is used.

Measurement and presentation of right-of-use asset

The right-of-use assets recognised by the Group comprise the initial measurement of the related lease liability, any lease payments made at or before the commencement of the contract, less any lease incentives received and any direct costs. Costs incurred by the Group to dismantle the asset, restore the site or restore the asset are included in the cost of the right-of-use asset.

It is subsequently measured under the cost model with any accumulated depreciation and impairment losses applied against the right-of-use asset. If the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the asset over the shorter period of either the useful life of the asset or the lease term. The depreciation starts at the commencement date of the lease and the carrying value of the asset is adjusted to reflect the accumulated depreciation balance.

Any remeasurement of the lease liability is also applied against the right-of-use asset value.

The right-of-use assets are presented within Property, Plant and Equipment in the statement of financial position.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

i) Leases continued

The Group as Lessor

The Group enters into lease agreements as a lessor with respect to some property subleases as well as renting equipment to its partners, suppliers and contractors.

The leases entered into by the Group are recognised as either finance or operating leases. If the terms of the lease agreement transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. If this is not the case, then the lease is recognised as an operating lease. The income received from operating leases is recognised on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are included in the carrying amount of the leased asset. Amounts due from lessees under finance leases are recognised as receivables.

j) 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.

k) 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.

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 in acquiring software and licenses that are controlled by the Group that will provide future economic benefits are capitalised to other intangible assets. Costs capitalised include external direct costs of materials and services and directly attributable internal labour.

IT systems are amortised over their estimated useful lives of up to 10 years. IT systems are carried at cost less accumulated amortisation and any impairment losses.

Costs related to access, configuration and customisation of unrestricted use Software as a Service arrangements are recognised as an operating expense.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

l) 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.

m) 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 that 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.

Share-based payment transactions

The Group's ultimate controlling parent entity, Actividades de Construcción y Servicios, SA (ACS), established a Long-Term Incentive Plan for the period 2023 to 2028 (the Plan). ACS granted stock options to CIMIC Executive Board members and certain executives in the CIMIC Group in 2023. The Plan will be settled by ACS using its own equity, and with no obligation by CIMIC to fund the scheme. As such the Plan is considered to be equity settled in accordance with AASB 2: *Share-based Payment*. CIMIC recognises employee expense and a corresponding deemed capital contribution from ACS.

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.

Retention arrangements

Retention arrangements are in place 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.

n) 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.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

o) Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars. The functional currency of the Company is 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 2023

2. REVENUE

	12 months to December 2023 \$m	12 months to December 2022 \$m
Construction revenue	8,990.5	7,535.7
Services revenue	4,174.7	3,396.1
Corporate and investments	114.1	155.1
Total revenue	13,279.3	11,086.9

3. EXPENSES

	Note	12 months to December 2023 \$m	12 months to December 2022 \$m
Materials		(2,931.2)	(2,373.6)
Subcontractors		(4,664.2)	(3,948.5)
Plant costs		(657.8)	(529.2)
Personnel costs		(3,774.2)	(3,089.0)
Depreciation and impairment of property, plant and equipment	14	(284.8)	(298.1)
Amortisation of intangibles	15	(15.4)	(13.4)
Net gain on sale of assets		8.7	3.6
Foreign exchange (loss) / gain		(3.1)	1.2
Lease payments		(118.4)	(123.9)
Design, engineering and technical consulting fees		(60.9)	(40.9)
Other expenses ¹		(251.7)	(676.5)
Total expenses		(12,753.0)	(11,088.3)

¹As previously disclosed, UGL, a wholly owned subsidiary of CIMIC, together with its consortium partners CH2M Hill Companies Limited (CH2M) and General Electric Company, were contracted by JKC Australia LNG Pty Ltd (JKC) to carry out works relating to the construction of a combined cycle power plant for the Ichthys LNG Project in the Northern Territory. In January 2017, the UGL-CH2M JV Consortium terminated their contract with JKC for the design, construction, and commissioning of the combined cycle power plant (CCPP Contract).

On 11 April 2022, CIMIC entered into a conditional, confidential commercial agreement with its consortium partners and JKC resulting in a full and final settlement of all matters in connection with the CCPP Contract (the Settlement). CIMIC paid an amount of \$192.5 million in April 2022 and paid an additional amount of \$300.0 million in March 2023, as its contribution to the Settlement. This was reflected in the interim period ended 30 June 2022.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

4. NET FINANCE INCOME / (COSTS)

	12 months to December 2023 \$m	12 months to December 2022 \$m
Finance income		
Interest and other	78.2	35.2
Total finance income	78.2	35.2
Finance costs		
Debt interest expense	(183.1)	(115.0)
Finance charge for lease liabilities	(11.9)	(13.1)
Facility fees, bonding and other finance costs	(49.2)	(40.7)
Impact of discounting	(19.3)	(14.9)
Total finance costs	(263.5)	(183.7)
Net finance costs	(185.3)	(148.5)

5. AUDITORS' REMUNERATION

	12 months to December 2023 \$'000	12 months to December 2022 \$'000
Deloitte Touche Tohmatsu and related network firms		
Audit or review of financial reports	3,155	3,448
Other services	119	124
Total services	3,274	3,572
Other auditors and their related network firms		
Audit or review of financial reports	26	25
Total services	26	25

The Group may use its auditor, Deloitte Touche Tohmatsu for non-statutory audit related services 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 2023

6. INCOME TAX EXPENSE

	12 months to December 2023 \$m	12 months to December 2022 \$m
Income tax expense recognised in the statement of profit or loss		
Current tax expense	(103.8)	118.8
Deferred tax expense	67.4	(240.7)
(Under) / over provision in prior periods	(19.2)	(2.7)
Total income tax expense in statement of profit or loss	(55.6)	(124.6)
Deferred tax recognised directly in equity		
Revaluation of cash flow and net investment hedges	2.8	(3.9)
Revaluation of investments	3.5	(5.2)
Total deferred tax benefit / (expense) recognised in equity	6.3	(9.1)
Reconciliation of prima facie tax to income tax expense		
Profit before tax	494.3	550.8
Prima facie income tax expense at 30% (31 December 2022: 30%)	(148.3)	(165.2)
The following items have affected income tax expense for the year:		
Movement in provision for taxes on retained earnings of controlled entities	-	13.1
Equity accounted and joint venture income tax differential	46.8	50.8
Overseas income tax differential and foreign exchange	9.3	(27.1)
Financial investments differential	17.2	7.8
Capital benefits recognised	8.9	-
Other ¹	29.7	(1.3)
Current period income tax expense	(36.4)	(121.9)
(Under) / over provision in prior periods	(19.2)	(2.7)
Income tax expense	(55.6)	(124.6)

¹Includes income tax expense from tax losses not recognised of \$68.8 million (31 December 2022: \$61.9 million) and tax consolidation adjustment benefit of \$99.6 million (31 December 2022: \$73.9 million) - refer to Note 1: *Summary of accounting policies - accounting estimates and judgements – Income tax*, and other adjustments of \$1.1 million expense (31 December 2022: \$1.8 million expense).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

7. CASH AND CASH EQUIVALENTS

	December 2023 \$m	December 2022 \$m
Funds on deposit	649.8	859.0
Cash at bank and on hand	1,849.1	1,710.0
Cash and cash equivalents	2,498.9	2,569.0

As at 31 December 2023: \$570.2 million (31 December 2022: \$700.1 million) of cash at bank is restricted. It includes cash subject to certain operational restrictions of \$281.9 million (31 December 2022: \$393.6 million) as well as cash in relation to the sale of receivables of \$288.3 million (31 December 2022: \$306.5 million). The receivables only include certified amounts with the factoring done on a non-recourse basis.

8. TRADE AND OTHER RECEIVABLES

	Note	December 2023 \$m	December 2022 \$m
Contract receivables		380.1	317.5
Contract assets		1,970.6	1,770.1
Retentions and capitalised costs to fulfil contracts		128.4	117.2
Total contract debtors		2,479.1	2,204.8
Trade debtors		210.1	219.6
Other amounts receivable		349.9	363.3
Prepayments		216.2	103.5
Derivative financial assets	34 (c)	28.5	4.2
Amounts receivable from related parties	36 (b)	191.1	325.2
Total trade and other receivables		3,474.9	3,220.6
Current		3,135.8	2,806.5
Non-current		339.1	414.1
Total trade and other receivables		3,474.9	3,220.6

	December 2023 \$m	December 2022 \$m
Additional information on contract debtors		
Total contract debtors - trade and other receivables	2,479.1	2,204.8
Total contract liabilities - trade and other payables	(1,673.0)	(2,142.7)
Net contract debtors	806.1	62.1

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

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.

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was \$1,858.7 million (31 December 2022: \$1,512.2 million). Revenue recognised in the reporting period from performance obligations satisfied or partially satisfied in previous periods was \$44.3 million (31 December 2022: \$13.2 million). Partially satisfied performance obligations continue to incur revenue and costs in the period.

Remaining performance obligations (Work in hand)

Contracts with remaining performance obligations as at 31 December 2023 are set out below.

	December 2023 \$m	December 2022 \$m
Construction	16,397	15,870
Services	10,074	9,631
Corporate and Investments	5,252	4,925
Work in hand ¹	31,723	30,426

¹Includes \$8,591 million (31 December 2022: \$8,124 million) of CIMIC's share of work in hand from joint ventures and associates which are 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 earlier years.

Construction	1-4 years
Services	4-10 years
Corporate and Investments	3-7 years

9. CURRENT TAX ASSETS

The current tax asset of \$156.6 million (31 December 2022: \$154.2 million) represents the amount of income taxes recoverable from the payment of tax in excess of the amounts due to the relevant tax authority.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

10. INVENTORIES

	December 2023 \$m	December 2022 \$m
Property developments		
Cost of acquisition	6.4	6.5
Development expenses capitalised	73.9	67.8
Rates, taxes, finance and other costs capitalised ¹	19.0	19.3
Total property developments	99.3	93.6
Other inventories		
Raw materials and consumables at cost	227.0	244.2
Total raw materials and consumables	227.0	244.2
Total inventories	326.3	337.8
Current	259.0	269.4
Non-current	67.3	68.4
Total inventories	326.3	337.8

¹Finance costs capitalised to property developments during the period were \$1.0 million (31 December 2022: \$1.6 million).

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	December 2023 \$m	December 2022 \$m
Associates	25	262.5	263.2
Joint venture entities	26	1,630.9	1,554.1
Total investments accounted for using the equity method		1,893.4	1,817.3

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

12. OTHER INVESTMENTS

	Note	December 2023 \$m	December 2022 \$m
Financial assets at fair value through profit or loss			
Unlisted investments ¹		291.0	215.8
Total other financial assets at fair value through profit or loss	34 (c)	291.0	215.8
Financial assets at fair value through other comprehensive income			
Listed investments ^{2,3}		5.9	677.0
Total other financial assets at fair value through other comprehensive income	34 (c)	5.9	677.0
Investment property at fair value through profit or loss			
Investment property		23.2	23.0
Total investment property at fair value through profit or loss		23.2	23.0
Current		-	-
Non-current		320.1	915.8
Total other investments		320.1	915.8

¹During the prior year CIMIC subscribed to Class C preference shares in Thiess totalling \$191.3 million. The Class C preference shares provide a coupon return which, when declared by Thiess Group, is ranked above all other equity instruments. The Class C preference shares are considered a long-term interest in Thiess which are not measured using equity method under AASB 128: *Investments in Associates and Joint Ventures* and therefore are accounted for as an equity instrument in accordance with AASB 9: *Financial Instruments*. CIMIC has elected to recognise changes in the value of the Class C preference shares through profit or loss and the coupon, in the form of a dividend, will be recognised as an operating cash flow. In the year ending 31 December 2023, the Company received a dividend from Thiess Class C shares of \$5.0 million (31 December 2022: \$nil).

²During the year CGI3 Pty Limited, a wholly owned subsidiary of CIMIC, sold 100% of its investment in Ventia Services Group Limited ('Ventia') across four tranches. As the investment was accounted for as a financial investment measured at fair value through other comprehensive income prior to disposal, no gain was recognised in the statement of profit or loss in respect of the sale of Ventia for the year ended 31 December 2023.

³During the prior year as CIMIC lost significant influence over its investment in Ventia CIMIC reclassified its investment in Ventia from an associate to a financial investment measured at fair value through other comprehensive income. This resulted in a non-cash one off gain of \$501.7 million which was presented in 'other gains' in the consolidated statement of profit or loss in the year ended 31 December 2022.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

13. DEFERRED TAXES

	December 2023 \$m	December 2022 \$m
Recognised deferred tax assets / (liabilities)		
Deferred tax assets are attributed to the following:		
Contract debtors	102.1	136.5
Property developments	19.4	34.8
Other inventories	3.0	(15.5)
Property, plant and equipment	37.0	20.1
Employee benefits	88.9	80.5
Contract profit differential	(33.9)	(27.4)
Investment revaluations	(14.2)	(10.7)
Joint ventures and associates	-	(64.2)
Foreign exchange	7.2	6.2
Tax losses ¹	44.3	39.2
Other	43.3	34.6
Total deferred taxes	297.1	234.1
Comprising of:		
Deferred tax assets	357.1	364.8
Deferred tax (liabilities)	(60.0)	(130.7)
Net deferred taxes²	297.1	234.1
Unrecognised deferred tax assets		
Deferred tax assets which have not been recognised in respect of tax losses	265.1	209.9

¹31 December 2023 includes \$35.4 million (31 December 2022: \$15.6 million) of carried forward tax losses with no expiry date in respect of an overseas tax jurisdiction that incurred taxable losses. Utilisation of these losses through future taxable profits is supported by forecast performance, with reference to the current levels of work in hand and pipeline. As head of the Australian Tax Consolidated Group, HOCHTIEF Australia Holdings Limited (CIMIC's ultimate Australian parent entity) holds on behalf of CIMIC deferred tax assets of \$175.5 million (31 December 2022: \$259.7 million). These amounts are included within amounts receivable from parent in note 36 (b) and represent tax losses generated by CIMIC and transferred to HOCHTIEF Australia Holdings Limited for utilisation against future taxable income.

²CIMIC has the right to offset deferred tax assets and deferred tax liabilities on a jurisdictional basis and is accordingly presented on a net basis.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land, buildings and improvements \$m	Plant and equipment \$m	Right-of-use land and buildings \$m	Right-of-use plant and equipment \$m	Total property, plant and equipment \$m
At 1 January 2022					
Cost	74.3	1,088.6	490.6	64.3	1,717.8
Accumulated depreciation	(49.5)	(682.0)	(299.0)	(47.7)	(1,078.2)
Net book amount	24.8	406.6	191.6	16.6	639.6
Year ended 31 December 2022					
Opening net book amount	24.8	406.6	191.6	16.6	639.6
Additions	2.1	177.5	47.4	15.6	242.6
Disposals	-	(22.0)	(0.5)	(0.1)	(22.6)
Depreciation	(6.9)	(221.9)	(59.0)	(10.3)	(298.1)
Effects of foreign exchange fluctuations	-	4.8	0.4	-	5.2
Closing net book amount	20.0	345.0	179.9	21.8	566.7
Year ended 31 December 2022					
Cost	74.0	1,090.4	523.5	75.4	1,763.3
Accumulated depreciation and impairment	(54.0)	(745.4)	(343.6)	(53.6)	(1,196.6)
Net book amount	20.0	345.0	179.9	21.8	566.7
Year ended 31 December 2023					
Opening net book amount	20.0	345.0	179.9	21.8	566.7
Additions	1.9	249.1	59.9	14.1	325.0
Divestment of subsidiary and disposals	(0.5)	(56.5)	(14.5)	-	(71.5)
Depreciation	(5.7)	(206.0)	(61.3)	(11.8)	(284.8)
Effects of foreign exchange fluctuations	-	-	-	-	-
Closing net book amount	15.7	331.6	164.0	24.1	535.4
Year ended 31 December 2023					
Cost	72.4	1,022.5	502.5	66.2	1,663.6
Accumulated depreciation and impairment	(56.7)	(690.9)	(338.5)	(42.1)	(1,128.2)
Net book amount	15.7	331.6	164.0	24.1	535.4

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

15. INTANGIBLES

	Goodwill \$m	Other intangibles ¹ \$m	Total intangibles \$m
At 1 January 2022			
Cost or fair value	864.9	381.9	1,246.8
Accumulated amortisation and impairment	(13.6)	(317.8)	(331.4)
Net book amount	851.3	64.1	915.4
Year ended 31 December 2022			
Opening net book amount	851.3	64.1	915.4
Additions / acquisitions	19.0	26.7	45.7
Disposals	-	(0.4)	(0.4)
Amortisation	-	(13.4)	(13.4)
Effects of foreign exchange fluctuations	(6.5)	0.6	(5.9)
Closing net book amount	863.8	77.6	941.4
Year ended 31 December 2022			
Cost or fair value	877.4	395.6	1,273.0
Accumulated amortisation and impairment	(13.6)	(318.0)	(331.6)
Net book amount	863.8	77.6	941.4
Year ended 31 December 2023			
Opening net book amount	863.8	77.6	941.4
Additions / acquisitions	28.8	18.5	47.3
Disposals	-	(0.7)	(0.7)
Amortisation	-	(15.4)	(15.4)
Effects of foreign exchange fluctuations	(1.3)	-	(1.3)
Closing net book amount	891.3	80.0	971.3
Year ended 31 December 2023			
Cost or fair value	904.9	219.2	1,124.1
Accumulated amortisation and impairment	(13.6)	(139.2)	(152.8)
Net book amount	891.3	80.0	971.3

¹Other intangibles include:

- IT software systems of \$30.3 million with a useful life of up to 10 years (31 December 2022: \$25.9 million up to 10 years);
- Customer contracts and other intangibles with useful lives of: 1 to 5 years \$6.6 million (31 December 2022: \$4.8 million); 6 to 15 years \$21.7 million (31 December 2022: \$25.5 million); and indefinite useful lives \$21.4 million (31 December 2022: \$21.4 million).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

15. INTANGIBLES CONTINUED

	December 2023 \$m	December 2022 \$m
Impairment tests for cash generating units containing goodwill		
Goodwill is attributable to cash generating units as follows:		
Construction	420.1	421.4
Services	471.2	442.4
Balance at reporting date	891.3	863.8

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. 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 / cash-generating unit growth:	Economic forecasts, taking into account the Group's participation in each market
Inflation / CPI rates and foreign currency rates:	Economic forecasts
Discount rate:	Risk in the industries and countries in which each unit operates
Growth rate:	Relevant to the market conditions and business plan

	December 2023	
Cash-generating units	Discount rate	Growth rate
Construction	12%	3%
Services	8%	3%

	December 2022	
Cash-generating units	Discount rate	Growth rate
Construction	13%	3%
Services	9%	3%

Sensitivity to changes in assumptions

The recoverable amount of intangible assets exceeds their carrying values at 31 December 2023. Based on information available and market conditions at 31 December 2023, a reasonably foreseeable change in the assumptions made in these assessments would not result in an impairment. Macro-economic factors, such as interest rate movements, inflation and tight labour markets were considered when determining the reasonableness of forecast assumptions. The Group considers that for the carrying value to equal, or exceed, the recoverable amount, there would have to be unreasonable changes to key assumptions. The Group considers the chances of these changes occurring to be unlikely.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

16. TRADE AND OTHER PAYABLES

	Note	December 2023 \$m	December 2022 \$m
Trade creditors and accruals		4,424.8	4,633.0
Other creditors		449.5	502.1
Amounts payable to related parties	36 (b)	297.8	257.1
Trade and other payables	34 (a,b)	5,172.1	5,392.2
Derivative financial liabilities	34 (a,b)	14.3	27.6
Total trade and other payables		5,186.4	5,419.8
Current		5,007.4	5,203.7
Non-current		179.0	216.1
Total trade and other payables		5,186.4	5,419.8

17. CURRENT TAX LIABILITIES

The current tax liability of \$24.4 million (31 December 2022: \$14.1 million) represents the amounts payable in respect of current and prior periods.

18. PROVISIONS

	December 2023 \$m	December 2022 \$m
Employee benefits		
Current	294.1	268.9
Non-current	19.7	18.2
Total provisions	313.8	287.1

Liabilities expected to be settled within 12 months are measured at their nominal value using the remuneration rate expected to apply at the time of settlement. Liabilities which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

19. INTEREST BEARING LIABILITIES

	Note	December 2023 \$m	December 2022 \$m
Current interest bearing loans		-	110.1
Non-current interest bearing loans		3,045.0	3,235.2
Total interest bearing liabilities	34	3,045.0	3,345.3

20. LEASE LIABILITIES

	Note	December 2023 \$m	December 2022 \$m
Current lease liabilities		82.6	75.3
Non-current lease liabilities		154.8	189.3
Total lease liabilities	34	237.4	264.6

Extension options

Certain leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility.

The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options, and where it is reasonably certain, the extension period has been included in the lease liability. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

21. SHARE CAPITAL

	Company	
	December 2023 No. of shares	December 2022 No. of shares
Issued and fully paid share capital		
Balance at beginning of reporting period	311,296,286	311,296,286
Balance at reporting date	311,296,286	311,296,286
	Company	
	12 months to December 2023 \$m	12 months to December 2022 \$m
Share capital		
Balance at beginning of reporting period	1,458.7	1,458.7
Balance at reporting date	1,458.7	1,458.7

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 2023

22. RESERVES

	12 months to December 2023 \$m	12 months to December 2022 \$m
Foreign currency translation reserve		
Balance at beginning of reporting period	245.0	194.6
Included in statement of other comprehensive income	3.4	50.4
Balance at reporting date	248.4	245.0
Hedging reserve		
Balance at beginning of reporting period	125.7	(6.2)
Included in statement of other comprehensive income	(36.2)	131.9
Balance at reporting date	89.5	125.7
Equity reserve		
Balance at beginning of reporting period	(704.3)	(704.3)
Acquisition of non-controlling interests	-	-
Balance at reporting date	(704.3)	(704.3)
Fair value through other comprehensive income reserve		
Balance at beginning of reporting period	(14.0)	-
Included in statement of other comprehensive income	7.4	(14.0)
Transfer to retained earnings on disposal	4.6	-
Balance at reporting date	(2.0)	(14.0)
Share buy-back reserve		
Balance at beginning of reporting period	(130.1)	(130.1)
Premium paid over issue value on share buy-back	-	-
Balance at reporting date	(130.1)	(130.1)
Share based payments reserve		
Balance at beginning of reporting period	28.8	28.8
Included in statement of profit or loss	-	-
Balance at reporting date	28.8	28.8
Other		
Balance at beginning of reporting period	-	-
Included in statement of profit or loss	0.2	-
Balance at reporting date	0.2	-
Total reserves at reporting date	(469.5)	(448.9)

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

22. 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.

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.

Fair value through other comprehensive income reserve

The fair value through other comprehensive income reserve comprises the fair value gains or losses on investments designated as fair value through other comprehensive income.

Share buy-back reserve

The share buy-back reserve represents the excess above issue 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.

Other reserve

The other reserve is used to recognise the capital contribution from ACS in respect of the long-term incentive plan outlined in Note 35: *Employee Benefits*.

23. RETAINED EARNINGS

	Note	12 months to December 2023 \$m	12 months to December 2022 \$m
Closing balance of previous reporting period		433.1	241.0
Profit included in statement of profit or loss		435.2	425.6
Transfer from reserves		(4.6)	-
Dividends paid	24	(180.5)	(233.5)
Balance at reporting date		683.2	433.1

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

24. DIVIDENDS

	Cents per share	\$m
Dividends recognised in the reporting period to 31 December 2023		
Interim 2023 dividend	39.0	121.4
31 December 2022 final dividend	19.0	59.1
Total dividends recognised in reporting period to 31 December 2023		180.5
Dividends recognised in the reporting period to 31 December 2022		
30 June 2022 interim ordinary dividend	39.0	121.4
31 December 2021 final dividend	36.0	112.1
Total dividends recognised in reporting period to 31 December 2022		233.5

25. ASSOCIATES

The Group has the following investments in associates:

Name of entity	Principal activity	Country	Ownership interest	
			December 2023 %	December 2022 %
CM2A Finance Pty Limited ¹	Investment	Australia	38	100
Canberra Metro 2A Holdings Pty Ltd	Investment	Australia	38	-
Canberra Metro Holdings Pty Ltd ²	Construction	Australia	38	38
Canberra Metro Holdings Trust ²	Investment	Australia	30	30
Metro Trains Australia Pty Ltd ²	Services	Australia	20	20
Metro Trains Sydney Pty Ltd ²	Services	Australia	20	20
On Talent Pty Ltd	Recruitment	Australia	30	30
Spark North East Link Holding Pty Limited ²	Investment	Australia	20	20
Spark North East Link Pty Limited ²	Investment	Australia	20	20
Torrens Connect Pty Ltd	Services	Australia	23	23

All associates have a statutory reporting date of 31 December with the following exceptions:

¹During the year ended 31 December 2023 the Group divested a 62% equity interest in its wholly owned subsidiary CM2A Finance Pty Limited.

²Entities have a 30 June statutory reporting date.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

25. ASSOCIATES CONTINUED

The Group's share of associates' results, assets and liabilities are as follows:

	12 months to December 2023 \$m	12 months to December 2022 \$m
Revenue	1,024.8	1,253.1
Expenses	(976.1)	(1,186.2)
Profit before tax	48.7	66.9
Income tax expense	(6.4)	(13.7)
Profit for the period	42.3	53.2
	December 2023 \$m	December 2022 \$m
Current assets	341.3	317.1
Non-current assets	922.2	729.4
Total assets	1,263.5	1,046.5
Current liabilities	244.6	203.4
Non-current liabilities	756.4	579.9
Total liabilities	1,001.0	783.3
Equity accounted associates at reporting date	262.5	263.2

There were no impairments of equity accounted associates during the reporting period (31 December 2022: \$nil).

In the opinion of the directors, there are no individually material associates as at 31 December 2023.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

26. JOINT VENTURE ENTITIES

The Group has the following joint venture entities:

Name of entity	Principal activity	Country	Ownership interest	
			December 2023 %	December 2022 %
Adelaide Metro Operations Pty Ltd	Services	Australia	50	50
Auckland One Rail Limited	Services	New Zealand	50	50
Australian Terminal Operations Management Pty Ltd	Services	Australia	50	50
Canberra Metro Operations Pty Ltd	Services	Australia	50	50
CIP Holdings General Partner Limited ¹	Investment	New Zealand	40	40
Cornerstone Infrastructure Partners Holding LP ¹	Investment	New Zealand	40	40
Glenrowan Solar Holdings Pty Ltd ⁴	Investment	Australia	51	100
GSJV Guyana Inc ¹	Contract Mining	Guyana	50	50
GSJV SCC (formerly GSJV Limited (Barbados)) ¹	Contract Mining	Barbados	50	50
IC Integrity Pty Ltd	Services	Australia	49	49
Kings Square No.4 Unit Trust ¹	Development	Australia	50	50
Kings Square Pty Ltd ¹	Development	Australia	50	50
Leighton Abigroup Joint Venture ¹	Construction	Australia	50	50
Leighton-Infra 13 Joint Venture ²	Construction	India	50	50
Leighton-Ose Joint Venture ²	Construction	India	50	50
Momentum Trains Holding Pty Ltd ¹	Investment	Australia	49	49
Momentum Trains Holding Trust ¹	Investment	Australia	49	49
Mpeet Pty Limited	Services	Australia	50	50
Mulba Mia Leighton Broad Joint Venture ¹	Construction	Australia	50	50
Pulse Partners Agent Pty Ltd ¹	Investment	Australia	49	49
Pulse Partners Holding Pty Ltd ¹	Investment	Australia	49	49
Pulse Partners Holding Trust ¹	Investment	Australia	49	49
Spark NEL DC Workforce Pty Ltd	Construction	Australia	33	33
Thiess Group Holdings Pty Ltd ³	Investment	Australia	50	50
U-Go Mobility Pty Ltd	Services	Australia	50	50
Wallan Project Pty Ltd ¹ (act as trustee of Wallan Project Trust)	Investment	Australia	49	49
Wallan Project Trust ¹	Investment	Australia	49	49
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:

¹Entities have a 30 June statutory reporting date.

²Entities have a 31 March statutory reporting date.

³Thiess Group Holdings Pty Ltd is an intermediate holding company of Thiess Pty Ltd. The principal activity of Thiess Pty Ltd is contract mining.

⁴During the year ended 31 December 2023 the Group divested a 49% equity interest in its wholly owned subsidiary Glenrowan and entered into a joint venture arrangement with the acquirer. Refer to Note 29: Acquisitions and Disposals – Disposals.

	December 2023 \$m	December 2022 \$m
Immaterial joint venture entities	320.3	280.0
Material Joint venture entity	1,310.6	1,274.1
Total joint venture entities	1,630.9	1,554.1

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for the 12 months to 31 December 2023

26. JOINT VENTURE ENTITIES CONTINUED

Immaterial joint ventures

The Group's share of joint venture entities' results, assets and liabilities are as follows:

Individually immaterial joint ventures	12 months to December 2023 \$m	12 months to December 2022 \$m
Summarised profit or loss		
Revenue	538.7	569.8
Expenses	(471.1)	(494.0)
Finance income	6.3	7.0
Finance costs	(49.3)	(53.2)
Profit before tax	24.6	29.6
Income tax expense	(1.0)	(1.5)
Profit for the period	23.6	28.1
Individually immaterial joint ventures	December 2023 \$m	December 2022 \$m
Summarised balance sheet		
Current assets	275.2	218.0
Non-current assets	1,837.2	1,628.0
Total assets	2,112.4	1,846.0
Current liabilities	184.3	90.3
Non-current liabilities	1,607.8	1,475.7
Total liabilities	1,792.1	1,566.0
The Group's share of joint venture entities' net assets at reporting date	320.3	280.0

There were no impairments of investments in joint ventures during the reporting period (31 December 2022: \$nil).

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for the 12 months to 31 December 2023

26. JOINT VENTURE ENTITIES CONTINUED

Material joint venture

The Group holds a 50:50 joint venture in Thiess Group Holdings Pty Ltd with funds advised by Elliott Advisors (UK) Ltd (“Elliott”).

Material joint ventures have been determined by comparing individual investment net book value with the total equity accounted investment carrying value and share of profit, along with consideration of relevant qualitative factors. The table below provides summarised financial information for Thiess Group Holdings Pty Ltd.

The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and, where indicated, the Group’s share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and differences in accounting policies.

Thiess Joint Venture (at 100%)	12 months to December 2023 \$m	12 months to December 2022 \$m
Summarised profit or loss		
Revenue	5,902.6	3,949.5
Other expenses	(4,432.1)	(2,798.5)
Depreciation and amortisation	(828.1)	(618.8)
Share of profit / (loss) of joint venture entities	0.1	(0.1)
Finance income	4.0	1.6
Finance costs	(218.4)	(147.7)
Profit before tax	428.1	386.0
Income tax expense	(112.7)	(105.1)
Profit for the period	315.4	280.9
Non-controlling interest	(2.2)	(3.4)
Profit for the year attributable to members of the parent entity	313.2	277.5
Other comprehensive income	(4.1)	62.8
Total comprehensive income	309.1	340.3
Group’s ownership interest	50%	50%
Group’s total share of:		
Profit for the period ¹	87.4	87.7
Other comprehensive (loss) / income	(1.9)	31.4
Total comprehensive income	85.5	119.1
Dividends received	49.0	89.5

¹The terms of the joint venture partners preferential entitlements to Thiess profits are outlined in Note 1: *Summary of accounting policies – accounting estimates and judgements – Investment in Thiess*. Under accounting standards preferential returns must be attributed first. Accordingly, from the Thiess full year result of \$313.2 million, returns are first attributable to both CIMIC and Elliott’s Class C preference shares (\$22.9 million each), then to Elliott’s minimum distribution (\$180.0 million) and then CIMIC’s profit share for the period is \$87.4 million. The Thiess Shareholders Agreement prescribes a minimum distribution to each shareholder of \$180.0 million per annum for the first six years. CIMIC’s shortfall profit amounts have protective rights and are expected to be recovered through future earnings.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

26. JOINT VENTURE ENTITIES CONTINUED

Material joint venture continued

Thiess Joint Venture (at 100%)	31 December 2023 \$m	31 December 2022 \$m
Summarised balance sheet		
Current assets		
Cash and cash equivalents	277.8	254.8
Other current assets	1,473.9	1,352.4
Total current assets	1,751.7	1,607.2
Non-current assets	5,216.7	5,072.8
Total non-current assets	5,216.7	5,072.8
Current liabilities		
Financial liabilities (excluding trade payables)	403.2	324.6
Other current liabilities	1,057.6	1,046.2
Total current liabilities	1,460.8	1,370.8
Non-current liabilities		
Financial liabilities (excluding trade payables)	2,088.8	1,993.6
Other non-current liabilities	311.1	280.8
Total non-current liabilities	2,399.9	2,274.4
Net assets (100%)	3,107.7	3,034.8
Less: non-controlling interests	(17.1)	(16.9)
Net assets attributable to members of the parent entity	3,090.6	3,017.9
Group's share of net assets	1,310.6	1,274.1

During the prior year CIMIC subscribed to Class C preference shares in Thiess totalling \$191.3 million. The Class C preference shares are considered a long-term interest in Thiess and not measured using equity method under AASB 128: *Investments in Associates and Joint Ventures* and therefore are required to be accounted as an equity instrument in accordance with AASB 9: *Financial Instruments*. In addition to CIMIC's share of the equity accounted profit of \$87.4 million (31 December 2022: \$87.7 million) CIMIC has recognised \$22.9 million (31 December 2022: \$4.9 million) in profit in respect of its Class C preference shares.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

27. JOINT OPERATIONS

The Group has the following interest in joint operations:

Name of arrangement	Principal activity	Country	Ownership interest	
			December 2023 %	December 2022 %
Acciona Construction Australia Pty Ltd & CPB Contractors Pty Ltd	Construction	Australia	50	50
Acciona Infrastructure & CPB Contractors Joint Venture (formerly Leighton Abigroup Consortium (Epping to Thornleigh))	Construction	Australia	50	50
Acciona Construction Australia Pty Ltd & CPB Contractors Pty Limited & Ghella Pty Ltd	Construction	Australia	40	-
AECOM Australia Pty Ltd & BG&E Pty Limited & Georgiou Group Pty Ltd & GHD Pty Ltd & CPB Contractors Pty Limited	Construction	Australia	68	-
Baulderstone Leighton Joint Venture	Construction	Australia	-	50
Bintai - Leighton JV ²	Construction	Singapore	-	49
CH2-UGL JV	Construction	Australia	50	50
CPB & BMD JV	Construction	Australia	50	50
CPB & Bombardier JV	Construction	Australia	-	50
CPB & JHG JV	Construction	Australia	50	50
CPB & United Infrastructure JV	Construction	Australia	75	75
CPB BAM Ghella UGL Joint Venture	Construction	Australia	54	54
CPB Black & Veatch Joint Venture ¹	Construction	Australia	50	50
CPB Contractors & Georgiou Group	Construction	Australia	50	50
CPB Contractors & Spotless Facilities Services	Construction	Australia	50	50
CPB Contractors Pty Limited & DT Infrastructure Pty Ltd	Construction	Australia	67	-
CPB Contractors Pty Limited & DT Infrastructure Pty Ltd (NEWest Alliance)	Construction	Australia	50	-
CPB Contractors Pty Limited & Ghella Pty Ltd Joint Venture	Construction	Australia	75	-
CPB Downer EDI JV	Construction	Australia	67	67
CPB Dragados Samsung Joint Venture	Construction	Australia	40	40
CPB Ghella UGL JV	Construction	Australia	78	78
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	50
CPB Southbase JV	Construction	New Zealand	60	60
First Balfour-Leighton Joint Venture	Construction	Philippines	40	-
Gammon - Leighton Joint Venture	Construction	Hong Kong	50	50
GE Betz Pty Limited & McConnell Dowell Constructors (Aust) Pty Ltd & United Group Infrastructure Pty Ltd	Construction	Australia	50	50
HYLC Joint Venture ¹	Construction	Australia	50	50
IEC Boardwalk JV	Construction	Hong Kong	34	34
JH & CPB & Ghella JV	Construction	Australia	45	45
John Holland and UGL Infrastructure	Construction	Australia	50	50
John Holland Pty Ltd, UGL Engineering Pty Ltd and GHD Pty Ltd trading as Malabar Alliance	Construction	Australia	50	50
Leighton-First Balfour Joint Venture	Construction	Philippines	65	-
Leighton-First Balfour Joint Venture	Construction	Philippines	50	-
Leighton - Able Joint Venture	Construction	Hong Kong	51	51
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 - Chubb E&M Joint Venture	Construction	Hong Kong	50	50
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 - Total Joint Operation	Construction	Indonesia	67	67

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for the 12 months to 31 December 2023

27. JOINT OPERATIONS CONTINUED

Name of arrangement	Principal activity	Country	Ownership interest	
			December 2023 %	December 2022 %
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
Leighton John Holland Joint Venture	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
LLECPB Crossing Removal JV	Construction	Australia	50	50
Manidis Roberts Pty Limited & MWH Australia Pty Ltd & PB Australia Pty Limited & United Group Infrastructure Pty Ltd	Services	Australia	60	60
Metropolitan Road Improvement Alliance	Construction	Australia	71	71
Mitsubishi Electric Australia Pty Ltd & Hyundai Rotem Company & UGL Rail Services Pty Limited	Services	Australia	17	14
Murray & Roberts Marine Malaysia - Leighton Contractors Malaysia Joint Venture ¹	Construction	Malaysia	50	50
NRT - Design & Delivery JV	Construction	Australia	50	50
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
Parsons Brinckerhoff Australia Pty Limited & RPS Manidis Roberts Pty Ltd & Seymour Whyte Constructions Pty Ltd & UGL Engineering Pty Limited	Construction	Australia	33	33
PTA Radio	Services	Australia	44	44
Rizzani CPB Joint Venture	Construction	Australia	50	50
Spark NEL DC JV	Construction	Australia	28	28
UGL Cape	Services	Australia	50	50
UGL Kentz	Construction	Australia	50	50
Veolia Water - Leighton - John Holland Joint Venture	Construction	Hong Kong	24	24
WSP Australia Pty Limited & UGL Engineering Pty Limited	Services	Australia	50	50

All joint operations have a reporting date of 31 December with the following exceptions:

¹Arrangements 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.

²Arrangements have a 31 March 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

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28. NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of profit for the year to net cash from operating activities

	12 months to December 2023 \$m	12 months to December 2022 \$m
Profit for the year	438.7	426.2
Adjustments for:		
- Depreciation of property, plant and equipment	284.8	298.1
- Amortisation of intangibles	15.4	13.4
- Net gain on sale of investments	-	(30.0)
- Net gain on fair value investments ¹	(29.4)	(10.4)
- Net gain on sale of assets	(8.7)	(3.6)
- Foreign exchange loss / (gain)	3.1	(1.2)
- Interest on lease liabilities ²	11.9	13.1
- Net amounts set aside to provisions	216.3	177.8
- Dividends received from investments	(33.6)	(20.9)
- Ventia	-	(501.7)
- CCPP settlement payable	-	300.0
- Share of profits of equity investments	(153.3)	(169.0)
Net changes in assets / liabilities:		
- Increase in receivables	(252.4)	(716.5)
- Decrease in investments, joint ventures and associates	42.6	86.7
- Increase in inventories	11.2	(24.2)
- Increase / (decrease) in payables	(174.7)	494.7
- Decrease in provisions	(190.0)	(171.8)
- Current and deferred income tax movement	(59.8)	313.5
Net cash from operating activities	122.1	474.2

¹Gains recognised through profit or loss includes Thiess Class C preference shares for the year ended 31 December 2023 of \$18.0 million (31 December 2022: \$4.9 million). Refer to Note 26: *Joint venture entities – Material joint venture*.

²Interest on finance leases of \$11.9 million (December 2022: \$13.1 million) is disclosed within repayment of leases in the consolidated statement of cashflows.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

28. NOTES TO THE STATEMENT OF CASH FLOWS CONTINUED

b) Reconciliation of liabilities arising from financing activities

Interest bearing loans and financial liabilities

	December 2022	Cash flows	Amortisation of borrowing costs	Foreign exchange and other movements ¹	December 2023
	\$m	\$m	\$m	\$m	\$m
Interest bearing loans	3,345.3	(255.5)	6.6	(51.4)	3,045.0
Financial liability	33.7	(34.0)	-	0.3	-

¹During the reporting period, the Group disposed of an interest bearing loan as part of the Group's divestment of a 49% equity interest in its wholly owned subsidiary Glenrowan Solar Holdings Pty Limited.

	December 2021	Cash flows	Amortisation of borrowing costs	Foreign exchange and other movements	December 2022
	\$m	\$m	\$m	\$m	\$m
Interest bearing loans	2,442.1	863.1	5.8	34.3	3,345.3
Financial liability	68.9	(38.9)	-	3.7	33.7

Lease liabilities

	December 2022 \$m	Cash flows \$m	Addition / acquisitions \$m	Interest charged \$m	Disposals ² \$m	Other \$m	December 2023 \$m
Lease liabilities	264.6	(98.0)	74.0	11.9	(15.2)	0.1	237.4

²During the reporting period, the Group disposed of lease liabilities as part of the Group's divestment of a 49% equity interest in its wholly owned subsidiary Glenrowan Solar Holdings Pty Limited.

	December 2021 \$m	Cash flows \$m	Addition / acquisitions \$m	Interest charged \$m	Disposals \$m	Other \$m	December 2022 \$m
Lease liabilities	277.2	(91.8)	65.8	13.1	(0.3)	0.6	264.6

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29. ACQUISITIONS AND DISPOSALS

Acquisitions

Skybridge Telecommunications

On 29 November 2023, CIMIC through its wholly owned subsidiary UGL Operations and Maintenance Pty Ltd acquired the telecommunications services of Skybridge. Skybridge is an Australian installation and maintenance contracting company which specialises in the fibre, wireless and satellite telecommunications markets. The acquisition included the transfer of certain customer contracts and Skybridge telecommunications personnel and subcontractor arrangements, as well as equipment, intellectual property, and engineering capabilities. The purchase consideration was \$11.1 million. The acquisition has been accounted for under AASB 3: *Business Combinations*.

The contribution by Skybridge Telecommunications to the Group from either the acquisition date or 1 January 2023 to the end of the period ended 31 December 2023 was immaterial.

Novopro Projects

On 6 July 2023, CIMIC through its wholly owned subsidiary Sedgman Pty Limited acquired 100% of Novopro Projects Inc ('Novopro'). Novopro is a Canadian engineering and metallurgy company that provides services to projects in North America, Europe, Africa and Australia. Their main activity and specialty is project development and operational optimization in mineral processing for lithium projects, as well as potash, salt, magnesium and soda ash. The purchase consideration was \$19.3 million of which \$3.1 million was deferred. The acquisition has been accounted for under AASB 3: *Business Combinations*.

The contribution by Novopro to the Group from either the acquisition date or 1 January 2023 to the end of the period ended 31 December 2023 was immaterial.

Disposals

Glenrowan Solar Farm

During the period the Group divested a 49% equity interest in its wholly owned subsidiary Glenrowan Solar Holdings Pty Limited and its controlled entities ("Glenrowan") and entered into a joint venture arrangement with the acquirer. The sale completed on 22 June 2023.

The terms of the completed sale agreement means that the transaction was accounted for as a disposal of controlled entities in accordance with AASB 10: *Consolidated Financial Statements* ("AASB 10") resulting in the deconsolidation of Glenrowan. The terms of the shareholders agreement require the consent of both shareholders on relevant business activities and both parties are exposed to variable returns, resulting in joint control in accordance with AASB 11: *Joint Arrangements*. Accordingly, the Group has recognised its retained interest in Glenrowan as a joint venture entity on 22 June 2023.

30. HELD FOR SALE

Asset held for sale as at 31 December 2023 is \$nil (31 December 2022: \$44.1 million). During the year, the Group's 15% interest in Wellington Gateway Partnership No.1 Limited and Wellington Gateway General Partner No.1 Limited was transferred from held for sale to financial assets as final terms with the purchaser could not ultimately be agreed. On termination of the sale, disposal within 12 months is no longer considered highly probable.

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31. COMMITMENTS

Capital expenditure contracted for at reporting date but not recognised as liabilities is as follows:

	December 2023 \$m	December 2022 \$m
Property, plant and equipment		
Payable:		
- within one year	107.8	85.4
- later than one year but not later than five years	-	-
- later than five years	-	-
Total	107.8	85.4
Share of Joint Ventures' commitments - property, plant and equipment		
Payable:		
- within one year	14.4	22.0
- later than one year but not later than five years	-	-
- later than five years	-	-
Total	14.4	22.0
Share of Associates' commitments - property, plant and equipment		
Payable:		
- within one year	0.3	1.6
- later than one year but not later than five years	-	0.1
- later than five years	-	-
Total	0.3	1.7

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32. 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 2023 \$m	December 2022 \$m
Bank guarantees	3,858.4	3,457.6
Insurance, performance and payment bonds	1,769.2	1,791.7
Letters of credit	333.4	386.2

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.
- 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. Pursuant to the ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, the Company has entered into approved deeds of cross-guarantee with participating Australian subsidiary companies.
- vi. On 13 February 2012, CIMIC announced that it had reported to the Australian Federal Police ("AFP") a possible breach by the Leighton International business of its Code of Ethics that, if substantiated, may have contravened Australian laws. The matter, has been, and in some cases continues to be, subject to the investigations below:
 - In March 2014, the Australian Securities and Investment Commission ("ASIC") commenced a formal investigation into potential breaches of the Corporations Act relating to a number of matters being investigated by the AFP. In March 2017, ASIC advised CIMIC that its investigation has concluded and it will take no further action.
 - On 22 May 2018, the UK Serious Fraud Office ("SFO") announced it has charged individuals, none of whom are CIMIC employees, and on 26 June 2018 announced it has charged a company, which is not a member of the CIMIC Group. On 19 July 2019 the SFO announced that one individual had pleaded guilty to charges. Following trials in 2020 and 2021 the individuals were convicted on some charges. However, some of those convictions have been overturned on appeal. None of the juries' guilty findings relate to charges involving the CIMIC Group company contracts.
 - On 1 March 2019, CIMIC entered into an investigation agreement with the Department of Justice ("DOJ"). On 30 October 2019 the US DOJ announced that in March 2019 three individuals not employed by CIMIC pleaded guilty to a charge of conspiracy to violate the Foreign Corrupt Practices Act.
 - On 18 November 2020 the AFP advised CIMIC that it had charged an ex-employee with alleged offences relating to foreign bribery and related matters and on 23 February 2021 the AFP announced it had brought an additional charge in relation to foreign bribery. On 11 January 2021 the AFP informed CIMIC that it had charged a second ex-employee with related offences. The AFP has also indicated it may charge a further ex-employee and that its investigations continue. CIMIC does not know when the charges will be heard or the outcome of any investigation.

No CIMIC Group company has been charged.

CIMIC continues to cooperate with all official investigations.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

32. CONTINGENT LIABILITIES CONTINUED

Other contingencies continued

- vii. On 25 August 2020 the Company announced to the ASX that a group of shareholders initiated proceedings on 24 August 2020 relating to the period 7 February 2018 – 22 January 2020 with regards to disclosures about the Company's non-controlling 45% investment in the Middle East as well as the reporting of the Company's cash flows in the context of factoring arrangements. The Company denies there is a proper basis for the claim and is defending the proceedings.
- viii. CIMIC's wholly owned subsidiary, CPB Contractors, and its joint venture partner Hansen Yuncken, in a 50/50 JV, were awarded the design and construction of the new Royal Adelaide Hospital for the South Australian State Government. The project experienced difficulties and delays arising from the complex interdependencies between the State's works and the JV's works and a dispute between the parties arose. An arbitration to settle the dispute between the parties was commenced but has been delayed with hearings due to commence in February 2024 with a decision made thereafter.

33. 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 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, lease facilities and trade finance facilities.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

34. FINANCIAL INSTRUMENTS

a) Classification of financial assets and financial liabilities

	December 2023 \$m	December 2022 \$m
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents	2,498.9	2,569.0
Trade and other receivables ¹	1,131.2	1,225.6
Financial assets at fair value through profit or loss	291.0	215.8
Financial assets at fair value through other comprehensive income	5.9	677.0
Derivative financial instruments:		
Used for hedging	23.1	4.2
Held for trading at fair value through profit or loss	5.4	-
Balance at reporting date	3,955.5	4,691.6

¹Excludes prepayments of \$216.2 million (31 December 2022: \$103.5 million).

	December 2023 \$m	December 2022 \$m
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	5,172.1	5,392.2
Financial liability	-	33.7
Interest bearing liabilities	3,045.0	3,345.3
Lease liabilities	237.4	264.6
Derivative financial instruments:		
Used for hedging	12.7	21.5
Held for trading at fair value through profit or loss	1.6	6.1
Balance at reporting date	8,468.8	9,063.4

The Group's exposure to various risks associated with the financial instruments is discussed in Note 34(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 34(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 2023

34. FINANCIAL INSTRUMENTS CONTINUED

a) Classification of financial assets 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:

	12 months to December 2023 \$m	12 months to December 2022 \$m
Income, expenses and gains and losses recognised in the statement of profit or loss:		
Interest from assets held at amortised cost	78.2	35.2
Net fair value gain on equity investments mandatorily measured at FVPL ¹	29.4	0.2
Loss on de-recognition of financial assets	(11.7)	(6.3)
Net foreign exchange (losses) / gain recognised in profit before income tax for the period	(3.1)	1.2

¹Gains recognised through profit or loss includes Thiess Class C preference shares for the year ended 31 December 2023 of \$18.0 million (31 December 2022: \$4.9 million). Refer to Note 26: *Joint venture entities – Material joint venture*.

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.

Financial risk management is controlled by a central treasury department based on financial 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 written principles for overall risk management cover 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 2023 \$m	12 months to December 2022 \$m
Current and non-current assets		
Forward foreign exchange contracts – cash flow hedges	0.9	4.2
Cross currency interest rate swap - cash flow hedges	22.2	-
Current and non-current liabilities		
Forward foreign exchange contracts – cash flow hedges	12.7	0.4
Cross currency interest rate swap - cash flow hedges	-	21.1

The Group's accounting policy for its cash flow hedges is set out in Note 1(e): *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 2023

34. 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: \$360.8 million not due (31 December 2022: \$308.5 million); \$118.5 million past due (31 December 2022: \$100.8 million). Past due is defined under AASB 9: *Financial Instruments* to mean any amount outstanding for one or more days after the contractual due date. Past due receivables aged greater than 60 days: \$68.7 million or 2.3% (31 December 2022: \$67.2 million or 2.5%).

Impairment of financial assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model. 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 applied this simplified approach, applying the accounting policy set out in Note 1(d)(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 2023

34. 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 2023

34. 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.

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. There were no significant concentrations of credit risk in the current or prior year. The Group's maximum exposure to credit risk for receivables at the reporting date was \$3,230.2 million (31 December 2022: \$3,112.9 million). The split by geography was: Australia Pacific \$1,775.3 million (31 December 2022: \$1,728.1 million) and Asia, Americas & Other Overseas \$1,454.9 million (31 December 2022: \$1,384.8 million).

Contract debtors, trade and other receivables are rated performing, assessed under the lifetime ECL simplified method and have a net carrying amount of \$3,039.1 million (31 December 2022: \$2,787.7 million). The loss allowance recognised is \$nil (31 December 2022: \$nil). Related party receivables and loans to joint ventures and associates are rated performing, assessed under the 12 month ECL and have a carrying amount of \$191.1 million (31 December 2022: \$325.2 million). The loss allowance recognised is \$nil (31 December 2022: \$nil).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

34. 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.

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 2023 are as follows:

31 December 2023	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	3,045.0	(3,202.9)	(60.4)	(2,119.3)	(1,023.2)
Lease liabilities	237.4	(256.9)	(91.5)	(156.9)	(8.5)
Total interest bearing liabilities	3,282.4	(3,459.8)	(151.9)	(2,276.2)	(1,031.7)
Trade and other payables	5,172.1	(5,172.1)	(4,997.6)	(174.5)	-
Derivative financial liabilities / (assets)					
<i>Forward exchange contracts used for foreign currency hedging:</i>					
Net derivative financial liabilities / (assets) ¹	11.8				
Inflow		203.9	150.7	53.2	-
Outflow		(215.7)	(158.0)	(57.7)	-
<i>Cross currency interest rate swap:</i>					
Net derivative financial liabilities / (assets)	(22.2)				
Inflow		1,098.7	15.1	60.4	1,023.2
Outflow		(1,173.6)	(34.6)	(138.4)	(1,000.6)
Total net derivative financial liabilities / (assets)	(10.4)	(86.7)	(26.8)	(82.5)	22.6

¹Net derivative financial liabilities / (assets) relating to foreign currency hedging includes \$0.9 million of derivatives in an asset position and \$12.7 million of derivatives in a liability position.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

34. 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 2022:

31 December 2022	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	3,345.3	(3,607.1)	(159.0)	(2,413.1)	(1,035.0)
Lease liabilities	264.6	(302.5)	(85.1)	(177.8)	(39.6)
Total interest bearing liabilities	3,609.9	(3,909.6)	(244.1)	(2,590.9)	(1,074.6)
Financial liability	33.7	(33.7)	(33.7)	-	-
Trade and other payables	5,392.2	(5,392.2)	(5,203.2)	(189.0)	-
Derivative financial liabilities / (assets)					
<i>Forward exchange contracts used for foreign currency hedging:</i>					
Net derivative financial liabilities / (assets) ¹	(3.8)				
Inflow		465.2	459.8	5.4	-
Outflow		(461.4)	(456.1)	(5.3)	-
<i>Cross currency interest rate swap:</i>					
Net derivative financial liabilities / (assets)	21.1				
Inflow		1,086.5	14.7	59.0	1,012.8
Outflow		(1,208.2)	(34.6)	(138.4)	(1,035.2)
Total net derivative financial liabilities / (assets)	17.3	(117.9)	(16.2)	(79.3)	(22.4)

¹Net derivative financial liabilities / (assets) relating to foreign currency hedging includes \$4.2 million of derivatives in an asset position and \$0.4 million of derivatives in a liability position.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

34. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

ii) Liquidity risk continued

Trade finance arrangements

The Group enters into factoring agreements with banks and financial institutions. These agreements only relate to certified receivables, on a non-recourse basis, acknowledged by the client with payment only being subject to the passage of time. Under the factoring agreements:

- the certified receivables are de-recognised where the risks and rewards of the receivables have been transferred, as the cash flow is only derived when there are goods or services provided or work performed by the Group for which it is entitled to be paid;
- the cash flow to the Group only arises when there is an amount certified by the client and contractually due to be paid to the Group; there are no disputes on the amounts due and the customer has acknowledged this by way of certification; and
- the receipt by the Group irrevocably removes the Group's right to the certified receivable due from the customers.

The factoring of these receivables is therefore done on a non-recourse basis. The level of non-recourse factoring across the Group was \$481.9 million as at 31 December 2023 (31 December 2022: \$528.4 million).

The Group does not consider there to be a concentration of credit risk from a financial institution.

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.

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.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

34. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

iv) Foreign currency risk continued

Cash flow hedges

Forward exchange contracts

The Group's forward exchange contracts protect against foreign exchange rate fluctuations on highly probable forecast transactions. As at reporting date the fair value of these outstanding designated derivatives recognised in equity is \$11.8 million (31 December 2022: \$3.8 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.

Cross currency interest rate swap

On 20 May 2021 and 2 June 2021, CIMIC Finance Pty Limited issued a total of EUR625.0 million of 8-Year Fixed-Rate corporate bonds in the Euro Medium Term Note market.

The notes bear interest from 28 May 2021 at the rate of 1.5% per annum and mature on 28 May 2029. Interest on the notes is paid annually on the 28th day of May in each year. Carrying amount at 31 December 2023: EUR625.0 million, equivalent to \$1,008.1 million (31 December 2022: EUR625.0 million, equivalent to \$976.6 million). The average Australian dollar to Euro exchange rate is 0.61. There are \$6.2 million of capitalised borrowing and other costs recognised against the loan facility (31 December 2022: \$7.2 million).

In order to hedge the exposure to movements in foreign exchange between the Australian Dollar and the Euro, the Group entered into a Cross Currency Interest Rate Swap ("CCIRS"). The terms match the term and value of the underlying debt and CIMIC has designated and documented this as a hedge relationship and swap the fixed rate Euro debt into fixed rate Australian Dollar Debt with an interest rate of 3.5%.

The notional principal of the CCIRS receive leg is EUR625.0 million at a rate of 1.5% and of the pay leg is AUD \$983.3 million at a rate of 3.5%. The Group applies the maturity date approach to classify derivative financial instruments.

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss consistent with the timing of recognition of the hedged item through profit or loss.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

34. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

iv) Foreign currency risk continued

Cross currency interest rate swap

	12 months to December 2023 \$m	12 months to December 2022 \$m
Derivative financial assets / (liabilities)		
Assets	22.2	-
Liabilities	-	(21.1)
Balance at reporting date	22.2	(21.1)
As at reporting date		
Cumulative fair value adjustment on hedged item	(22.2)	21.1
Effective portion recognised in reserves	(22.0)	21.1
Changes during the reporting period		
Change in fair value of the hedging instrument	43.3	(34.3)
Change in fair value of the hedged item	(43.1)	(34.3)
Cash flow hedge reserve (cumulative)		
Cumulative fair value adjustment on hedged item	(22.2)	21.1
Gain / (loss) on hedge ineffectiveness recognised in profit and loss	(0.2)	-
Amount reclassified from cash flow hedge reserve to profit and loss	24.7	(6.7)
Effective portion recognised in cash flow hedge reserve from change in fair value of hedging instrument after FX movement	2.3	14.4
Tax impact	(0.7)	(4.3)
Cash flow hedge reserve balance	1.6	10.1

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

34. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

iv) Foreign currency risk continued

Forward exchange contracts

	12 months to December 2023 \$m	12 months to December 2022 \$m
Derivative financial liabilities		
Assets	0.9	4.2
Liabilities	(12.7)	(0.4)
Balance at reporting date	(11.8)	3.8
As at reporting date		
Cumulative fair value adjustment on hedged item	-	-
Effective portion recognised in reserves	(11.8)	3.8
Changes during the reporting period		
Change in fair value of the hedging instrument	(15.6)	3.9
Change in fair value of the hedged item	15.6	(3.9)
Effective portion recognised in cash flow hedge reserve from change in fair value of hedging instrument after foreign exchange movement	15.6	(3.9)
Amount reclassified from cash flow hedge reserve to profit and loss	9.5	2.3

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

34. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

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', interest payable on 'Interest bearing loans' and interest payable on 'Lease liabilities'.

Profile

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	December 2023 \$m	December 2022 \$m
Fixed rate instruments		
Financial liabilities	(1,001.9)	(969.5)
Lease liabilities	-	-
Total fixed rate instruments	(1,001.9)	(969.5)
Variable rate instruments		
Financial assets	2,498.9	2,569.0
Financial liabilities	(2,043.1)	(2,375.8)
Lease liabilities	(237.4)	(264.6)
Total variable rate instruments	218.4	(71.4)

The weighted average interest rates paid during the year were as follows:

	12 months to December 2023 %	12 months to December 2022 %
Financial assets	3.4	2.7
Interest bearing financial instruments	4.9	3.4

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

34. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

vi) Sensitivity analysis

Foreign currency

The most significant foreign currencies the Group is exposed to is the United States dollar (US\$) along with the Hong Kong dollar (HKD), which is 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: December 2023 0.68 (December 2022: 0.68), statement of profit or loss: 12 months to December 2023 0.66 (12 months to December 2022: 0.69).

At 31 December 2023, the share of the Group's assets and liabilities denominated in US\$ was: assets US\$1,673.4 million (31 December 2022: US\$1,586.6 million); liabilities US\$656.6 million (31 December 2022: US\$399.4 million). The majority of these US\$ balances are held in entities with a US\$ functional currency.

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 2022.

	Equity		Statement of Profit or Loss	
	December 2023 \$m	December 2022 \$m	12 months to December 2023 \$m	12 months to December 2022 \$m
US\$ depreciates by 5% against AU\$ (AU\$ appreciates)	(74.8)	(86.0)	(1.5)	(1.3)
US\$ appreciates by 5% against AU\$ (AU\$ depreciates)	74.8	86.0	1.5	1.1

Interest rate

At the reporting date it is estimated that an increase of 100bps in floating interest rates would have increased the Group's profit after tax and retained earnings by \$1.1 million (31 December 2022: increased by \$0.2 million). A 100bps decrease in interest rates would have an equal and opposite effect.

As a result of the CCIRS entered into during the year, at the reporting date it is estimated that an increase of 100bps in floating interest rate would have increased the Group's other comprehensive income after tax and reserves by \$37.9 million (31 December 2022: increased by \$44.7 million). There would be no impact to the Group's profit after tax. A 100bps decrease in the floating interest rate would have an equal and opposite effect.

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.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

34. FINANCIAL INSTRUMENTS CONTINUED

c) Net fair values of financial assets and liabilities continued

Fair value hierarchy continued

31 December 2023	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Assets				
Financial assets at fair value through profit or loss				
- Unlisted	-	-	291.0	291.0
Financial assets at fair value through other comprehensive income				
- Listed	5.9	-	-	5.9
Derivatives				
- Forward foreign exchange contracts - cash flow hedges	-	0.9	-	0.9
- Cross currency interest rate swap contracts - cash flow hedges	-	22.2	-	22.2
- FX swaps – held for trading	-	5.4	-	5.4
Total assets	5.9	28.5	291.0	325.4
Liabilities				
Financial liabilities at fair value through profit of loss				
- Class C Shares Option	-	-	(1.6)	(1.6)
Derivatives				
- Forward foreign exchange contracts - cash flow hedges	-	(12.7)	-	(12.7)
- Cross currency interest rate swap contracts - cash flow hedges	-	-	-	-
Total liabilities	-	(12.7)	(1.6)	(14.3)

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

34. FINANCIAL INSTRUMENTS CONTINUED

c) Net fair values of financial assets and liabilities continued

Fair value hierarchy continued

31 December 2022	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Assets				
Financial assets at fair value through profit or loss				
- Listed	-	-	-	-
- Unlisted	-	-	215.8	215.8
Financial assets at fair value through other comprehensive income				
- Listed	677.0	-	-	677.0
Derivatives				
- Forward foreign exchange contracts - cash flow hedges	-	4.2	-	4.2
- Cross currency interest rate swap contracts - cash flow hedges	-	-	-	-
Total assets	677.0	4.2	215.8	897.0
Liabilities				
Financial liability at fair value through profit of loss				
- Put option	-	-	(4.4)	(4.4)
- Class C Shares Option	-	-	(1.7)	(1.7)
Derivatives				
- Forward foreign exchange contracts - cash flow hedges	-	(0.4)	-	(0.4)
- Cross currency interest rate swap contracts - cash flow hedges	-	(21.1)	-	(21.1)
Total liabilities	-	(21.5)	(6.1)	(27.6)

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

34. 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 2023 \$m	12 months to December 2022 \$m
Financial assets at fair value through profit or loss		
Balance at beginning of reporting period	215.8	80.4
Additions	2.1	191.3
Disposals	-	-
Transfers ¹	43.6	(56.6)
Gains recognised through profit or loss ²	29.4	0.7
Foreign exchange recognised in other comprehensive income	0.1	-
Balance at reporting date	291.0	215.8

¹During the year, the Group's 15% interest in Wellington Gateway Partnership No.1 Limited and Wellington Gateway General Partner No.1 Limited was transferred from held for sale to financial assets as final terms with the purchaser could not ultimately be agreed. On termination of the sale, disposal within 12 months is no longer considered highly probable.

²Gains recognised through profit or loss includes Thiess Class C preference shares for the year ended 31 December 2023 of \$18.0 million (31 December 2022: \$4.9 million). Refer to Note 26: *Joint venture entities – Material joint venture*.

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 2023

34. 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:

- Euro Medium Term Notes - fair value EUR539.4 million, equivalent to \$870.0 million; carrying value EUR625.0 million, equivalent to \$1,008.1 million (fair value 31 December 2022: EUR464.3 million, equivalent to \$725.4 million; carrying value EUR625.0 million, equivalent to \$976.6 million).

The carrying amounts of other financial assets and liabilities in the Group's statement of financial position approximate fair values.

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 are included in Level 2 of the fair value hierarchy. Cross currency interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates that reflect the credit risk of various counterparties.

Put Option

As part of the Thiess divestment, the transaction agreement includes an option for Elliott to sell all or part of its 50% interest in Class A preference shares or ordinary shares in Thiess to CIMIC after the third anniversary, between four and six years from completion on 31 December 2020. The exercise price will be the lower of a cost price or a price referable to movements in the S&P / ASX 200 Total Return index plus the accrued value of any shortfall in agreed minimum distributions. This option has no current impact on the control of the company.

The Put Option is accounted for as a derivative financial instrument in accordance with AASB 9 and is therefore held at fair value through profit and loss in the financial statements of CIMIC. External independent valuation advisors have been utilised in determining the fair value of the Put Option.

The fair value of the Put Option cannot be observed from a market price. A Probability Weighted Expected Returns Methodology is used to derive the value of the Put Option proceeds based on future potential payoffs if the option is exercised, adjusted for the minimum annual distributions per the Shareholders Agreement, and compares this to the estimated strike price to determine a fair value. As at 31 December 2023 the fair value of the Put Option was determined to be a liability of \$nil (31 December 2022: \$4.4 million).

Class C Shares Option

As part of the Group's investment in the Thiess Class C preference shares, the parties entered into an option deed which includes an option for Elliott to put their Class C preference shares to CIMIC for a period of 42 months, starting six months after the end of the Put Option period, or, six months after the date when Elliott cease to own Class A preference shares or ordinary shares or notices the exercise of options related to all remaining Class A preference shares or ordinary shares.

CIMIC holds a call option to acquire the Class C preference shares from Elliott, for a period of 42 months, starting at the end of the Put Option period or the date when Elliott ceases to own any Class A preference shares or ordinary shares.

The option is accounted for as a derivative financial instrument in accordance with AASB 9 and is therefore held at fair value through profit and loss in the financial statements of CIMIC. External independent valuation advisors have been utilised in determining the fair value of the option.

The fair value of the option cannot be observed from a market price. The option is valued using net present value methodology having regard to the probabilised outcomes of both the put and the call option. As at 31 December 2023 the fair value of the Class C Shares Option was determined to be a liability of \$1.6 million (31 December 2022: \$1.7 million).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

34. FINANCIAL INSTRUMENTS CONTINUED

c) Net fair values of financial assets and liabilities continued

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 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 asset / liabilities	Significant unobservable inputs	Range of inputs	Relationship of 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	8% - 15%	
Put option	Expected exercise period	0 – 3 years	
	EBITDA multiple	3 – 5 times	
	Discount rates	10% - 15%	
Class C Shares option	Expected exercise period	3 – 7 years	
	Discount rates	10% - 15%	

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

34. FINANCIAL INSTRUMENTS CONTINUED

d) Interest bearing loans

Syndicated loans

CIMIC Finance Limited and CIMIC Finance (USA) Pty Limited, wholly owned subsidiaries of the Company, have five core syndicated bank debt facilities. The maturity of the facilities are as follows:

- \$475.0 million maturing on 9 December 2025
- \$625.0 million maturing on 4 October 2026
- \$475.0 million maturing on 9 December 2027
- \$521.6 million maturing on 4 October 2028
- \$1,043.9 million maturing on 4 October 2028

On 30 June 2023, CIMIC Finance Limited, a wholly owned subsidiary of the Company, refinanced its \$1,200.0 million facility that had been due to mature on 3 May 2024. The refinanced facility of \$1,000.0 million matures on 1 July 2025. On 18 October 2023, the facility was repaid and cancelled.

On 16 October 2023, CIMIC Finance Limited, a wholly owned subsidiary of the Company, refinanced its \$950.0 million facility that had been due to mature on 25 September 2024. There are three new facilities, \$625.0 million maturing on 4 October 2026; \$521.6 million maturing on 4 October 2028; and a \$1,043.9 million term debt facility, that also includes CIMIC Finance (USA) Pty Limited as a borrower, maturing on 4 October 2028.

The total carrying amount at 31 December 2023 was \$1,833.9 million (carrying amount at 31 December 2022: \$2,150.0 million). There are \$15.8 million of capitalised borrowing costs recognised against the loan facilities (31 December 2022: \$9.2 million). No amounts drawn under the syndicated loans are classified as current.

At 31 December 2023, the Group had undrawn bank facilities of \$1,396.6 million (31 December 2022: \$1,105.0 million), and undrawn guarantee facilities of \$477.8 million (31 December 2022: \$451.7 million).

Euro Medium Term Notes

On 20 May 2021 and 2 June 2021, CIMIC Finance Pty Limited issued a total of EUR625.0 million of 8-Year Fixed-Rate corporate bonds in the Euro Medium Term Note market.

The notes bear interest from 28 May 2021 at the rate of 1.50% per annum and mature on 28 May 2029. Interest on the notes is paid annually on the 28th day of May in each year. Carrying amount at 31 December 2023: EUR625.0 million, equivalent to \$1,008.1 million (31 December 2022: EUR625.0 million, equivalent to \$976.6 million). There are \$6.2 million of capitalised borrowing costs recognised against the notes (31 December 2022: \$7.2 million).

Bilateral loans

At 31 December 2023, bilateral and other unsecured loan facilities outstanding were \$225.0 million (31 December 2022: \$235.1 million).

e) Assets pledged as security

The total carrying value of financial assets pledged as security as at 31 December 2023: \$nil (31 December 2022: \$nil).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

34. FINANCIAL INSTRUMENTS CONTINUED

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) \$m	Gross amounts of bank accounts with a credit balance (financial liability) \$m	Net cash amount \$m	Amounts subject to master netting arrangements \$m	Net amount \$m
December 2023					
Cash ¹	646.4	(48.5)	597.9	-	-
December 2022					
Cash ¹	169.0	(22.6)	146.4	-	-

¹The 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 2023

35. EMPLOYEE BENEFITS

a) Defined contribution superannuation funds

During the period, the Group recognised \$214.4 million (31 December 2022: \$177.5 million) of defined contribution expenses.

b) Long-Term Incentive Plan

The Group's ultimate controlling parent entity, Actividades de Construcción y Servicios, SA (ACS), established a Long-Term Incentive Plan for the period 2023 to 2028 (the Plan). ACS granted stock options to CIMIC Executive Board members and certain executives in the CIMIC Group in 2023. The Plan will be settled by ACS using its own equity, and with no obligation by CIMIC to fund the scheme. As such the Plan is considered to be equity settled in accordance with AASB 2: *Share-based Payment*. CIMIC recognises an employee expense and a corresponding deemed capital contribution from ACS.

The following terms and conditions apply:

- (a) The maximum number of granted options is 1,040,000.
- (b) The beneficiaries are 34 executives with options from 15,000 to 200,000, including the Executive Chairman, Chief Executive Officer, Deputy Chief Executive Officer and Chief Financial Officer.
- (c) The strike price will be EUR 31.55, equivalent to AUD \$50.89 per share. The fair value of the scheme is estimated at EUR 2.20 (AUD \$3.60) per share.
- (d) The options were granted to the executives on 1 July 2023 and, subject to achieving the Plan and Service conditions, will expire on 30 June 2028.
- (e) Vesting conditions require that, in addition to the service conditions required until the exercise date, the operational, financial and sustainability-related performance of the ACS Group during the relevant must be compliant with the ACS Group's objectives. The criteria chosen for meeting these objectives are:
 - With a weighting of 40%, the Total Shareholder Return (TSR) in the period (2023-2025) must be higher than the median of main companies in the sector with comparable stock market capitalization and international status to ACS. In this case, the executive receives 100% of the awards assigned in this section. If the TSR in this period is less than the 25th percentile of the comparable sample, the executive receives no awards for this section. If the TSR is between the 25th and 50th percentile of the sample, the executive will receive a proportional number of rewards to result (0% for the 25th percentile and 100% for the 50th percentile).
 - With a weighting of 40%, the average return on equity (ROE) of the ACS Group in 2023-2025, measured as the percentage net profit over equity for the previous year (Net Profit / Equity), must be more than 10%. In the case of a lower result, the executive will be granted no awards.
 - With a weighting of 20%, the average percentile obtained in the Dow Jones Sustainability Index (DJSI) in 2023-2025 must be greater than 85%. In this case, the executive receives 100% of the awards assigned in this section. If the average DJSI percentile in the measurement period is less than the 60th percentile, the executive receives no awards in this section. If the result is between the 60th and 85th percentile, the executive will receive a proportional number of rewards to result (0% for the 60th percentile and 100% for the 85th percentile).

The share-based remuneration is recognised as expenses in the consolidated income statement, with a balancing entry in other reserves in equity. Total amounts recognised in the period to 31 December 2023 is AUD \$0.2 million.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

35. EMPLOYEE BENEFITS CONTINUED

b) Long-Term Incentive Plan continued

	2023 Long-Term Incentive
Date of grant	1 July 2023
Date of expiry	30 June 2028
Grant date fair value	AUD \$3.60
Original grant	1,040,000
Unexercised options	
Unexercised options at 1 January 2023	-
- Granted	1,040,000
- Exercised	-
- Lapsed	-
Unexercised options at 31 December 2023	1,040,000
Exercisable options	
- At 31 December 2023	-
Non-exercisable options	
- At 31 December 2023	1,040,000

36. RELATED PARTY DISCLOSURES

a) Key management personnel (KMP) and Directors

KMP compensation:

	12 months to December 2023 \$'000	12 months to December 2022 \$'000
Short-term employee benefits	12,278	9,632
Post-employment benefits	157	137
Termination benefits	128	441
Share-based payments	122	-
Total KMP compensation	12,685	10,210

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.

Directors:

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.

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 2023

36. 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 2023 \$'000	December 2022 \$'000
Aggregate amounts receivable from related parties at reporting date		
Parent	156,100	295,400
Associates	21,490	13,200
Joint venture entities	10,825	16,600
Other	2,720	-
Aggregate amounts payable to related parties at reporting date		
Associates	(64,389)	(60,378)
Joint venture entities	(233,451)	(196,753)

	12 months to December 2023 \$'000	12 months to December 2022 \$'000
Revenue – income from related parties		
Parent ¹	57,500	35,700
Associates	31,434	3,226
Joint venture entities	136,728	32,381
Revenue - interest received / receivable from related parties		
Associates	1,200	-
Finance costs – interest paid / payable to related parties		
Joint venture entities	-	(1,600)
Finance costs - impact of discounting - related parties		
Associates	(4,011)	(3,761)
Joint venture entities	(8,815)	(10,355)

¹CIMIC has identified certain unavoidable costs incurred due to HOCHTIEF Australia Holdings Limited's acquisition of the remaining minority interest in CIMIC or through CIMIC management aligning to HOCHTIEF Australia Holdings Limited's strategic direction. As such CIMIC and HOCHTIEF Australia Holdings Limited have agreed a schedule of costs to be re-imbursed where it is considered commercially reasonable, by both parties, to do so. HOCHTIEF Australia Holdings Limited has agreed to reimburse CIMIC \$57.5 million of costs for the year ending 31 December 2023 (31 December 2022: \$35.7 million).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

36. RELATED PARTY DISCLOSURES CONTINUED

b) Transactions with other related parties continued

	December 2023 Number of employees	December 2022 Number of employees
Number of employees		
Number of employees at reporting date ¹	30,960	25,470

¹Includes a proportional share of employees of Thiess. Refer to Note 26: Joint Venture entities.

c) Company information

CIMIC Group Limited is a public company limited by shares and is domiciled in Australia. The Company was incorporated in Victoria, Australia. The address of the registered office is 177 Pacific Highway, North Sydney, NSW, Australia, 2060. Number of employees at reporting date: 6 (31 December 2022: 6).

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 Mr R Seidler were directors of HOCHTIEF Australia Holdings Limited during the period.

CIMIC Directors Messrs del Valle Pérez, López Jiménez and Juan Santamaria were directors of ACS during the period.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

37. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES

a) Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2023 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 2023 is set out below:

	Company	
	12 months to December 2023 \$m	12 months to December 2022 \$m
Comprehensive income		
Profit for the period	1,361.3	238.9
Other comprehensive income	-	-
Total comprehensive income for the period	1,361.3	238.9
	December 2023 \$m	December 2022 \$m
Statement of Financial Position		
Current assets	192.9	220.8
Non-current assets	6,122.1	4,980.7
Total assets	6,315.0	5,201.5
Current liabilities	35.8	280.0
Non-current liabilities	4,210.9	4,033.9
Total liabilities	4,246.7	4,313.9
Net assets	2,068.3	887.6
Equity		
Share capital	1,458.7	1,458.7
Reserves	(91.5)	(91.5)
Retained earnings / (accumulated losses)	701.2	(479.6)
Total equity	2,068.4	887.6

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

37. 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
Alloy Fab Pty Ltd	(B)	100%	WA
Arus Tenang Sdn Bhd		100%	Malaysia
BCJHG Nominees Pty Ltd	(B)	100%	VIC
BCJHG Trust	(B)	100%	VIC
Bintai – Leighton JV		100%	Singapore
Broad Construction Pty Ltd ¹	(B)	100%	QLD
Broad Construction Services (NSW / VIC) Pty Ltd	(B)	100%	WA
Broad Construction Services (WA) Pty Ltd	(B)	100%	WA
Broad Group Holdings Pty Ltd ²	(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	(B)	100%	VIC
CGI3 Pty Limited (formerly known as CIMIC Group Investments No. 3 Pty Limited)	(B)	100%	VIC
CIMIC Group Investments Pty Limited	(B)	100%	VIC
CIMIC Group Limited ⁴	(B)		VIC
CIMIC Residential Investments Pty Ltd	(B)	100%	VIC
CMENA Pty Limited	(B)	100%	VIC
CPB Contractors (PNG) Limited		100%	Papua New Guinea
CPB Contractors (Victoria) Pty Limited	(B)	100%	VIC
CPB Contractors Pty Limited ²	(B)	100%	NSW
CPB Contractors UGL Engineering Joint Venture	(B)	100%	VIC
Curara Pty Ltd	(B)	100%	WA
D.M.B. Pty. Ltd.		100%	QLD
DAIS VIC Pty Ltd	(B)	100%	VIC
Devine Constructions Pty Ltd		100%	QLD
Devine Funds Pty Ltd		100%	VIC
Devine Funds Unit Trust		100%	QLD
Devine Homes Pty Ltd		100%	QLD
Devine Land Pty Ltd		100%	QLD
Devine Pty Limited		100%	QLD
Devine Management Services Pty Ltd		100%	QLD
Devine Springwood No. 2 Pty Ltd		100%	QLD
Ecco Engineering Company Limited		100%	Hong Kong
EIC Activities Pty Ltd	(B)	100%	VIC
EIC Activities Pty Ltd (NZ)		100%	New Zealand
Giddens Investment Limited		100%	Hong Kong

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

37. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Hamilton Harbour Developments Pty Ltd		100%	QLD
Hamilton Harbour Unit Trust (Devine Hamilton Unit Trust)		100%	VIC
Hopeland Solar Farm Pty Ltd	(A)	100%	NSW
Hopeland Solar Farm Trust		100%	QLD
Hopeland Solar Holdings Pty Ltd	(A)	100%	NSW
ICC Infrastructure Pty Ltd	(B)	100%	WA
ICC Mining Pty Ltd	(B)	100%	WA
IDD Technology Pty Ltd (formerly known as ITCO Pty Ltd)	(B)	100%	NSW
Industrial Composites Engineering Pty Ltd	(B)	100%	WA
Innovative Asset Solutions Group Pty Ltd	(B)	100%	WA
Innovative Asset Solutions Pty Ltd	(B)	100%	WA
Innovative Asset Solutions Pty Ltd & UGL Operations and Maintenance (Services) Pty Ltd	(B)	100%	WA
Jarrah Wood Pty Ltd	(B)	100%	WA
Jet-Cut 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 Philippines Inc (formerly Leighton Contractors (Philippines) Corp)		100%	Philippines
Leighton Asia Southern Pte. Ltd.		100%	Singapore
Leighton Contractors (Asia) 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 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 Sdn Bhd		100%	Malaysia
Leighton Equity Incentive Plan Trust		100%	NSW

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37. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Leighton Foundation Engineering (Asia) Limited		100%	Hong Kong
Leighton Group Property Services Pty Ltd	(B)	100%	VIC
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 ³		100%	India
Leighton India Holdings Pte Ltd		100%	Singapore
Leighton Infrastructure Investments Pty Limited	(B)	100%	NSW
Leighton Infrastructure Limited		100%	Hong Kong
Leighton International Mauritius Holdings Limited No. 4		100%	Mauritius
Leighton Investments Mauritius Limited No. 4		100%	Mauritius
Leighton Joint Venture		100%	Hong Kong
Leighton Middle East & Africa (Holding) Limited		100%	Cayman Islands
Leighton Offshore Eclipse Pte Ltd		100%	Singapore
Leighton Offshore Mynx Pte Ltd		100%	Singapore
Leighton Offshore Pte Ltd		100%	Singapore
Leighton Offshore Sdn 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	(B)	100%	VIC
Leighton Properties (WA) Pty Limited	(B)	100%	NSW
Leighton Properties Pty Limited	(B)	100%	QLD
Leighton Superannuation Pty Ltd	(B)	100%	NSW
Leighton U.S.A. Inc.		100%	United States
Leighton Yongnam Joint Venture		100%	Singapore
LH Holdings Co Pty Ltd	(B)	100%	VIC
LH Holdings No. 2 Pty Ltd	(B)	100%	VIC
LH Holdings No. 3 Pte Ltd		100%	Singapore
LMENA Pty Limited	(B)	100%	VIC
LNWR Pty Limited	(B)	100%	VIC
LNWR Trust	(B)	100%	NSW
Logistic Engineering Services Pty Ltd	(B)	100%	VIC
Network Rezolution Finance Pty Ltd	(B)	100%	VIC
Newest Metro Pty Ltd	(B)	100%	NSW
Nexus Point Solutions Pty Ltd	(B)	100%	NSW
Opal Insurance (Singapore) Pte Ltd		100%	Singapore
Optima Activities Pty Ltd	(B)	100%	NSW
Pacific Partnerships Energy Ptd Ltd	(B)	100%	VIC
Pacific Partnerships Holdings Pty Ltd	(B)	100%	VIC

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

37. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Pacific Partnerships Investments 2 Pty Ltd	(B)	100%	VIC
Pacific Partnerships Investments 2 Trust	(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
Pekko Engineers Limited		100%	Hong Kong
Pioneer Homes Australia Pty Ltd		100%	QLD
PT Leighton Contractors Indonesia		95%	Indonesia
Regional Trading Limited		100%	Hong Kong
Riverstone Rise Gladstone Pty Ltd		100%	QLD
Riverstone Rise Gladstone Unit Trust		100%	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 CPB Joint Venture (SCJV)	(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 Mozambique Limitada ²		100%	Mozambique
Sedgman Novopro Projects Inc.	(A)	100%	Canada
Sedgman Onyx Pty Limited	(B)	100%	WA
Sedgman Operations Employment Services Pty Ltd	(B)	100%	QLD
Sedgman Operations Pty Ltd	(B)	100%	QLD
Sedgman Projects Employment Services Pty Ltd		100%	QLD
Sedgman Pty Ltd	(B)	100%	QLD
Sedgman South Africa (Proprietary) Ltd		100%	South Africa
Sedgman USA Inc		100%	United States
Silverton Group Pty Ltd	(B)	100%	WA
Sustaining Works Pty Limited	(B)	100%	QLD
Talcliff Pty Ltd		100%	QLD
Tambala Pty Ltd ²		100%	Mauritius
Telecommunication Infrastructure Pty Ltd	(B)	100%	VIC
Thai Leighton Limited		100%	Thailand
Think Consulting Group Pty Ltd	(B)	100%	VIC
Thiess Infrastructure Nominees Pty Ltd	(B)	100%	VIC
Thiess Infrastructure Pty Ltd	(B)	100%	VIC
Thiess Infrastructure Trust	(B)	100%	VIC
Townsville City Project Pty Ltd		100%	NSW

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

37. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Townsville City Project Trust		100%	QLD
UGL (Asia) Sdn Bhd		100%	Malaysia
UGL (NZ) Limited		100%	New Zealand
UGL (Singapore) Pte Ltd		100%	Singapore
UGL Engineering Private Limited ³		100%	India
UGL Engineering Pty Ltd	(B)	100%	NSW
UGL Integra Pty Ltd	(B)	100%	NSW
UGL Operations and Maintenance (Services) Pty Limited	(B)	100%	QLD
UGL Operations and Maintenance Pty Ltd	(B)	100%	VIC
UGL Pty Limited	(B)	100%	WA
UGL Rail (North Queensland) Pty Ltd	(B)	100%	QLD
UGL Rail Pty Ltd	(B)	100%	NSW
UGL Rail Services Pty Limited	(B)	100%	NSW
UGL Regional Linx Pty Ltd		100%	NSW
UGL Resources (Contracting) Pty Ltd	(B)	100%	VIC
UGL Resources (Malaysia) Sdn Bhd		100%	Malaysia
UGL Solutions Pty Limited	(B)	100%	WA
UGL Unipart Rail Services Pty Ltd		70%	VIC
UGL Utilities Pty Ltd (formerly known as Newcastle Engineering Pty Ltd)	(B)	100%	NSW
United Group Infrastructure (NZ) Limited		100%	New Zealand
United KG (No. 1) Pty Ltd	(B)	100%	NSW
United KG (No. 2) Pty Ltd	(B)	100%	VIC
Wai Ming M&E Limited		100%	Hong Kong
Western Port Highway Trust	(B)	100%	VIC

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

37. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

¹These companies have the benefit of *ASIC Instrument 2016/785* as at 31 December 2023. Refer to Note 37(h): *CIMIC Group Limited and controlled entities – Deed of cross guarantee*.

²Entity has a 30 June reporting date.

³Entity has a 31 March reporting date.

⁴This company is a party to the Deed of Cross Guarantee as Holding Entity.

(A) Incorporated / established in the 2023 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* for further details.

d) Liquidation of controlled entities

The following controlled entities have been liquidated during the period to 31 December 2023 as they are no longer required by the Group in the ordinary course of business:

- Devine Queensland No. 10 Pty Ltd
- Devine SA Land Pty Ltd
- Leighton Offshore Faulkner Pte Ltd
- Sedgman South Africa Holding (Pty) Ltd
- WestGo Finance Pty Ltd

e) Parent entity commitments and contingent liabilities

Contingent liabilities under indemnities given on behalf of controlled entities in respect of the parent: bank guarantees: \$3,554.5 million (31 December 2022: \$3,164.2 million); insurance bonds: \$1,747.6 million (31 December 2022: \$1,791.7 million); letters of credit: \$333.4 million (31 December 2022: \$386.2 million).

Capital expenditure contracted for at the reporting date but not recognised as liabilities of the parent was \$nil (31 December 2022: \$nil).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

37. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

f) Material subsidiaries

Set out below are the Company's principal subsidiaries at 31 December 2023. 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.

Name of entity	Principal activity	Country of incorporation	Ownership interest held by the Company		Ownership interest held by non-controlling interests	
			December 2023 %	December 2022 %	December 2023 %	December 2022 %
CPB Contractors Pty Limited ¹	Construction	Australia	100	100	-	-
Leighton Asia Limited	Construction	Hong Kong	100	100	-	-
LH Holdings No.2 Pty Ltd ²	Construction	Australia	100	100	-	-
UGL Pty Limited	Services	Australia	100	100	-	-

¹CPB Contractors Pty Limited has the benefit of *ASIC Instrument 2016/785* as at 31 December 2023. For further information, refer to section (h).

²During the year ended 31 December 2022, Leighton International Limited and its subsidiaries were part of an internal reorganisation that would transfer Leighton International and its subsidiaries under LH Holdings No.2 Pty Ltd. As a result Leighton International Limited ceased to be a material subsidiary, and LH Holdings No.2 Pty Ltd became a material subsidiary.

Non-controlling interests

There were no material non-controlling interests relating to the Company's material subsidiaries disclosed above as at 31 December 2023. There were no material transactions with non-controlling interests during the period to 31 December 2023.

g) Parent entity transactions with wholly-owned controlled entities

Transactions with wholly-owned controlled entities were as follows: aggregate amounts receivable: \$791.8 million (31 December 2022: \$780.1 million); aggregate amounts payable: \$4,209.8 million (31 December 2022: \$4,287.4 million); interest received / receivable: \$9.3 million (31 December 2022: \$5.3 million); interest paid / payable: \$221.6 million (31 December 2022: \$92.3 million); dividends received: \$1,536.0 million (31 December 2022: \$213.6 million); fees paid: \$119.0 million (31 December 2022: \$120.0 million); sale of assets \$nil (31 December 2022: \$349.1 million).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

37. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

h) Deed of Cross Guarantee

Pursuant to the *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785* (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.

As at 31 December 2023, 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 2023:

- 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)
- CPB Contractors Pty Limited (ACN 000 893 667)
- Broad Group Holdings Pty Ltd (ACN 052 046 518)
- Broad Construction Pty Ltd (ACN 089 532 061)

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 2023 is set out below.

Deed of Cross Guarantee	12 months to December 2023 \$m	12 months to December 2022 \$m
Statement of Profit or Loss		
Profit / (loss) before tax	586.1	(466.1)
Income tax (expense) / benefit	(18.1)	172.3
Profit (loss) for the period	568.0	(293.8)
Retained earnings brought forward	31.2	558.5
Dividends paid	(180.5)	(233.5)
Retained earnings at reporting date	418.7	31.2

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

37. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

h) Deed of Cross Guarantee continued

Deed of Cross Guarantee	December 2023 \$m	December 2022 \$m
Statement of Financial Position		
Assets		
Cash and cash equivalents	1,702.5	1,741.6
Trade and other receivables	2,507.1	3,037.0
Current tax asset	147.0	153.3
Inventories	42.3	68.5
<i>Total current assets</i>	4,398.9	5,000.4
Trade and other receivables	3,139.4	3,884.6
Investments	2,287.7	1,521.8
Property, plant and equipment	265.0	287.5
Deferred tax asset	43.1	53.9
Intangibles	6.3	4.7
<i>Total non-current assets</i>	5,741.5	5,752.5
Total assets	10,140.4	10,752.9
Liabilities		
Trade and other payables	5,790.3	5,781.7
Provisions	143.8	132.7
Interest bearing liabilities	-	110.0
Lease liabilities	48.7	38.6
<i>Total current liabilities</i>	5,982.8	6,063.0
Trade and other payables	111.7	478.9
Provisions	13.5	12.7
Interest bearing liabilities	2,694.2	3,235.2
Lease liabilities	68.2	86.2
<i>Total non-current liabilities</i>	2,887.6	3,813.0
Total liabilities	8,870.4	9,876.0
Net assets	1,270.0	876.9
Equity		
Share capital	1,458.7	1,458.7
Reserves	(607.4)	(613.0)
Retained earnings	418.7	31.2
Total equity	1,270.0	876.9

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2023

38. NEW ACCOUNTING STANDARDS

Standards in issue but not yet effective

- *AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- *AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*
- *AASB 2021-7c Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*
- *AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback*
- *AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*
- *AASB 2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements*
- *AASB 2023-5 Amendments to Australian Accounting Standards – Lack of Exchangeability*

39. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to reporting date:

- The Directors approved the financial report on 13 February 2024.

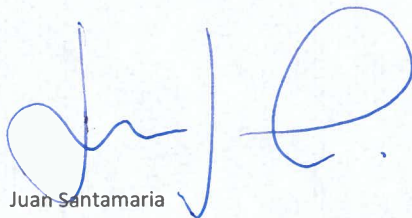
Statutory Statements

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 6-89, 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 2023 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 37 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 draw attention to Note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Sydney, 13 February 2024.

Signed for and on behalf of the Board in accordance with a resolution of the Directors:



Juan Santamaria
Executive Chairman



David Robinson
Director

Independent Auditor's Report to the members of CIMIC Group Limited

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 2023, 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 material accounting policy information, 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 2023 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors' report for the year ended 31 December 2023, 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 have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Jason Thorne

Partner

Chartered Accountants

Sydney, 13 February 2024



For more information please contact CIMIC
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