Good Construction Group (International) Limited

International GAAP®
Illustrative financial statements for the year ended 31 December 2011

Based on International Financial Reporting Standards in issue at 30 September 2011

Ernst & Young
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Abbreviations and key

The following styles of abbreviation are used in this set of International GAAP Illustrative Financial Statements:

IAS 33.41	International Accounting Standard No. 33, paragraph 41
IAS 1.BC13	International Accounting Standard No. 1, Basis for Conclusions, paragraph 13
IFRS 2.44	International Financial Reporting Standard No. 2, paragraph 44
SIC 29.6	Standing Interpretations Committee Interpretation No. 29, paragraph 6
IFRIC 4.6	IFRS Interpretations Committee Interpretation No. 4, paragraph 6
IAS 39.IG.G.2	IAS 39 *Financial Instruments: Recognition and Measurement* — Guidance on Implementing IAS 39 Section G: Other, paragraph G.2
IAS 39.AG71	IAS 39 *Financial Instruments: Recognition and Measurement* — Appendix A — Application Guidance, paragraph AG71
ISA 700.25	International Standard on Auditing No. 700, paragraph 25
Commentary	The commentary explains how the requirements of IFRS have been implemented in arriving at the illustrative disclosure.
GAAP	Generally Accepted Accounting Principles
IASB	International Accounting Standards Board
Interpretations Committee	IFRS Interpretations Committee (formerly International Financial Reporting Interpretations Committee or IFRIC)
SIC	Standing Interpretations Committee

Introduction

This publication contains an illustrative set of consolidated financial statements for Good Construction Group (International) Limited and its subsidiaries (the Group) for the year ended 31 December 2011. These illustrative financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Group is a large publicly listed construction business incorporated in a fictitious country within Europe. The functional currency of the parent and the presentation currency of the Group is the euro.

Objective

This set of illustrative statements is one of many prepared by Ernst & Young to assist you in preparing your own financial statements. The illustration intends to reflect transactions and disclosures that we consider to be most common and most likely for a broad range of companies. Users of this publication are encouraged to select disclosures relevant to their circumstance and adjust appropriately. Users may also keep in mind that other transactions are likely to require additional disclosures.

This publication is not, however, designed to reflect disclosure requirements that apply mainly to regulated or specialised industries. We provide a number of industry-specific publications, which you may wish to consider.

The series of model financial statements comprises:

- **Good Construction Group (International) Limited**
- Good Group (International) Limited
- Good Group (International) Limited — *Illustrative interim condensed consolidated financial statements*
- Good First-time Adopter (International) Limited
- Good Bank (International) Limited
- Good Insurance (International) Limited
- Good Real Estate Group (International) Limited
- Good Investment Fund Limited
- Good Petroleum (International) Limited
- Good Mining (International) Limited

Look for other industry-specific illustrative financial statements to be added in the future.

Notations shown on the right hand side of each page are IFRS paragraphs that describe the specific disclosure requirements. In case of doubt as to the IFRS requirements, it is essential to refer to the relevant source material and, where necessary, to seek appropriate professional advice.

Please note that these illustrative financial statements are not designed to satisfy any country or stock market regulatory requirements and do not illustrate all possible IFRS accounting or disclosure requirements.

International Financial Reporting Standards

The abbreviation IFRS is defined in paragraph 5 of the Preface to International Financial Reporting Standards to include "standards and interpretations approved by the International Accounting Standards Board (IASB), and International Accounting Standards (IAS) and Standing Interpretations Committee (SIC) interpretations issued under previous Constitutions". This is also noted in IAS 1.7 and IAS 8.6. Thus, when financial statements are described as complying with IFRS, it means that they comply with the entire hierarchy of pronouncements sanctioned by the IASB. This includes the International Accounting Standards, International Financial Reporting Standards and Interpretations originated by the IFRS Interpretations Committee (formerly International Financial Reporting Interpretations Committee, IFRIC, or the former Standing Interpretations Committee, SIC).

International Accounting Standards Boards (IASB)

The IASB is the independent standard-setting body of the IFRS Foundation (an independent, not-for-profit private sector organisation working in the public interest). The IASB members (currently 15 full-time members) are responsible for the development and publication of IFRSs, including the IFRS for SMEs and for approving Interpretations of IFRSs as developed by the IFRS Interpretations Committee. In fulfilling its standard-setting duties the IASB follows a due process of which the publication of consultative documents, such as discussion papers and exposure drafts, for public comment is an important component.

The IFRS Interpretations Committee

The IFRS Interpretations Committee (Interpretations Committee) is a committee appointed by the IASC Foundation Trustees that assists the IASB in establishing and improving standards of financial accounting and reporting for the benefit of users, preparers and auditors of financial statements.

The Interpretations Committee addresses issues of reasonably widespread importance, rather than issues of concern to only a small set of entities. Its interpretations cover both:

- Newly identified financial reporting issues not specifically addressed in IFRS
- Issues where unsatisfactory or conflicting interpretations have developed, or seem likely to develop in the absence of authoritative guidance, with a view to reaching a consensus on the appropriate treatment

The Interpretations Committee also advises the IASB of issues to be considered in the annual improvements to IFRS project

IFRS as at 30 September 2011

The standards applied in these illustrative financial statements are the versions that were in issue as at 30 September 2011 and effective for annual periods beginning on 1 January 2011.

IFRS is illustrated across our various illustrative financial statements as follows:

		Good Group	Good Group Interim	Good First-time Adopter	Good Bank	Good Insurance	Good Investment	Good Real Estate	Good Mining	Good Petroleum	**Good Construction**
International Financial Reporting Standards (IFRS)											
IFRS 1	*First-time Adoption of International Financial Reporting Standards*			✓		✓				✓	
IFRS 2	*Share-based Payment*	✓	✓	✓	✓	✓					✓
IFRS 3	*Business Combinations (Revised in 2008)*	✓		✓		✓		✓	✓	✓	✓
IFRS 4	*Insurance Contracts*					✓					✓
IFRS 5	*Non-Current Assets Held for Sale and Discontinued Operations*	✓	✓	✓				✓			
IFRS 6	*Exploration for and Evaluation of Mineral Resources*								✓	✓	
IFRS 7	*Financial Instruments: Disclosures*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IFRS 8	*Operating Segments*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IFRS 9	*Financial Instruments*										
International Accounting Standards (IAS)											
IAS 1	*Presentation of Financial Statements*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 2	*Inventories*	✓	✓	✓				✓	✓	✓	✓
IAS 7	*Statement of Cash Flows*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 10	*Events after the Reporting Period*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 11	*Construction Contracts*							✓			
IAS 12	*Income Taxes*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 16	*Property, Plant and Equipment*	✓		✓	✓	✓		✓	✓	✓	✓
IAS 17	*Leases*	✓	✓	✓	✓	✓		✓	✓	✓	✓
IAS 18	*Revenue*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 19	*Employee Benefits*	✓	✓	✓	✓	✓			✓	✓	✓
IAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*	✓	✓	✓							
IAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 23	*Borrowing Costs*	✓	✓	✓		✓		✓	✓	✓	✓
IAS 24	*Related Party Disclosures*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 26	*Accounting and Reporting by Retirement Benefit Plans*										
IAS 27	*Consolidated and Separate Financial Statements (Revised in 2008)*	✓	✓	✓	✓	✓		✓	✓	✓	✓
IAS 28	*Investments in Associates*	✓	✓	✓		✓		✓			✓
IAS 29	*Financial Reporting in Hyperinflationary Economies*										
IAS 31	*Interests in Joint Ventures*	✓	✓	✓				✓	✓	✓	✓
IAS 32	*Financial Instruments: Presentation*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 33	*Earnings per Share*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 34	*Interim Financial Reporting*		✓								
IAS 36	*Impairment of Assets*	✓	✓	✓		✓		✓	✓	✓	
IAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 38	*Intangible Assets*	✓	✓	✓	✓	✓		✓	✓	✓	✓
IAS 39	*Financial Instruments: Recognition and Measurement*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 40	*Investment Property*	✓	✓	✓		✓		✓			
IAS 41	*Agriculture*										

		Good Group	Good Group Interim	Good First-time Adopter	Good Bank	Good Insurance	Good Investment	Good Real Estate	Good Mining	Good Petroleum	**Good Construction**
Interpretations											
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*	✓	✓	✓					✓	✓	
IFRIC 2	*Members' Shares in Co-operative Entities and Similar Instruments*										
IFRIC 4	*Determining whether an Arrangement Contains a Lease*	✓	✓	✓					✓	✓	
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*		✓						✓	✓	
IFRIC 6	*Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*	✓	✓	✓							
IFRIC 7	*Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*										
IFRIC 9	*Reassessment of Embedded Derivatives*	✓	✓			✓					
IFRIC 10	*Interim Financial Reporting and Impairment*	✓	✓								
IFRIC 12	*Service Concession Arrangements*										✓
IFRIC 13	*Customer Loyalty Programmes*	✓	✓	✓							
IFRIC 14	*IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	✓	✓	✓	✓						
IFRIC 15	*Agreements for the Construction of Real Estate*							✓			
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*	✓	✓	✓							
IFRIC 17	*Distributions of Non-cash Assets to Owners*										
IFRIC 18	*Transfers of Assets from Customers*										
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*										
SIC 7	*Introduction of the Euro*										
SIC 10	*Government Assistance – No Specific Relation to Operating Activities*										
SIC 12	*Consolidation – Special Purpose Entities*	✓	✓	✓	✓						
SIC 13	*Jointly Controlled Entities – Non-Monetary Contributions by Venturers*	✓	✓	✓							
SIC 15	*Operating Leases – Incentives*	✓	✓	✓				✓			
SIC 21	*Income Taxes – Recovery of Revalued Non-Depreciable Assets*	✓	✓	✓				✓			
SIC 25	*Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*			✓							
SIC 27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	✓	✓	✓							
SIC 29	*Service Concession Arrangements: Disclosures*										
SIC 31	*Revenue – Barter Transactions Involving Advertising Services*										
SIC 32	*Intangible Assets – Web Site Costs*										

✓ This standard or interpretation is reflected in the accounting policies and / or individual transactions with appropriate note disclosures

All standards and interpretations listed above incorporate all amendments effective 1 January 2011, unless otherwise stated. These amendments also include the amendments resulting from Improvements to IFRS issued in May 2010.

It is important to note that the IASB may issue new and revised standards and interpretations subsequent to 31 August 2011. Therefore, users of this publication are advised to verify that there has been no change in the IFRS requirements between 31 August 2011 and the date on which their financial statements are authorised for issue. Any standards issued but not yet effective need to be considered in the disclosure requirements of a reporting entity.

Changes in the 2011 edition of Good Construction Group (International) Limited Annual Financial Statements

These illustrative financial statements have changed since the 2010 edition due to standards and interpretations issued or amended since 31 August 2010. We have also added more complex transactions to reflect additional disclosures.

Amendment to IAS 24 *Related Party Transactions*

The amendment to IAS 24 is twofold. The amendment clarified the definition of a related party, but do not change the fundamental approach to related party disclosures. It emphasises a symmetrical view on related party relationships and clarified how a person or key management personnel impacts related party relationships of an entity (see Note 2.3). Furthermore, the amendment provides for an exemption to related party disclosures for government-related entities. The amendment is effective for financial years beginning on or after 1 January 2011. However, this amendment does not change the related parties of the Group or its disclosures.

Amendment to IAS 32 *Financial Instruments: Presentation* - Classification of Rights Issues

The amendment alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants as equity instruments. This is applicable if the rights are given *pro rata* to all of the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

The Group did not enter into any rights issue any options or warrants which would be affected by this amendment. If the Group had such instruments, these would no longer be classified as derivatives with changes in fair value impacting profit or loss. The amendment is effective for financial years beginning on or after 1 February 2010.

Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirement*

The amendment was made to remove an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover those requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. The Group's defined benefit obligation liability is not affected by this amendment.

Improvements to IFRSs

In May 2010, the Board issued its third omnibus of amendments to standards, primarily with a view to remove inconsistencies and clarify wording. There are separate transitional provisions for each standard. The Group illustrates the adoption of these amendments in Note 2.4.

Impairments in the 2011 edition

In the current economic environment, disclosures relating to impairment are increasingly sensitive. Therefore, the note disclosures covering impairments in the 2011 edition of Good Construction Group International (Limited) are summarised hereafter:

- Accounting policy disclosures — Note 2.3
- Disclosures for significant assumptions — Note 3
- Property plant and equipment — Note 13
- Intangible assets — Note 14
- Other financial assets — Note 17
- Goodwill and intangible assets with indefinite lives — Note 18
- Trade and other receivables (current) — Note 21

Allowed alternative treatments

In some cases, IFRS permits more than one accounting treatment for a transaction or event. Preparers of financial statements should choose the treatment that is most relevant to their business.

IAS 8 requires an entity to select and apply its accounting policies consistently for similar transactions, and/or other events and conditions, unless an IFRS specifically requires or permits categorisation of items for which different policies may be appropriate. Where an IFRS requires or permits such categorisation, an appropriate accounting policy is selected and applied consistently to each category. Therefore, once a choice of one of the alternative treatments has been made, it becomes an accounting policy and must be applied consistently. Changes in accounting policy should only be made if required by a standard or interpretation, or if the change results in the financial statements providing reliable and more relevant information.

In this publication, where a choice is permitted by IFRS, the Group has adopted one of the treatments as appropriate to the circumstances of the Group. The commentary provides details of which policy has been selected, the reasons for this, and it summarises the difference in the disclosure requirements.

Financial review by management

Many entities present a financial review by management that is outside the financial statements. IFRS does not require the presentation of such information, although IAS 1.13 gives a brief outline of what may be included in an annual report. The IASB has issued IFRS Practice Statement *Management Commentary* in December 2010 which provides a broad, non-binding framework for the presentation of a management commentary that relates to the financial statements that have been prepared in accordance with IFRS. If a company decides to follow the guidance in the Practice Statement, management is encouraged to explain the extent to which the Practice Statement has been followed. A statement of compliance with the Practice Statement is only permitted if it is followed in its entirety.

The content of a financial review by management is often determined by local market requirements or issues specific to a particular jurisdiction. Therefore, no financial review by management has been included for Good Construction Group (International) Limited.

Good Construction Group (International) Limited

Consolidated Financial Statements

31 December 2011

General information

Directors

A Buisman (Chairman)

L V Tas (Chief Executive)

M Williams

T Pigneur

Company Secretary

C Piesbergen

Registered Office

Homeconcrete House

Ashdown Square

Euroville

Solicitors

Solicitors & Co.

7 Great Scott Street

Euroville

Bankers

Good Bank Limited

10 Capital Street

Euroville

Auditors

Professional Alexandre & Louis.

7 Bean Street

Euroville

Independent auditors' report to the shareholders of Good Construction Group (International) Limited

We have audited the accompanying consolidated financial statements of Good Construction Group (International) Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2011, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Professional Alexandre & Louis.

28 January 2012

17 Euroville High Street

Euroville

Commentary

The auditors' report has been prepared in accordance with ISA 700 (Redrafted) *Forming an Opinion and Reporting on Financial Statements* which is applicable for audits of financial statements for periods beginning on or after 15 December 2009. The auditors' report may differ depending on the requirements of different jurisdictions.

Consolidated income statement

for the year ended 31 December 2011

	Notes	2011 €000	2010 €000	IAS 1.10(b), IAS 1.51(b)(c) IAS 1.51(d)(e)
Continuing operations				
Construction contracts		126,495	112,875	*IAS 18.35(b)(ii)*
Concession arrangements		70,667	67,998	*IAS 18.35(b)(ii)*
Inventory sales	9.1	20,464	16,889	*IAS 1.103*
Revenue		**217,626**	**197,762**	*IAS 1.82(a)*
Cost of sales		(173,691)	(165,268)	*IAS 1.103*
Gross profit		**43,935**	**32,494**	*IAS 1.85, IAS 1.103*
Other income	9.1	1,585	2,548	*IAS 1.103*
Selling and distribution costs		(4,000)	(3,002)	*IAS 1.103*
Administrative expenses		(19,823)	(13,657)	*IAS 1.103*
Other operating expenses	9.2	(1,153)	(706)	*IAS 1.103*
Operating profit		**20,544**	**17,677**	*IAS 1.82(a)*
Finance costs	9.3	(13,677)	(9,761)	*IAS 1.82(b), IFRS 7.20*
Finance income	9.4	4,955	3,065	*IAS 1.82(a)*
Share of profit of an associate	7	83	81	*IAS 1.82(c), IAS 28.38*
Profit before tax from continuing operations		**11,905**	**11,062**	*IAS 1.85*
Income tax expense	10	(3,800)	(3,492)	*IAS 1.82(d), IAS 12.77*
Profit for the year from continuing operations		**8,105**	**7,570**	*IAS 1.85*
Discontinued operations				
Profit/(loss) after tax for the year from discontinued operations	11	220	(188)	*IAS 1.82(e), IFRS 5.33(a)*
Profit for the year		**8,325**	**7,382**	*IAS 1.82 (f)*
Attributable to:				
Owners of the parent		8,037	7,143	*IAS 1.83(a)(ii)*
Non-controlling interests		288	239	*IAS 1.83(a)(i), IAS 27.27*
		8,325	**7,382**	
Earnings per share	12			
▸ Basic, profit for the year attributable to ordinary equity holders of the parent		€0.39	€0.37	
▸ Diluted, profit for the year attributable to ordinary equity holders of the parent		€0.38	€0.37	
Earnings per share for continuing operations				
▸ Basic, profit from continuing operations attributable to ordinary equity holders of the parent		€0.38	€0.38	
▸ Diluted, profit from continuing operations attributable to ordinary equity holders of the parent		€0.37	€0.38	

Commentary

IAS 1.10 suggests titles for the primary financial statements, such as 'statement of comprehensive income' or 'statement of financial position'. Entities are however permitted to use other titles, such as 'balance sheet'.

IAS 1.82(a) requires disclosure of total revenue as a line item on the face of the income statement. The Group has elected to present the various types of revenues on the face of the income statement. Note that this information could also be given in the notes (per IAS 1.97).

IAS 1.99 requires expenses to be analysed by nature or by their function within the income statement, whichever provides information that is reliable and more relevant. The Group has presented the analysis of expenses by function. Appendix 2 illustrates the consolidated income statement if an analysis by nature were to be used. The Group presents an operating profit. This is not a required line item in IAS 1. In disclosing operating profit, an entity is indicating the results of those activities that it would normally regard as 'operating'.

IAS 33.68 requires presentation of basic and diluted earnings per share for discontinued operations either on the face of the income statement or in the notes to the financial statements. The Group has elected to show this information with other disclosures required for discontinued operations in Note 11 and show the earnings per share information for continuing operations on the face of the income statement.

Consolidated statement of comprehensive income

for the year ended 31 December 2011

	Notes	2011 €000	2010 €000	
				IAS 1.51(b)(c) *IAS 1.51(d)(e)*
Profit for the year		**8,325**	**7,382**	*IAS 1.82(f)*
Other comprehensive income				*IAS 1.82(g)*
Net gain on hedge of net investment		278	–	
Income tax effect		(83)	–	*IAS 1.90*
		195	**–**	
Exchange differences on translation of foreign operations		(246)	(117)	
Income tax effect		–	–	*IAS 1.90*
		(246)	**(117)**	
Net movement on cash flow hedges	9.8	(732)	33	
Income tax effect		220	(9)	*IAS 1.90*
		(512)	**24**	
Net (loss)/gain on available-for-sale financial assets	9.8	(60)	3	
Income tax effect		18	(1)	*IAS 1.90*
		(42)	**2**	
Actuarial gains and losses	27	311	(401)	
Income tax effect		(94)	120	*IAS 1.90*
		217	**(281)**	
Revaluation of land and buildings	13	846	–	
Income tax effect		(254)	–	*IAS 1.90*
		592	**–**	
Other comprehensive income for the year, net of tax		**204**	**(372)**	*IAS 1.85*
Total comprehensive income for the year		**8,529**	**7,010**	*IAS 1.82(i)*
Attributable to:				
Owners of the parent		8,241	6,771	*IAS 1.83(b)(ii)*
Non-controlling interests		288	239	*IAS 1.83(b)(i)* *IAS 27.27*
		8,529	**7,010**	

Commentary

The Group has elected to present two statements, an income statement and a statement of comprehensive income, rather than a single statement of comprehensive income combining the two elements. If a two-statement approach is adopted, the income statement must be followed directly by the statement of comprehensive income. For illustrative purposes, the disclosure of a single statement of comprehensive income is presented in Appendix 1.

The different components of comprehensive income are presented on a net basis in the statement above. Therefore, an additional note is required to present the amount of reclassification adjustments and current year gains or losses (see Note 9.8). Alternatively, the individual components could have been presented within the statement of comprehensive income.

The Group has elected to present the income tax effects on an individual basis. Therefore, no additional note disclosure is required.

Consolidated statement of financial position

as at 31 December 2011

	Notes	2011 €000	2010 €000	*IAS 1.10(a), IAS 1.51(b)(c)* *IAS 1.51(d)(e)*
Assets				
Non-current assets				*IAS 1.60, IAS 1.66*
Property and equipment	13	34,411	25,811	*IAS 1.54(a)*
Concession intangible assets	14	191,119	146,369	
Other intangible assets	14	6,019	2,461	*IAS 1.54(c)*
Investment in associate	7	764	681	*IAS 1.54(e), IAS 28.38*
Concession financial assets	15	73,558	40,713	
Other financial assets	17	6,425	3,491	*IAS 1.54(d), IFRS 7.8*
Deferred tax asset	10	383	365	*IAS 1.54(o), IAS 1.56*
		312,679	219,891	
Current assets				*IAS 1.60, IAS 1.66*
Inventories	19	32,975	32,139	*IAS 1.54(g)*
Amounts due from customers for contract work	20	22,138	19,432	*IAS 11.42*
Trade and other receivables	21	5,534	4,858	*IAS 1.54(h), IFRS 7.8(c)*
Prepayments		244	165	*IAS 1.55*
Concession financial assets	15	4,302	2,147	
Other financial assets	17	551	153	*IAS 1.54(d), IFRS 7.8*
Cash and short-term deposits	22	16,460	14,916	*IAS 1.54(i)*
		82,204	73,810	
Assets classified as held for sale	11	13,554	–	*IAS 1.54(j), IFRS 5.38*
		95,758	73,810	
Total assets		**408,437**	**293,701**	
Equity and liabilities				
Equity				*IAS 1.54(r)*
Issued capital	23	21,888	19,388	*IAS 1.54(r), IAS 1.78(e)*
Share premium	23	4,906	135	*IAS 1.54(r), IAS 1.78(e)*
Treasury shares	23	(914)	(839)	*IAS 1.54(r), IAS 1.78(e)*
Convertible preference shares		1,171	864	*IAS 1.54(r), IAS 1.78(e)*
Retained earnings		35,384	29,212	*IAS 1.54(r), IAS 1.78(e)*
Other components of equity		(651)	(512)	*IAS 1.54(r), IAS 1.78(e)*
Reserves of a disposal group classified as held for sale	11	46	–	*IAS 1.54(p)*
Equity attributable to owners of the parent		61,830	48,248	
Non-controlling interests		2,410	740	*IAS 1.54(q), IAS 27.27*
Total equity		**64,240**	**48,988**	
Non-current liabilities				*IAS 1.60, IAS 1.69*
Interest-bearing loans and borrowings	17	285,607	207,926	*IAS 1.54(m)*
Other financial liabilities	17	806	–	*IAS 1.54(m), IFRS 7.8(e)*
Provisions	25	1,950	77	*IAS 1.54(l), IAS 1.78(d)*
Government grants	26	3,300	1,400	*IAS 20.24*
Deferred revenue		196	165	*IAS 1.55*
Employee benefit liability	27	2,622	2,494	*IAS 1.55, IAS 1.78(d)*
Other liabilities		230	92	*IAS 1.55*
Deferred tax liabilities	10	3,060	1,235	*IAS 1.54(o), IAS 1.56*
		297,771	213,389	
Current liabilities				*IAS 1.60, IAS 1.69*
Amounts due to customers for contract work	20	15,645	17,025	*IAS 11.42*
Advances from customers		3,063	2,503	*IAS 11.42*
Trade and other payables	29	3,911	4,256	*IAS 1.54(k)*
Interest-bearing loans and borrowings	17	2,460	2,775	*IAS 1.54(m), IFRS 7.8(f)*
Other financial liabilities	17	3,040	303	*IAS 1.54(m), IFRS 7.8(e)*
Government grants	26	149	151	*IAS 1.55, IAS 20.24*
Deferred revenue		220	200	*IAS 1.55*
Income tax payable		3,963	4,013	*IAS 1.54(n)*
Provisions	25	850	98	*IAS 1.54(l)*
		33,301	31,324	
Liabilities directly associated with the assets classified as held for sale	11	13,125	–	*IAS 1.54(p), IFRS 5.38*
		46,426	31,324	
Total liabilities		**344,197**	**244,713**	
Total equity and liabilities		**408,437**	**293,701**	

Commentary

In accordance with IAS 1.60, the Group has classified its statement of financial position into current and non-current assets, and current and non-current liabilities. IAS 1 allows entities to present assets and liabilities broadly in order of their liquidity when this presentation is reliable and more relevant.

In accordance with IAS 1.73, the Group presented concession agreements and construction contracts separately in order to provide the most relevant information to Group operations.

Consolidated statement of changes in equity

for the year ended 31 December 2011

IAS 1.10(c)
IAS 1.51(b)(c)
IAS 1.106(d)

	Issued capital	Share premium	Treasury shares	Other capital reserves	Retained earnings	Cash flow hedge reserve	Available-for-sale reserve	Foreign currency translation reserve	Asset revaluation reserve	Discontinued operations	Total	Non-controlling interest	Total equity	
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	*IAS 1.51(d)(e)*
As at 1 January 2011	**19,388**	**135**	**(839)**	**864**	**29,212**	**(70)**	**2**	**(444)**	**–**	**–**	**48,248**	**740**	**48,988**	
Profit for the period	–	–	–	–	8,037	–	–	–	–	–	8,037	288	8,325	*IAS 1.106(d)(i)*
Other comprehensive income	–	–	–	–	217	(512)	(42)	(51)	592	–	204	–	204	*IAS 1.106(d)(ii)*
Total comprehensive income	–	–	–	–	8,254	(512)	(42)	(51)	592	–	8,241	288	8,529	
Depreciation transfer for land and buildings	–	–	–	–	80	–	–	–	(80)	–	–	–	–	*IAS 1.96*
Discontinued operation (Note 11)	–	–	–	–	–	–	(46)	–	–	46	–	–	–	*IFRS 5.38*
Issue of share capital (Note 23)	2,500	4,703	–	–	–	–	–	–	–	–	7,203	–	7,203	*IAS 1.106(d)(iii)*
Exercise of options (Note 23)	–	100	(75)	–	–	–	–	–	–	–	25	–	25	*IAS 1.106(d)(iii)*
Share-based payment transactions (Note 28)	–	–	–	307		–	–	–	–	–	307	–	307	*IAS 1.106(d)(iii)* *IFRS 2.50*
Transaction costs (Note 5)	–	(32)	–	–	–	–	–	–	–	–	(32)	–	(32)	*IAS 32.39*
Dividends (Note 24)	–	–	–	–	(1,972)	–	–	–	–	–	(1,972)	(30)	(2,002)	*IAS 1.107*
Acquisition of subsidiary (Note 5)	–	–	–	–	–	–	–	–	–	–	–	1,547	1,547	*IAS 1.106(d)(iii)*
Acquisition of non-controlling interests (Note 5)	–	–	–	–	(190)	–	–	–	–	–	(190)	(135)	(325)	*IAS 1.106(d)(iii)*
At 31 December 2011	**21,888**	**4,906**	**(914)**	**1,171**	**35,384**	**(582)**	**(86)**	**(495)**	**512**	**46**	**61,830**	**2,410**	**64,240**	

Commentary

For equity-settled share-based payment transactions, IFRS 2.7 requires entities to recognise an increase in equity when goods or services are received. However, IFRS 2 does not specify where in equity this should be recognised. The Group has chosen to recognise the credit in other capital reserves. The Group provided treasury shares to employees exercising share options and elected to recognise the excess of cash received over the acquisition cost of those treasury shares in share premium. In some jurisdictions, it is common to transfer other capital reserves to share premium or retained earnings when the share options are exercised or expire. The Group has elected to continue to present other capital reserves separately.

The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of non-controlling interest is recognised in equity of the parent in transactions where non-controlling interest is acquired or sold without loss of control. The Group has elected to recognise this effect in retained earnings. With respect to the subsidiary to which this non-controlling interest relates, there were no accumulated components recognised in other comprehensive income. If there had been such components, those would have been reallocated within equity of the parent (e.g., foreign currency translation reserve, available-for-sale reserve).

Consolidated statement of changes in equity

for the year ended 31 December 2010

IAS 1.10(c)
IAS 1.51(b)(c)
IAS 8.28
IAS 1.106(d)

	Issued capital	Share premium	Treasury shares	Other capital reserves	Retained earnings	Cash flow hedge reserve	Available-for-sale reserve	Foreign currency translation reserve	Total	Non-controlling interest	Total equity	
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	*IAS 1.51(d)(e)*
As at 1 January 2010	**19,388**	**–**	**(774)**	**566**	**23,950**	**(94)**	**–**	**(327)**	**42,709**	**208**	**42,917**	
Profit for the period	–	–	–	–	7,143	–	–	–	7,143	239	7,382	*IAS 1.106(a)*
Other comprehensive income	–	–	–	–	(281)	24	2	(117)	(372)	–	(372)	*IAS 1.106(d)(ii)*
Total comprehensive income	–	–	–	–	6,862	24	2	(117)	6,771	239	7,010	
Exercise of options (Note 23)	–	135	(65)	–	–	–	–	–	70	–	70	*IAS 1.106(d)(iii)*
Share-based payment transactions (Note 28)	–	–	–	298	–	–	–	–	298	–	298	*IAS 1.106(d)(iii)* *IFRS 2.50*
Dividends (Note 24)	–	–	–	–	(1,600)	–	–	–	(1,600)	(49)	(1,649)	*IAS 1.106(d)(iii)*
Non-controlling interest arising on a business combination (Note 5)	–	–	–	–	–	–	–	–	–	342	342	*IAS 1.106(d)(iii)*
At 31 December 2010	**19,388**	**135**	**(839)**	**864**	**29,212**	**(70)**	**2**	**(444)**	**48,248**	**740**	**48,988**	

Consolidated statement of cash flows

for the year ended 31 December 2011

	Notes	2011 €000	2010 €000	
				IAS 1.51(d)(e)
Operating activities				*IAS 7.10, IAS 7.18(b)*
Profit before tax from continuing operations		11,905	11,062	
Profit/(loss) before tax from discontinued operations	11	213	(193)	
Profit before tax		12,118	10,869	
Non-cash adjustment to reconcile profit before tax to net cash flows				*IAS 7.20(b)*
Depreciation and impairment of property and equipment	13	3,907	3,383	
Amortisation and impairment of intangible assets	14	2,955	1,814	
Share-based payment transaction expense	28	412	492	
Gain on disposal of property and equipment	9.1	(532)	(2,007)	
Fair value adjustment of contingent consideration	5	358	–	
Finance income		(4,955)	(3,065)	*IAS 7.20(c)*
Finance costs		13,677	9,761	*IAS 7.20(c)*
Share of net profit of associate	7	(83)	(81)	
Movements in provisions, pensions and government grants		2,222	597	
Working capital adjustments:				*IAS 7.20(a)*
Increase/Decrease in trade, other receivables, prepayments and construction assets		(3,015)	1,623	
Increase/Decrease in inventories, net of advances received		(2,150)	(5,548)	
Increase/Decrease in trade, other payables and construction liabilities		(2,327)	955	
Concessions adjustments:				
Changes in concessions – finance receivables		(31,680)	1,802	
Payments for concessions – intangible assets	14	(47,380)	(42,860)	
		(56,473)	**(22,265)**	
Interest received		3,656	3,066	*IAS 7.31*
Income tax paid		(3,759)	(3,379)	*IAS 7.35*
Net cash flows from operating activities		**(56,576)**	**(22,578)**	
Investing activities				*IAS 7.10, IAS 7.21*
Proceeds from sale of property and equipment		1,990	2,319	*IAS 7.16(b)*
Purchase of property and equipment		(10,655)	(7,822)	*IAS 7.16(a)*
Purchase of financial instruments		(1,893)	–	*IAS 7.16(c)*
Proceeds from sale of financial instruments		–	344	*IAS 7.16(d)*
Purchase of other intangible fixed assets		(587)	(390)	
Acquisition of a subsidiary, net of cash acquired	5	(402)	(1,450)	*IAS 7.39*
Receipt of government grant	26	2,951	642	
Net cash flows used in investing activities		**(8,596)**	**(6,357)**	
Financing activities				*IAS 7.10 IAS 7.21*
Proceeds from exercise of share options	23	25	70	*IAS 7.17(a)*
Acquisition of non-controlling interest	5	(325)	–	*IAS 7.42A*
Transaction costs on issue of shares	23	(32)	–	*IAS 7.17(a)*
Capital and interest elements of finance lease liabilities		(51)	(76)	*IAS 7.17(e)*
Proceeds from borrowings (including non-recourse loans)		85,781	45,973	*IAS 7.17(c)*
Repayment of borrowings		(1,806)	(1,784)	*IAS 7.17(d)*
Interest paid		(11,939)	(9,523)	*IAS 7.31*
Dividends paid to equity holders of the parent	24	(1,972)	(1,600)	*IAS 7.31*
Dividends paid to non-controlling interests		(30)	(49)	*IAS 7.31*
Net cash flows from financing activities		**69,651**	**33,011**	
Net increase in cash and cash equivalents		**4,479**	**4,076**	
Net foreign exchange difference		43	(126)	*IAS 7.28*
Cash and cash equivalents at 1 January	22	12,266	8,316	
Cash and cash equivalents at 31 December	22	**16,788**	**12,266**	*IAS 7.45*

Commentary

Good Construction Group has presented cash flow in respect of expenditure on concession assets as operating cash flows. The Interpretations Committee recently indicated that the principle in IAS 7 is to classify the cash flows in a manner that is consistent with the activity that generated the cash flow. In the case of construction services in a service concession arrangement, the activity is an operating activity.

IAS 7.18 allows entities to report cash flows from operating activities using either the direct method or the indirect method. The Group presents its cash flows using the indirect method. The statement of cash flows prepared using the direct method for operating activities is presented in Appendix 3 for illustrative purposes.

The Group has reconciled profit before tax to net cash flows from operating activities. However, reconciling from alternative profit or loss subtotals may also be permissible.

IAS 7.33 permits interest paid to be shown as operating or financing activities and interest received to be shown as operating or investing activities, as appropriate for the entity. The Group has elected to classify interest received as cash flows from operating activities.

Notes to the consolidated financial statements

1. Corporate information

IAS 1.10(e)
IAS 1.51(b)(c)
IAS 1.138(a)
IAS 10.17

The consolidated financial statements of the Group for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 28 January 2012.

Good Construction Group (International) Limited is a limited company incorporated and domiciled in Euroland whose shares are publicly traded.

Its principal activities comprise construction and engineering as well as investment in and operation of infrastructure. The registered office is located at Homeconcrete House, Ashdown Square in Euroville.

IAS 1.138(b)
IAS 1.138(c)

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

IAS 1.16

The consolidated financial statements have been prepared on a historical cost basis, except for:

IAS 1.112(a)

IAS 1.117(a)

IAS 1.51(d)(e)

- Land and buildings, derivative financial instruments and available-for-sale financial assets that have been measured at fair value
- The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships

The consolidated financial statements are presented in euro and all values are rounded to the nearest thousand (€000) except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Good Construction Group (International) Limited, the parent, and its subsidiaries as at 31 December 2011.

IAS 27.12
IAS 27.26

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

IAS 27.22
IAS 27.23
IAS 27.24
IAS 27.20

Total comprehensive income within a subsidiary are attributed to the non-controlling interest (NCI) even if that results in a deficit balance.

IAS 27.28

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

IAS 27.30

IAS 27.34
IAS 27.41

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Notes to the consolidated financial statements

2.3 Summary of significant accounting policies

IAS 1.112
IAS 1.117(a)(b)

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

IFRS 3.4
IFRS 3.18
IFRS 3.19

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

IFRS 3.15
IFRS 3.16

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances, where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

IFRS 3.42
IFRS 3.58

IFRS 3.54
IFRS 3.B63(a)
IAS 36.80

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

IAS 36.86

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

b) Interests in joint ventures

The Group has interests in joint ventures which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognises its interests in joint ventures using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

IAS 31.3
IAS 31.9
IAS 31.30
IAS 31.34

IAS 31.48

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intra-group balances, transactions and unrealised gains and losses on such transactions between the Group and its jointly controlled entity. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

IAS 31.36

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

IAS 31.45

Commentary

The Group accounts for its interest in the jointly controlled entity using proportionate consolidation. However, IAS 31.38 also permits jointly controlled entities to be recognised using the equity method.

If an entity chooses to recognise jointly controlled entities using the equity method, it is required to present its aggregate share of profit or loss from joint ventures on the face of its income statement. Also, the investment must be presented as a non-current asset on the face of the statement of financial position.

Notes to the consolidated financial statements

2.3 Summary of significant accounting policies *continued*

c) Investment in associates

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

IAS 28.11
IAS 28.23

The share of profit of an associate is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

IAS 28.37(e)
IAS 28.26

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

IAS 28.31

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

IAS 28.18

d) Foreign currency translation

IAS 1.51(d)
IAS 1.117(b)
IAS 21.9

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

IAS 21.21
IAS 21.23(a)
IAS 21.28
IAS 21.32

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates prevailing at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

IAS 21.32

All differences arising on settlement or translation of monetary items are taken to the income statement with the exception of all monetary items that are designated as part of the Group's net investment hedge of a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time, the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

IAS 21.23(b)
IAS 21.23(c)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Prior to 1 January 2005, the Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are already expressed in the functional currency or are non-monetary items and no further translation differences occur.

IFRS 1 Appendix C2

2.3 Summary of significant accounting policies *continued*

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

IAS 21.39(a)
IAS 21.39(b)
IAS 21.39(c)
IAS 21.48

e) Concession intangible and financial assets

IFRIC 12.15

The Group constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time. These arrangements may include Infrastructure used in a public-to-private service concession arrangement for its entire useful life.

IFRIC 12.17
IFRIC 12.16
IFRIC 12.18

These arrangements are accounted for based on the nature of the consideration. The intangible asset model is used to the extent that the Group receives a right (a licence) to charge users of the public service. The financial asset model is used when the Group has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services . When the unconditional right to receive cash covers only part of the service, the two models are combined to account separately for each component. If the Group performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

IFRIC 12.26
IFRIC 12.23
IFRIC 12. 13
IAS 39.46 (a)
IFRIC 12.13

- An intangible asset is measured at the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered. The intangible asset is amortised over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the entity, starting from the date when the right to operate starts to be used (for example, in a toll road concession the Group uses the number of cars that use the road). Based on these principles, the intangible asset is amortised in line with the actual usage of the specific public facility, with a maximum of the duration of the concession.
- In the financial asset model, the amount due from the grantor meets the definition of a receivable which is measured at fair value. It is subsequently measured at amortised cost. The amount initially recognised plus the cumulative interest on that amount is calculated using the effective interest method.

Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.

IAS 38 -112
IAS 39 -17

f) Revenue recognition

Construction contracts

The Group principally operates fixed price contracts, If the outcome of such a contract can be reliably measured, revenue associated with the construction contract is recognised by reference to the stage of completion of the contract activity at year end (the percentage of completion method).

IAS 11.22
IAS 11.25
IAS 11.30

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

IAS 11.23

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date and the estimated costs to complete.

Contract revenue — Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue, and they are capable of being reliably measured.

2.3 Summary of significant accounting policies *continued*

Contract costs — Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

IAS 11.11
IAS 11.16
IAS 11.17

The Group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

IAS 11.32

Assets covered by a single contract are treated separately when:

- The separate proposals have been submitted for each asset
- Each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset
- The costs and revenues of each asset can be identified

IAS 11.7

A group of contracts are treated as a single construction contract when:

- The group of contracts is negotiated as a single package; the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin
- The contracts are performed concurrently or in a continuous sequence

IAS 11.8

Commentary

IAS 11 allows a variety of ways to determine the stage of completion. The entity uses the method that measures reliably the work performed. Depending on the nature of the contract, the methods may include:

- The proportion that contract costs incurred for work performed to date bear to the estimated total contract costs
- Surveys of work performed

Or

- Completion of a physical proportion of the contract work

Concession arrangements

The Group manages concession arrangements which include the construction of roads, rails and buildings followed by a period in which the Group maintains and services the infrastructure. This may also include, in a secondary period, asset replacement or refurbishment. These concession arrangements set out rights and obligations relative the infrastructure and the service to be provided.

For fulfilling those obligations, the Group is entitled to receive either cash from the grantor or a contractual right to charge the users of the service. The consideration received or receivable is allocated by reference to the relative fair values of the services provided; typically:

IFRIC *12.12*

- A construction component
- A service element for operating and maintenance services performed

IFRIC 12.14
IFRIC 12.20

As set out in (e) above, the right to consideration give rises to an intangible asset, or financial asset:

- Revenue from the concession arrangements earned under the financial asset model consists of the (i) fair value of the amount due from the grantor; and (ii) interest income related to the capital investment in the project.
- Income from the concession arrangements earned under the intangible asset model consists of the fair value of contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset and payments actually received from the users.

IFRIC 12 IE4
IFRIC 12- IE 18

Sale of completed property

IAS 18.14

A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

2.3 Summary of significant accounting policies *continued*

Sales of property under development

IAS 18.14

Where property is under development and agreement has been reached to sell such property when construction is complete, the directors consider whether the contract comprises:

- A contract to construct a property

Or

- A contract for the sale of a completed property

Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage of completion method as construction progresses.

Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer. If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage of completion method of revenue recognition is applied and revenue is recognised as work progresses. Continuous transfer of work in progress is applied when:

- The buyer controls the work in progress, typically when the land on which the development is taking place is owned by the final customer

And

IFRIC 15.20

- All significant risks and rewards of ownership of the work in progress in its present state are transferred to the buyer as construction progresses, typically when the buyer cannot put the incomplete property back

In such situations, the percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

Interest income

Interest income is recognised using the effective interest rate method (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

IAS 18.30(a)

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

IAS 18.30(c)

g) Government grants

Government grants are recognised in the Statement of Financial Position where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

IAS 20.7
IAS 20.12
IAS 20.26
IAS 20.2

Commentary

IAS 20 permits two different ways of presenting a government grant relating to assets. It can be presented in the statement of financial position as deferred income which is recognised as income on a systematic and rational basis over the useful life of the asset. Alternatively, it can reduce the carrying amount of the asset. The grant is then recognised as income over the useful life of a depreciable asset by way of a reduced depreciation charge.

h) Taxes

Current income tax

IAS 12.46

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised in other comprehensive income is also recognised in other comprehensive income and not in the income statement.

IAS 12.61A
IAS 1.117

2.3 Summary of significant accounting policies *continued*

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss *IAS 12.22(c)*
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future *IAS 12.39*

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except: *IAS 12.34*

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss *IAS 12.24*
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised *IAS 12.44*

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. *IAS 12.56 IAS 12.37*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. *IAS 12.47*

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. *IAS 12.61A*

i) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. *IFRS 5.15 IFRS 5.6 IFRS 5.7 IFRS 5.8*

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income. *IFRS 5.33*

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale. *IFRS 5.25*

2.3 Summary of significant accounting policies *continued*

j) Property and equipment

IAS 16.73(a)
IAS 16.30
IAS 16.15
IAS 16.16

Property and equipment are initially recognised at cost. Such cost includes the cost of replacing part of equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. Subsequently, equipment is measured at cost less accumulated depreciation and impairment losses.

Property, following an accounting policy change in 2011, is subsequently measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed sufficiently frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

IAS 16.29

Any revaluation surplus is recorded in other comprehensive income and the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

IAS 16.39
IAS 16.40

Commentary

The Group has elected to transfer the revaluation surplus to retained earnings as the asset is being used. Alternatively, the amount could have been transferred upon disposal of the asset.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

IAS 16.41

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

IAS 16.73(b)
IAS 16.73(c)

- Buildings 15 to 20 years
- Equipment 5 to 15 years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

IAS 16.67
IAS 16.68
IAS 16.71
IAS 16.51

k) Leases

IAS 17.8
IAS 17.20
IAS 17.25

Finance leases, which transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

IAS 17.27

Operating lease payments are recognised as an operating expense in the income statement on a straight line basis over the lease term.

IAS 17.33

Notes to the consolidated financial statements

2.3 Summary of significant accounting policies *continued*

l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

IAS 23.8

The Group capitalises borrowing costs for all eligible assets where construction commenced on or after 1 January 2010. The Group continues to expense borrowing costs relating to construction projects that commenced prior to 1 January 2010.

IAS 23.27

m) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

IAS 38.24
IAS 38.83
IAS 38.74
IAS 38.57

The useful lives of intangible assets are assessed as either finite or indefinite.

IAS 38.88

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

IAS 38.97
IAS 36.9
IAS 38.104

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

IAS 38.118

The patents have been granted for a period of 10 years by the relevant government agency with the option of renewal at the end of this period. Licences for the use of intellectual property are granted for periods ranging between 5 and 10 years depending on the specific licence.

IAS 38.122(a)

n) Financial assets

Financial assets are recognised initially at fair value. The subsequent measurement of financial assets depends on their classification as follows:

IFRS 7.21
IAS 39.9

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

IAS 39.9
IAS 39.46
IAS 39.55(b)
IAS 39.67

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in finance income, or the investment is determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate (EIR) method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

IAS 39.9
IAS 39.46(a)
IAS 39.56

2.3 Summary of significant accounting policies *continued*

o) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

IAS 39.58
IAS 39.59
IFRS 7.B5(f)

p) Financial liabilities

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Financial guarantee contracts

IAS 39.47(c)
IAS 39.9
IAS 39.14

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

IAS 39.39

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

IAS 39.41
IAS 39.40

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

q) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

IAS 39.43
IFRS 7.21

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward commodity contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the group's expected purchase, sale or usage requirements are held at cost. Other commodity contracts that meet the definition of a derivative under IAS 39 are measured at fair value with changes in fair value recorded in cost of sales in the consolidated income statement.

Any gains or losses arising from changes in the fair value of other derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

2.3 Summary of significant accounting policies *continued*

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment *IAS 39.86(a)*
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment *IAS 36.86(b)*
- Hedges of a net investment in a foreign operation *IAS 39.86(c)*

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. *IAS 39.55(a)* *IAS 39.88*

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the income statement in finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the income statement in finance costs. *IAS 39.89*

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through the income statement over the remaining term of the hedge using the EIR method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. *IAS 39.92*

If the hedge item is derecognised, the unamortised fair value is recognised immediately in the income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement. *IAS 39.93*

The Group has an interest rate swap that is used as a hedge for the exposure of changes in the fair value of its 8.25% fixed rate secured loan. See Note 17 for more details.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement in other operating expenses. *IAS 39.95*

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability. *IAS 39.97* *IAS 39.100* *IAS 39.98*

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss. *IAS 39.101*

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in highly probable forecasted transactions. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income. Refer to Note 17 for more details.

2.3 Summary of significant accounting policies *continued*

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income, while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in other comprehensive income is transferred to the income statement.

IAS 39.102

The Group uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

Current versus non-current classification

IAS 1.60

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current, or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows):

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

r) Inventory

IAS 2.36(a)
IAS 2.9

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

IAS 2.6
IAS 2.7

s) Impairment of non-financial assets

IAS 36.6
IAS 36.9
IAS 36.66

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

IAS 36.59
IAS 36.30
IAS 36.55
IAS 36.25
IAS 36.33

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

IAS 36.60

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

IAS 36.110
IAS 36.114
IAS 36.117
IAS 36.119

2.3 Summary of significant accounting policies *continued*

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

IAS 36.10(b)

Goodwill is tested for impairment annually (as at 31 December) and also when circumstances indicate that the carrying value may be impaired.

IAS 36.104

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (CGU) (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

IAS 36.124

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

IAS 36.10(a)

Commentary

IAS 36.96 permits the annual impairment test for CGUs to which goodwill has been allocated to be performed at any time during the year, provided it is at the same time each year. Different CGUs and intangible assets may be tested at different times.

t) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

IAS 7.6
IAS 7.7

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

IAS 7.46

Commentary

The Group has included bank overdrafts within cash and cash equivalents as they are considered an integral part of the Group's cash management.

u) Convertible preference shares

Convertible preference shares are separated into liability and equity components based on the terms of the contract.

IFRS 7.21
IAS 32.18
IAS 32.28
IAS 32.35
IAS 32.AG31(a)

On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

2.3 Summary of significant accounting policies *continued*

v) Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

IAS 37.14
IAS 37.53
IAS 37.54
IAS 37.45
IAS 37.47
IAS 37.59
IAS 37.60
IAS 37.72

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

IAS 11.36

Concession arrangements: Provision for replacement or maintenance obligation

Most service concession arrangements concluded by the group contain obligations to maintain the infrastructure to a specified level of serviceability or to restore the infrastructure to a specified condition before it is handed back to the grantor at the end of the service arrangement. To the extent that the grantor specifically pays or guarantees payments for these services, these are considered to be part of contract revenue and the associated costs are part of contract costs. Otherwise, a provision is made for the obligation to maintain or restore the infrastructure measured at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date.

Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of:

IFRS 3.56

- The amount that would be recognised in accordance with the general guidance for provisions above (IAS 37)

Or

- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (IAS 18)

w) Pensions and other post employment benefits

The Group operates two defined benefit pension plans, both of which require contributions to be made to separately administered funds. The Group has also agreed to provide certain additional post employment healthcare benefits to senior employees in the United States. These benefits are unfunded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses for both defined benefit plans are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

IAS 19.64
IAS 19.92
IAS 19.93

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately.

IAS 19.96

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds, as explained in Note 3), less past service costs and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value is based on market price information and in the case of quoted securities it is the published bid price. The value of any defined benefit asset recognised is restricted to the sum of any past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

IAS 19.54
IAS 19.7
IAS 19.58A

2.3 Summary of significant accounting policies *continued*

x) Share-based payment transactions

IFRS 2.44

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions'). Employees working in the business development group are granted share appreciation rights, which can only be settled in cash ('cash-settled transactions').

Equity-settled transactions

The cost of equity-settled transactions with employees for awards granted after 7 November 2002 is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in Note 28.

IFRS 2.10

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (Note 9.6).

IFRS 2.7
IFRS 2.19
IFRS 2.20
IFRS 2.21

IFRS 2.27
IFRS 2.27A
IFRS 2.21

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

IFRS 2.7

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 12).

Cash-settled transactions

IFRS 2.30
IFRS 2.32
IFRS 2.33

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, further details of which are given in Note 28. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense (Note 9.6).

2.4 Changes in accounting policy and disclosures

IAS 8.14

Revaluation of land and buildings

With effect from 1 January 2011, land and buildings are carried at fair value; see note 13.

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

- IAS 24 *Related Party Disclosures (amendment)* effective 1 January 2011
- IAS 32 *Financial Instruments: Presentation (amendment)* effective 1 February 2010
- IFRIC 14 *Prepayments of a Minimum Funding Requirement (amendment)* effective 1 January 2011
- Improvements to IFRSs (May 2010)

The adoption of the standards or interpretations is described below:

IAS 24 *Related Party Transactions* (Amendment)

IAS 8.28

The IASB has issued an amendment to IAS 24 that clarified the definitions of a related party. The new definitions emphasise a symmetrical view on related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements, for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

2.4 Changes in accounting policy and disclosures *continued*

IAS 32 *Financial Instruments: Presentation* (Amendment)

IAS 8.14

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group as the Group has not issued these type of instruments.

IFRIC 14 *Prepayments of a Minimum Funding Requirement* (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. The Group is not subject to minimum funding requirements in Euroland, the amendment of the interpretation therefore had no effect on the financial position or performance of the Group.

Improvements to IFRSs

In May 2010, the Board issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

- IFRS 3 *Business Combinations*: The measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation must be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value (see Note 5)
- The amendments to IFRS 3 are effective for annual periods beginning on or after 1 July 2011. The Group however adopted these as of 1 January 2011 and changed its accounting policy accordingly as the amendment was issued to eliminate unintended consequences that may arise from the adoption of IFRS 3.
- IFRS 7 *Financial Instruments – Disclosures*: The amendment was intended to simplify the disclosures provided, by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Group reflects the revised disclosure requirements in Note 17.

IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements. The Group provides this analysis in Note 9.8.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 3 *Business Combinations* (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 34 *Interim Financial Statements*
- IFRIC 13 *Customer Loyalty Programmes* (determining the fair value of award credits)
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements other than estimates

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

IAS 1.122

Revenue recognition

When a contract is judged to be a construction contract, then revenue is recognised using the percentage of completion method. The percentage of completion method is made by reference to the stage of completion of projects determined based on the proportion of contract costs incurred to data and the estimated costs to complete.

Discontinued operations

On 1 March 2011, the Board of Directors announced its decision to dispose of the segment consisting of Dead End Limited and therefore classified it as a disposal group held for sale. The Board considered the subsidiary met the criteria to be classified as held for sale at that date for the following reasons:

- Dead End Limited is available for immediate sale and can be sold to a potential buyer in its current condition
- The Board had a plan to sell Dead End Limited and had entered into preliminary negotiations with a potential buyer. Should negotiations with the party not lead to a sale, a number of other potential buyers have been identified
- The Board expects negotiations to be finalised and the sale to be completed by 29 February 2012

IFRS 5.7
IFRS 5.8

For more details on the discontinued operation refer to Note 11.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

IAS 1.125

Construction contracts

The percentage of completion and the revenue to recognise are determined on the basis of a large number of estimates. Consequently, the Group has implemented an internal financial budgeting and reporting system.

IAS 11.30

IAS 11.29

In particular, the Group reviews each quarter the estimates of contract revenue and contract costs as the contract progress.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years, or, in case of concession arrangements, for the concession period and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 18. For the concession business, each of the concession arrangements is considered a cash generating unit.

3. Significant accounting judgments, estimates and assumptions *continued*

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires the determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 28.

Taxes

IAS 12.88
IAS 1.125

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues, depending on the conditions prevailing in the respective Group company's domicile. As the Group assesses the probability of litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

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

Pension benefits

The cost of defined benefit pension plans and other post employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those with excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

Further details about the assumptions used are given in Note 27.

Commentary

IAS 1.125 requires an entity to disclose significant judgements applied in preparing the financial statements and significant estimates that involve a high degree of estimation uncertainty. The disclosure requirements go beyond those requirements that already exist in some other IFRS such as IAS 37.

These disclosures represent a very important source of information in the financial statements because they highlight those areas in the financial statements that are most prone to changes in the foreseeable future. Therefore, any information given should be sufficiently detailed to help the reader of the financial statements understand the impact of possible significant changes.

4. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group will adopt those standards when they become effective.

IAS 1 *Financial Statement Presentation – Presentation of Items of Other Comprehensive Income*
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified.

The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 *Income Taxes* – Recovery of Underlying Assets
The amendment clarified the determination of deferred tax in investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement to calculate deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16, always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 19 *Employee Benefits* (Amendment)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes like removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.

The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 *Financial Instruments: Disclosure*s - Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosures about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has therefore no impact on the Group's financial position or performance.

IFRS 9 *Financial Instruments: Classification and Measurement*
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

4. Standards issued but not yet effective *continued*

IFRS 10 *Consolidated Financial Statements*

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and SIC-12 *Consolidation — Special Purpose Entities*.

IFRS 10 establishes a single control model that applies to all entities including 'special purpose entities'. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements of the current IAS 27.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 *Joint Arrangements*

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*.

IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

The application of this new standard will imply a modification in the presentation of the financial statements of the Group because of the elimination of proportionate consolidation for the Group's interest in a joint venture (see note 6).

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28 *Investment in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance of how to measure fair value under IFRS when fair value is required or permitted.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

Commentary

IAS 8.30 requires disclosure of those standards that have been issued which are not yet effective and that provide known or reasonably estimable information to enable users to assess the possible impact of the application of such IFRSs on an entity's financial statements. Therefore, the Group has listed those standards and interpretations that are not yet effective, which it reasonably expects to have an impact on either its accounting policy, financial position or performance (i.e., omitting to list those standards and amendments that have no impact at all, such as IFRS 1 or IAS 34).

Good Construction Group (International) Limited has provided details of the impact of such standards and interpretations to the extent they are expected to have a material impact on the Group. Details of other standards and interpretations would be immaterial information.

5. Business combinations and acquisition of non-controlling interests

Acquisitions in 2011

Acquisition of Big Road Limited

On 1 May 2011, the Group acquired 80% of the voting shares of Big Road Limited, an unlisted company based in Euroland specialising in the construction of motorways. The Group has acquired Big Road Limited because it adds to the construction skills of the Group.

IFRS 3.59
IFRS 3.B64(a)
IFRS 3.B64(d)
IFRS 3.B64(b)
IFRS 3.B64(c)

The Group has elected to measure the non-controlling interest (20%) in the acquiree at fair value.

The fair value of the identifiable assets and liabilities of Big Road Limited as at the date of acquisition were:

	Fair value recognised on acquisition	
	€000	*IFRS 3.B64(i)* *IAS 7.40(d)*
Assets		
Property and equipment (Note 13)	7,042	
Cash and cash equivalents	230	*IAS 7.40(c)*
Amounts due from customers in relation to construction contracts	1,686	
Trade receivables	50	
Inventories	3,578	
Software (Note 14)	1,200	
	13,786	
Liabilities		
Amounts due to customers in relation to construction contracts	(2,112)	
Trade payables	(450)	
Contingent liability	(380)	
Provision for operating lease costs	(400)	
Provision for restructuring	(500)	
Provision for replacement or maintenance obligation (concession arrangements)	(1,200)	
Deferred tax liability	(1,511)	
	(6,553)	
Total identifiable net assets at fair value	**7,233**	
Non-controlling interest measured at fair value	(1,547)	*IFRS 3.B64(o)(i)*
Goodwill arising on acquisition (Note 14)	2,231	
Purchase consideration	**7,917**	

5. Business combinations and acquisition of non-controlling interests *continued*

Commentary

The references quoted refer to IFRS 3 (effective 1 July 2009) which the Group applies for its financial period beginning 1 January 2010.

Assets acquired and liabilities assumed

Prior to the acquisition, Big Road Limited had decided to implement a restructuring plan (further details are given in Note 25). The restructuring provision recognised above was a present obligation of Big Road Limited immediately prior to the business combination. The execution of the plan was not conditional upon it being acquired by the Group.

The goodwill of €2,231,000 comprises the value of expected synergies arising from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes. *IFRS 3.B64(e) IFRS 3.B64(k)*

A contingent liability at a fair value of €400,000 has been determined at acquisition date resulting from a claim of a supplier whose shipment has been rejected and payment has been refused by the Group due to deviations from the defined technical specifications of the goods. The claim is subject to legal arbitration and is only expected to be finalised in late 2012. As at the reporting date, the contingent liability has been reassessed and determined to be €400,000, which is based on the expected probable outcome (see Note 25). *IFRS 3.B64(j) IFRS 3.56(a)*

The fair value of the non-controlling interest in Big Road Limited has been estimated by applying a discounted earnings approach. Big Road Limited is an unlisted company and therefore no market information is available. The fair value estimate is based on: *IFRS 3.B64 (o)(ii)*

- An assumed discount rate of 14%
- Terminal value, calculated based on a long-term sustainable growth rate for the industry ranging from 2 to 4 per cent, which has been used to determine income for the future years
- A reinvestment ratio of 60% of earnings

From the date of acquisition, Big Road Limited has contributed €17,857,000 of revenue and €750,000 to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been €222,582,000 and the profit from continuing operations for the Group would have been €12,285,000. *IFRS 3.B64 (q)(i) IFRS 3.B64 (q)(ii)*

Purchase consideration	**€000**	
Shares issued, at fair value	7,203	*IFRS 3.B64 (f)(iv)*
Contingent consideration liability	714	*IFRS 3.B64 (f)(iii)*
Total consideration	**7,917**	*IAS 7.40(a)*

Analysis of cash flows on acquisition:	**€000**	
Transaction costs of the acquisition (included in cash flows from operating activities)	(600)	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	230	*IAS 7.40(c)*
Transaction costs attributable to issuance of shares (included in cash flows from financing activities, net of tax)	(32)	
Net cash flow on acquisition	**(402)**	

The Group issued 2,500,000 ordinary shares as consideration for the 80% interest in Big Road Limited. The fair value of the shares is the published price of the shares of the Group at the acquisition date, which was €2.88 each. Therefore, the fair value of the consideration given is €7,203,000. *IFRS 3.B64 (f)(iv)*

The transaction costs of €600,000 have been expensed and are included in administrative expenses. The attributable costs of the issuance of the equity instruments of €32,000 have been charged directly to equity. *IFRS 3.B64 (f)(iv) IFRS 3.B64(m)*

5. Business combinations and acquisition of non-controlling interests *continued*

Contingent consideration

As part of the purchase agreement with the previous owner of Big Road Limited, a contingent consideration has been agreed. There will be additional cash payments due to the previous owner of Big Road Limited of:

IFRS 3.B64 (g)(ii)

a) €675,000, if the entity generates €1,000,000 profit before tax in a 12 month period after the acquisition date

Or

b) €1,125,000, if the entity generates €1,500,000 profit before tax in a 12 month period after the acquisition date

IFRS 3.B64 (g)(iii)
IFRS 3.B64 (g)(i)

As at the acquisition date, the fair value of the contingent consideration was estimated at €714,000.

IFRS 3.58 (b)(i)

As at 31 December 2011, the key performance indicators of Big Road Limited show clearly that target (a) will be achieved and the achievement of target (b) is probable due to a significant expansion of the business and synergies implemented. Accordingly, the fair value of the contingent consideration has been adjusted to reflect this development and such charge has been recognised through profit or loss.

The contingent consideration as at 31 December 2011 has been increased by €357,500 to €1,071,500 due to changes in the underlying assumptions which reflects the fair value of the discounted cash payment (see Note 3). This fair value adjustment is recognised in other operating expenses.

Commentary

The classification of a contingent consideration requires an analysis of the individual facts and circumstances. It may be classified either as equity or as a financial liability in accordance with IAS 32 and IAS 39, as a provision in accordance with IAS 37 or in accordance with other IFRSs, each resulting in different initial recognition and subsequent measurement. The Group has assessed the nature of the contingent consideration and determined it as being a financial liability, as the Group incurred a contractual obligation to deliver cash to the seller (IAS 32.11). Consequently, the Group is required to remeasure that liability to fair value at the reporting date (IFRS 3.58(b)(i)).

As part of the business combination, contingent payments to employees or selling shareholders are common methods of retention of key people for the combined entity. The nature of such contingent payments, however, needs to be evaluated in each individual circumstance as not all such payments qualify as contingent consideration but are accounted for as a separate transaction. For example, contingent payments which are unrelated to the future service of the employee are deemed contingent consideration, whereas contingent payments which are forfeited when the employment is terminated, are deemed remuneration. Paragraphs B54 – B55 of IFRS 3 provide further guidance.

Acquisition of additional Interest in Airport Builder Limited

On 1 October 2011, the Group acquired an additional 7.4% of the voting shares of Airport Builder Limited, increasing its ownership to 87.4%. Cash consideration of €325,000 was paid to the non-controlling interest shareholders. The carrying value of the net assets of Airport Builder Limited (excluding goodwill on the original acquisition) at this date was €1,824,000, and the carrying value of the additional interest acquired was €135,000. The difference of €190,000 between the consideration and the carrying value of the interest acquired has been recognised in retained earnings within equity.

IAS 27.30
IAS 27.41(e)

Acquisitions in 2010

On 1 December 2010, the Group acquired 80% of the voting shares of Airport Builder Limited, a company based in Euroland, specialising in the construction of airports.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree identifiable net assets.

IFRS 3,59
IFRS 3.B64(a)
IFRS 3.B64(b)
IFRS 3.B64(c)
IFRS 3.B64(d)
IFRS 3.B64(o)(i)

5. Business combinations and acquisition of non-controlling interests *continued*

The fair value of the identifiable assets and liabilities of Airport Builder Limited as at the date of acquisition were:

	Fair value recognised on acquisition	
	€000	*IFRS 3.73(b)* *IAS 7.40(d)*
Land and buildings	1,280	
Cash and cash equivalents	50	*IAS 7.40(c)*
Amounts due from construction contracts and other receivables	1,553	
Inventories	65	
	2,948	
Payables and other liabilities	(807)	
Deferred taxation	(380)	
Provision for maintenance warranties	(50)	
	(1,237)	
Net assets	1,711	
Non-controlling interest (20% of fair value of net assets)	(342)	
Total net assets acquired	1,369	
Goodwill arising on acquisition (Note 14)	131	*IFRS 3.67(d)* *IAS 7.40(a)*
Purchase consideration transferred	**1,500**	

Cash flow on acquisition	**€000**	
Net cash acquired with the subsidiary	50	*IAS 7.40(c)*
Cash paid	(1,500)	*IAS 7.40(b)*
Net cash flow on acquisition	**(1,450)**	

Airport Builder Limited contributed €20,000 from the date of acquisition (1 December 2010) to 31 December 2011 to the profit for the year from continuing operations of the Group. If the combination had taken place at the beginning of that year, revenue from continuing operations would have been €198,078,000 and the profit for the year from continuing operations for the Group for 2010 would have been €7,850,000.

IFRS 3.67(i)
IFRS 3.70(a)
IFRS 3.70(b)

Goodwill comprises the fair value of expected synergies arising from acquisition.

IFRS 3.67(h)

Commentary

In the 2010 business combination, the Group elected to value the non-controlling interest by its proportionate share of the acquiree's identifiable net assets. However, in the 2011 business combination, the Group elected to value the non-controlling interest at fair value. This election is made for each business combination and is not a policy choice that is made for all business combinations.

6. Interest in a joint venture

The Group has a 50% interest in Road 96 Limited, a jointly controlled entity which is involved in the construction of the "road 96" in Euroland. *IAS 31.56*

The Group's share of the assets and liabilities as at 31 December 2011 and 2010 and income and expenses of the jointly controlled entity for the years ended 31 December 2011 and 2010, which are proportionally consolidated in the consolidated financial statements, are as follows: *IAS 31.57*

IAS 31.56

	2011	2010
	€000	€000
Share of the joint venture's assets and liabilities:		
Current assets	1,613	1,404
Non-current assets	1,432	1,482
Current liabilities	(112)	(551)
Non-current liabilities	(510)	(500)
Equity	**2,423**	**1,835**
Share of the joint venture's revenue and profit:		
Revenue	30,047	29,438
Cost of sales	(27,244)	(26,710)
Administrative expenses	(1,319)	(1,293)
Finance costs	(102)	(100)
Profit before income tax	1,382	1,335
Income tax expense	(794)	(778)
Profit for the year from continuing operations	**588**	**557**

The Group has no share of any contingent liabilities or capital commitments as at 31 December 2011 and 2010. *IAS 31.54* *IAS 31.55*

7. Investment in an associate

The Group has a 25% interest in Small Building Limited, which is involved in the construction of residential buildings in Euroland. *IAS 28.37(a)*

Small Building Limited is a private entity that is not listed on any public exchange. The following table illustrates summarised financial information of the Group's investment in Small Building Limited. Small Building Limited applies the same reporting date and reporting periods as the Group: *IAS 28.37(e)*

IAS 28.37(b)

	2011	2010
	€000	€000
Share of the associate's assets and liabilities:		
Current assets	1,631	1,581
Non-current assets	3,416	3,207
Current liabilities	(1,122)	(976)
Non-current liabilities	(3,161)	(3,131)
Equity	**764**	**681**
Share of the associate's revenue and profit:		
Revenue	8,323	8,160
Profits	83	81
Carrying amount of the investment	**764**	**681**

8. Segment information

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows :

IAS 1.138
IFRS 8.22(a)
IFRS 8.22(b)

- Concession segment — operates under concession contracts including the financing, design, building and operating of major infrastructures such as motorways, bridges, tunnels, car parks, airports and public infrastructure equipment
- Property development — builds commercial property for sale on completion
- Construction segment — design and builds roads, residential property, offices, and infrastructures in the civil engineering sector

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

IFRS 8.28(b)
IFRS 8.27(a)

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Year ended 31 December 2011	Construction	Property development	Concession	Total segments	Adjs and eliminations	Consolidated	
	€000	€000	€000	€000	€000	€000	
Revenue							
External customer	126,495	20,464	70,667	217,626	–	217,626	*IFRS 8.23(a)*
Inter-segment	7,465	–	–	7,465	(7,465)	–	*IFRS 8.23(b)*
Total revenue	**133,960**	**20,464**	**70,667**	**225,091**	**(7,465)**	**217,626**	
Results							
Depreciation and amortisation	(1,673)	–	(2,249)	(3,922)	–	(3,922)	*IFRS 8.23(e)*
Goodwill impairment	–	–	(200)	(200)	–	(200)	*IFRS 8.23(e)*
Ineffective portion of commodity hedge	–	–	(65)	(65)	–	(65)	
Impairment of financial instruments	(88)	–	–	(88)	–	(88)	
Share of profit of associate	83	–	–	83	–	83	*IFRS 8.23(g)*
Segment profit	**6,603**	**1,432**	**8,992**	**17,027**	**(8,702)**	**8,325**	*IFRS 8.23*
Operating assets	**57,841**	**35,180**	**296,490**	**389,511**	**18,926**	**408,437**	*IFRS 8.23*
Operating liabilities	**13,125**	**8,170**	**11,540**	**32,837**	**311,360**	**344,197**	*IFRS 8.23*
Other disclosures							
Investment in an associate	764	–	–	764	–	764	*IFRS 8.24(a)*
Capital expenditure	5,469	–	87,850	93,319	–	93,319	*IFRS 8.24(b)*

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

8. Segment information *continued*

Year ended 31 December 2010	Construction	Property development	Concession	Total segments	Adjs and eliminations	Consolidated	
	€000	€000	€000	€000	€000	€000	
Revenue							
External customer	112,875	16,889	67,998	197,762	–	197,762	*IFRS 8.23(a)*
Inter-segment	7,319	–	–	7,319	(7,319)	–	*IFRS 8.23(b)*
Total revenue	**120,194**	**16,889**	**67,998**	**205,081**	**(7,319)**	**197,762**	
Results							
Depreciation and amortisation	(1,044)	–	(2,112)	(3,156)	–	(3,156)	*IFRS 8.23(e)*
Impairment of property, plant and equipment	(301)	–	–	(301)	–	(301)	*IFRS 8.23(i)*
Share of profit of associate	81	–	–	81	–	81	*IFRS 8.23(g)*
Segment profit	**4,252**	**1,351**	**8,748**	**14,351**	**(6,969)**	**7,382**	*IFRS 8.23*
Operating assets	**65,011**	**31,560**	**194,919**	**291,490**	**2,211**	**293,701**	*IFRS 8.23*
Operating liabilities	**14,574**	**7,980**	**5,404**	**27,958**	**216,755**	**244,713**	*IFRS 8.23*
Other disclosures							
Investment in an associate	681	–	–	681	–	681	*IFRS 8.24(a)*
Capital expenditure	4,107	–	47,505	51,612	–	51,612	*IFRS 8.24(b)*

Adjustments and eliminations

IFRS 8.28

Capital expenditure consists of additions of property and equipment and intangible assets including those from the acquisition of subsidiaries.

	2011	2010
	€000	€000
Segment profit	**17,027**	**14,351**
Finance income	785	724
Finance income on other loans and receivables	3,320	2,342
Impairment loss on quoted equity instruments	(23)	–
Fair value loss on financial assets through profit or loss	(1,502)	–
Fair value gain on financial assets through profit or loss	850	
Finance cost - net	(12,175)	(9,761)
Inter-segment sales (elimination)	(175)	(85)
Net realised gains from AFS financial assets (elimination)	(2)	–
Gain from discontinued operations	220	(188)
Group profit from continuing activities	**8,325**	**7,382**

Finance income and expenses, other than expense on the non recourse concession loan and income on the concession finance receivables, impairment losses and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

8. Segment information *continued*

	2011	2010
	€000	€000
Segment operating assets	**389,511**	**291,490**
Deferred tax assets	383	365
Loans to associates	200	–
Loans to directors	13	8
Loan notes	3,674	1,685
Derivatives	1,102	153
Assets classified as held for sale	13,544	–
Group operating assets	**408,437**	**293,701**

	2011	2010
	€000	€000
Segment operating liabilities	**32,837**	**27,958**
Deferred tax liabilities	3,518	1,787
Current tax payable	3,963	4,013
Loans	285,289	208,057
Convertible preference shares	2,778	2,644
Derivatives	2,687	254
Liabilities directly associated with the assets classified as held for sale	13,125	–
Group operating liabilities	**344,197**	**244,713**

Deferred and current tax, goodwill, derivatives as well as loan notes other than non-recourse concession loans, are managed on a group basis and therefore are not allocated to individual segments.

Geographic information

IFRS 8.33(a)

Revenues from external customers

	2011	2010
	€000	€000
Euroland	165,402	147,881
United States	52,224	49,881
Total revenue	**217,626**	**197,762**

The revenue information above is based on the location of the customer.

IFRS 8.33(a)

Revenue from one customer amounted to €45,521,000 (2010: €41,263,000), arising from sales by the concession segment.

IFRS 8.34

Non-current assets

IFRS 8.33(b)

	2011	2010
	€000	€000
Euroland	222,249	167,390
United States	9,300	7,251
Total	**231,549**	**174,641**

Non-current assets for this purpose consist of property and equipment, and intangible assets.

8. Segment information *continued*

Commentary

Interest revenue and interest expense have not been disclosed by segment as these items are managed on a group basis, and are not provided to the chief operating decision maker at the operating segment level. Disclosure of operating segment assets and liabilities is only required where such measures are provided to the chief operating decision maker. The Group provides information to the chief operating decision maker about operating assets and liabilities. The remaining operations (e.g., treasury) which are amongst others reflected in 'adjustments and eliminations', do not constitute an individual operating segment.

The Group's internal reporting is in accordance with IFRS. The segment disclosures could be significantly more extensive if internal reports had been prepared on a basis other than IFRS. In this case, a reconciliation between the internally reported items and the externally communicated items need to be prepared.

IFRS 8 does not provide specific disclosure requirements for operating segments classified as discontinued operations. An entity is therefore not required to provide such segment information as soon as the classification criteria as held for sale is met. It is, however, allowed to continue to present segment information as long as the definition as operating segment is met. The Group has elected to continue to present segment information for the prior year. In the current year, the discontinued operation has been eliminated and is part of the reconciling items.

9. Income and expenses

9.1 Inventory sales and government grants

	2011	2010	
	€000	€000	
Inventory sales — proceeds from the sale of inventory property	**20,464**	**16,889**	*IAS 18.35(b)(i)*
Other income — amortisation of government grants (Note 26)	1,053	541	*IAS 20.39(b)*
Net gain on disposal of property, plant and equipment	532	2,007	*IAS 1.97*
Total other income	**1,585**	**2,548**	

Government grants have been received for the purchase of certain items of property and equipment. There are no unfulfilled conditions or contingencies attached to these grants. *IAS 20.39(c)*

9.2 Other operating expenses

	2011	2010	
	€000	€000	
Bid defence costs	(507)	(22)	*IAS 1.97*
Ineffective portion of forward commodity contract	(65)	–	
Other	(581)	(684)	*IAS 1.97*
Total other operating expenses	**(1,153)**	**(706)**	

Bid defence costs were incurred for professional advice in respect of a potential take-over bid by a competitor. The competitor did not proceed with the bid.

9. Income and expenses *continued*

9.3 Finance costs

	2011 €000	2010 €000	
Interest on overdrafts	(842)	(791)	
Interest on debts and borrowings	(11,139)	(8,929)	
Finance charges payable under finance leases	(40)	(40)	
Total interest expense	**(12,021)**	**(9,760)**	*IFRS 7.20(b)*
Impairment loss on quoted available-for-sale financial instruments	(111)	–	*IFRS 7.20(e)*
Net loss on financial assets and liabilities at fair value through profit and loss	(1,502)	–	*IFRS 7.20(a)*
Unwinding of discount on provisions (Note 25)	(43)	(1)	*IAS 37.60*
Total finance costs	**(13,677)**	**(9,761)**	

9.4 Finance income

	2011 €000	2010 €000	
Interest income on loan to associate (Note 30)	20	–	
Interest income on concession finance receivables	3,320	2,342	
Interest income on other loans and finance receivables	580	561	
Interest income from available-for-sale investments	185	162	*IAS 1.85 IFRS 7.20(a)(i)*
Gain on financial assets and liabilities at fair value through profit and loss	850	–	*IFRS 7.20(b)*
Total finance income	**4,955**	**3,065**	

The gain on financial assets and liabilities through profit or loss relates to foreign exchange forward contracts which did not qualify for hedge accounting.

Commentary

Finance income and finance cost are not defined terms in IFRS. Some jurisdictions limit the inclusion of certain income and expense within those items (e.g., restricted to interest income and expense), while other jurisdictions allow additional items to be included.

9.5 Amounts included in the income statement

	2011 €000	2010 €000	*IAS 1.104*
Included in cost of sales:			
Depreciation	3,520	2,800	
Impairment of property and equipment (Note 13)	–	301	*IAS 36.126(a)*
Amortisation and impairment of intangible assets (Note 14)	2,955	1,814	
Net foreign exchange differences	(65)	(40)	*IAS 21.52(a)*
Warranty provision	106	48	
Costs of inventories recognised as an expense	15,283	13,140	*IAS 2.36(d)*
Included in administrative expenses:			
Depreciation	277	282	
Operating lease expense	250	175	*IAS 17.35(c)*

9. Income and expenses *continued*

9.6 Employee benefits expense

	2011	2010	
	€000	€000	*IAS 1.104*
Wages and salaries	38,205	38,050	
Social security costs	3,854	3,837	
Pension costs (Note 27)	1,395	1,361	
Post-employment benefits other than pensions (Note 27)	153	113	
Share-based payment transaction expense (Note 28)	412	492	*IFRS 2.51(a)*
Total employee benefits expense	**44,019**	**43,853**	

9.7 Research and development costs

IAS 38.126

Research and development costs recognised as an expense in the income statement during the financial year amount to €2,235,000 (2010: €1,034,000).

9.8 Components of other comprehensive income

	2011	2010	*IAS 1.97*
Cash flow hedges:	€000	€000	
Gains/(losses) arising during the year			
Currency forward contracts	(218)	(379)	
Commodity forward contracts	(915)	–	
Reclassification adjustments for gains included in the income statement	401	412	*IAS 1.92 IFRS 7.23(d)*
	(732)	33	
Available-for-sale financial assets:			
Gains/(losses) arising during the year	(58)	3	
Reclassification adjustments for losses included in the income statement	(2)	–	*IAS 1.92 IFRS 7.20(a)(ii)*
	(60)	3	

Commentary

The purpose of Note 9.8 is to provide an analysis of items presented net on the Statement of Comprehensive Income. This analysis does not apply for the other items of other comprehensive income, as those are either never reclassified to profit or loss or reclassification adjustments did not occur.

Notes to the consolidated financial statements

10. Income tax

The major components of income tax expense for the years ended 31 December 2011 and 2010 are: *IAS 12.79*

Consolidated income statement

	2011	2010	
	€000	€000	
Current income tax:			
Current income tax charge	3,732	3,901	*IAS 12.80(a)*
Adjustments in respect of current income tax of previous year	(18)	(129)	*IAS 12.80(b)*
Deferred tax:			
Relating to origination and reversal of temporary differences	86	(280)	*IAS 12.80(c)*
Income tax expense reported in the income statement	**3,800**	**3,492**	

Consolidated statement of other comprehensive income *IAS 12.81(a)*

	2011	2010
Deferred tax related to items charged or credited directly to OCI during the year:		
Net gain/(loss) on revaluation of cash flow hedges	220	(9)
Unrealised gain/(loss) on available-for-sale financial assets	18	(1)
Net (loss) on revaluation of land and buildings	(254)	–
Net (loss)/gain on actuarial gains and losses	(94)	120
Net (loss) on hedge of net investment	(83)	–
Income tax charged directly to equity	**(193)**	**110**

A reconciliation between tax expense and the product of accounting profit multiplied by Euroland's statutory income tax rate for the years ended 31 December 2011 and 2010 is as follows: *IAS 12.81 (c)(i)*

	2011	2010
	€000	€000
Accounting profit before tax from continuing operations	11,905	11,062
Profit/(loss) before tax from a discontinued operation	213	(193)
Accounting profit before income tax	**12,118**	**10,869**
At Euroland's statutory income tax rate of 30% (2010: 30%)	3,635	3,261
Adjustments in respect to current income tax of previous years	(18)	(44)
Government grants exempt from tax	(316)	(162)
Utilisation of previously unrecognised tax losses	(231)	(89)
Non-deductible expenses for tax purposes		
Impairment of goodwill	60	–
Change in contingent consideration on acquisition of Big Road Limited	107	–
Other non-deductible expenses	121	145
Effect of higher tax rates in the US	528	316
At the effective income tax rate of 31% (2010: 32%)	**3,886**	**3,427**
Income tax expense reported in the consolidated income statement	3,893	3,432
Income tax attributable to a discontinued operation	(7)	(5)
	3,886	**3,427**

10. Income tax *continued*

Deferred tax

Deferred tax relates to the following:

	Consolidated statement of financial position		Consolidated income statement		
	2011	2010	2011	2010	*IAS 12.81(g)(i)* *IAS 12.81(g)(ii)*
	€000	€000	€000	€000	
Accelerated depreciation for tax purposes	(4,091)	(2,233)	350	(247)	
Revaluations of land and buildings to fair value	(254)	–	–	–	
Revaluations of available-for-sale investments to fair value	17	(1)	–	–	
Revaluation of a hedged loan to fair value	(11)	–	11	–	
Share-based payments	51	100	49	–	
Net gain on hedge of net investment	(83)	–	–	–	
Post-employment medical benefits	102	59	(43)	(33)	
Pension	685	689	(90)	27	
Revaluation of an interest rate swap (fair value hedge) to fair value	11	–	(11)	–	
Revaluation of cash flow hedges	250	31	–	–	
Impairment on available-for-sale unquoted debt instruments	27	–	(27)	–	
Other temporary differences	71	65	(6)	(11)	
Convertible preference shares	91	55	(36)	(32)	
Losses available for offset against future taxable income	383	365	(18)	(44)	
Deferred tax expense/(income)			**179**	**(340)**	
Net deferred tax asset/(liability)	**(2,751)**	**(870)**			
Reflected in the statement of financial position as follows:					
Deferred tax assets	383	365			
Deferred tax liabilities — continuing operations	(3,060)	(1,235)			
Deferred tax liabilities — discontinued operations	(74)	–			
Deferred tax liability net	**(2,751)**	**(870)**			

Reconciliation of deferred tax liabilities

	2011	2010
Opening balance as of 1 January	(870)	(940)
Tax income/(expense) during the period recognised in profit or loss	(179)	340
Tax (expense) during the period recognised in equity	(193)	110
Discontinued operation	2	–
Deferred taxes acquired in business combinations	(1,511)	(380)
Closing balance 31 December	**(2,751)**	**(870)**

Commentary

Although not specifically required by IAS 1 or IAS 12, the reconciliation of the net deferred tax liability may be helpful for the reader.

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority. *IAS 12.73*

10. Income tax *continued*

The Group has tax losses which arose in Euroland of €427,000 (2010: €1,198,000, 1 January 2010: €1,494,000) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. However, these losses relate to subsidiaries that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group.

IAS 12.81(e)

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have been loss-making for some time. The Group evaluated and concluded that it is not probable that deferred tax assets on existing tax losses as a result of the acquisition of Big Road Limited in 2011 will be recovered. The subsidiary has no taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. If the Group were able to recognise all unrecognised deferred tax assets, profit would increase by €128,000.

IAS 12.87
IAS 12.67
IAS 12.81(f)

At 31 December 2011, there was no recognised deferred tax liability (2010: Nil, 1 January 2010: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associate or joint venture. The Group has determined that undistributed profits of its subsidiaries, joint venture or associate will not be distributed in the foreseeable future, as:

i) The Group has an agreement with the other shareholders in its associate that the profits of the associate will not be distributed until it obtains the consent from the Group. The parent company does not foresee giving such a consent at the reporting date

And

ii) The joint venture of the Group cannot distribute its profits until it obtains the consent from all venture partners. The parent company does not foresee giving such a consent at the reporting date

The temporary differences associated with investments in subsidiaries, associate and joint venture, for which deferred tax liability has not been recognised, aggregate to €1,745,000 (2010: €1,458,000).

IAS 12.82A

There are no income tax consequences attached to the payment of dividends by the Group to its shareholders in either 2011 or 2010.

Commentary

IAS 1.61 requires an entity to separately disclose the amount expected to be recovered or settled within 12 months and more than 12 months after the reporting date for each line item that combines such amounts. However, IAS 1.56 does not permit deferred tax assets and liabilities to be presented as current.

11. Discontinued operations

On 1 March 2011, the Group publicly announced the decision of its Board of Directors to dispose of Dead End Limited. The business of Dead End Limited has been operating in an unpredictable environment, making it difficult for management to drive growth and profitability from the segment. The disposal of Dead End Limited is due to be completed on 28 February 2012 and as at 31 December 2011, final negotiations for the sale were in progress. As at 31 December 2011, Dead End Limited was classified as a disposal group held for sale and as a discontinued operation.

IFRS 5.30
IFRS 5.41

The results of Dead End Limited for the year are presented below:

	2011	2010	
	€000	€000	
Revenue	42,809	45,206	*IFRS 5.33(b)(i)* *IFRS 5.34*
Expenses	(41,961)	(44,880)	
Gross profit	848	326	
Finance costs	(525)	(519)	
Impairment loss recognised on the remeasurement to fair value less costs to sell (Note 13)	(110)	–	*IFRS 5.33 (b)(iii)*
Profit/(loss) before tax from a discontinued operation	213	(193)	
Tax income:			
Related to current pre-tax profit/(loss)	5	5	*IAS 12.81(h)(ii)*
Related to measurement to fair value less costs to sell (deferred tax)	2	–	*IAS 12.81(h)(i)*
Profit/(loss) for the year from a discontinued operation	**220**	**(188)**	

The major classes of assets and liabilities of Dead End Limited classified as held for sale as at 31 December are as follows:

IFRS 5.38

	2011	2010	
	€000	€000	*IFRS 5.38* *IFRS 5.40*
Assets			
Intangibles (Note 14)	135	–	
Property and equipment (Note 13)	4,637	–	
Debtors	6,980	–	
Equity shares – unquoted	508	–	
Cash and short-term deposits (Note 22)	1,294	–	
Assets classified as held for sale	13,554	–	
Liabilities			
Creditors	(7,242)	–	
Deferred tax liability	(74)	–	
Interest-bearing liabilities (Note 17)	(5,809)	–	
Liabilities directly associated with assets classified as held for sale	(13,125)	–	
Net assets directly associated with disposal group	**429**	**–**	
Included in other comprehensive income:			
Available-for-sale reserve	66	–	*IFRS 5.38*
Deferred tax on available-for-sale reserve	(20)	–	
Reserve of disposal group classified as held for sale	**46**	**–**	

11. Discontinued operations *continued*

The net cash flows incurred by Dead End Limited are as follows: *IFRS 5.33(c)*

	2011	2010
	€000	€000
Operating	(1,999)	3,293
Investing	–	–
Financing	(436)	(436)
Net cash (outflow)/inflow	**(2,435)**	**2,857**
Earnings per share:		
Basic, profit for the year, from discontinued operation	€0.01	(€0.01)
Diluted, profit for the year, from discontinued operation	€0.01	(€0.01)

IAS 33.68

Interest-bearing liabilities comprise a fixed rate bank loan of €5,809,000 having an effective interest rate of 7.5% that is repayable in full on 1 January 2016.

Impairment of property and equipment *IAS 36.130*

Immediately before the classification of Dead End Limited as a discontinued operation, the recoverable amount was estimated for certain items of property and equipment and no impairment loss was identified. Following the classification, an impairment loss of €110,000 (net of tax €77,000) was recognised to reduce the carrying amount of the assets in the disposal group to the fair value less costs to sell. This was recognised in the income statement in the line item 'Profit for the year from a discontinued operation'. An independent valuation was obtained to determine the fair value of property and equipment, which was based on recent transactions for similar assets within the same industry. *IFRS 5.33 (a)(iii)*

Commentary

IFRS 5 specifies certain disclosures required in respect of discontinued operations and non-current assets held for sale. In April 2009, the IASB issued its second omnibus of *Improvements to IFRSs* which clarified that disclosures required in other IFRSs do not apply to non-current assets held for sale and discontinued operations, except where other IFRSs explicitly refer to non-current assets held for sale and discontinued operations.

The Group has elected to present earnings per share (EPS) from discontinued operations in the notes. Alternatively, it could have presented those amounts on the face on the statement of comprehensive income.

12. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2011	2010	
	€000	**€000**	
Net profit attributable to ordinary equity holders of the parent from continuing operations	7,817	7,331	
Profit/(loss) attributable to ordinary equity holders of the parent from a discontinued operation	220	(188)	
Net profit attributable to ordinary equity holders of the parent for basic earnings	**8,037**	**7,143**	*IAS 33.70(a)*
Interest on convertible preference shares	247	238	
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**8,284**	**7,381**	*IAS 33.70(a)*

	2011	2010	
	'000	**'000**	*IAS 33.70(b)*
Weighted average number of ordinary shares for basic earnings per share *	20,797	19,064	
Effect of dilution:			
Share options	112	177	
Convertible preference shares	833	833	
Weighted average number of ordinary shares adjusted for the effect of dilution *	**21,742**	**20,074**	

** The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.* *IAS 33.70(d)*

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

To calculate earnings per share amounts for the discontinued operation (see Note 11), the weighted average number of ordinary shares for both basic and diluted amounts is as per the table above. The following table provides the profit/(loss) amount used:

	2011	2010
	€000	**€000**
Net profit/(loss) attributable to ordinary equity holders of the parent from a discontinued operation for basic and diluted earnings per share calculations	**220**	**(188)**

13. Property, plant and equipment

	Land and buildings	Equipment	Total	
	€000	€000	€000	*IAS 1.78(a)* *IAS 16.73(e)* *IAS 16.73(d)*
Cost or valuation:				
At 1 January 2010	11,887	24,602	36,489	
Additions	1,587	6,235	7,822	
Acquisitions of a subsidiary (Note 5)	1,280	–	1,280	
Disposals	(3,381)	(49)	(3,430)	
Exchange adjustment	10	26	36	
At 31 December 2010	**11,383**	**30,814**	**42,197**	
Additions	1,612	9,043	10,655	
Acquisitions of a subsidiary (Note 5)	2,897	4,145	7,042	
Disposals	–	(4,908)	(4,908)	
Discontinued operations (Note 11)	(4,144)	(3,980)	(8,124)	
Revaluations	846	–	846	*IAS 16.35*
Transfer*	(102)		(102)	
Exchange differences	30	79	109	
At 31 December 2011	**12,522**	**35,193**	**47,715**	
Depreciation and impairment:				
At 1 January 2010	4,160	11,944	16,104	
Depreciation charge for the year	354	2728	3,082	
Impairment (Note 9.5)	–	301	301	
Disposals	(3,069)	(49)	(3,118)	
Exchange adjustment	5	12	17	
At 31 December 2010	**1,450**	**14,936**	**16,386**	
Depreciation charge for the year**	500	3,297	3,797	
Disposals	–	(3,450)	(3,450)	
Discontinued operations (Note 11)	(1,283)	(2,094)	(3,377)	
Transfer*	(102)	–	(102)	
Exchange differences	20	30	50	
At 31 December 2011	**585**	**12,719**	**13,304**	
Net book value:				
At 31 December 2011	11,937	22,474	34,411	
At 31 December 2010	9,933	15,878	25,811	

** This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.*

*** Depreciation for the year excludes an impairment loss of €110,000 (see Note 11).*

IAS 36.126(a)

In 2010, the €301,000 impairment loss represented the write down of certain equipment in the Construction segment to the recoverable amount. This has been recognised in the income statement in the line item ‘Cost of sales’. The recoverable amount was based on value in use and was determined at the level of the cash-generating unit. The cash-generating unit consisted of the Euroland based assets of Big Building International inc. and Road 96 Limited, a subsidiary and a jointly controlled entity of the Group, respectively. In determining value in use for the cash-generating unit, the cash flows were discounted at a rate of 12.4% on a pre-tax basis.

13. Property, plant and equipment *continued*

Finance leases and assets under construction

The carrying value of equipment held under finance leases at 31 December 2011 was €1,178,000 (2010: €1,486,000, 1 January 2010: €1,432,000). Additions during the year include €45,000 (2010: €54,000) of equipment under finance leases. Leased assets are pledged as security for the related finance lease and hire purchase liabilities.

IAS 17.31(a)
IAS 7.43
IAS 16.74(a)

Land and buildings with a carrying amount of €7,400,000 (2010: €5,000,000, 1 January 2010: €4,500,000) are subject to a first charge to secure two of the Group's bank loans (Note 17.2).

IAS 16.74(a)

Revaluation of land and buildings

From 1 January 2011, the Group has changed its accounting policy for the measurement of land and buildings to the revaluation model. The Group engaged Chartered Surveyors & Co., an accredited independent valuer, to determine the fair value of its land and buildings.

IAS 16.77(a)(e)
IAS 8.17
IAS 8.18

Fair value is determined by reference to market-based evidence using an Existing Use Value approach. The valuer assumed an EBITDA multiplier of 8.5.

The date of the revaluation was 31 December 2011.

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

IAS 16.77(e)

	2011	**2010**
	€000	**€000**
Cost	11,778	11,383
Accumulated depreciation and impairment	(573)	(1,450)
Net carrying amount	**11,205**	**9,933**

Commentary

The Group has changed its accounting policy for the measurement of land and buildings to the revaluation model. IAS 8.17 and IAS 8.18 exempt this change in accounting policy of the requirement to apply the policy retrospectively.

14. Intangible assets

	Concession intangible assets	Patents & licences	Goodwill	Total	
	€000	€000	€000	€000	*IAS 38.118(c)* *IAS 38.118(e)*
Cost:					
At 1 January 2010	132,119	2,220	119	2,339	
Additions	42,860	390	–	390	
Acquisition of a subsidiary (Note 5)	–	–	131	131	
At 31 December 2010	**174,979**	**2,610**	**250**	**2,860**	
Additions	47,380	587	–	587	
Acquisition of a subsidiary (Note 5)	–	1,200	2,231	3,431	
Discontinued operations (Note 11)	–	(138)	–	(138)	
At 31 December 2011	**222,359**	**4,259**	**2,481**	**6,740**	
Amortisation and impairment:					
At 1 January 2010	26,970	225	–	225	
Amortisation	1,640	174	–	174	
At 31 December 2010	**28,610**	**399**	**–**	**399**	
Amortisation	2,630	125	–	125	
Impairment (Note 18)	–	–	200	200	
Discontinued operations (Note 11)	–	(3)	–	(3)	
At 31 December 2011	**31,240**	**521**	**200**	**721**	
Net book value:					
At 31 December 2011	191,119	3,738	2,281	6,019	
At 31 December 2010	**146,369**	**2,211**	**250**	**2,461**	

Concession intangible assets relate to concessions as further explained in note 16. These assets are pledged as security for the corresponding non-recourse loans; see note 17.

15. Concession finance receivables

IFRIC 12.15
IFRIC 12.16

	2011	2010
	€000	€000
At 1 January	42,860	42,320
Accrued interest	3,320	2,342
Repayments	(5,500)	(6,362)
Receivables granted	37,180	4,560
At 31 December	77,860	42,860
Non current	73,558	40,713
Current	4,302	2,147
	77,860	42,860

Finance receivables comprise of amounts receivable with respect to concession agreements in Euroland and the United States. The average duration of finance receivables is 25 years (2010: 22 years). Approximately €25 million (2010: €20 million) has a duration of more than five years.

The average interest on the finance receivables is 5.5% (2009: 5.5%). The receivables are pledged as security for the corresponding non recourse loans; see note 17.

16. Concession arrangements — main features

IFRIC 12.15
IFRIC 12.16
IFRIC 12.17

Name of concession	Description of arrangement	Significant terms of arrangement	Intangible asset Gross Value	Intangible asset Net book Value	Financial asset
Motorway 1	Financing, design, building and operating of motorway 1 (240 km toll motorway from CityZero to CityOne in Euroland)	▶ Period of concession: 1990-2040 ▶ Remuneration: toll ▶ Investment grant from concession grantor: yes ▶ Infrastructure return to grantor at end of concession ▶ Investment and renewal obligations: nil ▶ Re-pricing dates: yearly ▶ Basis upon which re-pricing or re-negotiation is determined: inflation	58,240 (2010 : 58,240)	36,488 (2010 : 37,365)	nil (2010:nil)
Motorway 2	Financing, design, building and operating of motorway 2 (190 km toll motorway from CityOne to CityTwo in Euroland)	▶ Period of concession: 2004-2044 ▶ Remuneration: toll ▶ Investment grant from concession grantor: nil ▶ Infrastructure return to grantor at end of concession ▶ Investment and renewal obligations: nil ▶ Re-pricing dates: yearly ▶ Basis upon which re-pricing or re-negotiation is determined: inflation	72,450 (2010: 72,450)	64,192 (2010: 65,069)	nil (2010:nil)
Motorway 4	Financing, design, building and operating of motorway 4 (170 km toll motorway from CityThree to CityFour in Euroland)	▶ Period of concession : 2012-2052 ▶ Remuneration: toll ▶ Investment grant from concession grantor: nil ▶ Infrastructure return to grantor at end of concession ▶ Investment and renewal obligations: nil ▶ Re-pricing dates: yearly ▶ Basis upon which re-pricing or re-negotiation is determined: inflation	47,380 (2010:nil)	47,380 (2010:nil)	nil (2010:ni)
Motorway 3	Financing, design, building and operating of motorway 3 (210 km toll motorway from CityTwo to CityThree in Euroland)	▶ Period of concession: 2009-2049 ▶ Remuneration: annual fixed payment by the grantor ▶ Investment grant from concession grantor: nil ▶ Infrastructure return to grantor at end of concession ▶ Investment and renewal obligations: nil ▶ Re-pricing dates: nil	nil (2010:nil)	nil (2010:nil)	42,860 (2010: 42,860)
Airport 1	Financing, design, building and operating of Airport 1 in Euroland	▶ Period of concession: 2010-2050 ▶ Remuneration: toll ▶ Investment grant from concession grantor: nil ▶ Infrastructure returned to grantor at end of concession ▶ Investment and renewal obligations: nil ▶ Re-pricing dates: yearly ▶ Basis upon which re-pricing or re-negotiation is determined: inflation	44,289 (2010: 44,289)	43,059 (2010: 43,935)	nil (2010:nil)
Airport 2	Financing, design, building and operating of Airport 2 in Euroland	▶ Period of concession: 2010-2050 ▶ Remuneration: annual fixed payment by the grantor ▶ Investment grant from concession grantor: nil ▶ Infrastructure returned to grantor at end of concession ▶ Investment and renewal obligations: nil ▶ Re-pricing dates: nil	nil (2010:nil)	nil (2010:nil)	35,000 (2010:nil)
		Total 2011	**222,359**	**191,119**	**77,860**
		Total 2010	**174,979**	**146,369**	**42,860**
		Of which: non-current asset	222,359	191,119	73,558
		current asset			4,302
			222,359	191,119	**77,860**

17. Financial assets and financial liabilities

17.1 Other financial assets and liabilities

IFRS 7.6
IFRS 7.8

	2011	2010
	€000	€000
Financial instruments at fair value through other comprehensive income		
Cash flow hedges		
Foreign exchange forward contracts	252	153
Financial instruments at fair value through profit or loss		
Derivatives not designated as hedges		
Foreign exchange forward contracts	640	–
Other derivatives	210	–
Total financial instruments at fair value	**1,102**	**153**
Loans and receivables		
Loan notes	3,674	1,685
Loan to an associate	200	–
Loan to directors	13	8
Total loans and receivables	**3,887**	**1,693**
Available for sale investments		
Unquoted equity shares	1,038	898
Quoted equity shares	337	300
Quoted debt securities	612	600
Total available for sale investments	**1,987**	**1,798**
Total other financial assets	**6,976**	**3,644**
Total current	**551**	**153**
Total non-current	**6,425**	**3,491**

Financial assets and liabilities at fair value through other comprehensive income reflect the change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge the expected future sales in the United States and purchases in the United Kingdom, based on highly probable forecast transactions. The Group has secured highly probable forecast transactions for around 25% of the Group's total sales and about 65% of its purchases. Financial assets through profit or loss are those foreign exchange forward contracts that are not designated in hedge relationships as they are intended to reduce the level of foreign currency risk for expected sales and purchases. The financial assets and liabilities balances depend on changes of the foreign exchange forward rates and the actual level of foreign currency risk for expected sales and purchases.

Loans and receivables are held to maturity and generate a fixed or variable interest income for the Group. The carrying value might be affected by changes in the credit risk of the counterparties and changes in variable interest rates for some instruments.

Available-for-sale investment — unquoted equity shares

The Group holds non-controlling interests (between 2% and 9%) in entities with which it has entered into research collaboration. The fair value of the unquoted ordinary shares has been estimated using a discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs, including credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments. Management has determined that the potential effect of using reasonably possible alternatives as inputs to the valuation model would reduce the fair value by €24,000 (2010: €25,000) using less favourable assumptions and increase the fair value by €21,000 (2010: €22,000) using more favourable assumptions.

IFRS 7.27
IAS 39.AG 74-79(c)

IFRS 7.27B(e)

17. Financial assets and financial liabilities *continued*

Available-for-sale investment — quoted debt securities and equity shares

The Group has investments in listed equity and debt securities. The fair value of the quoted debt securities and equity shares is determined by reference to published price quotations in an active market.

IFRS 7.27

Impairment on available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is "significant" or "prolonged" requires judgment. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

IAS 39.58
IAS 39.67
IAS 39.68
IAS 39.69

Based on these criteria, the Group identified an impairment of €88,000 on available-for-sale investment — quoted debt securities and an impairment of €23,000 on available-for-sale investment — quoted equity securities, both of which are recognised within finance costs in the income statement (Note 9.3).

IFRS 7.20(d)
IAS 39.AG93

IFRS 7.6
IFRS 7.8

	2011	2010
	€000	€000
Financial liabilities at fair value through profit or loss		
Contingent consideration (Note 5)	1,072	–
Fair value hedges		
Interest rate swaps	35	–
Derivatives not designated as hedges		
Foreign exchange forward contracts	720	–
Other derivatives	782	–
Total financial liabilities at fair value through profit or loss	**2,609**	**–**
Financial liabilities at fair value through other comprehensive income		
Cash flow hedges		
Foreign exchange forward contracts	170	254
Commodity forward contracts	980	–
Total financial liabilities at fair value through other comprehensive income	**1,150**	**254**
Other financial liabilities at amortised cost		
Financial guarantee contracts	87	49
Total other financial liabilities at amortised cost	**87**	**49**
Total other financial liabilities	**3,846**	**303**
Total current	**3,040**	**303**
Total non-current	**806**	**–**

Commentary

IFRS 7.7 requires disclosure of information that enables users of the financial statements to evaluate the significance of financial instruments for its financial position and performance. However, the standard does not require any specific details to be disclosed. As the Group has a significant amount of different financial assets, liabilities and derivatives on its statement of financial position, it has decided to provide detailed information to the users of the financial statements about the different types of financial instruments and their fair values.

17. Financial assets and financial liabilities *continued*

	Interest rate	Maturity	2011	2010
	%		€000	€000
Current Interest-bearing loans and borrowings				
Obligations under finance leases (Note 31)	7.8	2012	83	51
Bank overdrafts (Note 22)	EURIBOR +1.0	On demand	966	2,650
Other current loans				
€1,500,000 bank loan (2010: €1,400,000)	EURIBOR +0.5	1 Nov 2012	1,411	–
€2,200,000 bank loan	EURIBOR +0.5	31 Mar 2011	–	74
Total current interest-bearing loans and borrowings			**2,460**	**2,775**
Non-current Interest-bearing loans and borrowings				
Non recourse concession loans	4,5%	2013-2028	264,751	185,723
Obligations under finance leases (Note 31)	7.8	2013-2014	905	943
8% debentures	8.2	2013-2014	3,374	3,154
8.25% secured loan of US$3,600,000	*LIBOR +0.2	31 May 2017	2,246	–
Secured bank loan	LIBOR +2.0	31 Jul 2017	3,479	3,489
Other non-current loans				
€1,500,000 bank loan (2010: €1,400,000)	EURIBOR +0.5	1 Nov 2012	–	1,357
€2,500,000 bank loan	EURIBOR +1.1	2014-2016	2,486	2,229
€2,200,000 bank loan	EURIBOR +0.5	31 Mar 2015	2,078	2,078
€5,809,000 bank loan	7.5	1 Jan 2016	–	5,809
Loan from partner in Special Purpose Entity	11.00	2014	3,000	–
Share of a joint venture loan	EURIBOR +0.5	30 Jun 2015	510	500
			282,829	**205,282**
Convertible preference shares				
Convertible preference shares	11.65	2014-2017	2,778	2,644
Total non-current interest-bearing loans and borrowings			**285,607**	**207,926**
Total interest bearing loans and borrowings			**288,067**	**210,701**

IFRS 7.7

** includes the effects of related interest rate swap.*

Commentary

IFRS 7.7 requires disclosure of information that enables users of the financial statements to evaluate the significance of financial instruments for its financial position and performance. As the Group has a significant amount of interest-bearing loans and borrowings on its statement of financial position, it has decided to provide detailed information to the users of the financial statements about the effective interest rate as well as the maturity of the loans.

17. Financial assets and financial liabilities *continued*

17.2 Interest-bearing loans and borrowings *continued*

Bank overdrafts

IFRS 7.7

The bank overdrafts are secured by a portion of the Group's short-term deposits.

Non-recourse concession loans

These relate to infrastructure projects in Euroland and the United States. €20 million is repayable in between 2 and 5 years. The average term to maturity of the loans is 25 years (2010: 22 years).

These loans are fixed rate loans, resulting in average interest of 4.5% (2010: 4.5%).

The related intangible fixed assets and financial fixed assets amount to €269 million and represent a security for the lenders. These loans will be repayable on demand if the agreed qualitative and quantitative conditions regarding interest coverage, solvency, amongst others, are not met. As at 31 December 2011, the Group is in compliance with all of these covenants.

IAS 1.73

€1,500,000 bank loan

This loan is unsecured and is repayable in full on 1 November 2012.

8% debentures

The 8% debentures are repayable in equal annual instalments of €350,000 commencing on 1 January 2013.

8.25% secured loan

The loan is secured by a first charge over certain of the Group's land and buildings with a carrying value of €2,400,000 (2010: Nil).

Secured bank loan

This loan has been drawn down under a six-year multi-option facility (MOF). The loan is repayable within 12 months after the reporting date, but has been classified as long term because the Group expects and has the discretion to exercise its rights under the MOF to refinance this funding. Such immediate replacement funding is available until 31 July 2017. The total amount repayable on maturity is €3,500,000. The facility is secured by a first charge over certain of the Group's land and buildings, with a carrying value of €5,000,000 (2010: €5,000,000).

€2,500,000 bank loan

This loan is repayable in two equal instalments of €1,250,000 due on 31 December 2014 and 31 December 2016.

€2,200,000 bank loan

This loan is unsecured and is repayable in full on 31 March 2015. As of 31 December 2010, €74,000 was repayable on 31 March 2011.

Share of a joint venture's loan

This relates to the Group's 50% share of the joint venture's €1,020,000 bank loan (2010: €1,000,000) and is repayable in full on 30 June 2015.

Loan from a partner in a Special Purpose Entity

In February 2011, the Group and a third party partner formed an entity to acquire, construct and operate a toll motorway. The partner contributed approximately €2.7 million in 2011 for the acquisition and construction of the motorway to provide approximately €1 million in each of the following two years to complete the project. The construction is expected to be completed in 2013 at a total cost of approximately €5 million. The partner is entitled to a 22% return on the outstanding capital upon the commencement of operations. At the end of the fourth annual period, the partner is entitled to a 100% capital return. The effective interest rate is 11% and the interest accumulated on the contributed amount totalled €303,000 at 31 December 2011.

Convertible preference shares

IAS 1.79(a)(v)

At 31 December 2011 and 2010, there were 2,500,000 convertible preference shares in issue. Each share has a par value of €1 and is convertible at the option of the shareholders into ordinary shares of the parent of the Group on 1 January 2014 on the basis of one ordinary share for every three preference shares held. Any preference shares not converted will be redeemed on 31 December 2017 at a price of €1.20 per share. The preference shares carry a dividend of 7% per annum, payable half-yearly in arrears on 30 June and 31 December. The dividend rights are non-cumulative. The preference shares rank ahead of the ordinary shares in the event of a liquidation. The equity portion of these shares in included in note 23 below.

17. Financial assets and financial liabilities *continued*

17.3 Hedging activities and derivatives

Derivatives not designated as hedging instruments

IFRS 7.22

The Group uses foreign currency denominated borrowings and forward currency contracts to manage some of its transaction exposures. These currency forward contracts are not designated as cash flow, fair value or net investment hedges and are entered into for periods consistent with currency transaction exposures, generally from one to 24 months.

Cash flow hedges

IFRS 7.23(a)

Foreign currency risk

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales in the United States and forecast purchases in the United Kingdom. These forecast transactions are highly probable, and they comprise about 25% of the Group's total expected sales and about 65% of its total expected purchases.

While the Group also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit and loss.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

	2011		2010	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	€000	**€000**	**€000**	**€000**
Foreign currency forward contracts				
Fair value	252	(170)	153	(254)

IFRS 7.24(b)

The terms of the foreign currency forward contracts have been negotiated for the expected highly probable forecast transactions for which hedge accounting has been claimed that have not occurred and no significant element of hedge ineffectiveness requiring recognition in the income statement. Notional amounts are as provided in Note 32.

IFRS 7.23(c)

The cash flow hedges of the expected future sales in January 2012 were assessed to be highly effective and a net unrealised gain of €252,000, with a deferred tax liability of €76,000 relating to the hedging instruments is included in other comprehensive income.

IFRS 7.23(c)

The cash flow hedges of the expected future purchases in February and March 2012 were assessed to be highly effective, and as at 31 December 2011, a net unrealised loss of €170,000, with a related deferred tax asset of €51,000 was included in other comprehensive income in respect of these contracts.

IFRS 7.23(c)

At the end of December 2010, the cash flow hedges of the expected future sales in the first quarter of 2011 were assessed to be highly effective and an unrealised gain of €153,000 with a deferred tax liability of €46,000 was included in other comprehensive income in respect of these contracts. The cash flow hedges of the expected future purchases in the first quarter of 2011 were also assessed to be highly effective and an unrealised loss of €254,000, with a deferred tax asset of €76,000 was included in other comprehensive income in respect of these contracts.

IFRS 7.23(d)
IFRS 7.23(e)
IFRS 7.23(a)

The amount removed from other comprehensive income during the year and included in the carrying amount of the hedged items as a basis adjustment was immaterial for both 2011 and 2010. Reclassifications to profit and loss during the year included in other comprehensive income are shown in note 9.8. The amounts retained in other comprehensive income at 31 December 2011 are expected to affect the income statement by a gain of €82,000 in 2012.

17. Financial assets and financial liabilities *continued*

Commodity price risk

The Group purchases steel on an ongoing basis as its operating activities in the construction division require a continuous supply of steel. The increased volatility in steel price over the past 12 months, has led to the decision to enter into commodity forward contracts.

These contracts are expected to reduce the volatility of cash flows in respect of highly probable forecast steel purchases attributable to the fluctuation in the steel price in accordance with the risk management outlined by the Board of Directors, commencing on 1 July 2011. The contracts are intended to hedge the volatility of the purchase price of steel for a period between 3 and 12 months based on existing purchase agreements. The Group designated only the spot-to-spot movement of the entire commodity purchase price as the hedged risk. The forward points of the commodity forward contracts are therefore excluded from the hedge designation. Changes in fair value of the forward points recognised in the income statement in finance costs were immaterial during the year.

As at 31 December 2011, the fair value of outstanding commodity forward contracts amounted to a liability of €980,000. The ineffectiveness recognised in other operating expenses in the income statement for the current year was €65,000 (see Note 9.2). The cumulative effective portion of €915,000 is reflected in other comprehensive income.

Fair value hedge

IFRS 7.22
IFRS 7.24(a)

At 31 December 2011, the Group had an interest rate swap agreement in place with a notional amount of US$3,600,000 (€2,246,000) (2010: Nil) whereby the Group receives a fixed rate of interest of 8.25% and pays a variable rate equal to LIBOR+0.2% on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its 8.25% secured loan.

The decrease in fair value of the interest rate swap of €35,000 (2010: Nil) has been recognised in finance costs and offset with a similar gain on the bank borrowings. The ineffectiveness recognised in 2011 was immaterial.

Hedge of net investments in foreign operations

IFRS 7.22

Included in loans at 31 December 2011 was a borrowing of US$3,600,000 (€2,246,000 including the effect of interest rate swap discussed above), which has been designated as a hedge of the net investment in the subsidiaries in the United States, Build Inc. and Demolish Inc. and is being used to hedge the Group's exposure to foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to equity to offset any gains or losses on translation of the net investments in the subsidiaries. There is no ineffectiveness in the years ending 31 December 2011 and 2010.

IFRS 7.24(c)

17. Financial assets and financial liabilities *continued*

17.4 Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

IFRS 7.25
IFRS 7.26

	Carrying amount		Fair value	
	2011	2010	2011	2010
	€000	€000	€000	€000
Financial assets				
Concession financial assets	77,860	42,860	81,427	46,327
Trade and other receivables	5,534	4,858	5,534	4,858
Other financial assets				
Loan and other receivables	3,887	1,693	3,887	1,693
Available-for-sale financial investments	1,987	1,798	1,987	1,798
Foreign exchange forward contracts	640	–	640	–
Other derivatives	210	–	210	–
Derivatives in effective hedges	252	153	252	153
Cash and short-term deposits	16,460	14,916	16,460	14,916
Total	**106,830**	**66,278**	**110,397**	**69,745**
Financial liabilities				
Interest-bearing loans and borrowings				
Non-recourse concession loans	264,751	185,723	260,386	149,678
Obligations under finance leases	988	994	1,063	1,216
Floating rate borrowings*	12,210	9,727	12,210	9,727
Fixed rate borrowings	6,374	8,963	8,140	10,325
Convertible preference shares	2,778	2,644	2,843	2,785
Trade and other payables	3,911	4,256	3,911	4,256
Bank overdraft	966	2,650	966	2,650
Financial guarantee contracts	87	49	87	49
Contingent consideration	1,072	–	1,072	–
Derivative financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	720	–	720	–
Other derivatives	782	–	782	–
Derivatives in effective hedges	1,185	254	1,185	254
Total	**295,824**	**215,260**	**293,365**	**180,940**

* *Includes an 8.25% secured loan carried at amortised cost adjusted to fair value movement due to the hedged interest rate risk.*

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

IFRS 7.27

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts, largely due to the short-term maturities of these instruments
- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, the individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2011, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values
- Fair value of quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities

17. Financial assets and financial liabilities *continued*

- Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity

As at 31 December 2011, the marked-to-market value of derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Fair value hierarchy

As at 31 December 2011, the Group held the financial instruments in the table below carried at fair value on the statement of financial position.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Assets measured at fair value

IFRS 7.27A

	31 Dec 2011	Level 1	Level 2	Level 3
	€000	€000	€000	€000
Financial assets at fair value through profit or loss				
Foreign exchange forward contracts — hedged	252	–	252	–
Foreign exchange forward contracts — non-hedged	640	–	640	–
Other derivatives	210	–	210	–
Available-for-sale financial assets				
Equity shares	1,375	337	–	1,038
Debt securities	612	612	–	–

Liabilities measured at fair value

	31 Dec 2011	Level 1	Level 2	Level 3
	€000	€000	€000	€000
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts — hedged	170	–	170	–
Commodity forward contract	980	–	980	–
Interest rate swap	35	–	35	–
Foreign exchange forward contracts — non-hedged	720	–	720	–
Other derivatives	782	–	782	–

During the reporting period ending 31 December 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

IFRS 7.27B(b)
IFRS 7.27B(c)

17. Financial assets and financial liabilities *continued*

As at 31 December 2010, the Group held the following financial instruments measured at fair value:

Assets measured at fair value

	31 Dec 2010	Level 1	Level 2	Level 3	
	€000	€000	€000	€000	
Financial assets at fair value through profit or loss					
Foreign exchange forward contracts — hedged	153	–	153	–	
Foreign exchange forward contracts — non-hedged	–	–	–	–	
Other derivatives	–	–	–	–	
Available-for-sale financial assets					
Equity shares	1,198	300	–	898	
Debt securities	600	600	–	–	

IFRS 7.27A

Liabilities measured at fair value

	31 Dec 2010	Level 1	Level 2	Level 3
	€000	€000	€000	€000
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts — hedged	254	–	254	–
Commodity forward contract	–	–	–	–
Interest rate swap	–	–	–	–
Foreign exchange forward contracts — non-hedged	–	–	–	–
Other derivatives	–	–	–	–

During the reporting period ending 31 December 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

IFRS 7.27B(b)
IFRS 7.27B(c)

18. Impairment testing of goodwill and intangibles with indefinite lives

Goodwill acquired through business combinations and licences with indefinite lives has been allocated to two cash-generating units, which are also operating and reportable segments, for impairment testing as follows:

- Construction cash-generating unit
- Concession cash-generating unit

Carrying amount of goodwill, licenses and concession intangible allocated to each of the cash-generating units

	Construction unit		Concession unit		Total		
	2011	2010	2011	2010	2011	2010	
	€000	€000	€000	€000	€000	€000	
Goodwill	50	250	2,231		2,281	250	*IAS 36.134(a)*
Licences with indefinite useful lives	360		1,050	240	1,410	240	*IAS 36.134(b)*
Concession intangible			191,119	146,369	191,119	146,369	*IAS 36.134(b)*

18. Impairment testing of goodwill and intangibles with indefinite lives *continued*

Construction cash-generating unit

The Group performed its annual impairment test as at 31 December 2011. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2011, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill and impairment of the assets of the operating segment. In addition, the overall decline in construction activities around the world, as well the ongoing economic uncertainty, have led to a decreased demand in both the Construction and Concession units.

IAS 36.130(a)

The recoverable amount of the Construction unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the decreased demand in the construction sector. The pre-tax discount rate applied to cash flow projections is 15.5% (2010: 12.1%) and cash flows beyond the five-year period are extrapolated using a 3.0% growth rate (2010: 5.0%) that is the same as the long-term average growth rate for the construction sector. As a result of this analysis, management has recognised an impairment charge of €200,000 against goodwill previously carried at €250,000, which is recorded within administrative expenses in the income statement.

IAS 36.134(c)
IAS 36.134 (d)(iii)
IAS 36.134 (d)(iv)
IAS 36.134 (d)(v)
IAS 34.126(a)

Concession cash-generating unit

The recoverable amounts of the Concession unit is also determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering the remaining life time of each arrangements as each arrangement is considered a Cash Generating Unit. The projected cash flows have been updated to reflect the changes and trends of traffic on motorways and airports. The pre-tax discount rate applied to the cash flow projections amount on average to 14.4% (2010: 12.8%).

IAS 36.134(c)
IAS 36.134 (d)(iii)
IAS 36.134 (d)(iv)
IAS 36.134 (d)(v)

The growth rate used to extrapolate the cash flows of the Concession Arrangements beyond the five-year period is on average 2.9% (2010: 3.8%). This growth rate exceeds the average growth rate for the sector in which the Concession unit operates by three quarters of a percentage point. Management of the Concession unit believes this growth rate is justified based on the acquisition of Big Road Limited which specialises in the infrastructure sector in which the demand will be boosted for the five next years by the Euroland's economic stimulus programme. As a result of the updated analysis, management did not identify any impairment of this cash-generating unit to which goodwill of €2,231 and concession in tangibles of €191 million are allocated.

IAS 36.134 (d)(iii)
IAS 36.134 (d)(iv)
IAS 36.134 (d)(v)

Key assumptions used in value in use calculations

The calculation of value in use for both Construction and Concession units are most sensitive to the following assumptions:

IAS 36.134 (d)(i)
IAS 36.134 (d)(ii)

- Gross margin
- Discount rates
- Raw materials price inflation
- Market share during the budget period
- Growth rate used to extrapolate cash flows beyond the budget period

Gross margins — Gross margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements. An increase of 1.5% per annum was applied for the Construction unit and 2% per annum for the Concession unit.

Discount rates — Discount rates represent the current market assessment of the risks specific to each cash generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return of investment by the Group's investors. The cost of debt is based on its interest bearing borrowings, the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Raw materials price inflation — Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available (principally for Euroland and the United States), otherwise past actual raw material price movements have been used as an indicator of future price movements.

18. Impairment testing of goodwill and intangibles with indefinite lives *continued*

Market share assumptions — These assumptions are important because, as well as using industry data for growth rates (as noted below) management assesses how the unit's position, relative to its competitors, might change over the budget period. Management expects the Group's share of the Construction market to be stable over the budget period, whereas for the reasons explained above, the Board of Directors expects the Group's position, relative to its competitors, to strengthen following the acquisition of Big Road Limited.

Growth rate estimates — Rates are based on published industry research. For the reasons explained above, the long-term rate used to extrapolate the budget for the Concession unit has been adjusted by an additional element because of the acquisition of a significant industry patent.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the Concession unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

IAS 36.134(f)

For the Construction unit, the estimated recoverable amount is equal to its carrying value and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implications of the key assumptions for the recoverable amount are discussed below:

IAS 36.134 (f)(i)

- *Raw materials price inflation* — Management has considered the possibility of greater than budgeted increases in raw material price inflation. This may occur if anticipated regulatory changes result in an increasing demand which cannot be met by suppliers. Budgeted price inflation lies within a range of 1.9% to 2.6%, depending on the country from which materials are purchased. Should the Group be unable to pass on, or absorb through efficiency improvements, additional cost increases of an average of 4.5%, a further impairment may result.

  IAS 36.134 (f)(ii)
  IAS 36.134 (f)(iii)

- *Growth rate assumptions* — Management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts included in the budget, but could yield a reasonably possible alternative to the estimated long-term growth rate of 5.2%. A reduction of 0.8% long-term growth rate would result in a further impairment.

  IAS 36.134 (f)(ii)
  IAS 36.134 (f)(iii)

19. Inventories

	2011	2010	
	€000	€000	*IAS 2-36*
Land bank	12,566	13,451	
Property under development	14,251	13,141	
Construction materials	3,350	2,278	
Completed property	2,808	3,269	
Total Inventories	**32,975**	**32,139**	

20. Construction contracts in progress

	2011	2010	
	€000	€000	
Total income and expense recognised under IFRIC 15 on contract in progress in the year			
Costs incurred for period	15,261	10,110	
Recognised profits	1,701	1,359	
Contract revenue for the period	16,962	11,469	*IFRIC 15.20(b)*
Costs incurred relating to future activity	231	189	
	17,193	11,658	
Less progress billings and advances	(15,251)	(10,101)	
	1,942	**1,557**	
Brought forward	1,659	102	
Carried forward	**3,601**	**1,659**	
Amounts due from customers for contract work	3,260	1,812	
Amounts due to customers for contract work	(1,523)	(1,215)	
Construction contracts in progress, net position	**1,737**	**597**	
Aggregate amount of costs incurred and recognised profits (less losses) to date	30,228	28,340	*IFRIC 15.21(a)*
Advances received	1,280	854	*IFRIC 15.21(b)*

Advances are presented as part of Amounts due to customers for contract work.

20. Construction contracts in progress *continued*

	2011	2010	
	€000	€000	
Total income and expense recognised under IAS 11 on contract in progress in the year			
Costs incurred for period	49,725	40,800	
Recognised profits	3,899	3,796	
Contract revenue for the period	53,624	44,596	*IAS 11.39*
Recognised losses	(1,560)	(3,367)	
Costs incurred relating to future activity	1,989	1,707	*IAS 11.27*
	54,053	42,936	
Less progress billings and advances	(51,909)	(50,067)	
	2,144	**(7,131)**	
Brought forward	748	7,879	
Carried forward	**2,892**	**748**	
Amounts due from customers for contract work	18,878	17,620	*IAS 11.42*
Amounts due to customers for contract work	(14,122)	(15,810)	*IAS 11.42*
Construction contracts in progress, net position	**4,756**	**1,810**	
Aggregate amount of costs incurred and recognised profits (less losses) to date	90,645	75,254	*IAS 11.40*
Retention asset	1,235	1,241	*IAS 11.40*
Advances received	4,055	4,030	*IAS 11.40*

Retention assets are included in trade receivables. Advances are presented as part of Amounts due to customers for contract work.

21. Trade and other receivables (current)

	2011	2010	
	€000	€000	*IAS 1.78(b)* *IFRS 7.6*
Trade receivables	4,363	3,726	
Receivables from associate	551	582	
Receivables from other related parties	620	550	
	5,534	**4,858**	

For terms and conditions relating to related party receivables, refer to Note 30. *IFRS 7.34(a)*

Trade receivables include retention assets, see note 20.

Trade receivables are non-interest bearing and are generally on 30-90 day terms.

As at 31 December 2011, trade receivables of an initial value of €108,000 (2010: €97,000) were impaired and fully provided for. See below for the movements in the provision for impairment of receivables (see credit risk disclosure in Note 32 for further guidance). *IFRS 7.37*

	Individually impaired	Collectively impaired	Total	
	€000	€000	€000	*IFRS 7.16*
At 1 January 2010	**29**	**66**	**95**	
Charge for the year	4	8	12	
Utilised	(4)	(7)	(11)	
Unused amounts reversed	–	–	–	
Discount rate adjustment	–	1	1	
At 31 December 2010	**29**	**68**	**97**	
Charge for the year	10	16	26	
Utilised	(3)	(5)	(8)	
Unused amounts reversed	(2)	(6)	(8)	
Discount rate adjustment	–	1	1	
At 31 December 2011	**34**	**74**	**108**	

21. Trade and other receivables (current) *continued*

As at 31 December, the ageing analysis of receivables is as follows:

IFRS 7.37

		Neither past	Past due but not impaired				
	Total	due nor impaired	< 30 days	30–60 days	61–90 days	91–120 days	> 120 days
	€000	€000	€000	€000	€000	€000	€000
2011	5,534	4,900	320	140	114	60	–
2010	4,858	4,155	280	190	163	70	–

See Note 32 on credit risk of trade receivables to understand how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

IFRS 7.36(c)

22. Cash and short-term deposits

	2011	2010
	€000	€000
Cash at banks and on hand	10,664	11,125
Short-term deposits	5,796	3,791
	16,460	**14,916**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 31 December 2011, the Group had available €5,740,000 (2010: €1,230,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

IAS 7.50(a)

The Group has pledged a part of its short-term deposits in order to fulfil collateral requirements. Refer to Note 32 for further details.

IAS 7.48

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following at 31 December:

IAS 7.45

	2011	2010
	€000	€000
Cash at banks and on hand	10,664	11,125
Short-term deposits	5,796	3,791
Cash at banks and short-term deposits attributable to discontinued operations (Note 11)	1,294	–
	17,754	14,916
Bank overdrafts	(966)	(2,650)
	16,788	**12,266**

23. Issued capital and reserves

Authorised shares

IAS 1.78(e)
IAS 1.79(a)(i)
IAS 1.79(a)(iii)

	2011	2010
	Thousands	Thousands
Ordinary shares of €1 each	22,588	20,088
7% convertible preference shares of €1 each	2,500	2,500
	25,088	**22,588**

During the year, the authorised share capital was increased by €2,500,000 by the creation of 2,500,000 ordinary shares of €1 each.

23. Issued capital and reserves *continued*

Ordinary shares issued and fully paid	Thousands	€000	*IAS 1.79(a)(iv)*
At 1 January 2010	19,388	19,388	
At 31 December 2010	**19,388**	**19,388**	
Issued on 1 May 2011 in exchange for issued share capital of Big Road Limited (Note 5)	2,500	2,500	
At 31 December 2011	**21,888**	**21,888**	

Share premium	€000	*IAS 1.78(e)*
At 1 January 2010	–	
Increase on 1 November 2010 for cash on exercise of share options in excess of cost of treasury shares	135	
At 31 December 2010	**135**	
Increase on 1 May 2011 because of issuance of share capital for the acquisition of Big Road Limited (Note 5)	4,703	
Increase on 1 November 2011 for cash on exercise of share options in excess of cost of treasury shares	100	
Decrease due to transaction costs for issued share capital	(32)	
At 31 December 2010	**4,906**	

Treasury shares	Thousands	€000	*IAS 1.79(a)(vi)*
At 1 January 2010	**335**	**774**	
Issued on 1 November 2010 for cash on exercise of share options (Note 28)	65	65	
At 31 December 2010	**400**	**839**	
Issued on 1 November 2011 for cash on exercise of share options (Note 28)	75	75	
At 31 December 2011	**475**	**914**	

Other capital reserves

	Share-based payment transactions	Convertible preference shares	Total
	€000	€000	€000
As at 1 January 2010	338	**228**	**566**
Share-based payment transactions (Note 28)	298	–	298
At 31 December 2010	**636**	**228**	**864**
Share-based payment transactions (Note 28)	307	–	307
At 31 December 2011	**943**	**228**	**1,171**

This reserve represents the equity component of the convertible preference shares.

Nature and purpose of reserves

IAS 1.79(b)

Convertible preference shares

The convertible preference share reserve covers the equity component of the issued convertible shares. The liability component is reflected in financial liabilities.

Cash Flow (CF) hedge reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date. Also recorded here as a separate component, is the effective portion of the gain or loss on hedging instruments in cash flow hedges. €512,000 are made up of the net movements in cash flow hedges and the effective portion of the forward commodity contract, net of tax.

Available-for-sale reserve

This reserve records fair value changes on available-for-sale financial assets.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

23. Issued capital and reserves *continued*

Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. The reserve can only be used to pay dividends in limited circumstances.

24. Dividends paid and proposed

	2011 €000	2010 €000	
Declared and paid during the year:			*IAS 1.107*
Dividends on ordinary shares:			
Final dividend for 2010: 5.66 cents per share (2009: 3.93 cents per share)	1,082	749	
Interim dividend for 2011: 4.66 cents per share (2010: 4.42 cents per shar)	890	851	
	1,972	**1,600**	
Proposed for approval at the annual general meeting (not recognised as a liability as at 31 December):			*IAS 1.137(a)*
Dividends on ordinary shares:			
Final dividend for 2011: 5.01 cents per share (2010: 5.66 cents per share)	**1,087**	**1,082**	

25. Provisions

	Latent defect warranties €000	Restructuring €000	Provision for concession arrangements €000	Operating lease €000	Social security contributions on share options €000	Losses to completion €000	Contingent liability €000	Total €000	
At 1 January 2011	**118**	**–**	**–**	**–**	**4**	**53**	**–**	**175**	*IAS 37.84(a)*
Acquisition of a subsidiary (Note 5)	–	500	1,200	400	–	–	380	2,480	
Arising during the year	112	–	–	–	26	102	20	260	*IAS 37.84(b)*
Utilised	(60)	(39)	–	(20)	(19)	(8)	–	(146)	*IAS 37.84(c)*
Unused amounts reversed	(6)	(6)	–	–	–	–	–	(12)	*IAS 37.84(d)*
Discount rate adjustment and imputed interest	2	11	21	6	1	2	–	43	*IAS 37.84(e)*
At 31 December 2011	**166**	**466**	**1,221**	**386**	**12**	**149**	**400**	**2,800**	*IAS 37.84(c)*
Current 2011	114	100	–	205	3	28	400	850	*IAS 1.60*
Non-current 2011	52	366	1,221	181	9	121	–	1,950	
	166	**466**	**1,221**	**386**	**12**	**149**	**400**	**2,800**	
Current 2010	60	–	–	–	–	38	–	98	
Non-current 2010	58	–	–	–	4	15	–	77	
	118	**–**	**–**	**–**	**4**	**53**	**–**	**175**	

Latent defect warranties

A provision is recognised for expected warranty claims on construction completed during the last two years, based on past experience of the level of repairs and defect. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within two years of the reporting date. Assumptions used to calculate the provision for defects were based on current construction completed and current information available about defects and claims based on the two-year warranty period for all contracts. *IAS 37.85*

25. Provisions *continued*

Restructuring

The restructuring provision was in existence prior to the business combination and relates principally to the elimination of certain product lines of Big Road Limited. The restructuring plan was drawn up and announced to the employees of Big Road Limited in 2010 when the provision was recognised in the acquiree's financial statements. The restructuring is expected to be completed by 2013.

Provision for replacement or maintenance obligation (concession arrangements)

The provision recognised for replacement or maintenance obligation, due to the acquisition of Big Road Limited, mainly corresponds to Motorway 1 Project.

Onerous operating lease

On acquisition of Big Road Limited, a provision has been recognised for the fact that the lease premiums on the operating lease were significantly higher than the market rate at acquisition. The provision has been calculated based on the difference between the market rate and the rate paid.

Social security contributions on share options

The provision for social security contributions on share options is calculated based on the number of options outstanding at the reporting date that are expected to be exercised, and using the market price of the shares at the reporting date as the best estimate of market price at the date of exercise. It is expected that the costs will be incurred during the exercise period of 1 January 2011 to 31 December 2013.

Losses to completion

A provision is recognised for all loss making construction contracts based on loss estimated at completion of the project. Provisions are individually insignificant. Losses to completion are included in cost of sales in the consolidated income statement.

Contingent liability

IFRS 3.56(a)

A contingent liability at a fair value of €400,000 has been determined at acquisition date of Big Road Limited. The claim is subject to legal arbitration and only expected to be finalised in late 2012 (see Note 5).

Commentary

The above table does not show movements in provisions for the comparative period as per IAS 37.84, as this information is not required.

26. Government grants

	2011	2010
	€000	€000
At 1 January	**1,551**	**1,450**
Received during the year	2,951	642
Released to the income statement	(1,053)	(541)
At 31 December	**3,449**	**1,551**
Current	149	151
Non-current	3,300	1,400
	3,449	**1,551**

Government grants have been received for several constructions. There are no unfulfilled conditions or contingencies attached to these grants.

IAS 20.39(c)

27. Pensions and other post-employment benefit plans

The Group has two defined benefit pension plans, one final salary plan and one average salary plan, covering substantially all of its employees, both of which require contributions to be made to separately administered funds.

IAS 19.120
IAS 19.120A(b)

The Group has also agreed to provide certain additional post-employment healthcare benefits to senior employees in the United States. These benefits are unfunded.

The following tables summarise the components of net benefit expense recognised in the income statement and the funded status and amounts recognised in the statement of financial position for the respective plans:

Net benefit expense 2011 (recognised in cost of sales)	**Euroland plan**	**US plan**	**Post-employment medical**	**Total**	*IAS 19.120A(g)*
	€000	**€000**	**€000**	**€000**	
Current service cost	(815)	(452)	(128)	(1,399)	
Interest cost on benefit obligation	(201)	(55)	(25)	(277)	
Expected return on plan assets	127	56	–	183	
Past service cost	(55)	–	–	(55)	
Net benefit expense	**(944)**	**(451)**	**(153)**	**(1,548)**	
Actual return on plan assets	445	293	–	738	*IAS 19.120A(m)*

Net benefit expense 2010 (recognised in cost of sales)	**Euroland plan**	**US plan**	**Post-employment medical**	**Total**	*IAS 19.120A(g)*
	€000	**€000**	**€000**	**€000**	
Current service cost	(788)	(356)	(105)	(1,249)	
Interest cost on benefit obligation	(218)	(65)	(8)	(291)	
Expected return on plan assets	126	47	–	173	
Past service cost	(107)	–	–	(107)	
Net benefit expense	**(987)**	**(374)**	**(113)**	**(1,474)**	
Actual return on plan assets	(338)	(166)	–	(504)	*IAS 19.120A(m)*

Benefit asset/(liability) As at 31 December 2011	**Euroland plan**	**US plan**	**Post-employment medical**	**Total**	*IAS 19.120A(f)*
	€000	**€000**	**€000**	**€000**	
Defined benefit obligation	(4,940)	(1,093)	(339)	(6,372)	
Fair value of plan assets	2,617	705	–	3,322	
	(2,323)	(388)	(339)	(3,050)	
Unrecognised past service costs	428	–	–	428	
Benefit liability	**(1,895)**	**(388)**	**(339)**	**(2,622)**	

Benefit asset/(liability) 2010	**Euroland plan**	**US plan**	**Post-employment medical**	**Total**	*IAS 19.120A(f)*
	€000	**€000**	**€000**	**€000**	
Defined benefit obligation	(4,108)	(1,115)	(197)	(5,420)	
Fair value of plan assets	1,763	680	–	2,443	
	(2,345)	(435)	(197)	(2,977)	
Unrecognised past service costs	483	–	–	483	
Benefit liability	**(1,862)**	**(435)**	**(197)**	**(2,494)**	

27. Pensions and other post-employment benefit plans *continued*

Changes in the present value of the defined benefit obligation are as follows:

IAS 19.120A(c)

	Euroland plan	US plan	Post-employment medical	Total
	€000	€000	€000	€000
Defined benefit obligation at 1 January 2010	3,973	1,275	88	5,336
Interest cost	218	65	8	291
Current service cost	788	356	105	1,249
Benefits paid	(974)	(192)	–	(1,166)
Actuarial losses/(gains) on obligation	103	(379)	–	(276)
Exchange differences on foreign plans	–	(10)	(4)	(14)
Defined benefit obligation at 31 December 2010	**4,108**	**1,115**	**197**	**5,420**
Interest cost	201	55	21	277
Current service cost	815	452	132	1,399
Benefits paid	(569)	(299)	–	(868)
Actuarial losses/(gains) on obligation	385	(141)	–	244
Exchange differences on US plans	–	(89)	(11)	(100)
Defined benefit obligation at 31 December 2011	**4,940**	**1,093**	**339**	**6,372**

Changes in the fair value of plan assets are as follows:

IAS 19.120A(e)

	Euroland plan	US plan	Total
	€000	€000	€000
Fair value of plan assets at 1 January 2010	2,134	676	2,810
Expected return	126	47	173
Contributions by employer	746	553	1,299
Benefits paid	(974)	(192)	(1,166)
Actuarial losses	(269)	(408)	(677)
Exchange differences on US plans	–	4	4
Fair value of plan assets at 31 December 2010	**1,763**	**680**	**2,443**
Expected return	127	56	183
Contributions by employer	1,078	47	1,125
Benefits paid	(669)	(321)	(990)
Actuarial gains	318	237	555
Exchange differences on US plans	–	6	6
Fair value of plan assets at 31 December 2011	**2,617**	**705**	**3,322**

The Group expects to contribute €1,500,000 to its defined benefit pension plans in 2011.

IAS 19.120A(q)

The acquisitions of Big Road Limited in 2011 as well as Airport Builder Limited in 2010 did not affect plan assets or the defined benefit obligation, as both companies have not had their own defined benefit plans.

27. Pensions and other post-employment benefit plans *continued*

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows: *IAS 19.120A(j)*

	Pension plans			
	Euroland plan		US plan	
	2011	**2010**	**2011**	**2010**
	%	%	%	%
Euroland equities	44	49	13	10
American equities	29	29	9	9
Euroland bonds	10	5	33	32
American bonds	10	8	19	15
Property	7	9	26	34

The plan assets include property occupied by the Group with a fair value of €150,000 (2010: €140,000, 1 January 2010: €130,000). *IAS 19.120A(k)*

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled. These are reflected in the principal assumptions below. *IAS 19.120A(l)*

The principal assumptions used in determining pension and post-employment medical benefit obligations for the Group's plans are shown below: *IAS 19.120(n)*

	2011	**2010**
	%	%
Discount rate:		
Euroland plan	4.9	5.5
US plan / post-employment medical plan	5.7	5.9
Expected rate of return on assets:		
Euroland plan	7.2	5.9
US plan	8.3	6.8

	2011	**2010**
	%	%
Future salary increases:		
Euroland plan	3.5	4.0
US plan	3.8	4.1
Future pension increases:		
Euroland plan	2.1	2.1
US plan	2.2	2.3
Healthcare cost increase rate	7.2	7.4
Post retirement mortality for pensioners at 65:		
Euroland plan		
Male	20.0	20.0
Female	23.0	23.0
US plan / post-employment medical plan		
Male	19.0	19.0
Female	22.0	22.0

27. Pensions and other post-employment benefit plans *continued*

A one percentage point change in the assumed rate of increase in healthcare costs would have the following effects:

IAS 19.120A(o)

	Increase €000	Decrease €000
2011		
Effect on the aggregate current service cost and interest cost	6	(2)
Effect on the defined benefit obligation	12	(8)
2010		
Effect on the aggregate current service cost and interest cost	4	(2)
Effect on the defined benefit obligation	7	(5)

A one percentage point change in the assumed discount rate would have the following effects:

IAS 1.125
IAS 1.129(b)

	Increase €000	Decrease €000
2011		
Effect on the aggregate current service cost and interest cost	(43)	37
Effect on the defined benefit obligation	(34)	31
2010		
Effect on the aggregate current service cost and interest cost	(34)	30
Effect on the defined benefit obligation	(28)	26

Commentary

Although not specifically required by IAS 19, the discount rate assumption or other assumptions give rise to estimation uncertainty which can result in having a significant risk for a material adjustment. IAS 1.125 requires adequate disclosure about the assumptions that helps users to understand the source of estimation uncertainty. Therefore, a sensitivity analysis involving the discount rate is regarded as important information and should be strongly considered.

Amounts for the current and previous four periods are as follows:

IAS 19.120A(p)

			Euroland plan		
	2011 €000	2010 €000	2009 €000	2008 €000	2007 €000
Defined benefit obligation	(4,940)	(4,108)	(3,973)	(1,758)	(1,585)
Plan assets	2,617	1,763	2,134	2,536	2,284
(Deficit)/surplus	(2,323)	(2,345)	(1,839)	778	699
Experience adjustments on plan liabilities	(572)	(257)	320	(125)	245
Experience adjustments on plan assets	318	(464)	(920)	(548)	(486)

			US plan		
	2011 €000	2010 €000	2009 €000	2008 €000	2007 €000
Defined benefit obligation	(1,093)	(1,115)	(1,275)	(890)	(1,093)
Plan assets	705	680	676	1,085	815
(Deficit)/surplus	(388)	(435)	(599)	195	(278)
Experience adjustments on plan liabilities	145	402	256	(150)	345
Experience adjustments on plan assets	243	(217)	(175)	220	372

			Post-employment medical benefits		
	2011 €000	2010 €000	2009 €000	2008 €000	2007 €000
Defined benefit obligation	(339)	(197)	(88)	(80)	(78)
Experience adjustments on plan liabilities	(48)	(37)	(22)	15	20

28. Share-based payment plans

Senior Executive Plan

IFRS 2.45(a)

Under the Senior Executive Plan (SEP), share options of the parent are granted to senior executives of the parent with more than 12 months of service. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest if and when the Group's earnings per share amount increases by 10% three years from the date of grant and the senior executive is employed on such date. If this increase is not met, the share options do not vest.

IFRS 2.46

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The contractual term of each option granted is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

General Employee Share-option Plan

IFRS 2.45(a)

IFRS 2.47(a)(iii)

At its discretion, the Group may grant share options of the parent to other employees of the parent under the General Employee Share-option Plan (GESP), once they have been in service for two years. The vesting of the share options is dependent on the total shareholder return (TSR) of the Group as compared with a group of principal competitors. Employees must remain in service for a period of three years from the date of the grant. The fair value of share options granted is estimated at the date of the grant using a Monte-Carlo simulation model, taking into account the terms and conditions upon which the share options were granted. The model simulates the TSR and compares it against a group of principal competitors. It takes into account historical and expected dividends, and share price fluctuation covariance of the Group and its competitors to predict the distribution of relative share performance.

IFRS 2.46

The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The contractual term of the share options is five years and there are no cash settlement alternatives for the employees. The Group does not have a past practice of cash settlement for these awards.

Share Appreciation Rights

IFRS 2.45(a)
IFRS 2.46

Employees in the business development division are granted share appreciation rights (SARs), which can only be settled in cash. These SARs vest when a specified target number of new sales contracts are closed and the employee is employed at the vesting date. The contractual term of the SARs is six years. The fair value of the SARs is measured at each reporting date using a binomial option pricing model taking into account the terms and conditions upon which the instruments were granted and the current likelihood of achieving the specified target.

IFRS 2.51(b)

The carrying amount of the liability relating to the SARs at 31 December 2011 is €299,000 (2010: €194,000). No SARs had vested at 31 December 2011 and 31 December 2010.

The expense recognised for employee services received during the year is shown in the following table:

	2011	2010	
	€000	€000	
Expense arising from equity-settled share-based payment transactions	307	298	
Expense arising from cash-settled share-based payment transactions	105	194	
Total expense arising from share-based payment transactions	**412**	**492**	*IFRS 2.51(a)*

There have been no cancellations or modifications to any of the plans during 2011 or 2010.

28. Share-based payment plans *continued*

Movements in the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year (excluding SARs):

	2011 No.	2011 WAEP	2010 No.	2010 WAEP	
Outstanding at 1 January	575,000[1]	€2.85	525,000[1]	€2.75	
Granted during the year	250,000	€3.85	155,000	€3.13	
Forfeited during the year	–	–	(25,000)	€2.33	
Exercised during the year	(75,000)[3]	€2.33	(65,000)[2]	€3.08	*IFRS 2.45(c)*
Expired during the year	(25,000)	€3.02	(15,000)	€2.13	
Outstanding at 31 December	**725,000**[1]	€3.24	**575,000**[1]	€2.85	
Exercisable at 31 December	110,000	–	100,000		*IFRS 2.45(d)*

IFRS 2.56

1 *Included in these balances are shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2. The number of shares outstanding was as follows:*
- *1 January 2010: 277,000*
- *31 December 2010 and 1 January 2011: 267,000*
- *31 December 2011: 252,000*

IFRS 2.45(c)

2 *The weighted average share price at the date of exercise of these options was €4.09.*
3 *The weighted average share price at the date of exercise of these options was €3.13.*

The weighted average remaining contractual life for the share options outstanding as at 31 December 2011 is 2.94 years (2010: 2.60 years).

IFRS 2.47(a)

The weighted average fair value of options granted during the year was €1.32 (2010: €1.18).

IFRS 2.45(d)

The range of exercise prices for options outstanding at the end of the year was €2.33 to €3.85 (2010: €2.13 to €3.13).

IFRS 2.47(a)(i)

The following tables list the inputs to the models used for the three plans for the years ended 31 December 2011 and 31 December 2010:

	2011 SEP	2011 GESP	2011 SAR
Dividend yield (%)	3.13	3.13	3.13
Expected volatility (%)	15.00	16.00	18.00
Risk-free interest rate (%)	5.10	5.10	5.10
Expected life of share options/SARs (years)	3.00	4.25	6.00
Weighted average share price (€)	3.10	3.10	3.12
Model used	Binomial	Monte Carlo	Binomial

	2010 SEP	2010 GESP	2010 SAR
Dividend yield (%)	3.01	3.01	3.01
Expected volatility (%)	16.30	17.50	18.10
Risk-free interest rate (%)	5.00	5.00	5.00
Expected life of options/SARs (years)	3.00	4.25	6.00
Weighted average share price (€)	2.86	2.86	2.88
Model used	Binomial	Monte Carlo	Binomial

IFRS 2.47(a)(ii)

The expected life of the share options and SARs is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

29. Trade and other payables (current)

	2011	2010
	€000	€000
Trade payables	1,995	2,471
Other payables	1,619	1,361
Non-Current liability relating SARs (Note 28)	214	134
Interest payable	43	269
Joint venture (Note 30)	30	12
Other related parties (Note 30)	10	9
	3,911	**4,256**

Terms and conditions of the above financial liabilities:

IFRS 7.39

- Trade payables are non-interest bearing and are normally settled on 60-day terms
- Other payables are non-interest bearing and have an average term of six months
- Interest payable is normally settled quarterly throughout the financial year
- For terms and conditions relating to joint ventures and other related parties, refer to Note 30

IFRS 7.39(b)

For explanations on the Group's credit risk management processes, refer to Note 32.

30. Related party disclosures

IAS 24.12

The financial statements include the financial statements of the Group and the subsidiaries listed in the following table:

		% equity interest	
Name	Country of Incorporation	2011	2010
Big Road Limited	Euroland	80.0	–
Big Building Limited	Euroland	95.0	95.0
Big Road International inc.	United States	98.0	98.0
Big Building International inc.	United States	100.0	100.0
Airport Builder Limited	Euroland	87.4	80.0
Concession Motorway Limited	Euroland	100.0	100.0
SPV Euroland Bridge Limited	Euroland	20.0	–
Dead End Limited	Euroland	100.0	100.0

The Group holds a 20% equity interest in the newly formed SPV Euroland Bridge Limited. However, the Group has majority representation on the entity's board of directors and is required to approve all major operational decisions. The operations, once they commence, will be solely used by the Group. Based on these facts and circumstances, management determined that, in substance, the Group controls this entity and therefore, has consolidated this entity in its financial statements.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at 31 December 2011 and 2010, refer to Notes 21 and 29):

IAS 24.17
IAS 24.22

30. Related party disclosures *continued*

IAS 24.12

		Sales to related parties	Purchases from related parties	Amounts owed by related parties*	Amounts owed to related parties*
		€000	€000	€000	€000
Entity with significant influence over the Group:	2011	7,115	–	620	–
International Road	2010	5,975	–	550	–
Associate:	2011	2,900	–	551	–
Small Building Limited	2010	2,100	–	582	–
Joint venture in which the parent is a venturer:	2011	–	590	–	30
Road 96 Limited	2010	–	430	–	12
Key management personnel of the Group:	2011	225	510	20	10
Other directors' interests	2010	135	490	–	9

IAS 24.17

** Amounts are classified as trade receivables / trade payables, respectively.*

		Interest received	Amounts owed by related parties
Loans from/to related party			
Associate:	2011	27	431
Small Building Limited	2010	–	–
Key management personnel of the Group:	2011	1	13
Director's loan (Note 17)	2010	–	8

IAS 24.17

The ultimate parent

IAS 24.12
IAS 1.126(c)
IAS 1.138(c)

Good Construction Group (International) Limited is the ultimate Euroland parent entity and the ultimate parent of the Group is S.J. Limited.

There were no transactions other than dividends paid, between the Group and S.J. Limited during the financial year (2010: €Nil).

Entity with significant influence over the Group

International Road Corp owns 31.48% of the ordinary shares in Good Construction Group (International) Limited (2010: 31.48).

Associate

Small Building Limited. The Group has a 25% interest in Small Building Limited (2010: 25%).

Joint venture in which the Group is a Venturer

Road 96 Limited. The Group has a 50% interest in Road 96 Limited (2010: 50%).

Terms and conditions of transactions with related parties

IAS 24.21
IAS 24.17(b)

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2011, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2010: €Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Commitments with related parties

On 1 July 2011, Big Building Limited entered into a two-year agreement ending 30 June 2013 with International Road Corp to purchase specific equipment that Big Building Limited uses in its production cycle. Big Building Limited expects the potential purchase volume to be €750,000 in 2012 and €250,000 in the first six months of 2013. The purchase price is based on International Road Corp's actual cost plus 5% margin and will be settled in cash within 30 days after receiving the inventory.

Loan to an associate

The loan granted to Small Building Limited is intended to finance an acquisition of new equipments for the maintenance of concessions. The loan is unsecured and repayable in full on 1 June 2014. Interest is charged at EURIBOR + 0.8.

30. Related party disclosures *continued*

IAS 24.12

Transactions with key management personnel

Director's loan

The Group offers to senior management a facility to borrow up to €20,000, repayable within five years from the date of disbursement. Such loans are unsecured and the interest rate is the average rate incurred on long-term loans (currently EURIBOR + 0.8). Any loans granted are included in financial instruments on the face of the statement of financial position.

IAS 24.17(b)

Other directors' interests

During both 2011 and 2010, purchases were made by Group companies from Gnome Concrete Limited, of which the spouse of one of the directors is a director and controlling shareholder.

Compensation of key management personnel of the Group

	2011	2010	
	€000	€000	
Short-term employee benefits	435	424	IAS 24.16(a)
Post-employment pension and medical benefits	110	80	IAS 24.16(b)
Termination benefits[1]	40	–	IAS 24.16(d)
Share-based payment transactions	18	12	IAS 24.16(e)
Total compensation paid to key management personnel	**603**	**516**	

[1] *During 2011, an amount of €40,000 was paid to a director who retired from an executive director position in 2010.*

Directors' interests in the Senior Executive Plan

Share options held by executive members of the Board of Directors under the senior executive plan to purchase ordinary shares have the following expiry dates and exercise prices:

Issue date	Expiry date	Exercise price	2011	2010
			Number outstanding	Number outstanding
2010	2012	€2.33	10,000	10,000
2010	2014	€3.13	83,000	83,000
2011	2014	€3.85	27,000	–
Total			**120,000**	**93,000**

IAS 24.16(e)

No share options have been granted to the non-executive Directors under this scheme. Refer to Note 28 for further details on the scheme.

Commentary

Some jurisdictions may require additional and more extensive disclosures e.g., on remuneration and benefits of key management personnel and members of the Board of Directors.

31. Commitments and contingencies

Operating lease commitments – Group as lessee

IAS 17.35(d)

The Group has entered into commercial leases on certain motor vehicles and items of machinery. These leases have an average life of between three and five years with no renewal option included in the contracts.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

IAS 17.35(a)

	2011	2010
	€000	€000
Within one year	255	250
After one year but not more than five years	612	600
More than five years	408	400
	1,275	**1,250**

31. Commitments and contingencies *continued*

Finance lease commitments

IAS 17.31(e)

The Group has finance lease contracts for various items of vehicles and machinery. These leases have terms of renewal, but no purchase options or escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2011		2010	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	€000	€000	€000	€000
Within one year	85	83	56	51
After one year but not more than five years	944	905	1,014	943
More than five years	–	–	–	–
Total minimum lease payments	1,029	988	1,070	994
Less amounts representing finance charges	(41)	–	(76)	–
Present value of minimum lease payments	**988**	**988**	**994**	**994**

IAS 17.31(b)

Legal claim contingency

IAS 37.86

An overseas customer has commenced an action against the Group in respect of a road that was claimed to be defective. The claim is for €850,000. A trial date has not yet been set and, as such, it is not practicable to state the timing of the payment, if any. The Group has been advised by its legal counsel that it is only possible, but not probable, that the action will succeed and, accordingly, no provision for any liability has been made in these financial statements.

Guarantees

IAS 24.20(h)
IAS 31.54(a)
IAS 28.40
IAS 37.86

The Group has provided the following guarantees at 31 December 2011:

- Guarantee of 25% of the bank overdraft of the associate to a maximum amount of €500,000 (2010: €Nil), which is incurred jointly with other investors of the associate (carrying amounts of the related financial guarantee contracts were €87,000 and €93,000 at 31 December 2011 and 2010, respectively, Note 17).
- Guarantee to an unrelated party for the performance in a contract by the joint venture entity. No liability is expected to arise. *IAS 31.54(b)*
- Guarantee of its share of €20,000 (2010: €15,000) of the associate's contingent liabilities which have been incurred jointly with other investors. *IAS 28.40(a)*

Contingent liabilities

The Group recognised a liability of €400,000 in the course of the acquisition of Big Road Limited. Refer to Note 5 for additional information.

Contingent assets and order book

IAS 11.45

The Group is claiming amounts (such as variations and additional works under contracts) and pending proceedings and disputes with clients. It is not possible to reasonably determine the extent and timing of possible inflow of economic benefits. These claims are therefore not recognised in these financial statements.

The Group has a total order book of €430,000,000 which can be analysed as follows:

	Construction	Concession	Total
	€000	€000	€000
Maturing within one year	70,000	30,000	100,000
Maturing between one and five years	30,000	50,000	80,000
Maturing after five years	–	250,000	250,000
Total	**100,000**	**330,000**	**430,000**

Commentary

This information is not specifically required by IFRS. However, a survey conducted by Ernst & Young of twenty leading construction companies revealed that about half of them disclose information about the order book in directors' report and analysts information. To promote consistency, we have illustrated how this disclosure may be provided.

31. Commitments and contingencies *continued*

The Group has commitments in respect of construction contracts and concessions as follows:

	Construction €000	Concession €000	Total €000
Committed and contracted	20,000	25,000	45,000
Committed but not contracted	70,000	100,000	170,000
Total	**90,000**	**125,000**	**215,000**

Commentary

This information is not required by IFRS. There is a rebuttable assumption that commitments in the ordinary course of contract business need not to be disclosed, unless leading to an onerous contract. However, given the importance of liquidity management, we have illustrated how this disclosure may be provided.

32. Financial risk management objectives and policies

IFRS 7.33

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds available-for-sale investments and enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Financial market risk

IFRS 7.33

Financial market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments.

IFRS 7.40

The sensitivity analyses in the following sections relate to the position as at 31 December in 2011 and 2010.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2011.

The analyses exclude the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and on the non-financial assets and liabilities of foreign operations.

The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2011 and 2010 including the effect of hedge accounting

The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign subsidiary at 31 December 2011 for the effects of the assumed changes of the underlying.

32. Financial risk management objectives and policies *continued*

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group's policy is to keep between 40% and 60% of its borrowings at fixed rates of interest and excluding borrowings that relate to discontinued operations. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2011, after taking into account the effect of interest rate swaps, approximately 43% of the Group's borrowings are at a fixed rate of interest (2010: 60%).

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows. There is only an immaterial impact on the Group's equity.

IFRS 7.40(a)

	Increase/decrease in basis points	**Effect on profit before tax**
		€000
2011		
Euro	+45	(48)
US dollar	+60	(13)
Euro	-45	33
US dollar	-60	12
2010		
Euro	+10	(19)
US dollar	+15	–
Euro	-10	12
US dollar	-15	–

The interest rate sensitivity analysis, which is based on the current observable market data, shows a significantly higher volatility compared to the prior year.

Foreign currency risk

IFRS 7.33
IFRS 7.40(b)

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 24-month period. Transactions that are certain are hedged without any limitation in time.

Where the nature of the hedge relationship is not an economic hedge, it is the Group's policy to negotiate the terms of the hedging derivatives to match the terms of the underlying hedge items to maximise hedge effectiveness.

The Group hedges its exposure to fluctuations on the translation into euro of its foreign operations by holding net borrowings in foreign currencies and by using foreign currency swaps and forwards.

At 31 December 2011 and 2010, the Group hedged 75% and 70% of its foreign currency sales for which firm commitments existed at the reporting date, respectively.

32. Financial risk management objectives and policies *continued*

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives) and the Group's equity (due to changes in the fair value of forward exchange contracts designated as cash flow hedges and net investment hedges). The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in US$ rate	Effect on profit before tax	Effect on equity
		€000	**€000**
2011	+9%	(30)	(154)
	-9%	20	172
2010	+8%	(40)	(146)
	-8%	40	158

IFRS 7.40(a)

The movement on the post-tax effect is a result of a change in the fair value of derivative financial instruments not designated in a hedging relationship and monetary assets and liabilities denominated in US dollars, where the functional currency of the entity is a currency other than US dollars. Although the derivatives have not been designated in a hedge relationship, they act as a commercial hedge and will offset the underlying transactions when they occur.

The movement on equity arises from changes in US dollar borrowings (net of cash and cash equivalents) in the hedge of net investments in US operations and cash flow hedges. These movements will offset the translation of the US operations' net assets into euro.

Commodity price risk

The Group is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase of bitumen. Due to the significantly increased volatility of the price of the underlying, the Group's Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation.

Based on a 12-month forecast about the required steel supply the Group hedges the purchase price using forward commodity purchase contracts. The forecast is deemed to be highly probable.

Commodity price sensitivity

The following table shows the effect of price changes from steel after the impact of hedge accounting.

	Change in year end price	Effect on profit before tax	Effect on equity
2011		**€000**	**€000**
Steel	+15%	(220)	(585)
	-15%	220	585

IFRS 7.40(a)

Infrastructure risk

The Group operates various concessions. The value hereof and any potential impairment is significantly dependent on trends of traffic on motorways and airports.

IFRS 7.33(b)

32. Financial risk management objectives and policies *continued*

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

IFRS 7.33(a)

IFRS 7.40

At the reporting date, the exposure to unlisted equity securities at fair value was €1,038,000. A change of 10% in the overall earnings stream of the valuations performed could have an impact of approximately €120,000 on the equity of the Group.

At the reporting date, the exposure to listed equity securities at fair value was €337,000. A decrease of 10% on the NYSE market index could have an impact of approximately €55,000 on the income or equity attributable to the Group, depending on whether or not the decline is significant or prolonged. An increase of 10% in the value of the listed securities would impact equity, but would not have an effect on profit or loss.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and loan notes) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating scorecard. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other form of credit insurance. At 31 December 2011, the Group had 55 customers (2010: 65 customers) that owed the Group more than €250,000 each and accounted for approximately 71% (2010: 76%), of all receivables owing. There were five customers (2009: seven customers) with balances greater than €1 million accounting for just over 17% (2010: 19%) of total amounts receivable. The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables is grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 17. The Group does not hold collateral as security.

Financial instruments and cash deposits

IFRS 7.33
IFRS 7.36

Credit risk from balances with banks and financial institutions is managed by Group's treasury in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2011 and 2010 is the carrying amounts as illustrated in Note 17 except for financial guarantees and derivative financial instruments. The Group's maximum exposure for financial guarantees and financial derivative instruments are noted in Note 31 and in the liquidity table below, respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool.

IFRS 7.33
IFRS 7.39(b)

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts. The Group's policy is that not more than 35% of borrowings should mature in the next 12 month period. 12.1% of the Group's debt will mature in less than one year at 31 December 2011 (2010: 15.6%) based on the carrying value of borrowings reflected in the financial statements, excluding discontinued operations.

32. Financial risk management objectives and policies *continued*

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

IFRS 7.39(a)

Year ended 31 December 2011	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000	€000
Interest-bearing loans and borrowings	966	21	1,578	10,554	8,000	21,119
Convertible preferred shares	–	–	–	676	2,324	3,000
Other liabilities	–	–	–	150	–	150
Amounts due from customers for contract work	5,535	15,497	1,107			22,139
Trade and other payables	1,620	1,121	1,170	–	–	3,911
Financial guarantee contracts	87	–		–		87
Financial derivatives	2,244	2,965	391	1,191	1,329	8,120
	10,452	19,604	4,246	12,571	11,653	58,526

Year ended 31 December 2010	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000	€000
Interest-bearing loans and borrowings	2,650	18	133	8,872	11,600	23,273
Amounts due from customers for contract work	4,858	13,602	972			19,432
Trade and other payables	1,321	879	2,056	–	–	4,256
Other liabilities	–	–	–	202	–	202
Convertible preferred shares	–	–	–	624	2,376	3,000
Financial guarantee contracts	49	–	–	–	–	49
Financial derivatives	549	1,255	–	–	–	1,804
	9,427	15,754	3,161	9,698	13,976	52,016

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying amounts.

IFRS 7.39(a)

Year ended 31 December 2011	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000	€000
Inflows	800	1,000	250	700	950	3,700
Outflows	(2,244)	(2,965)	(391)	(1,191)	(1,329)	(8,120)
Net	(1,444)	(1,965)	(141)	(491)	(379)	(4,420)
Discounted at the applicable interbank rates	(1,444)	(1,955)	(139)	(463)	(343)	(4,344)

Year ended 31 December 2010	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000	€000
Inflows	500	1,000	–	–	–	1,500
Outflows	(550)	(1,254)	–	–	–	(1,804)
Net	(50)	(254)	–	–	–	(304)
Discounted at the applicable interbank rates	(50)	(254)	–	–	–	(304)

32. Financial risk management objectives and policies *continued*

Capital management

IAS 1.134
IAS 1.135

The directors consider that capital includes net debt, convertible preference shares and equity attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

The Group monitors capital using a gearing ratio, which is total capital divided by net debt. The Group's policy is to keep the gearing ratio between 35% and 50%. The Group includes within net debt, interest bearing loans and borrowings, loan from venture partner, trade and other payables, less cash and cash equivalents, excluding discontinued operations.

IAS 1.134

	2011	**2010**
	€000	**€000**
Interest-bearing loans and borrowings (Note 17)	285,289	208,057
Trade and other payables (Note 29)	3,911	4,256
Less cash and short-term deposits (Note 22)	(16,460)	(14,916)
Net debt	**272,740**	**197,397**
Convertible preference shares (Note 17)	2,778	2,644
Equity	62,482	48,248
Total capital	65,260	50,892
Capital and net debt	**338,000**	**248,289**
Gearing ratio	81%	79%

Commentary

IAS 1.134 and IAS 1.135 require entities to make qualitative and quantitative disclosures regarding their objectives, policies and processes for managing capital. The Group has disclosed a gearing ratio as this is the measure it uses to monitor capital. The Group considers both capital and net debt as relevant components of funding, and hence, part of its capital management. However, other measures or a different type of gearing ratio may be more suitable for other entities.

Collateral

IAS 7.48
IFRS 7.14
IFRS 7.38

The Group has pledged part of its short-term deposits in order to fulfil the collateral requirements for the hedging derivatives in place. At 31 December 2011 and 2010, the fair values of the short-term deposit pledged were €5 million and €2 million, respectively. The counterparties have an obligation to return the securities to the Group. There are no other significant terms and conditions associated with the use of collateral.

IFRS 7.15

The Group did not hold collateral at 31 December 2011 and 2010.

33. Events after the reporting period

IAS 10.21
IAS 10.10

On 14 January 2012, a building with a net book value of €1,695,000 was severely damaged by flooding. It is expected that insurance proceeds will fall short of the costs of rebuilding.

Appendix 1 – Consolidated statement of comprehensive income (example of a single statement)

for the year ended 31 December 2011

IAS 1.10(b)
IAS 1.51(b)(c)
IAS 1.81(a)

Commentary

The Group presents the income statement in two separate statements. For illustrative purposes, the income statement is presented as a single statement of comprehensive income in this appendix.

	Notes	2011 €000	2010 €000	*IAS 1.10(b), IAS 1.51(b)(c) IAS 8.28 IAS 1.51(d)(e)*
Continuing operations				
Revenue		**217,626**	**197,762**	*IAS 1.82(a)*
Cost of sales		(173,691)	(165,268)	*IAS 1.103*
Gross profit		**43,935**	**32,494**	*IAS 1.85, IAS 1.103*
Other operating income	9.1	1,585	2,548	*IAS 1.103*
Selling and distribution costs		(4,000)	(3,002)	*IAS 1.103*
Administrative expenses		(19,823)	(13,657)	*IAS 1.103*
Other operating expenses	9.2	(1,153)	(706)	*IAS 1.103*
Operating profit		**20,544**	**17,677**	*IAS 1.82(a)*
Finance costs	9.3	(13,677)	(9,761)	*IAS 1.82(b), IFRS 7.20*
Finance income	9.4	4,955	3,065	*IAS 1.82(a)*
Share of profit of an associate	7	83	81	*IAS 1.82(c), IAS 28.38*
Profit before tax from continuing operations		**11,905**	**11,062**	*IAS 1.85*
Income tax expense	10	(3,800)	(3,492)	*IAS 1.82(d), IAS 12.77*
Profit for the year from continuing operations		**8,105**	**7,570**	*IAS 1.85*
Discontinued operations				
Profit/(loss) after tax for the year from discontinued operations	11	220	(188)	*IAS 1.82(e), IFRS 5.33(a)*
Profit for the year		**8,325**	**7,382**	*IAS 1.82 (f)*
Net gain on hedge of net investment		195	–	
Exchange differences on translation of foreign operations		(246)	(117)	
Net movement on cash flow hedges		(512)	24	
Net (loss)/gain on available-for-sale financial assets		(42)	2	
Actuarial gains and losses		217	(281)	
Revaluation of land and buildings		592	–	
Other comprehensive income for the year, net of tax		**204**	**(372)**	*IAS 1.85*
Total comprehensive income for the year, net of tax		**8,529**	**7,010**	*IAS 1.82(i)*
Profit attributable to:				
Equity holders of the parent		8,037	7,413	*IAS 1.83(a)(ii)*
Non-controlling interests		288	239	*IAS 1.83(a)(i), IAS 27.27*
		8,325	**7,382**	
Total comprehensive income attributable to:				
Equity holders of the parent		8,241	6,771	*IAS 1.83(b)(ii)*
Non-controlling interests		288	239	*IAS 1.83(b)(i), IAS 27.27*
		8,529	**7,010**	
Earnings per share	12			*IAS 33.66*
▶ basic, profit for the year attributable to ordinary equity holders of the parent		€0.39	€0.37	
▶ diluted, profit for the year attributable to ordinary equity holders of the parent		€0.38	€0.37	
Earnings per share for continuing operations				
▶ basic, profit from continuing operations attributable to ordinary equity holders of the parent		€0.38	€0.38	
▶ diluted, profit from continuing operations attributable to ordinary equity holders of the parent		€0.37	€0.38	

Appendix 1 – Consolidated statement of comprehensive income (example of a single statement)

Commentary

The Group presents for illustrative purposes, the disclosure of a single statement of comprehensive income in this Appendix.

The different components of comprehensive income are presented on a net basis in the statement above. Therefore, an additional note is required to present the amount of reclassification adjustments and current year gains or losses. Alternatively, the individual components could have been presented within the statement of comprehensive income.

In this Appendix, the Group illustrates the presentation of the income tax effects on other comprehensive income on a net basis. Therefore, additional note disclosures would be required, which have not been illustrated.

Appendix 2 – Consolidated income statement (example of expenses disclosed by nature)

for the year ended 31 December 2011

IAS 1.10(b)
IAS 1.51(b)(c)

Commentary

The Group presents the income statement disclosing expenses by function. For illustrative purposes, the income statement disclosing expenses by nature is presented in this Appendix.

	Notes	2011 €000	2010 €000	
				IAS 1.51(d)(e)
Continuing operations				
Construction contracts		126,495	112,875	*IAS 18.35(b)(i)*
Concession arrangements		70,667	67,998	
Inventory sales	9.1	20,464	16,889	*IAS 18.35(b)(ii)*
Revenue		217,626	197,762	*IAS 1.82(a)*
Other operating income	9.1	1,585	2,548	*IAS 1.103*
Changes in inventories of finished goods and work in progress		386	338	*IAS 1.103*
Raw materials and consumables used		(147,406)	(133,497)	*IAS 1.103*
Employee benefits expense	9.6	(44,019)	(43,853)	*IAS 1.103*
Depreciation, amortisation and goodwill impairment	9.5	(6,475)	(4,614)	*IAS 1.103*
Impairment of property plant and equipment and other intangible assets		–	(301)	
Other expenses	9.2	(1,153)	(706)	*IAS 1.103*
Finance costs	9.3	(13,677)	(9,761)	*IAS 1.82(b)*
Finance income	9.4	4,955	3,065	*IAS 1.82(a)*
Share of profit of an associate	7	83	81	*IAS 1.82(c)*
Profit before tax from continuing operations		**11,905**	**11,062**	*IAS 1.85*
Income tax expense	10	(3,800)	(3,492)	*IAS 1.82(d)* *IAS 12.77*
Profit for the year from continuing operations		**8,105**	**7,570**	*IAS 1.85*
Discontinued operation				
Profit/(loss) after tax for the year from discontinued operations	11	220	(188)	*IAS 1.82(e)* *IFRS 5.33(a)*
Profit for the year		**8,325**	**7,382**	*IAS 1.82(f)*
Attributable to:				
Equity holders of the parent		8,037	7,143	*IAS 1.83(a)(ii)*
Non-controlling interests		288	239	*IAS 1.83(a)(i)*
		8,325	**7,382**	
Earnings per share	12			*IAS 33.66*
▸ basic profit for the year attributable to ordinary equity holders of the parent		€0.39	€0.37	
▸ diluted profit for the year attributable to ordinary equity holders of the parent		€0.38	€0.37	
Earnings per share for continuing operations				
▸ basic profit from continuing operations attributable to ordinary equity holders of the parent		€0.38	€0.38	
▸ diluted profit from continuing operations attributable to ordinary equity holders of the parent		€0.37	€0.38	

Appendix 3 – Consolidated statement of cash flows – direct method

for the year ended 31 December 2011

Commentary

IAS 7.18 allows entities to report cash flows from operating activities using either the direct method or the indirect method. The Group presents cash flows using the indirect method. However, the statement of cash flows prepared using the direct method for operating activities is presented in this Appendix for illustrative purposes.

IAS 7.33 permits interest paid to be shown as operating or financing activities and interest received to be shown as operating or investing activities, as deemed relevant for the entity. The Group has decided to classify interest received as cash flows from operating activities.

	Notes	2011 €000	2010 €000	*IAS 1.10(d)* *IAS 1.51(b)(c), IAS 7.10* *IAS 1.51(d)(e)*
Operating activities				*IAS 7.18(a)*
Receipts from customers		235,554	239,976	
Other payments to suppliers and employees		(212,967)	(221,183)	
Payments from concessions — finance receivables		(31,680)	1,802	
Payments for concessions — intangible assets	14	(47,380)	(42,860)	
Interest received		3,656	3,066	*IAS 7.31*
Income tax paid		(3,759)	(3,379)	*IAS 7.35*
Net cash flows from operating activities		**(56,576)**	**(22,578)**	
Investing activities				*IAS 7.21*
Proceeds from sale of property and equipment		1,990	2,319	*IAS 7.16(b)*
Purchase of property and equipment		(10,655)	(7,822)	*IAS 7.16(a)*
Purchase of financial instruments		(1,893)	–	*IAS 7.16(c)*
Proceeds from available-for-sale investments		–	344	
Purchase of other intangible assets		(587)	(390)	*IAS 7.16(a)*
Acquisition of a subsidiary, net of cash acquired	5	(402)	(1,450)	*IAS 7.39*
Receipt of government grant	26	2,951	642	
Net cash flows used in investing activities		**(8,596)**	**(6,357)**	
Financing activities				*IAS 7.21*
Proceeds from exercise of share options	23	25	70	*IAS 7.17(a)*
Acquisition of non-controlling interest	5	(325)	0	
Transaction costs of issue of shares	23	(32)	0	
Payment of finance lease liabilities		(51)	(76)	*IAS 7.17(e)*
Proceeds from borrowings (including non-recourse loans)		85,781	45,973	*IAS 7.17(c)*
Repayment of borrowings		(1,806)	(1,784)	*IAS 7.17(d)*
Interest paid		(11,939)	(9,523)	*IAS 7.31*
Dividends paid to equity holders of the parent	24	(1,972)	(1,600)	*IAS 7.31*
Dividends paid to non-controlling interests		(30)	(49)	*IAS 7.31*
Net cash flows from financing activities		**69,651**	**33,011**	
Net increase in cash and cash equivalents		**4,479**	**4,076**	
Net foreign exchange difference		43	(126)	*IAS 7.28*
Cash and cash equivalents at 1 January	22	**12,266**	**8,316**	
Cash and cash equivalents at 31 December	22	**16,788**	**12,266**	*IAS 7.45*

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