

Notes continued

for the 12 months to 31 December 2016

33. CONTINGENT LIABILITIES

Bank guarantees, insurance bonds and letters of credit

Indemnities given by third parties on behalf of controlled entities and equity accounted investments are as follows:

	December 2016 \$m	December 2015 \$m
Bank guarantees	2,815.8	1,982.5
Insurance, performance and payment bonds	958.2	898.5
Letters of credit	193.6	262.9

Included in the table above are amounts where the Group has indemnified performance and payment bonds in respect of all of the Group's joint ventures and associates in the normal course of business totalling \$1,014.4 million (31 December 2015 \$547.1 million).

Letters of credit include those provided for the Group's capital commitments totalling \$80.3 million (31 December 2015: \$3.3 million).

Other contingencies

- i) The Group is called upon to give, in the ordinary course of business, guarantees and indemnities in respect of the performance by controlled entities, associates and related parties of their contractual and financial obligations. The value of these guarantees and indemnities is indeterminable in amount.
- ii) There exists in some entities within the Group the normal design liability in relation to completed design and construction projects.
- iii) Certain entities within the Group have the normal contractor's liability in relation to construction contracts. This liability may include litigation by or against the Group and / or joint arrangements in which the Group has an interest. It is not possible to estimate the financial effect of these claims should they be successful. The Directors are of the opinion that adequate allowance has been made and that disclosure of any further information about the claims would be prejudicial to the interests of the Group.
- iv) Controlled entities have entered into joint arrangements under which the controlled entity may be jointly and severally liable for the liabilities of the joint arrangement.
- v) Under the terms of the Class Order described in Note 38: *CIMIC Group Limited and controlled entities*, the Company has entered into approved deeds of indemnity for the cross-guarantee of liabilities with participating Australian subsidiary companies.
- vi) On 13 February 2012, the Company announced to the ASX that it had reported to the Australian Federal Police ("AFP") a possible breach by employees within the Leighton International business of its Code of Ethics that, if substantiated, may have contravened Australian laws. The AFP is investigating the CIMIC Group's international operations. In November 2013, ASIC made public statements about its cooperation with the AFP in the AFP's investigation. On 28 March 2014, ASIC informed the Senate Estimates Committee that it had commenced a formal investigation into potential breaches of the Corporations Act relating to a number of matters being investigated by the AFP.

The Company is cooperating with the AFP and ASIC investigations. The Company does not know when the investigations will be concluded.

- vii) On 7 October 2013, the Company announced to the ASX that it had been made aware of proceedings relating to an alleged failure to disclose the report to the AFP (referred to in (vi) above) which commenced on 4 October 2013. On 14 April 2015 the proceedings were stayed by the Victorian Supreme Court and on 7 September 2015 the Victorian Court of Appeal dismissed the plaintiff's appeal of that decision and permanently stayed the proceedings. In any event, the plaintiff has in the interim commenced nearly identical proceedings in relation to the same subject matter. The Company continues to deny the claim and is defending the proceedings.